COVER SHEET

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SEC Registration Number

SHANG PROPERTIES, INC.

(Company's Full Name)

5TH LEVEL SHANGRI-LA PLAZA MALL
EDSA CORNER SHAW BOULEVARD
MANDALUYONG CITY

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

ATTY. FEDERICO G. NOEL, JR.
(Contract Person)

635-8300
(Company Telephone Number)

1 2 | 3 1
Month | Day
(Fiscal Year)

1 7 - A
(Form Type)

Month | Day
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic | Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended: **31 December 2016**

2. SEC Identification Number: **145490** 3. BIR Tax Identification No. **000-144-386**

4. Exact name of Issuer as specified in its charter: **SHANG PROPERTIES, INC.**

5. **Philippines**
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

7. **Level 5, Administration Offices, Shangri-La Plaza Mall**
EDSA corner Shaw Boulevard, Mandaluyong City **1550**
Address of principal office Postal Code

8. **(632) 370-2700**
Issuer's telephone number, including area code

9. **N / A**
Former name, former address, and former fiscal year, if changed since last report.

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	**4,764,056,287** common shares (* not included are the Issuer's 2,695 treasury shares)

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

Yes [**X**] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:
Philippine Stock Exchange **Common Shares**

12. Check whether the Issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the Issuer was required to file such reports);

Yes [**X**] No [ ]

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

Yes [**X**] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the Issuer. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such

stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

The aggregate market value of the voting stock held by non-affiliates of the Issuer as of 31 March 2017:
6,686,186,624.82.

Assumptions:

(a)	Total no. of shares held by non-affiliates as of 31 March 2017	:	**1,972,326,438**
(b)	Closing price of the Issuer's shares on the Exchange on 31 March 2017	:	₱3.39
(c)	Aggregate market price of (a) as of 31 March 2017	:	**6,686,186,624.82**

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

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

Yes [ ]   No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) Any annual report to security holders;

(b) Any information statement filed pursuant to SRC Rule 20;

(c) Any prospectus filed pursuant to SRC Rule 8.1.

None of the above documents are incorporated herein by reference.

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. **<u>Business</u>**

Furnish the information required by Part I, Paragraph (A) of "Annex C, as amended".

(a) Description of Business

(1) Business Development

The Issuer was first incorporated on 21 October 1987. It was initially named the Shangri-La Properties, Inc., then MUI Resources Philippines, Inc., then Edsa Properties Holdings Inc. [EPHI], before its present name Shang Properties, Inc. Since its incorporation, it has not been the subject of any bankruptcy, receivership or similar proceedings. For the last three years prior to the submission of this 2013 Annual Report and to date, Issuer has not also undergone any material reclassification, or purchase or sale of a significant amount of assets not classified as ordinary.

In the years prior this Annual Report, the significant developments in Issuer's business are as follows:

On 28 May 2008, Shang Global City Properties, Inc., of which Issuer's subsidiary Shang Global City Holdings, Inc., is an equity holder to the extent of 40%, entered into a Deed of Absolute Sale with Fort Bonifacio Development Corporation ("FBDC"), for the purchase of a 15,120 sqm. parcel of land within the development in Taguig City, Philippines, known as the Bonifacio Global City. A luxury hotel and condominium development is envisioned to be constructed on this property.

On 30 June 2008, the Issuer and its wholly-owned subsidiary, Shang Fort Bonifacio Holdings, Inc. (SFBHI), entered into a Shareholders' Agreement (Agreement) with Oceans Growth Limited (OGL), a subsidiary of Shangri-La Asia Limited (SA), and Alphaland Corporation (AC). Under the Agreement, SFBHI shall cause its wholly-owned subsidiary, Fort Bonifacio Shangri-La Hotel, Inc. (FBSHI) to issue 5,000 common shares to OGL and 2,500 common shares to AC such that upon completion of the issuance to, and, subscription by OGL and AC, FBSHI shall become a joint venture company with the following ownerships structure:

SFBHI	-	40%
OGL	-	40%
AC	-	20%
		100%

On 02 April 2014, the Issuer's wholly owned subsidiaries, Shang Global City Holdings, Inc., and Shang Fort Bonifacio Holdings, Inc., acquired Alphaland Development, Inc.'s Twenty Per Cent (20%) equity in Shang Global City Properties, Inc., and Fort Bonifacio Shangri-La Hotel, Inc.

On 02 September 2014, the SEC approved the merger between Shang Global City Properties, Inc., and Fort Bonifacio Shangri-La Hotel, Inc., with Shang Global City Properties, Inc., as the surviving entity.

On 09 November 2009, the Issuer entered into a Memorandum of Agreement with its subsidiary Shang Properties Realty Corporation ("SPRC") (formerly, The Shang Grand Tower Corporation), wherein Issuer agreed with SPRC to develop a portion of Issuer's Property located at Edsa cor. Shaw Blvd., Mandaluyong City, into another commercial / retail building ("Project") comprised of a shopping mall, parking facilities, and high-rise residential condominium building to be known as "One Shangri-La Place". Under the MOA, Issuer commits to transfer a portion of its Property where the Project will be constructed, and to contribute up to PHP TWO BILLION FIVE HUNDRED MILLION and 00/100 (PHP2,500,000,000.00) to partially fund the construction of the Project. SPRC, for its part, will put up the rest of the funding required for the construction of the Project. On 20 September 2013, Shang Properties Realty Corporation purchased the Property from Issuer.

On 31 March 2011, Issuer's subsidiary, Shang Property Developers, Inc. executed a Deed of Absolute Sale with Asian Plaza I Condominium Corporation and Asian Plaza, Inc. (both are Filipino corporations), for the purchase of the mixed use condominium project known as the Asian Plaza I and the parcel of land of which said project stands, for a consideration of **PHP SIX HUNDRED FIFTEEN MILLION and 00/100 (PHP615,000,000.00).** The Asian Plaza I is located at the corner of Gil Puyat Ave., Tordesillas St. and H. V. de la Costa St., Salcedo village, Makati City.

On 27 June 2011, Issuer purchased L'Hirondelle Holdings, Inc.'s 50million common shares and 270million preferred shares in Shangri-La Plaza Corporation ("SLPC") (representing 21.28% equity in SLPC), for a total consideration of P450,000,000.00. Said sale increased Issuer's equity in SLPC from 78.72 % previously to 100%, making SLPC a wholly-owned subsidiary of Issuer. SLPC owns and operates the mall establishment known as the Shangri-La Plaza which is located in Mandaluyong City.

As noted above, on 02 September 2014, the SEC approved the merger between Shang Global City Properties, Inc., and Fort Bonifacio Shangri-La Hotel, Inc., with Shang Global City Properties, Inc., as the surviving entity. Other than this merger, Issuer's other subsidiaries have not undergone any material reclassification, merger, consolidation or purchase or sale of a significant amount of assets not classified as ordinary.

Business of Issuer

(A) Description of Issuer

(i) The Issuer is a property development, real estate management and investment holding company. It is publicly subscribed and was listed in the Philippine Stock Exchange in April 1999. Its significant and active subsidiaries are as follows:

- Shangri-La Plaza Corporation (100% owned by Issuer);

- SPI Parking Services, Inc. (formerly EDSA Parking Services, Inc.) (100 % owned by Issuer); and
- Shang Properties Realty Corporation (formerly, The Shang Grand Tower Corporation (100 % owned by Issuer)
- EPHI Logistics Holdings, Inc. (60% owned by Issuer)
- Shang Global City Holdings, Inc. (100% owned by Issuer)
- Shang Fort Bonifacio Holdings, Inc. (100% owned by Issuer)
- Shang Property Management Services Corporation (formerly EPHI Project Management Services Corporation) (100% owned by Issuer)
- KSA Realty Corporation (70.04% owned by Issuer)
- Shang Property Developers, Inc. (100% owned by Issuer)
- Shang Global City Properties, Inc. (60% owned through the Issuer's wholly owned subsidiaries Shang Global City Holdings, Inc., and Shang Fort Bonifacio Holdings, Inc.)
- The Rise Development Company, Inc. (100% owned through Issuer's wholly owned subsidiary KPPI Realty Corporation)
- Shang Wack Wack Properties, Inc. (100% owned by Issuer)
- Classic Elite Holdings, Ltd. (100% owned by Issuer)

Shangri-La Plaza Corporation was incorporated on 06 January 1993 to invest in, purchase, own, hold, lease and operate the Shangri-La Plaza Shopping Complex located at Mandaluyong City, Philippines. Its primary business is leasing. The Shangri-La Plaza Shopping Complex houses Rustan's department store, theater, cinema, restaurants, fast-food outlets, boutiques and specialty stores. Its tenants are leading international and local retailers such as Marks & Spencer, Escada, Hugo Boss, Rustan's, Zara, Debenham's, Armani, etc., which caters to the upscale market.

SPI Parking Services, Inc. ("SPSI") was incorporated on 14 November 2001 to own and/or manage and operate carpark facilities including those surrounding the Shangri-La Plaza Shopping Complex, and to render such other services as may be related or incidental to the management and operation of said carpark facilities.

The Shang Properties Realty Corporation (formerly, The Shang Grand Tower Corporation) was incorporated on 20 August 2003 as a realty development company. It constructed The Shang Grand Tower, a high rise luxury condominium at the heart of the Makati Commercial Business District. It is also the owner and developer of The St. Francis - Shangri-La Place, a two-tower high rise residential condominium located in Ortigas, Mandaluyong City. It is also the owner and developer of One Shangri-La Place, a mixed use high rise development located at Edsa cor. Shaw Blvd., Mandaluyong City.

EPHI Logistics Holdings, Inc., was incorporated on 20 August 2002 as a holding company.

Shang Global City Holdings, Inc., was incorporated on 11 December 2007 as a holding company.

Shang Fort Bonifacio Holdings, Inc., was incorporated on 11 December 2007 as a holding company.

Shang Property Management Services Corporation was incorporated on 10 October 2006 for the purpose, among others, of acting as managing agents or administrators of Philippine corporations with respect to their business or properties.

KSA Realty Corporation was incorporated on 03 August 1990 as a realty development company. It owns The Enterprise Center, one of the most modern and luxurious office buildings in the country which is located at the heart of the Makati Central Business District. On 15 June 2016, the Issuer purchased from Ocmador Philippines. B.V., the latter's 241,580 common shares of stock of KSA Realty Corporation, bringing Issuer's stock ownership to 70.04%.

Shang Property Developers, Inc. which was incorporated on 17 December 2010 as a realty development company. It is the owner and developer of the Shang Salcedo Place, a residential condominium located in Sen. Gil Puyat Ave. cor. Tordesillas St., H.V. de la Costa St., Salcedo Village, Makati City. It is slated for completion in 2015.

Shang Global City Properties, Inc., was incorporated on 13 December 2007. By virtue of the SEC approved merger between Shang Global City Properties, Inc. and Fort Bonifacio Shangri-La Hotel, Inc., Shang Global City Properties, Inc., is now the owner and developer of the hotel and residential development known as Shangri-La at the Fort. The residential component of the development has commenced pre-selling.

The Rise Development Company, Inc., is in a joint venture with Vivelya Development Company, Inc., for the development of a mixed use development to be known as The Rise, located in Malugay St., San Antonio Village, Makati.

Shang Wack Wack Properties, Inc., was incorporated on 13 January 2016 as a realty development company.

Classic Elite Holdings, Ltd., a British Virgin Islands Company, and recently incorporated, is a holding company. It is a wholly owned non-resident foreign corporation through which Issuer may explore possible off-shore investment opportunities aligned with Issuer's business objectives/purposes.

(ii) Issuer's subsidiary, Shang Properties Realty Corporation (formerly, The Shang Grand Tower Corporation) and Shang Property Developers, Inc. sold units of the condominium development The St. Francis Shangri-La Place to non-resident Filipinos and foreigners, but not exceeding 40% of the total no. of units. It has been selling units of the One Shangri-La Place, its latest condominium development, but subject to the limitation that not more than 40% of the total number of units shall be sold to foreigners. Issuer's subsidiary Shang Property Developers Inc. has also started selling units to its residential condominium development, Shang Salcedo Place, sales for which are also subject to the 40% alien ownership limitation.

(iii) This is not applicable to the Issuer. It is primarily a holding company and therefore has no direct distribution methods of products and services.

(iv) Neither the Issuer nor its subsidiaries have new products or services which may be described as requested in this particular section.

(v) Insofar as the Issuer's competitors are concerned, the Issuer's competitors are upper middle to high end real estate companies who are involved in property development such as Ayala Land and Megaworld. Issuer can and will be able to compete in the property development industry because of its strong financial position, international expertise and strong brand position. For the Shangri-La Plaza Corporation, its competitors are entities operating similar upscale malls such as Rockwell, Podium, and Greenbelt 3. The Shangri-La Plaza Corporation is not threatened by competition where it is the only truly upscale commercial complex in its geographic location, and where it is continuously upgrading its facilities in order to cater to its upscale market. SPSI's competitors are those entities who are into carpark management and operation. SPSI is in a healthy financial position and has the expertise to efficiently and viably operate its carpark facilities.

(vi) This section on raw materials and suppliers is not applicable to the Issuer nor to its subsidiaries by reason of the nature of their businesses as herein described.

(vii) Neither the Issuer nor its subsidiaries operations and businesses are dependent on a single customer, the loss of which would have a material adverse effect on the Issuer and its subsidiaries taken as a whole, by reason of the nature of their businesses as described herein.

(viii) On transactions with and/or dependence on related parties:

With Issuer's subsidiaries:

a. With Shangri-La Plaza Corporation (SLPC)

i) A portion of the Issuer's land where the Shangri-La Plaza Mall is located is being leased to SLPC. The lease is for a period of twenty five (25) years from 06 January 1993. Rental income is calculated at 10% of SLPC's annual rental income from mall operations plus a certain percentage of the carpark's net income.

ii) Issuer's subsidiary Shang Properties Realty Corporation and SLPC have in turn entered into an agreement whereby SLPC shall lease said mall facility from Issuer of a period of five (5) years commencing on September 2012, renewable upon mutual agreement of the Parties. Rental income is calculated at 12% of SLPC's annual rental income from mall operations.

b. With SPI Parking Services, Inc. (SPSI)

On 16 January 2002, the Issuer entered into an agreement with SLPC and SPSI. Under the terms and conditions of the agreement, SPSI will be granted limited usufructuary rights over the Issuer's parking spaces for a consideration equivalent to a certain percentage of SPSI's gross income less direct and indirect expenses. The agreement has been renewed annually and subsists to date.

c. With Shang Properties Realty Corporation (formerly, The Shang Grand Tower Corporation)

On May 8, 2005, the Issuer entered into a Memorandum of Agreement ("MOA") with Shang Properties Realty Corporation ("SPRC") whereby Issuer, as registered owner of a parcel of land located along St. Francis Road cor. Internal Road, Shangri-La Complex, Mandaluyong City ("Property"), agreed with SPRC for the latter to develop the Property into a two-tower high rise residential condominium to be known as The St. Francis Shangri-La Place ("Project"). SPRC shall provide the funding for the Project which was completed in 2009.

The MOA, among others, provides that Issuer, as the owner of the Property, commits to transfer the same, free from all liens and encumbrances, in favor of the Condominium Corporation that will be incorporated upon the completion of the Project. Pending the transfer of the Property to the Condominium Corporation, Issuer shall allow the use of the Property for the construction of the Project, subject to the terms and conditions hereinafter stipulated. SPRC shall provide funding for the construction of the Project. It is the intention of the Parties to allocate the resulting units in the Project between them, with each party taking ownership and possession of its respective allocated units ("Allocated Units"), with full power and discretion on the disposition of the same, subject only the pertinent conditions hereunder contained. The allocation between the Parties of the Net Saleable Area shall be at the ratio of twenty percent (20%) to Issuer and eighty percent (80%) to SPRC subject to adjustment based on mutual agreement of the Parties. The actual designation of the Parties' respective Allocated Units shall be determined upon completion of the final plans and shall be incorporated in a supplemental agreement to be executed by the Parties. The Parties also agreed that Seventy Five (75) contiguous parking slots shall be allocated to the Issuer. The allocation of the remaining parking slots net of the 75 slots allocated to Issuer shall be eighty percent (80%) to SPRC and twenty percent (20%) to Issuer subject to adjustment based on mutual agreement of the Parties. The actual designation of the parking slots shall be determined upon completion of the final plans and shall be incorporated in a supplemental agreement to be executed by the Parties.

On 09 November 2009, the Issuer entered into a Memorandum of Agreement with its subsidiary Shang Properties Realty Corporation ("SPRC") (formerly, The Shang Grand Tower Corporation), wherein Issuer agreed with SPRC to develop a portion of Issuer's Property located at Edsa cor. Shaw Blvd., Mandaluyong City, into another commercial / retail building ("Project") comprised of a shopping mall, parking facilities, and high-rise residential condominium building to be known as "One Shangri-La Place". This MOA was rescinded by the Parties on 20 September 2013, wherein SPRC purchased the land from Issuer to become both the landowner and developer of the Project.

<u>With Issuer's affiliates:</u>

a. Edsa Shangri-La Hotel & Resort, Inc.

The Issuer leased a portion of its land to an affiliate, Edsa Shangri-La Hotel & Resort, Inc., where the latter's Edsa Shangri-La Hotel is located. The lease is for a period of twenty five (25) years commencing on 28 August 1992, renewable for another twenty five years at the option of the lessee. Rental income is computed on a fixed percentage of the Hotel's room, food and beverage, dry goods and other service payments.

b. With other affiliates:

On 1 January 2001, the Issuer entered into a cost sharing agreement with SLPC and other related companies for the services rendered by the officers of the Company to its related companies. Other transactions with related companies substantially consist of reimbursement of expenses paid for by the Issuer in behalf of its affiliates and vice-versa.

<u>Between Issuer's Affiliates:</u>

a. Shang Property Management Services Corporation entered into a Memorandum of Agreement with KSA Realty Corporation, pursuant to which the former shall assist the latter in managing and administering the leasing operations of The Enterprise Center.

b. Shang Property Management Services Corporation entered into a Memorandum of Agreement with The Enterprise Center Condominium Corporation pursuant to which the former shall assist the latter in managing and administering the condominium development known as The Enterprise Center, specifically with respect to the common areas thereof.

c. Shang Property Management Services Corporation entered into a Memorandum of Agreement with The St. Francis Shangri-La Place Condominium Corporation pursuant to which the former shall assist the latter in managing and administering the condominium development known as The Enterprise Center, specifically with respect to the common areas thereof.

d. SPI Parking Services, Inc. entered into a Memorandum of Agreement with KSA Realty Corporation, with conformity of The Enterprise Center Condominium Corporation, to administer, manage and operate the TEC Parking Slots as a pay parking facility under a mutually agreeable remuneration scheme.

(ix) Neither the Issuer's or any of its subsidiaries' businesses are dependent upon or expected to depend upon any patent, trademark, copyright, license, franchise, concession, or royalty agreement.

(x) Neither the Issuer or any of its subsidiaries have products or services requiring governmental approval.

(xi) There are no existing governmental regulations which affect or may affect significantly or adversely the Issuer's or any of its subsidiaries' businesses or operations.

(xii) Neither the Issuer or any of its subsidiaries have allotted any significant amount or portion of their revenues for research and development activities where the same are not highly necessary given the nature of their businesses.

(xiii) The Issuer, as with the SPI Parking Services, Inc., by the nature of their businesses have no direct obligation to comply with environmental laws. As for the Shangri-La Plaza Corporation, Shang Properties Realty Corporation, and Shang Property Developers, Inc. (for its developments, The Shang Grand Tower, The St. Francis-Shangri-La Place, One Shangri-La Place, and Shang Salcedo Place) the costs of its compliance with environmental laws is not significant given the overall operational costs.

(xiv) The Issuer has 96 employees to date and does not anticipate adding to said number significantly in the next 12 months. The breakdown as to type is as follows:

a. Rank and file - 20
b. Supervisory - 21
c. Managerial - 20
d. Executive - 10
e. Project based - 25

SPI Parking Services, Inc. (formerly Edsa Parking Services, Inc.) has 20 employees. The breakdown as to type is as follows:

a. Rank and file - 12
b. Supervisory - 6
c. Managerial - 2

Shangri-La Plaza Corporation has 88 employees. The breakdown as to type is as follows:

a. Rank and file - 24
b. Supervisory - 50
c. Managerial - 13
d. Executive - 1

The Shang Properties Realty Corporation (formerly, The Shang Grand Tower Corporation) has 90 employees. The breakdown as to type is as follows:

a. Rank and file - 22
b. Supervisory - 13
c. Managerial - 17
d. Project based - 20
e. Consultancy based - 18

Shang Property Management Services Corporation has 49 employees. The breakdown as to type is as follows:

a. Rank and file - 6
b. Supervisory - 7

c. Managerial - 20
e. Project based - 16

The Shang Property Developers, Inc. has 22 employees. The breakdown as to type is as follows:

a. Managerial - 2
b. Project based - 14
c. Consultancy based - 6

KSA Realty Corporation has 3 employees. The breakdown as to type is as follows:

a. Rank and file - 2
b. Supervisory - 1

The Rise Development Company, Inc., has 68 employees. The breakdown as to type is as follows:

a. Rank and file -10
b. Managerial - 6
c. Project based -9
d. Consultancy based - 43

None of the Issuer's nor its subsidiaries' employees are covered by Collective Bargaining Agreements.

(xv) The major risks faced by Issuer and its subsidiaries in its different lines of businesses are as follows:

a. Mall operations (of SLPC)

The Shangri-La Plaza Mall faces competition from adjoining malls in the Ortigas area, as well as other high-end malls in Makati. The Mall staff keeps a close eye on the developments and marketing programs of the other malls to ensure that they can respond quickly. A lot of emphasis is placed on maintaining the facilities of the Mall and improving these to ensure that patrons have an enjoyable stay at the Mall. In addition, the Mall's tenant mix is constantly being reviewed to ensure that customers have a wide variety of choices.

b. Office leasing operations (of KSA Realty Corporation, 52.90% owned by Issuer)

KSA Realty Corporation owns and operates The Enterprise Center (TEC). TEC faces competition in the office leasing market from adjoining buildings in Makati. However, because of its superior facilities, TEC has been able to maintain its premium image in the market. TEC occupancy level remains high despite stiff competition.

c. Leasing to the Edsa Shangri-La Hotel (by the Issuer)

The Issuer receives regular rental income based on sales from the Edsa Shangri-La Hotel. At times, this income is affected if the Hotel's occupancy goes down due to events affecting worldwide travel and tourism. The Hotel has shown resiliency, however, and has been able to bounce back quickly from these situations. The recent renovation of the Hotel's rooms and restaurants should further improve the Issuer's income.

d. Parking Operations (by SPI Parking Services Inc.)

The major risk to the parking operations is the proposal, which is being pushed off and on in the Philippine Congress, to prevent commercial establishments from charging parking fees. This will result in chaos and confusion in the parking operations since nothing will prevent car owners in adjoining buildings from using the car park facilities in the complex to the detriment of legitimate mall and hotel patrons. The Company is making representations against this measure in coordination with other mall operators.

e. Residential Condominium Sales

The residential condominium projects of the Issuer's subsidiary, Shang Properties Realty Corporation ("SPRC"), Shang Property Developers, Inc. ("SPDI'), Shang Global City Properties, Inc. ("SGCPI"), and The Rise Development Company, Inc. ("TRDCI"), face competition from other major developers such as Ayala Land and Megaworld. The Issuer is able to compete effectively be offering condominium units that are superior to the other projects in terms of their amenities, design and layout, finishes and professional building management.

Item 2. <u>Properties</u>

Furnish the information required by Part I, Paragraph (B) of "Annex C, as amended".

On properties owned by Issuer:

(a) A 71,101.00 sqms. property at the heart of Ortigas Center, portions of which are being leased out to the Edsa Shangri-La Hotel and the Shangri-La Plaza Corporation for the operation of the Shangri-La Plaza Mall, while some portions are being utilized as carpark areas.

 (i) Shangri-La Plaza Corporation's lease of the land on which the Shangri-La Plaza Mall stands is for a period of 25 years. Rental therefore is an amount equivalent to 10% of Shangri-La Plaza Corporation's gross rental income. Shangri-La Plaza Corporation has no option to renew the lease.

 (ii) The Edsa Shangri-La Hotel's lease of the land on which it stands is for a period of 25 years. Rental arrangement is as follows:

 - from hotel operations: 3% of room sales revenue
 - from retail/restaurant and other hotel operations: 5% of sales revenue from food and beverage; 3% of sales revenue from dry goods/ services
 - from subleasing operations: 5% of sales revenue from food and beverage; 3% of sales revenue from dry goods/services

 The hotel has an option to renew the lease for another 25 years.

(b) A carpark building also within the 71,101.00 sqms. area, abutting the Shangri-La Plaza Complex, with a gross floor area of 23,625.72 sqm. and 681 slots.

On Properties owned by Issuer's subsidiaries:

(a) Properties owned by the Shangri-La Plaza Corporation:

 (i) Shangri-La Plaza Mall, an upscale shopping center at EDSA cor. Shaw Blvd., Mandaluyong City, with a gross floor area of approximately 136,552 sqm.

(b) Properties owned by the SPI Parking Services, Inc.

 (i) None. It only manages and operates the carpark facilities described above to be owned by the Issuer.

(c) Properties owned by Shang Properties Realty Corporation (formerly, The Shang Grand Tower Corporation)

 (i) The St. Francis – a Shangri-La Place, a two-tower high rise residential condominium located along St. Francis Road cor. Internal Road, Shangri-La Complex, Mandaluyong City which was completed in late 2009. About 98% of the units of said development have been sold to date.

 (ii) 9,852 sqms of land located at Edsa cor. Shaw Blvd., Mandaluyong City, on which the development One Shangri-La Place has been constructed.

(d) Properties owned by EPHI Logistics Holdings, Inc.

 None.

(e) Properties owned by Shang Global City Holdings, Inc.

 Shang Global City Holdings, Inc., does not directly own any property. However, Shang Global City Properties, Inc., which is 100% owned by Shang Global City Holdings, Inc., has purchased from Fort Bonifacio Development Corporation ("FBDC"), a 15,120 sqm. parcel of land within the development in Taguig City, Philippines, known as the Bonifacio Global City. Shang Global City Properties, Inc., is also the owner and developer of the Shangri-La at the Fort and Horizon Homes located at Crescent Park West District, Fort Bonifacio, Taguig City.

(f) Properties owned by Shang Fort Bonifacio Holdings, Inc.

 None.

(g) Properties owned by KSA Realty Corporation

The Enterprise Center, an office condominium along Ayala Avenue, Makati City.

(h) Properties owned by Shang Property Developers, Inc.

(i) The residential condominium known as Asian Plaza I and the parcel of land on which its stands located at the corner of Gil Puyat Ave., Tordesillas St. and H. V. de la Çosta St., Salcedo Village, Makati City.

(i) Properties owned by Shang Wack Wack Properties, Inc.

(i) Four (4) contiguous parcels of land at Wack-Wack Road, Brgy. Wack Wack, Greenhilss, Mandaluyong City

(j) Properties owned by Classic Elite Holdings, Ltd.

None.

Except as disclosed above, the Issuer and its subsidiaries are not currently leasing any real property. As at the time of the filing of this report, neither the Issuer nor its subsidiaries intend to acquire any property in the next twelve (12) months.

Item 3. Legal Proceedings

(a) Furnish the information required by Part I, Paragraph (C) of "Annex C, as amended".

(i) On 14 July 1993, a complaint was initially filed before the Pasig Regional Trial Court (RTC-Pasig) by the principal contractor of the Shangri-La Plaza Mall against the Issuer and its Board of Directors for the recovery of the balance of alleged unpaid construction work, compensatory and moral damages, legal fees, and litigation costs. On 27 October 1998, the RTC-Pasig issued an order directing the parties to arbitrate their dispute under the Arbitration Law. On July 31, 2006, the Arbitral Tribunal that was constituted by the Parties, ordered BF Corporation to file its Statement of Claims, and the Issuer and the other defendants to file their respective Answers thereafter. BF had increased its claims for unpaid billings, change orders, damages, etc., to a total of about P228.6 million, Issuer and the other defendants have put forth counterclaims in the total amount of about P380 million. After due hearings on arbitration and the submission by the Parties of their respective memoranda, the Arbitral Tribunal, in its Decision dated 31 July 2007, ruled that BF is entitled to an award of only P46,905,987.79, while Issuer is entitled to an award of P8,387,484.06. Both Parties have appealed the Decision of the Arbitral Tribunal to the Court of Appeals. The Court of Appeals having issued its Decision on 12 August 2008, both parties have filed petitions for review on certiorari with the Supreme Court. The Supreme Court has yet to release its decision on the case to date.

(ii) On November 23, 2005, Issuer together with The Shang Grand Tower Corporation (a subsidiary of Issuer) (now the Shang Properties Realty Corporation), were named respondents in a case before the Bureau of Legal Affairs of the Intellectual Property Office of the Philippines (BLA-IPPHIL), entitled "ASB Development Corporation v. The Shang Grand Tower Corporation and Edsa Properties Holdings, Inc., for unfair competition, false and fraudulent declaration and damages with application for issuance of a Temporary Restraining Order and Writ of Preliminary Injunction." Complainant ASB alleges that Respondents committed acts of unfair competition and false and fraudulent declaration by the Respondents' use of the terms "St. Francis" for their residential condominium project located along St. Francis St. cor. Shaw Blvd., Mandaluyong City. Issuer is the project owner, while TSGTC is the project developer. On December 19, 2006, the BLA-IPPHIL rendered its decision and ruled that Respondents cannot use the name "St. Francis Towers", but they can use the name "St. Francis - Shangri-La Place". The BLA, however, did not award any damages to ASB stating that no evidence was presented by ASB as to the amount of damages it suffered. Respondents and ASB have both partially appealed the BLA Decision. The Office of the Director General promulgated its Decision on 03 September 2008. ASB appealed said Decision before the Court of Appeals. The Court of Appeals having issued its Decision on 18 December 2009 favoring ASB's position, TSGTC (now SPRC), appealed the same to the Supreme Court. The Supreme Court, in its 21 July 2014 DECISION, which has attained FINALITY, decided in favor of Issuer, and exonerated issuer from charges of unfair competition.

Despite the finality of the SC's Decision in this case, there remains an offshoot case pending has its roots in the opposition filed by ASB (now St. Francis Square Development Corporation) to the use by SPRC of the mark "St. Francis-Shangri-La Place. This case is entitled SFSDC vs.TSGTC – SC G.R. 220346. Last 18 April 2016, the Supreme Court, via its Notice dated 16 March 2016, had denied with FINALITY, SFSDC's further Motion for Reconsideration and categorically ruled that no further pleadings or motions will be entertained. Issuer to date, is still awaiting the Supreme Court's Entry of Final Judgment.

(b) As to any proceeding that was terminated during the fourth quarter of the fiscal year covered by this report, furnish information similar to that required by Part I, Paragraph (C) of "Annex C, as amended", including the date of termination and a description of the disposition thereof with respect to the Issuer and its subsidiaries.

There are none.

Item 4. <u>Submission of Matters to a Vote of Security Holders</u>

If any matter was submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders, through the solicitation of proxies or otherwise, furnish the following information:

(a) The date of the meeting and whether it was an annual or special meeting.

(b) If the meeting involved the election of directors, the name of each director elected at the meeting and the name of each other director whose term of office as a director continued after the meeting. Note whether such director was elected as an "independent director" under Section 38 of the Code and SRC Rule 38 thereunder.

(c) A brief description of each matter voted upon at the meeting and state the number of votes cast for, against or withheld, as well as the number of abstentions as to each such matter, including a separate tabulation with respect to each nominee for office.

During the Annual Meeting of the Stockholders of the Issuer held on **21 June 2016**, the stockholders approved and ratified the following:

1. Minutes of the Annual Stockholders Meeting held on **18 June 2015;**

2. Annual Report of the Company as of **31 December 2016**, together with its audited financial statements and accompanying explanatory notes;

3. The acts of the Board of Directors and the Management disclosed in the corporate records since the **18 June 2015** Annual Stockholders Meeting to the date of the Annual Stockholders Meeting on **21 June 2016**;

4. Election of the following members of the Board of Directors for the period **2016-2017:**

    1) Edward Kuok Khoon Loong
    2) Danila Regina I. Fojas
    3) Alfredo C. Ramos
    4) Benjamin I. Ramos
    5) Cynthia R. Del Castillo
    6) Ho Shut Kan
    7) Maximo G. Licauco III
    8) Johnny O. Cobankiat
    9) Antonio O. Cojuangco
    10) Manuel M. Cosico
    11) Wilkie Lee
    12) Koay Kean Choon
    13) Kin Sun Andrew Ng
    14) Federico G. Noel, Jr.
    15) Wilfred Shan Chen Woo

5. Appointment of **Sycip Gorres Velayo & Co.** as the Issuer's external auditors for FY 2016-2017.

    All of the above matters were voted upon and carried by the stockholders of the Issuer by a *unanimous vote*.

(d) If any matter has been submitted to a vote of security holders otherwise than at a meeting of such security holders, corresponding information with respect to such submission shall be furnished. The solicitation of any authorization or consent (other than a proxy to vote at a stockholders' meeting) with respect to any matter shall be deemed a submission of such matter to a vote of security holders within the meaning of this item.

No matter has been submitted by the Issuer to a vote of its security holders..

(e) If the issuer has published a report containing all of the information called for by this item, the item may be answered by a reference to the information contained in such report.
The Issuer has not published any such report.

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Instructions to Item 4

1. Paragraph (a) need be answered only if paragraph (b) or (c) is required to be answered.
2. Paragraph (b) need not be answered if proxies for the meeting were solicited pursuant to SRC Rule 20, there was no solicitation in opposition to management's nominees as listed in the proxy statement and all of such nominees were elected. If the issuer did not solicit proxies and the board of directors as previously reported to the Commission was reelected in its entirety, a statement to that effect in answer to paragraph (b) will suffice.
3. Paragraph (c) must be answered for all matters voted upon at the meeting, including both contested and uncontested elections.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. <u>Market for Issuer's Common Equity and Related Stockholder Matters</u>

Furnish the information required by Part II, Paragraph (A)(1) through (4) of "Annex C, as amended".

(A) Market Price of and Dividends on Issuer's Common Equity and Related Stockholder Matters
(1) Market Information

(a) The shares of the Issuer are listed and traded on the Philippine Stock Exchange. The high and low sales prices for each quarter within the last two (2) fiscal years of the Issuer's shares are as follows:

Year	High	Low
2016		
First Quarter	P3.22	P2.70
Second Quarter	3.41	3.02
Third Quarter	3.60	3.17
Fourth Quarter	3.32	3.19
2015		
First Quarter	P3.34	P3.10
Second Quarter	4.90	3.11
Third Quarter	3.37	3.10
Fourth Quarter	3.29	3.01

The high and low of Issuer's shares for the period **01 January 2017 to 31 March 2017** are as follows:

High: P3.45
Low: P3.21

The closing price for the Issuer's shares on 31 March 2017 is ₱3.39.

Part II, paragraph (A) (1) (b) and (A) (1) (c) are not applicable to the Issuer this report not being presented in a registration statement or an information statement.

(2) Holders

(a) Issuer has common shares only. As of **31 March 2017,** the Issuer has **5,329** stockholders. Common shares outstanding as of said date is 4,764,056,287.

The top 20 stockholders of the Issuer as of **31 March 2017** are:

Name of Stockholders	Number of Shares Held	Percent to Total Outstanding
1. Travel Aim Investment B.V	1,648,869,372	34.61%
2. Ideal Sites and Properties, Inc.	1,465,144,626	30.75%
3. PCD Nominee Corporation	1,011,600,226	21.23%
4. SM Development Corporation	189,550,548	3.97%
5. PCD Nominee Corporation	55,306,453	1.16%
6. KGMPP Holdings, Incorporated	52,925,445	1.11%
7. CCS Holdings, Incorporated	47,633,492	0.99%
8. Pecanola Company Limited	43,175,495	0.90%

9. Kuok Foundation Overseas Limited	37,023,839	0.77%
10. Kuok Brothers SDN. BHD.	37,023,839	0.77%
11. GGC Holdings, Incorporated	26,224,322	0.55%
12. Kerry Holdings Limited	26,090,624	0.54%
13. Kuok (Singapore) Limited	24,848,214	0.52%
14. Kerry (1989) LTD.	12,424,107	0.26%
15. Kuok Traders (Hong Kong) LTD.	11,407,363	0.23%
16. Federal Homes, Inc.	4,808,478	0.10%
17. Luxhart Assets Limited	3,975,714	0.08%
18. Yan, Lucio W. Yan &/or Clara	3,142,857	0.06%
19. Antonio O. Cojuangco	3,026,964	0.06%
20. Sysmart Corporation	1,671,231	0.03%
	4,705,873,209	**98.69%**

Ideal Sites and Properties, Inc. (Ideal) is the owner of record of 1,465,615,626 shares. These shares serve as underlying securities to the Philippine Deposit Receipts (PDRs) issued by Ideal. Ideal is a member of the Kuok Group of Companies.

We are not aware as to the identity of the owners/holders of the other shares.

Travel Aim Investment B.V. (Travel Aim) is the owner of record of 27,150,327 shares held thru a broker, Deutsche Regis Partners, Inc. Travel Aim which also directly owns 1,621,719,045 shares is a subsidiary of Kerry Properties Limited which is a member of the Kuok Group of Companies. We are not aware as to the identity of the owners/holders of the other shares.

Part II, paragraphs (A) (2) (b), (A) (2) (c), and (A) (2) (d) are not applicable to the Issuer, this report not being presented in a registration statement or an information statement.

(3) Dividends

1. Issuer only has common shares on which were declared the following dividends in the two (2) most recent fiscal years:

<u>Cash dividends</u>

<u>2017</u>

- During the regular meeting of the Issuer's Board held on 15 March 2017, the Board approved the declaration of P0.095 per share cash dividend to all shareholders of record as of 31 March 2017, to be taken from the unrestricted retained earnings as reflected in the audited financial statements of the Issuer as of 31 December 2016, to be paid on or before 07 April 2017.

<u>2016</u>

- During the regular meeting of the Issuer's Board held on 04 March 2016, the Board approved the declaration of P0.095 per share cash dividend to all shareholders of record as of 21 March 2016, to be taken from the unrestricted retained earnings as reflected in the audited financial statements of the Issuer as of 31 December 2015, to be paid on or before 08 April 2016.
- During the regular meeting of the Issuer's Board held on 14 September 2016, the Board approved the declaration of P0.070 per share cash dividend to all shareholders of record as of 30 September 2016, to be taken from the unrestricted retained earnings as reflected in the unaudited financial statements of the Issuer as of 30 June 2016, to be paid on or before 07 October 2015

<u>2015</u>

- During the regular meeting of the Issuer's Board held on 27 March 2015, the Board approved the declaration of P0.08500 per share cash dividend to all shareholders of record as of 15 April 2015, to be taken from the unrestricted retained earnings as reflected in the audited financial statements of the Issuer as of 31 December 2014, to be paid on or before 20 April 2015.
- During the regular meeting of the Issuer's Board held on 18 August 2015, the Board approved the declaration of P0.070 per share cash dividend to all shareholders of record as of 03 September 2015, to be taken from the unrestricted retained earnings as reflected in the audited financial statements of the Issuer as of 30 June 2015, to be paid not later than 18 September 2015.

Stock dividends

No stock dividends were declared by the Issuer during the last 2 fiscal years.

2. Apart from the restrictions imposed by statutes and regulations, there are none internal to the Issuer which hamper or may hamper any declaration of dividends by the Issuer, and for as long as said declarations can be supported by the Issuer's financial position.

3. Recent Sales of Unregistered Securities

   No sales of unregistered securities were undertaken by the Issuer during the last three (3) years. Neither have there been sales of reacquired securities as well as new issues, securities issued in exchange for property, services, or other securities, and new securities resulting from the modification of outstanding securities. Thus, the succeeding requested disclosures under this specific item are not applicable to the Issuer.

Management's Discussion and Analysis (MD & A) or Plan of Operation

Furnish the information required by Part III, Paragraph (A) of "Annex C, as amended" for the most recent fiscal year and for the immediately preceding fiscal year.

(A) Management's Discussion and Analysis (MD&A) or Plan of Operation

(1) Plan of Operation – N/A (SPI has revenue in each of the last two fiscal years)
(2) Management's Discussion and Analysis

(a) Full Fiscal Years

Key Performance Indicators

		31-Dec		%
		2016	2015	Change
Turnover	(Php M)	11,279	8,284	36.2%
Profit Attributable to shareholders	(Php M)	2,906	2,850	2.0%
Earnings per share	(Php Ctv)	0.610	0.598	2.0%
Net Asset Value per share	(Php)	5.890	5.445	8.2%
Price Earnings Ratio	(Times)	5.361	5.234	2.5%

- Turnover consists of sales of residential condominium units, rental and cinema, hotel operations, and other income. Shang Properties' total revenue increased by ₱3.0 billion (B) to ₱11.3B for calendar year 2016 from ₱8.3B total revenues for calendar year 2015. Sales of residential condominium units accounted for ₱6.1B or 54.1% of the total revenue. Revenue from leasing operations amounted to ₱2.9B, higher by ₱155.4 million (M) from last year's ₱2.7B. In 2016, Shangri-La at Fort commenced its hotel operations and contributed revenue amounting to ₱1.3B. Other income increased by ₱43.5M.

- Profit attributable to shareholders represents net income from operations after tax of the Group. It went up by ₱56.1or 2.0% compared with last year.

- Earnings per share of ₱0.610 were higher by 2.0% from last year's ₱0.598.

- Net Asset value per share is calculated by dividing the total net asset of the company (Total asset – Total liabilities) by the number of shares outstanding.

- Net asset value per share increased by 8.2% mainly due to higher income generated during the year and revaluation of the Group's investment properties.

- Price Earnings ratio is a valuation of the company's current share price compared to per share earnings and calculated by dividing the market value per share by the earnings per share. Price earnings ratio is higher by 2.5% to 5.361 this year from 5.234 last year. The Group' year-end share price in 2016 is ₱3.27 from ₱3.13 in 2015.

Results of Operations

Shang Properties' consolidated net income attributable to shareholders for the year ended December 31, 2016 amounted to ₱2.9B, ₱56.1M higher than the ₱2.8B posted in the same period last year.

Calendar Year 2016 Compared to Calendar Year 2015

Turnover increased by ₱3.0B or 36.2% to ₱11.3B in 2016 from ₱8.3B in 2015, mainly due to higher revenue from condominium sales, net increase in rental revenue and revenue from hotel operations of Shangri-La at the Fort.

1. Residential condominium projects revenue of ₱6.1B is higher by ₱1.4B from last year's ₱4.7B mainly due to the higher sales and completion level of various projects.

2. Revenue from leasing grew by ₱155.4M to ₱2.9B mainly due to rental escalation and higher rental yields particularly from leasing operations of The Enterprise Center. In addition, Shangri-La at Fort contributed ₱84.6M of rental revenue from shops in the first year of its operations.

3. The revenue from hotel services of Shangri-La at the Fort contributed ₱1.3B as it commenced its operations in 2016.

4. Other income increased by ₱43.5 M mainly due to higher interest income on accretion and installment sales.

Cost of sales and services increased by ₱2.6B mainly due to the net effect of following:

1. Increase in cost of condominium by ₱1.1B mostly due higher sales of condominium units.

2. Decrease in cost of rental and cinema by ₱8.1M mainly due to recovery of reimbursable expenses from lower utility cost incurred as compared to same period last year.

3. Cost of hotel operation at Shangri-La at the Fort amounting to ₱1.5B as it commenced its operations in 2016.

Operating Expenses of the Group amounted to ₱1.2B, ₱352.9M higher compared with last year's ₱868.1M mainly due to the net effect of the following:

1. Increase in staff cost by ₱52.8M primarily due to increase in manpower to cover increased operations for hotel and ongoing developments.

2. Increase in general and administrative expense by ₱288.1M mainly due to higher administration cost incurred for ongoing projects.

3. Lower depreciation expense by ₱ 3.8M mainly due to fully depreciated equipment.

4. Increase in insurance expense by ₱16.9M particularly due to additional coverage of hotel properties.

Share in net income of associates was lower by ₱75.0M compared with last year mainly due to adjustments in fair value recognized in 2015.

Increase in interest expense and bank charges by ₱71.9M mainly due to additional bank loan availed in 2016.

Calendar Year 2015 Compared to Calendar Year 2014

The Group' gross revenue increased by ₱671.5M or 8.8% to ₱8.3B in 2015 from ₱7.6B in 2014, mainly due to higher revenue from condominium sales and net increase in rental revenue.

1. Residential condominium projects revenue of ₱4.7B is higher by ₱889.9M from last year's ₱3.8B mainly due to the higher sales and completion level of various projects.

2. Shangri-La Plaza's revenue slightly declined by ₱41.2M mainly due to temporary close down of certain areas during the year on the Main shopping mall for renovation. Business was also affected by increased competition from newly opened shopping centers in the nearby areas.

3. The office leasing operations of The Enterprise Center grew by ₱86.8M to ₱962.6M mainly due to rental escalation and higher rental yields.

4. Interest and other income decrease by ₱270.1M mainly because 2014 included gain on remeasurement of ₱824.4M arising from the acquisition of additional 20% equity interest in Shang Global City Properties and Fort Bonifacio Shangri-La Hotel from a Third Party. In 2015, the Group recorded a gain on revaluation of investment property amounting to ₱549.4M.

Total Expenses of the Group amounted to ₱3.6B, ₱99.4M lower compared with last year's ₱3.5B mainly due to the net effect of the following:

1. Increase in staff cost by ₱163.9M primarily due to increase in manpower to cover increased operations of ongoing developments.

2. Increase in general and administrative expense by ₱27.8M mainly due to higher administration cost incurred in 2015 for ongoing projects.

3. Increase in depreciation expense by ₱2.1M mainly due to the additional office improvements and transportation equipment.

4. Increase in insurance expense by ₱2.2M particularly due to additional coverage of properties.

The abovementioned increases in expenses are offset by:

5. Lower reimbursable expenses which reduced by ₱17.7M mainly due to lower electricity rates in 2015 compared with 2014.

6. Decrease in interest expense and bank charges by ₱25.5M mainly due to loan repayment during the year.

7. Cost of condominium sales reduced by ₱ 67.8M mostly due to savings in construction cost in One Shangri-La Place Project.

Share in net income of associates was higher by ₱80.4M compared with last year primarily gain in fair value adjustment of investment property of an associated company.

Provision for income tax is higher by ₱193.6 mainly due to higher taxable income generated during the period compared with the same period last year.

Calendar Year 2014 Compared to Calendar Year 2013

The Group' gross revenue increased by ₱703.7M or 10.2% to ₱7.6B in 2014 from ₱6.9B in 2013, mainly due to higher revenue from the mall and office leasing operations and other income derive from remeasurement arising from business combination.

1. Revenue from sale of residential condominium units of ₱3.8B is lower by ₱170.9M from last year's ₱3.9B mainly due to the fewer saleable units for One Shangri-La Place this year as most of the units have been sold.

2. Shangri-La Plaza's growth of ₱196.6M was mainly due to the revenue from the newly opened East Wing and rental escalation of the existing mall.

3. The office leasing operations at The Enterprise Center grew by ₱72.1M to ₱875.8M mainly due to higher average occupancy rate to 98% in 2014 from 97% in 2013.

4. Increase in rental revenue of Edsa Shangri-La Hotel by ₱7M mainly due to higher occupancy.

5. Interest and other income increased by ₱588.7M mainly due to the gain on remeasurement arising from the acquisition of additional 20% equity interest in Shang Global City Properties and Fort Bonifacio Shangri-La Hotel from a Third Party.

Total Expenses of the Group amounted to ₱3.5B. This is ₱361.5M lower compared with last year's ₱3.8B mainly due to the following:

6. Decrease in cost of condominium sales due lower sales during the year.

7. General and administrative expenses increased by P90.5M primarily due to increase in staff cost for additional workload.

8. Interest expense and bank charges increased by ₱42.1M mainly due to additional loan availment during the year.

9. Increase in taxes and licenses by ₱60.4M mainly due to real property taxes paid for the new East Wing Mall and higher business permits due to higher revenues.

10. Unreimbursed share in common expenses decreased by ₱10.1M mainly due to the improved occupancy of the East Wing Mall, which resulted to higher recovery of reimbursable expenses from tenants.

11. Increase in depreciation expense by ₱2.2M mainly due to the capitalized office improvements and acquisition of transportation equipment.

12. Insurance expense increased by ₱1.9M particularly due to premiums paid for the East Wing Mall.

Financial Condition

Calendar Year 2016 Compared to Calendar Year 2015

Total assets of the Company amounted to ₱61.8B, a growth of ₱2.5B, from total assets of ₱59.3B in December 31, 2015. The following are significant movements in the assets:

Decrease in financial assets at fair value through profit or loss by ₱2.3M due to fair value adjustment on marketable securities recognized during the year.

Receivables, including installment contract receivable, increased by ₱973.5M mainly due to higher sale of condominium projects and increase in advances to contractors and suppliers for the ongoing projects.

Properties held for sale increased by ₱3.5B mainly due to completion of Shangri-La at the Fort - Horizon Homes and on-going construction of the condominium projects at Shang Salcedo Place and The Rise in Makati.

Real estate development project decreased by ₱13.3B primarily due to completion of Shangri-La at the Fort project, the accumulated costs of hotel were reclassified to property and equipment and properties held for sale.

Increase in property and equipment by ₱10.3B mainly due to completion of Shangri-La at the Fort hotel project. The related cost was reclassified from real estate development project, and property and equipment.
The recognized deferred income tax assets decreased by ₱30.8M mainly due to utilization of deferred income tax asset during the year.

Increase in other noncurrent assets by ₱86.9M mainly due to higher deferred input VAT arising from purchase of capital goods.

Increase in accounts payable and other current liabilities by ₱770.0M due to additional payable to contractors for the construction of various projects.

Net decrease in installment payable of ₱92.8M was mainly due to scheduled payments made throughout 2016 totaling to ₱95.7M.

Net increase in bank loans by ₱571.8M was due to additional loan availment of Shangri-La at the Fort for property development amounting to ₱705.1M and repayment of loans totaling to ₱133.3M during 2016.

Increase in deposits from tenants, deferred lease income and advance rental by ₱155.1M was mainly due to higher deposits from new tenants of The Enterprise Center (TEC) and Shangri-La Plaza mall.

Decrease in income tax payable by ₱105.4M due to payments in 2016.

Decrease in dividends payable by ₱115.4M mainly due to payment of dividends in 2016.

Decrease in accrued employee benefits by ₱8.7M was mainly due to the payments made during the year.

Calendar Year 2015 Compared to Calendar Year 2014

Total assets of the Company amounted to ₱59.3B, a growth of ₱4.6B from total assets of ₱54.7B, in December 31, 2014. The following are significant movements in the assets:

Increase in cash and cash equivalents by ₱1.1B mainly due to higher collection from sales of condominium projects.

Receivables, including installment contract receivable, decreased by ₱1.3B mainly due to collection of installment receivables and liquidation of advances to contractors and suppliers for the completed projects.

Properties held for sale increased by ₱1.4B mainly due to on-going construction of the condominium projects at Shangri-La at the Fort, Shang Salcedo Place and The Rise in Makati.

Increase in investment in associates and joint venture by ₱81.1M mainly due to fair value adjustment of investment property of an associated company.

Increase in investment properties by ₱1.1B mainly due to fair value adjustment of properties held by the Group.

Real estate development project increased by ₱2.4B primarily due to the construction of the hotel portion of the Shangri-La at the Fort project.

Increase in property and equipment by ₱68.3M mainly due to purchase of various equipment.

The recognized deferred income tax assets decreased by ₱120.5M mainly due to difference in accounting recognition of profit between installment method versus percentage of completion method.

Increase in accounts payable and other current liabilities by ₱674M due to higher payable to contractors for the construction of various projects.

Installment payable of ₱863M was recognized during 2015 arising from the purchase of land for The Rise project.

Net increase in bank loans by ₱315.7M was due to additional loan availment by the Shangri-La at the Fort project for property development amounting to ₱2,211.5M and repayment of loans totaling to ₱1,896M during 2015.

Decrease in deferred lease income by ₱ 17.5M mainly due to amortization using a straight-line basis over the lease term.

Increase in income tax payable by ₱55.7M due to higher taxable income generated during the year.

Increase in dividends payable by ₱44.2M mainly due to additional unclaimed cash dividends during 2015.

Decrease in accrued employee benefits by ₱18.7M was mainly due to the benefit payments made during the year.

Deposit for future stock subscription amounting to ₱1,959M was converted into equity during 2015.

Calendar Year 2014 Compared to Calendar Year 2013

Shang Properties, Inc. acquired the additional 20% interest in Shang Global City Properties, Inc. (SGCPI) and Fort Bonifacio Shangri-La Hotel, Inc. (FBSHI). As a result of the acquisition, the Group obtained controlling interests in SGCPI and FBSHI owning 60% equity interest over each of the acquired entities.

Total assets of the Company amounted to ₱54.7B, a growth of ₱15.6B from total assets of ₱39B in December 31, 2013. The following are significant movements in the assets:

Increase in cash and cash equivalents by ₱1B mainly due to collection from sales of condominium projects and proceeds from bank loans.

Increase in financial assets at fair value through profit or loss by ₱2.7M to ₱33M due to the fair value adjustment on marketable securities recognized during the year.

Receivables increased by ₱628M mainly due to higher installment receivables from the sale of condominiums from various projects.

Properties held for sale increased by ₱3.3B mainly due to on-going construction of the condominium projects at Shangri-La at the Fort and The Rise in Makati.

Increase in prepayments and other current assets by ₱1.3B mainly due to higher prepaid VAT of Shang Global City Properties, Inc.

Decrease in investment in associates was mainly due to the acquisition of additional 20% equity interest in SGCPI and FBSHI wherein the group obtained control over the two companies. The amount of investment in associates reclassified to investment in subsidiary amounted to
₱2B.

Real estate development project amounting to ₱11.2B pertains to the construction cost of the hotel portion of the Shangri-La at the Fort project.

The group recognized Goodwill as a result of the business combination during the year. The excess of the acquisition cost over the fair value of the identifiable assets and liabilities assumed amounted to ₱269.9M.

Refundable deposits increased by ₱31M mainly due to deposits paid for utilities by One Shangri-La Place and deposit to contractors of Shangri-La at the Fort project.

Increase in accounts payable and other current liabilities by ₱2.2B due to higher payable to contractors for the construction of various projects.

Increase in bank loans was due to the consolidation of bank the loans of the Shangri-La at the Fort project and additional loan availment by the Parent company for property development.

Increase in dividends payable by ₱83.5M due to declaration of cash dividends amounting to ₱309.4M on August 14, 2014 and ₱333.5M on February 19, 2014.

Increase in income tax payable by ₱78.2M due to higher taxable income generated during the year.

Increase in accrued employee benefits by ₱28.2M was mainly due to the increased defined benefit obligation of the Group for employee retirement, leaves and other related benefits.

Deposit for future stock subscription refers to deposit to SGCPI which will be converted into equity.

Increase in deferred liabilities by ₱1.1B was mainly due to the unrealized increase in fair value of Shangri-La at the Fort.

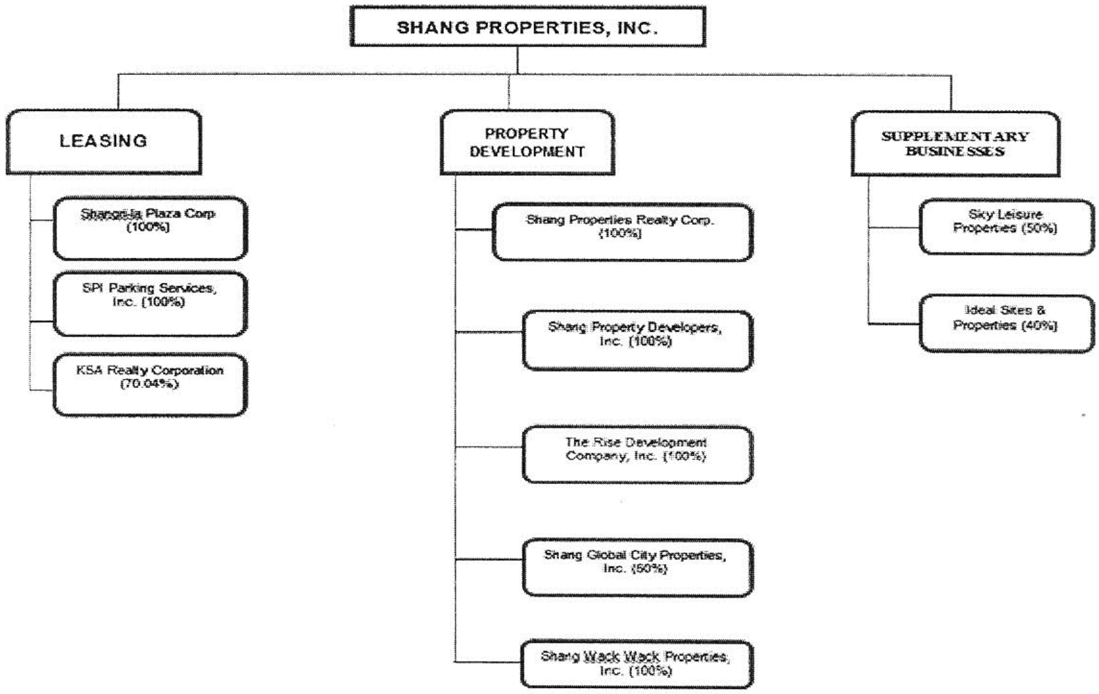
Changes in Financial Condition

Net cash provided by operating activities in 2016 amounted to ₱4.3B. The cash inflows in 2016 include collection of revenue from various condominium projects, rental revenue from mall operation of the Shangri-La Plaza and leasing operations of TEC, and hotel operations of Shangri-La at the Fort. The cash inflows in 2015 and 2014 mainly include collection of revenues from condominium units of One Shangri-La and Shang Salcedo projects, rental revenue from mall and office leasing of TEC. Net cash provided by operating activities in 2015 in 2014 amounted to ₱4.9B and ₱604.6M, respectively.

Net cash used in investing activities in 2016 amounted to ₱3.4B which was mainly used in the acquisition of investment properties and property and equipment totaling to ₱1.6B and acquisition of additional interest in a subsidiary amounting to ₱1.4B. Net cash used in investing activities in 2015 amounted to ₱2.9B which was mainly used for the acquisition of real estate development projects and investment properties. In 2014, ₱1.6B was used mainly for the acquisition of the Shangri-la at the Fort.

Net cash used in financing activities in 2016 and 2015 amounted to ₱773.3M and ₱827.1M, respectively, which was mainly used in payments of loan principal, interest and cash dividends. In 2014, net cash provided by financing activities amounted to ₱2B mainly from loan availment.

Item 3. The Parent Company's subsidiaries and associates follow:



SHANG PROPERTIES, INC. AND SUBSIDIARIES

SCHEDULE OF THE EFFECTIVE STANDARDS AND INTERPRETATIONS

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	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			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 8	Operating Segments	✓		
PFRS 9	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			✓
PFRS 10	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			✓
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	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			✓
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1 (Revised): Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Bearer Plants			✓
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19 (Revised): Defined Benefit Plans: Employee Contributions	✓		
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	Separate Financial Statements	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
(Amended)	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	✓		
	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	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
	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			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	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			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
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. AND SUBSIDIARIES

PARENT COMPANY RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

	2016	2015
Unappropriated Parent Company retained earnings, beginning	**₱11,062,642,064**	**₱8,347,694,274**
Adjustments *(see adjustments in previous years Reconciliations)*		
Cumulative change in fair value of Investment Property - net of tax	(6,937,673,109)	(6,572,345,119)
Cumulative change in fair value of Financial Asset at FVPL - net of tax	(1,143,197)	(800,238)
Unappropriated Parent Company retained earnings, *as adjusted*, beginning	**4,123,825,758**	**1,774,548,917**
Net income of the Parent Company closed to retained earnings	2,543,438,589	3,453,045,445
Less:		
Fair value adjustment of financial assets at FVPL	21,828	(571,261)
Fair value adjustment of investment property	(316,768,900)	(365,327,990)
Net income actually earned during the period	**6,350,517,275**	**4,861,695,111**
Less: Dividend declaration during the period	(785,716,856)	(738,097,655)
Total Parent Company retained earnings available for dividend declaration, end	**₱5,564,800,419**	**₱4,123,597,456**

Item 5. Financial soundness indicators in two comparative periods:

Financial Ratios			
		Fiscal Year Ended	**Fiscal Year Ended**
		December 31, 2016	December 31, 2015
	Liquidity Analysis Ratios:		
Current Ratio or Working Capital Ratio	**Current Assets / Current Liabilities**	2.09	2.08
Quick Ratio	**(Current Assets - Inventory - Prepayments) / Current Liabilities**	1.90	1.83
Solvency Ratio	**Total Assets / Total Liabilities**	2.17	2.20
	Financial Leverage Ratios		
Debt Ratio	**Total Debt/Total Assets**	0.46	0.46
Debt-to-Equity Ratio	**Total Debt/Total Stockholders' Equity**	0.85	0.84
Interest Coverage	**Earnings Before Interest and Taxes (EBIT) / Interest Charges**	18.11	24.65
Asset to Equity Ratio	**Total Assets / Total Stockholders' Equity**	1.85	1.84
	Profitability Ratios		
Gross Profit Margin	**Sales - Cost of Goods Sold or Cost of Service / Sales**	0.51	0.66
Net Profit Margin	**Net Profit / Sales**	0.34	0.47

Return on Assets	**Net Income / Total Assets**	0.05	0.05
Return on Equity	**Net Income / Total Stockholders' Equity**	0.09	0.09
Price/Earnings Ratio	**Price Per Share / Earnings Per Common Share**	5.361	5.234

Item 6. Information required by Part 111, Paragraph (A) (2) (b) of "Annex C" of SRC Rule 2

(i) There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely result in the registrant's liquidity increasing or decreasing in any material way.
(ii) There are no known events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of obligation.
(iii) There are no off balance sheet material transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
(iv) There are no material commitments for capital expenditures.
(v) There are no known trends, events or uncertainties that have had or that are reasonably expected to have material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
(vi) There are no significant elements of income or loss that did not arise from the Registrant's continuing operations.
(vii) Causes of material changes from period to period of FS including vertical and horizontal analysis of material item. Please see discussion under financial condition.
(viii) There are no seasonal aspects that had a material effect on the financial statements.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure (Required by Part III (B) of "Annex C")

(1) If during the two most recent fiscal years or any subsequent interim period, the independent accountant has resigned, was dismissed or otherwise ceased performing services, state the name of the previous accountant and the date of resignation, dismissal or cessation of performing services.

Not Applicable

(2) Describe if there were any disagreements with the former accountant on any matter of accounting and financial disclosure.

Not Applicable

(3) File as an exhibit to the report the letter from the former accountant addressed to the Commission stating whether it agrees with the statements made by the company and, if not, stating the respects in which it does not agree.

Not Applicable

Item 7. Information of Independent Accountant and other related matters

a. External Audit Fees and Services

The table below sets forth the aggregate fees billed to the Company for each of the last two (2) years for professional services rendered by Sycip, Gorres Velayo & Co.:

	2016	2015
Audit Fees	4,072,287	3,782,666
Tax Consultancy Fees	565,000	203,140
	4,637,287	**3,985,806**

No other service was provided by external auditors to the Company for the fiscal years 2016 and 2015.

b. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

Furnish the information required by Part III, Paragraph (B) of "Annex C, as amended".

The Issuer has had no disagreements with its Accountants SGV & Co. The Issuer is compliant with the SRC rule 68, as amended, par 3(b)(iv), and has observed the rotation of signing partners for its Independent Public Accountants, SGV. With respect to SGV, the signing partner starting FY 2016 is Adeline D. Lumbres. SGV is a SEC-accredited external auditing for the period 10 November 2015, valid until 09 November 2018.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

Furnish the information required by Part IV, Paragraph (A) of "Annex C, as amended".

(A) Directors, Executive Officers, Promoters and Control Persons

(1) Directors, including Independent Directors, and Executive Officers

The Directors, Independent Directors and Executive Officers of the Issuer are as follows (as of 31 March 2017):

Name	Citizenship	Director/ No. of Years	Age	Office Held	Directorship in other reporting (Listed) Companies
Edward Kuok Khoon Loong	Malaysian	Yes /25 yrs.	64	Chairman	None
Alfredo C. Ramos	Filipino	Yes /28 yrs. & 7 mos.	73	Vice Chairman	Anglo Philippine Holdings Corp., The Philodrill Corp., Vulcan and Industrial Mining and Development Corp., Penta Capital Holdings Corp., Philippine Seven Corp.
Cynthia R. Del Castillo	Filipino	Yes /15yrs & 9 mos.	64		Sanitary Wares & Mfg. Corp.
Benjamin I. Ramos	Filipino	Yes /6 yrs. & 7 mos.	47		None
Wilfred Shan Chen Woo	Canadian	Yes/ 5 yrs. & 7 mos.	59		None
Danila Regina I. Fojas	Filipino	Yes/14 yrs. & 9 mos.	63		None
Kin Sun Andrew Ng	British Hong Kong	Yes/11 yrs. & 9 mos.	60	Group Financial Controller	None

Federico G. Noel, Jr.	Filipino	Yes /17 yrs & 4 mos.	55	Corporate Secretary	None
Maria Myla Rae S. Orden	Filipino	(No)	51	Asst. Corp. Secretary	None
*Wilkie Lee		RESIGNED			
*Manuel M. Cosico		RESIGNED			
Johnny O. Cobankiat***	Filipino	Yes /9 yrs. & 9 mos.	66		None
Antonio O. Cojuangco***	Filipino	Yes /9 yrs. & 7 mos.	65		None
Ho Shut Kan	New Zealand	Yes /6 yrs & 9 mos.	66		None
* Karlo Marco P. Estavillo	Filipino	5 mos.		Treasurer/ CFO/COO	None
*Gregory Allan Dogan		5 mos.			None
Koay Kean Choon	Malaysian	Yes/3 yrs & 9 mos.	61	Senior Project Director	None
Maximo G. Licauco III	Filipino	Yes/3 yrs & 4 mos.	67		None

*Mr. Karlo Marco P. Estavillo and Mr. Gregory Allan Dogan were elected by the Board last 14 September 2016 to replace Mr. Manuel M. Cosico and Mr. Wilkie Lee who both tendered their resignations effective 14 September 2016.

Edward Kuok Khoon Loong is the Chairman of the Company and also Vice Chairman of Kerry Holdings Limited. He has been with the Kuok Group since 1978. He has a Master's degree in Economics from the University of Wales in the United Kingdom.

Alfredo C. Ramos is the Vice Chairman of the Company. He is the Chairman of the Board of Anglo Philippine Holdings, Inc., Anvil Publishing, Inc., Carmen Copper Corporation, NBS Express, Inc. and Vulcan Materials Corporation. He is the Chairman and President of Atlas Consolidated Mining & Development Corporation, The Philodrill Corporation, National Book Store, Inc., Vulcan Industrial & Mining Corporation and United Paragon Mining Corporation. He is also the President of Abacus Book & Card Corporation, Crossings Department Store Corp., Power Books, Inc., and MRT Holdings Inc. He is Vice Chairman of Shangri-La Plaza Corporation, MRT Development Corporation, Metro Rail Transit Corporation and LR Publications, Inc.

Johnny O. Cobankiat is President of Co Ban Kiat Hardware, Inc., Ace Hardware, Philippines, and Coby's Marketing Corp. He is Vice Chairman of the Federation of Filipino-Chinese Chamber of Commerce, Director of R. Nubla Securities, Inc. and of the Philippine Hardware Association.

Antonio O. Cojuangco is the Chairman of Ballet Philippines, CAP Life Insurance Corporation, Cinemalaya Foundation, Mantrade Development Corporation, Nabasan Subic Development Corporation, Radio Veritas, Tanghalang Pilipino, Air Asia Phil. Inc. and Directories Philippines Corporation. He is the President and Director of Calatagan Golf Club Inc. and Canlubang Golf and Country Club.

Cynthia Roxas Del Castillo is a Partner at Romulo, Mabanta, Buenaventura, Sayoc & de los Angeles and has been with the firm for over 30 years. She served as Dean of the Ateneo Law School from 1990 to 2000 and as a Professor of Civil Law and Securities Regulation. She holds an Ll.B from Ateneo, graduated Valedictorian in 1976 and placed 11th in the 1976 Bar Examinations. She currently serves as Corporate Secretary and Director of other various Philippine corporations.

Benjamin I. Ramos is the President of Powerbooks since 2009 and is the Special Assistant to the Vice President at National Book Store. He was previously the President of Tokyo, Tokyo, Inc., the largest Japanese fast food chain in the Philippines from 1990 to 2008 and has an MBA from the Stanford Graduate School of Business.

Ho Shut Kan is co-managing director of Kerry Properties Limited [KPL]. He is responsible for overseeing the operation of the project companies and the projects of the Group in Hong Kong, Macau and overseas. He is a non-executive director of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust, which is listed in Hong Kong.

Wilfred Shan Chen Woo is the Executive Assistant to the Chairman of the Board. He is a member of the Institute of Chartered Accountants of British Columbia as well as a member of the Canadian Institute of Chartered Accountants since 1985. He graduated in 1982 from the University of British Columbia in Vancouver, Canada with a Bachelor's Degree in Commerce, majoring in Accounting and Management Information Systems.

Danila Regina I. Fojas is the Executive Vice President and General Manager of Shangri-La Plaza Corporation. Her core expertise is in general and marketing management. In her previous capacity as a corporate officer of San Miguel Corporation and its subsidiaries, she assumed various marketing positions in the Philippines, Indonesia and the international beer operations based in Hong Kong. She is the first female to graduate with honors at the Asian Institute of Management, where she also held two concurrent positions as core faculty member and Executive Managing Director for Marketing and Customer Relations. She completed her Master's in Business Management with Distinction in 1978 and participated in the one-year advanced top management course in economics and business development at the University of the Asia and the Pacific in 1993. She is also a Director of KSA Realty Corporation.

Kin Sun Andrew Ng is a Director and Group Financial Controller. He also serves as Director on the various boards of Shang Properties affiliates and subsidiaries. Prior to joining the Kerry Group in Hong Kong in 1993, he worked for one of the largest audit firms in Hong Kong, handling audit, taxation and accounting. He is an associate member of the Hong Kong Society of Accountants and a fellow member of the Association of Chartered Certified Accountants in the U.K. He graduated from the Hong Kong Shue Yan University with a degree in Accounting.

Federico G. Noel, Jr. is the General Counsel and the Corporate Secretary of the Company. He is also the Corporate Secretary, General Counsel and a member of the Board of Directors of the other Kuok Group companies in the Philippines including the Shangri-La Plaza Corporation and the Shangri-La Hotels. He graduated from the Ateneo Law School in 1991 with a Juris Doctor degree.

Maximo G. Licauco III is a Director of The Philodrill Corporation. He is also President of Filstar Distributors Corporation (Hallmark Licensee) and Area Vice President of National Book Store, Inc.

Koay Kean Choon is the Senior Project Manager of Issuer. He worked as M & E Manager with Kerry Project Management Ltd. Hong Kong and as Senior Project Manager from 2000-2011 for Shangri-La Hotel Management Ltd.

Karlo Marco P. Estavillo *served as General Manager of San Miguel Properties, Inc., and a member of the Board of Directors of United Coconut Planters Bank, Cocolife, and UCPB General Insurance, Inc. He received a Bachelor of Laws Degree from the Universoty of the Philippines College of Law and Bachelor of Science in Business Management from the Ateneo de Manila University.*

Gregory Allan Dogan *served as the Chief Executive Officer and President of Shangri-La Hotel Public Company Limited and Shangri-La International Hotel Management Ltd. And as the Chief Operating Officer of Shangri-La International Hotel Management Ltd. He has over 25 years of experience in the hospitality industry. He has also held senior property management positions, including Vice President and General Manager of Makati Shangri-La, Manila. He joined the Shangri-La Group in 1997 as Executive Assistant Manager of Mactan Island Resort, Cebu. His hospitality career has spanned Asia, Europe, and the Middle East.*

Maria Myla Rae S. Orden is Assistant Corporate Secretary and has been the Assistant General Counsel of the Company for the past 15 years.

**** Messrs. Johnny Cobankiat, Antonio Cojuangco were elected independent directors. All of the foregoing independent directors have no relationship with Ideal Sites and Properties, Inc., either as directors or officers.*

The Directors of the Company are elected during each regular meeting of stockholders and shall hold office for one (1) year and until their successors are elected and qualified.

(2) Significant Employees

Issuer does not have an employee who is not an executive officer who is expected to make a significant contribution to the business of Issuer. There are also no key personnel on whom the business of the Issuer is highly dependent such as to merit any special arrangement.

(3) Family Relationships

Mr. Benjamin Ramos is the nephew of Mr. Alfredo Ramos. Mr. Maximo G. Licauco III is the brother-in-law of Mr. Alfredo Ramos.

(4) Involvement in Certain Legal Proceedings

(A) None of the directors or executive officers of the Issuer has had any bankruptcy petition filed by or against any business of which such director or executive officer was a general partner or executive officer either at the time of bankruptcy or within two years to that time;

(B) None of the directors or executive officers of the Issuer has had any conviction by final judgment in a criminal proceedings, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

(C) None of the directors or executive officers of the Issuer has been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities;

(D) None of the directors or executive officers of the Issuer has been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, to have violated a securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

Item 10. **Executive Compensation**

Furnish the information required by Part IV, Paragraph (B) of "Annex C, as amended".

The following is a summary of the aggregate compensation paid or accrued during the last two (2) fiscal years, i.e. **2015 and 2016** and to be paid in the ensuing fiscal year 2015 to the Company's Chief Executive Officer and four (4) other most highly compensated executive officers who are individually named, and to all other officers and directors of the Company as a group:

OFFICERS/DIRECTORS	FISCAL YEAR	AGGREGATE COMPENSATION (in ₱)		
		Basic	Bonus	Total
2017		66,846,557.67	22,498433.00	89,344,990.67
Kin Sun Andrew Ng, Group Financial Controller				
Federico G. Noel, Jr., Corporate Legal Counsel				
Koay Kean Choon, Senior Project Director				
Danila Regina I. Fojas, Executive Vice President				
Karlo Marco P. Estavillo				
2016		44,242,709.33	19,551,119.69	63,793,829.02
Kin Sun Andrew Ng, Group Financial Controller				
Federico G. Noel, Jr., Corporate Legal Counsel				
Koay Kean Choon, Senior Project Director				
Danila Regina I. Fojas, Executive Vice President				

2015	2015	37,338,106.00	15,249,285.07	52,587,391.07
Kin Sun Andrew Ng, Group Financial Controller				
Federico G. Noel, Jr., Corporate Legal Counsel				
Eden Lin, Project Manager				
Danila Regina I. Fojas, Executive Vice President				

Compensation of Directors

The members of the Board are not compensated in any form or under any arrangement. There are no per diem payments being made to the members of the Board.

Other arrangements with Directors

Apart from what has been described above, there are no other arrangements or consulting contracts pursuant to which any director of the Issuer is or was or is to be compensated, directly or indirectly, during the Issuer's last completed fiscal year and the ensuing year for any service provided as a director, stating the amount paid and the name of the Director.

Warrants and options

There are, as of date, no outstanding warrants or options being held by any executive officer of the Issuer, and all officers and directors as a group.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Furnish the information required by Part IV, Paragraph (C) of "Annex C, as amended".

(1) Security Ownership of Certain Record and Beneficial Owners and Management

Following are the stockholders who are known to the Issuer to be directly or indirectly the record and/or beneficial owner of more than 5% of any class of the Issuer's voting shares as of **31 March 2017**.

Title of Class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	Travel Aim Investment B. V. 25/F Kerry Centre 683 King's Road Quarry Bay, HK	R	Filipino	1,648,869,372	34.61%
Common	Ideal Sites & Properties, Inc.	R	Filipino	1,465,615,626	30.754%
Common	PCD Nominee Corporation (Filipino) G/F, MSE Building 6767 Ayala Avenue Makati City	R	Filipino	1,011,600,226	21.23%

Travel Aim Investments B. V. is a wholly-owned subsidiary of Kerry Properties Limited. Kerry Properties Limited is a Bermuda company incorporated in 1996 and listed on the Hong Kong Stock Exchange. It is controlled by the Kuok Group, and was formed to hold the Hong Kong and Mainland China property investments and developments and infrastructure interests of the Kuok Group in the Philippines, the interests of the Kuok Group are chaired by Mr. Edward Kuok who is also the Chairman and Director of the Issuer.

Ideal Sites and Properties, Inc. (Ideal) is the owner of record of 1,465,615,626shares. These shares serve as underlying securities to the Philippine Deposit Receipts (PDRs) issued by Ideal. Ideal is a member of the Kuok Group of Companies.

PCD Nominee Corporation is a wholly-owned subsidiary of the Philippine Depository & Trust Co. (*formerly* Philippine Central Depository, Inc.) The PCD Nominee Corporation is the registered owner of the shares in the books of the Company's transfer agent in the Philippines. The beneficial owners of such shares are PCD's participants, who hold the shares on their behalf or on behalf of their clients and/or principals. PCD is a private company organized by the major institutions actively participating in the Philippine capital market.

(2) Security Ownership of Management (as of **31 March 2017)**

Title of Class	Name of Beneficial Owner	Amount and Nature of beneficial ownership	Citizenship	Percent of Class
Common	Edward Kuok Khoon Loong	808,008(D)	Malaysian	0.000%
Common	Alfredo C. Ramos	158(D)	Filipino	0.000%
Common	Ho Shut Kan	1,570 (D)	New Zealand	0.000%
Common	Cynthia R. Del Castillo	1(D)	Filipino	0.000%
Common	Benjamin I. Ramos	2 (D)	Filipino	0.000%
Common	Maximo G. Licauco III	1(D)	Filipino	0.000%
Common	Manuel M. Cosico*	1,000(D)	Filipino	0.000%
Common	Federico G. Noel, Jr.	1(D)	Filipino	0.000%
Common	Danila Regina I. Fojas	36,010 (D)	Filipino	0.000%
Common	Kin Sun Andrew Ng	930,010 (D)	British Hong Kong	0.000%
Common	Wilkie Lee*	14,000(D)	Australian	0.000%
Common	Johnny O. Cobankiat	32,302(D)	Filipino	0.000%
Common	Antonio O. Cojuangco	3,026,964(D)	Filipino	0.063%
Common	Koay Kean Choon	1,000(D)	Malaysian	0.000%
Common	Wilfred Shan Chen Woo	1,000(D)	Canadian	0.000%
Common	Karlo Marco P. Estavillo	5,000(D)	Filipino	0.000%
Common	Gregory Allan Dogan	10 (D)	British	0.000%

*Mr. Manual M. Cosico and Mr. Wilkie Lee both resigned as members of the Board of Directors of the Issuer effective 14 September 2016.

As of the reporting of SEC Form 17-A for **2017**, the aggregate ownership of all directors and officers as a group unnamed is **4,842,037** shares or **0.001%** of the outstanding shares of Issuer.

(3) Voting trust holders of 5% or more

None of the shareholders of Issuer have entered into a voting trust agreement, so that all questions relating to the same are irrelevant to the Issuer.

(4) Changes in Control

There have not been any arrangements or transactions entered into nor will any be entered into such as to effect a change in the control of the Issuer.

Item 12. **Certain Relationships and Related Transactions**

Furnish the information required by Part IV, Paragraph (D) of "Annex C, as amended".

1. As to the disclosures required in Item 1 of Part IV, Paragraph (D), there are no disclosable transactions as regards the requested disclosures in this item given that Issuer has no transaction or proposed transactions to which Issuer was or is to be a party, in which any of the following persons had or is to have a direct or indirect material interest: (i) any director or executive officer of the Issuer; (ii) any nominee for

election as a director; (iii) any security holder named in response to Part IV, paragraph (C), or (Iv) any member of the immediate family of the persons aforenamed.

2 Item 2 of Part IV, Paragraph (D) is not relevant to the Issuer.

3. Travel Aim Investments B.V. is a wholly-owned subsidiary of Kerry Properties Limited (KPL). KPL is a Bermuda Company incorporated in 1996 and listed on the Hong Kong Stock Exchange. The Company was formed to hold the Hong Kong and Mainland China property investments and developments and infrastructure interests of the Kuok Group. KPL has the power to vote the shares of Travel Aim.

Ideal Sites and Properties Inc. is a Philippine company incorporated in 1989 and is listed on the Philippine Stock Exchange. It is affiliated with the Kuok Group and was formed to primarily engage in property development and investments. Shang Properties Inc. and Oro Group Ventures, Inc. are the major shareholders of Ideal.

The interests of National Bookstore, Inc., are chaired by Mr. Alfredo Ramos.

4. Item 4 of Part IV, Paragraph (D) is not relevant to the Issuer.

DISCLOSURE OF THE LEVEL OF PUBLIC OWNERSHIP OF THE ISSUER (PER PSE MEMO NO. 2010-0505, DATED 28 OCTOBER 2010)

In compliance with PSE Memorandum No. 2010-0505 which requires the disclosure of the level of public ownership of the Issuer, as of **31 March 2017**, is **34.53%** of the Issuer's total issued and outstanding shares is publicly owned in accordance with the PSE's guidelines for the computation of public ownership.

PART IV — EXHIBITS AND SCHEDULES

Item 13. **Exhibits and Reports on SEC Form 17-C**

(a) Exhibits

Furnish the exhibits required by Part VII of "Annex C, as amended". Where any financial statement or exhibit is incorporated by reference, the incorporation by reference shall be set forth in the list required by this item. Identify in the list each management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form.

	Description	12-1	17-C	17-Q	17-A
1	Publication of Notice re: Filing	x			
2	Underwriting Agreement	x	x		
3	Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	x	x	x	n/a
4	(A) Articles of Incorporation (B) By-laws	x	x		
5	Instruments Defining the Rights of Security Holders, Including Indentures	x	x	x	n/a
6	Opinion re: Legality	x			
7	Opinion re: Tax Matters	x			
8	Voting Trust Agreement	x	x		n/a
9	Material Contracts	x	x		
10	Annual Report to Security Holders, FORM 17-Q or Quarterly Report to Security Holders—n1	x			n/a
11	Material Foreign Patents	x			
12	Letter re: Unaudited Interim Financial Information	x		x	
13	Letter re: Change in Certifying Accountant—n2	x	x		n/a
14	Letter re: Director Resignation		x		
15	Letter re: Change in Accounting Principles				n/a
16	Report Furnished to Security Holders			x	n/a

17	Other Documents or Statements to Security Holders			x	
18	Subsidiaries of the Issuer	x			x
19	Published Report Regarding Matters Submitted to Vote of Security Holders	x			n/a
20	Consents of Experts and Independent Counsel	x	x-n3	x-n3	x-n3
21	(a) Power of Attorney (b) Power of Attorney—Foreign Issuer	x	x	x	n/a
22	Statement of Eligibility of Trustee	x			
23	Exhibits To Be Filed With Commercial Papers/Bond Issues	x			
24	Exhibits To Be Filed With Stock Options Issues	x			
25	Exhibits To Be Filed By Investment Companies	x			
26	Notarized Curriculum Vitae and Photographs of Officers and Members of the Board of Directors	x			
27	Copy of the BOI Certificate for BOI Registered Companies	x			
28	Authorization re: Issuer's Bank Accounts.	x			
29	Additional Exhibits	x	x	x	n/a
30	Copy of Board Resolution approving the securities offering and authorizing the filing of the Registration Statement	x			
31	Duly verified resolution of the issuer's Board of Directors approving the disclosures contained in the registration statement and assuming liability for the information contained therein	x			
32	Secretary's Certificate as to adoption by the Board of certain corporate governance principles	x			
33	Exhibits to be filed for proprietary or non-proprietary shares issues	x			
34	Exhibits to be filed for Warrants Issues	x			

(b) Reports on SEC Form 17-C

State whether any reports on SEC Form 17-C, as amended were filed during the last six month period covered by this report, listing the items reported, any financial statements filed and the dates of such.

Following are the reports, in SEC Form 17-C, which were filed during the fiscal year ended **31 December 2016**:

1. 04 March 2016 – Reports that during the regular meeting of the Issuer's Board of Directors held on 04 March 2016, the Board approved the following:

    i) The declaration of P0.095 per share cash dividend to all shareholders of record as of 21 March 2016, to be taken from the unrestricted retained earnings as reflected in the audited financial statements of the Issuer as of 31 December 2015, to be paid on or before 08 April 2016;

    ii) Passed resolutions to approve the audited financial statements of the Issuer for the year ended 31 December 2015.

2. 06 May 2016 - Reports that the Issuer will hold its Annual Stockholders Meeting on 21 June 2016 at 10:00 a.m. at the Garden, Edsa Shangri-La Hotel, Manila, No.1 Garden Way, Ortigas Center, Mandaluyong City. Record date is set on 22 May 2016.

3. 21 June 2016 - Reports that during the Issuer's Annual Stockholders' Meeting held on 21 June 2016, the following matters were taken up:

Election of Directors

The following were elected to serve as members of the Board of Directors for the year 2016-2017, namely:

1) Edward Kuok Khoon Loong
2) Danila Regina I. Fojas
3) Alfredo C. Ramos
4) Benjamin I. Ramos
5) Cynthia R. Del Castillo
6) Ho Shut Kan
7) Maximo G. Licauco III – Independent Director
8) Johnny O. Cobankiat – Independent Director
9) Antonio O. Cojuangco - Independent Director
10) Manuel M. Cosico
11) Wilkie Lee
12) Koay Kean Choon
13) Kin Sun Andrew Ng
14) Federico G. Noel, Jr.
15) Wilfred Shan Chen Woo

Issuer's Certifying Accountant

Sycip Gorres Velayo & Co. was reappointed as external auditors for the year 2016-2017.

During the Issuer's Board of Directors Organizational Meeting held immediately after the Stockholders' Meeting, the following transpired:

Election of Officers

1)	Edward Kuok Khoon Loong	-	Chairman
2)	Alfredo C. Ramos	-	Vice Chairman
3)	Kin Sun Andrew Ng	-	Group Financial Controller
4)	Federico G. Noel, Jr.	-	Corporate Secretary
5)	Maria Myla Rae S. Orden	-	Assistant Corporate Secretary

Executive Committee

1)	Wilfred Shan Chen Woo	-	Chairman
2)	Kin Sun Andrew Ng		
3)	Federico G. Noel, Jr.		
4)	Danila Regina I. Fojas		

Audit Committee:

1)	Johnny O. Cobankiat	-	Chairman
2)	Maximo G. Licauco III	-	Co-Chairman
3)	Manuel M. Cosico	-	Member
4)	Josephine Logroño	-	Secretary

Nomination Committee

1)	Edward Kuok Khoon Loong	-	Chairman
2)	Antonio O. Cojuangco	-	Member
3)	Cynthia R. Del Castillo	-	Member
4)	Federico G. Noel, Jr.	-	Secretary

4. 14 September 2016 - Reports that during the regular meeting of the Issuer's Board of Directors held on 18 August 2015, the Board approved the following:

   i) Resignation of Directors – Atty. Manuel M. Cosico and Mr. Wilkie Lee formally tendered their resignation as Directors of the issuer effective 14 September 2016 and upon approval by the Board of Directors.

ii) Election of Directors – Atty. Karlo P. Estavillo and Mr. Gregory Allan Dogan were elected as members of the Board of Directors to replace Atty. Cosico and Mr. Lee and to serve as such for the remainder of Atty. Cosico's and Mr. Lee's terms and until their successor are duly elected and qualified.

iii) Appointment of Officer – Atty. Karlo P. Estavillo was appointed as Treasurer/Chief Finance Officer and Chief Operating Officer effective 14 September 2016.

iv) Cash dividends – The declaration of P.070 per share cash dividend to all shareholders of record as of 30 September 2016 to be taken from the unrestricted retained earnings as reflected in the unaudited financial statements of the Issuer as of 30 June 2016 to be paid on or before 07 October 2016.

v) Establishment of subsidiary – The Board of Directors passed and approved resolutions authorizing the Issuer to establish a wholly owned non-resident foreign corporation to explore possible offshore investment opportunities aligned with the Issuer's business objectives/purposes.

Following are the reports, in SEC Form 17-C, which were filed as of 31 March 2017:

1. 15 March 2017– Reports that during the regular meeting of the Issuer's Board of Directors held on 15 March 2017, the Board approved the following:

   i) The declaration of P0.095 per share cash dividend to all shareholders of record as of 31 March 2017, to be taken from the unrestricted retained earnings as reflected in the audited financial statements of the Issuer as of 31 December 2016, to be paid not later than 7 April 2017;

   ii) Passed resolutions to approve the audited financial statements of the Issuer for the year ended 31 December 2016

   iii) The Board approved the adoption by Issuer of the Corporation's New Manual of Corporate governance in view of SEC Memorandum Circular No. 19, Series of 2016.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the Issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong on this APR 11 2017 day of April 2017.

By:

KIN SUN ANDREW NG
Group Financial Controller / Executive Committee Member

FEDERICO G. NOEL, JR.
Corporate Secretary / Executive Committee Member

ACKNOWLEDGEMENT

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

SUBSCRIBED AND SWORN to before me in the City of Mandaluyong this APR 11 2017 day of April 2017 by:

Name	Passport/ID Details	Expiry/Place of Issue
Kin Sun Andrew Ng	501133959	22 Feb 2012 / 22 Nov. 2022/ IPS
Federico G. Noel, Jr.	EB7578429	7 March 2013/ 6 March 2018/Manila

each having satisfactorily proven to me their respective identities through the documents above identified, and known to me to be same persons who executed and voluntarily signed the foregoing **SEC 17-A Report of Shang Properties, Inc**. and which they acknowledged before me as their voluntary act and deed, that they are acting as representatives of the corporation aforenamed and that they each have the authority to sign in such capacity.

The foregoing **SEC 17-A Report of Shang Properties, Inc**. consists of ________________ pages including the page on which this acknowledgment is written.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of my office on the date and place first above written.

Doc No. 384;
Page No. 78;
Book No. 21;
Series of 2017

NOTARY PUBLIC

JOVEN G. SEVILLANO
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

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	4	5	4	9	0

COMPANY NAME

SHANG PROPERTIES, INC.

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

Administration Offices, Shangri-La Plaza Mall, EDSA cor. Shaw Blvd. Mandaluyong City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAPFS	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.shangproperties.com	370-2700	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
5,346	6/21	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Kinsun Ng	kinsun.ng@shangproperties.com	370-2700	N/A

CONTACT PERSON's ADDRESS

Administration Offices, 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.*

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Shang Properties, Inc. (the Company), which comprise the parent company statements of financial position as at December 31, 2016 and 2015, parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended 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 Parent Company Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company 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.

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

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

In preparing the parent company 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.

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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company 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 parent company 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 parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010
Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 30 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Shang Properties, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

SHANG
PROPERTIES®

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 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Sycip Gorres Velayo & Co, the independent auditors appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Edward Kuok Khoon Loong
Chairman of the Board

Wilfred Shan Chen Woo
Executive Assistant to the Chairman

Karlo Marco P. Estavillo
Chief Financial Officer

Signed this 15th day of March 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

DOC. NO: 305
PAGE NO: 61
BOOK NO: 47
SERIES OF 2017

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 parent company financial statements of Shang Properties, Inc. (the Company) based on information the Company has provided. These parent company financial statements comprise the parent company statements of financial position of the Company as at December 31, 2016 and 2015, the parent company statements of comprehensive income, parent company statements of changes in equity, parent company statements of cash flows for the years then ended, 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 Company in the preparation and presentation of these parent company 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 parent company financial statements and the accuracy and completeness of the information used to compile them are the Company'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 Company provided to me to compile these parent company financial statements. Accordingly, I do not express an audit opinion or a review conclusion on whether these parent company 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.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱895,147,844**	₱1,211,799,761
Financial assets at fair value through profit or loss (Note 5)	**4,220,712**	4,242,540
Receivables (Note 6)	**180,916,038**	831,251,863
Properties held for sale (Note 7)	**49,235,184**	49,785,462
Prepayments and other current assets (Note 8)	**164,793,318**	140,656,341
Total Current Assets	**1,294,313,096**	2,237,735,967
Noncurrent Assets		
Investments and advances (Note 9)	**14,278,303,032**	12,030,222,549
Investment properties (Note 10)	**9,468,362,674**	9,011,905,814
Available-for-sale financial assets (Note 11)	**98,740,867**	95,320,867
Property and equipment (Note 12)	**36,750,592**	35,061,717
Retirement assets (Note 20)	**4,226,500**	4,853,882
Other noncurrent assets (Note 22)	**32,103,024**	425,424
Total Noncurrent Assets	**23,918,486,689**	21,177,790,253
TOTAL ASSETS	**₱25,212,799,785**	₱23,415,526,220
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 13)	**₱466,826,481**	₱428,791,675
Current portion of long-term loan (Note 14)	**533,333,333**	133,333,333
Dividends payable (Note 16)	**33,035,177**	28,464,861
Total Current Liabilities	**1,033,194,991**	590,589,869
Noncurrent Liabilities		
Long-term loan - net of current portion (Note 14)	**2,533,333,334**	3,066,666,667
Deposits from tenants	**1,269,161**	1,085,905
Deferred tax liabilities - net (Note 21)	**2,861,529,402**	2,733,105,665
Total Noncurrent Liabilities	**5,396,131,897**	5,800,858,237
Total Liabilities	**6,429,326,888**	6,391,448,106
Equity		
Capital stock - ₱1.00 par value		
Authorized - 8,000,000,000 shares,		
Issued and outstanding - 4,764,058,982 shares	**4,764,058,982**	4,764,058,982
Additional paid-in capital	**1,210,073,869**	1,210,073,869
Treasury shares - at cost (Note 15)	**(6,850,064)**	(6,850,064)
Other comprehensive loss	**(4,173,687)**	(5,846,737)
Retained earnings	**12,820,363,797**	11,062,642,064
Total Equity	**18,783,472,897**	17,024,078,114
TOTAL LIABILITIES AND EQUITY	**₱25,212,799,785**	₱23,415,526,220

See accompanying Notes to Parent Company Financial Statements.

SHANG PROPERTIES, INC.
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2016	2015
REVENUES		
Rental (Notes 10 and 24)	**₱221,019,268**	₱212,740,086
Sale of condominium units	**550,278**	58,147,402
	221,569,546	270,887,488
COSTS AND EXPENSES		
Staff costs (Note 17)	**91,723,673**	72,058,036
General and administrative (Note 18)	**56,168,200**	54,746,615
Taxes and licenses (Note 18)	**17,383,640**	14,191,498
Depreciation and amortization (Note 12)	**10,063,386**	10,555,428
Cost of condominium units sold (Note 7)	**550,278**	28,372,373
	175,889,177	179,923,950
OTHER INCOME (LOSS)		
Dividend income (Note 22)	**2,302,262,465**	3,150,415,469
Gain on fair value adjustment of investment properties (Note 10)	**452,527,000**	521,897,129
Interest expense (Note 14)	**(128,955,324)**	(155,424,521)
Interest income (Note 4)	**8,364,211**	8,542,619
Bank charges	**(185,493)**	(6,995,715)
Gain (loss) on fair value adjustments of financial assets at fair value through profit or loss (Note 5)	**(21,828)**	816,087
Other income (Note 19)	**1,860,042**	1,672,262
	2,635,851,073	3,520,923,330
INCOME BEFORE INCOME TAX	**2,681,531,442**	3,611,886,868
PROVISION FOR INCOME TAX (Note 21)	**138,092,853**	158,841,423
NET INCOME	**2,543,438,589**	3,453,045,445
OTHER COMPREHENSIVE INCOME (LOSS)		
Item to be reclassified to profit or loss in the subsequent periods:		
Change in fair value of available-for-sale financial assets (Note 11)	**5,497,500**	1,435,000
Item not to be reclassified to profit or loss in the subsequent periods:		
Remeasurement gain (loss) on defined benefit plan, net of tax effect (Note 20)	**(3,824,450)**	319,129
	1,673,050	1,754,129
TOTAL COMPREHENSIVE INCOME	**₱2,545,111,639**	₱3,454,799,574

SHANG PROPERTIES, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

				Other components of equity				
	Capital Stock	Additional Paid-in Capital	Treasury Shares (Note 15)	Cumulative Changes in Fair Value of Available-for-Sale Financial Assets (Note 11)	Remeasurement Gain (Loss) on Defined Benefit Plan (Note 20)	Subtotal	Retained Earnings (Note 16)	Total
BALANCES AT DECEMBER 31, 2015	**₱4,764,058,982**	**₱1,210,073,869**	**(₱6,850,064)**	**₱4,847,500**	**(₱10,694,237)**	**(₱5,846,737)**	**₱11,062,642,064**	**₱17,024,078,114**
Total comprehensive income	–	–	–	**5,497,500**	**(3,824,450)**	**1,673,050**	**2,543,438,589**	**2,545,111,639**
Cash dividends (Note 16)	–	–	–	–	–	–	**(785,716,856)**	**(785,716,856)**
BALANCES AT DECEMBER 31, 2016	**₱4,764,058,982**	**₱1,210,073,869**	**(₱6,850,064)**	**₱10,345,000**	**(₱14,518,687)**	**(₱4,173,687)**	**₱12,820,363,797**	**₱18,783,472,897**
BALANCES AT DECEMBER 31, 2014	₱4,764,058,982	₱1,210,073,869	(₱6,850,064)	₱3,412,500	(₱11,013,366)	(₱7,600,866)	₱8,347,694,274	₱14,307,376,195
Total comprehensive income (loss)	–	–	–	1,435,000	319,129	1,754,129	3,453,045,445	3,454,799,574
Cash dividends (Note 16)	–	–	–	–	–	–	(738,097,655)	(738,097,655)
BALANCES AT DECEMBER 31, 2015	₱4,764,058,982	₱1,210,073,869	(₱6,850,064)	₱4,847,500	(₱10,694,237)	(₱5,846,737)	₱11,062,642,064	₱17,024,078,114

See accompanying Notes to Parent Company Financial Statements.

SHANG PROPERTIES, INC.

PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱2,681,531,442**	₱3,611,886,868
Adjustments for:		
Dividend income (Note 22)	**(2,302,262,465)**	(3,150,415,469)
Gain on fair value adjustment of investment properties (Note 10)	**(452,527,000)**	(521,897,129)
Interest expense (Note 14)	**128,955,324**	155,424,521
Depreciation and amortization (Note 12)	**10,063,386**	10,555,428
Interest income (Note 4)	**(8,364,211)**	(8,542,619)
Foreign exchange gain (Note 4 and 19)	**(565,453)**	(743,818)
Gain on sale of property and equipment (Note 19)	**(254,463)**	(600,786)
Loss (gain) on fair value adjustments of financial assets at fair value through profit or loss (Note 5)	**21,828**	(816,087)
Operating income before working capital changes	**56,598,388**	94,850,909
Decrease (increase) in:		
Receivables	**(54,824,811)**	835,785,287
Properties held for sale	**550,278**	28,372,373
Prepayments and other current assets	**(24,136,977)**	(25,444,849)
Retirement assets	**(4,836,118)**	(14,595,684)
Increase (decrease) in:		
Accounts payable and other current liabilities	**38,700,231**	(229,041,702)
Net cash generated from operations	**12,050,991**	689,926,334
Interest received	**9,926,968**	6,867,967
Income taxes paid	**(5,952,566)**	(6,418,619)
Net cash provided by operating activities	**16,025,393**	690,375,682
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received (Note 22)	**3,005,860,344**	2,441,917,590
Decrease (increase) in investments and advances (Note 9)	**(2,248,080,483)**	456,717,262
Proceeds from sale of property and equipment (Note 19 and 12)	**254,463**	–
Additions to:		
Investment properties (Note 10)	**(3,929,860)**	(3,738,466)
Other noncurrent assets	**(31,677,600)**	–
Property and equipment (Note 12)	**(11,752,261)**	(5,039,115)
Net cash provided by investing activities	**710,674,603**	2,889,857,271

(Forward)

	Years Ended December 31	
	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Cash dividends (Note 16)	**(₱781,146,540)**	(₱733,927,708)
Loan principal (Note 14)	**(133,333,333)**	(1,895,833,333)
Interest (Note 14)	**(129,620,749)**	(165,182,713)
Increase in deposit from tenants	**183,256**	86,866
Net cash used in financing activities	**(1,043,917,366)**	(2,794,856,888)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**565,453**	743, 818
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(316,651,917)**	786,119,883
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,211,799,761**	425,679,878
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱895,147,844**	₱1,211,799,761

See accompanying Notes to Parent Company Financial Statements.

1. Corporate Information and Authorization for Issue of the Parent Company Financial Statements

Corporate Information

Shang Properties, Inc. (the 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 Company's registered office address, which is also its principal place of business, is at Administration Offices, Shangri-La Plaza Mall (the Mall), EDSA corner Shaw Boulevard, Mandaluyong City.

The Company has its primary listing on the Philippine Stock Exchange (PSE). 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 of December 31, 2016 and 2015, the Company has 5,346 and 5,403 stockholders, respectively. The details of the Company's stockholders are disclosed in the annual report.

Authorization for Issue of the Parent Company Financial Statements

The parent company 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.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

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

Statement of Compliance

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

New and Amended Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2016. Adoption of these pronouncements did not have any significant impact on the Company'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'*

Future Changes in Accounting Policies
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Company 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 impact on the Company's financial statements.

- 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 Company.

- 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 Company.

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.

  The amendments do not have impact on the Company's financial statements.

- 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 Company since the Company does not 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 amendments do not have impact on the Company's financial statements.

- 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 Company'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 Company 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.

  The amendments do not have impact on the Company's financial statements.

- 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.

  The amendments do not have impact on the Company's financial statements.

- 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.

  The amendments do not have impact on the Company's financial statements.

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 Company 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.

Current versus Noncurrent Classification
The Company presents assets and liabilities in the parent company statement of financial position based on current or noncurrent classification.

An asset is current when it is:

- expected to be realized or intended to 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 Company classifies all other liabilities as noncurrent.

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

Fair Value Measurement
The Company 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 25.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell an asset or transfer a 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 Company.

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 Company 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 parent company 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 parent company financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by reassessing 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 Company 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 earns 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 Company recognizes a financial instrument in the parent company 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 Company 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 Company 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 Company has no HTM financial assets and financial liabilities at FVPL.

Financial Assets at FVPL
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial

assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by PAS 39. The Company designated certain financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as "Other income" in the statement of comprehensive income.

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 Company 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 Company has investment 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, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of income.

As of December 31, 2016 and 2015, the Company's loans and receivables consist of cash in banks, cash equivalents, rental receivables, installment contracts receivable, receivable from related parties, refundable deposits, interest receivable and other receivables.

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 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 Company'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 Company's other financial liabilities include accounts payable and other current liabilities (except for output value-added tax (VAT) and withholding taxes), dividend payable, long-term loan, and deposits from tenants.

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 Company 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 Company determines the appropriate method of recognizing the Day 1 difference.

Offsetting of Financial Instruments
A financial asset and a financial liability are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts, and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. The Company 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 Company and all of the counterparties.

Impairment of Financial Assets
The Company 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 Company 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 Company 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 Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a 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 Company 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.

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 when:

- The rights to receive cash flows from the asset have expired; or
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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 Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company 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 Company has retained.

b. *Financial Liabilities*

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

<u>Properties Held for Sale</u>

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.

<u>Prepayments and Other Current Assets</u>

Prepaid Expenses

Prepaid expenses include expenditures already paid but not yet incurred and from which future economic benefits are expected to flow to the Company within twelve months from the reporting date. These are measured at cost less allowance for impairment losses, if any.

Creditable Withholding Tax (CWT)

CWT represents taxes withheld for goods sold or services rendered by the Company. CWT can be claimed as credit against income tax due.

Investments in Subsidiaries, Associate and Joint Venture
The Company's investments in its subsidiaries, associate and joint venture are accounted for under the cost method and are carried at cost less accumulated provisions for impairment losses, if any. A subsidiary is an entity over which the Company has control. The Company controls an entity when it is exposed, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. An associate is an entity in which the Company has a significant influence and which is neither a subsidiary nor a joint venture. A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a joint venture is a joint arrangement that involves the establishment of a separate entity in which each venturer has an interest.

The Company recognizes income from the investment only to the extent that the Company receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as recovery of investment and are recognized as a reduction of the cost of the investment.

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 Company.

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 Company 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 Company 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 Company 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.

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 calculated using straight-line method over its expected useful life (EUL) as follows:

Category	Useful Lives in Years
Building and leasehold improvements	25 or lease term, whichever is shorter
Transportation equipment	3 to 5
Furniture, fixtures and other equipment	2 to 5

Useful lives of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

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 assets' 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 and any significant part initially recognized 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 Company assesses at each reporting date whether there is an indication that the nonfinancial assets consist of investments in subsidiaries and associates, investment properties and property and equipment may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) 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. Impairment losses, if any, are recognized in profit or loss in those expense categories consistent with the function of the impaired assets.

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:

Investment in Subsidiaries and Associate
The Company assesses at each reporting date whether there is any indication that an investment is impaired. If any such indication exists, the Company estimates the recoverable amount of the investment which is the higher of its fair value less costs to sell and value in use. If the recoverable amount is lower than the carrying amount, the Company recognizes the difference as impairment loss.

Provisions
Provisions are recognized when the Company 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 of the amount of the obligation can be made. 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 Company 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, 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 Company'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 and remeasurement gain (loss) on defined benefit plan. They are measured either at gross amounts 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 and are 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 Company recognizes a liability to make cash distributions to equity holders when the distribution is authorized and is no longer at the discretion of the Company. As per the corporate laws in the Philippines, a distribution is authorized when it is declared by the Board and a corresponding amount is recognized directly in equity.

<u>Revenue and Expense Recognition</u>
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue 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 Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or as an agent. The Company 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 credit risks.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of Condominium Units
The Company assesses whether it is probable that the economic benefits will flow to the Company 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.

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 based on a certain percentage of gross revenue of the lessees, whichever is applicable.

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 Company's right to receive the payment is established, which is generally when the Board of the investee company approved the declaration of dividends.

Costs and Expenses
Cost of condominium units sold is recognized in profit or loss consistent with the revenue recognition criteria of the Company. The cost of condominium units sold recognized in profit or loss is determined with reference to the specific cost incurred on the property which is allocated to the sold unit based on its relative size over the total saleable area.

General and administrative expenses are recognized as incurred.

Leases
The determination of whether an arrangement is, or contains, 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 an 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).

Company as a Lessee
A lease where the lessor retains substantially all the risks and rewards of ownership is classified as operating lease. Payments made under operating lease are recognized in profit or loss on a straight-line basis over the lease term.

When an operating lease is terminated before the lease period has expired, any payment required to be made to a lessor by way of penalty is recognized as an expense.

Company as a Lessor
Leases in which the Company does not transfer substantially all the risks and rewards 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 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 the 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 Company, nor can they be paid directly to the Company. 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 Company'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 is discounted to its present value.

Foreign Currency-denominated Transactions and Balances
The Company's financial statements are presented in Peso. Transactions in foreign currencies are initially recorded by the Company using the functional currency spot rates at the date the transactions first qualify 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).

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 substantively enacted, at the reporting date.

In the sale of condominium units resulting to recognition of installment contracts receivables 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 on temporary differences at the balance sheet 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 reporting 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 reporting 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 substantially enacted at each reporting date.

Deferred tax relating to items recognized outside the statements of comprehensive income is recognized outside the statements of comprehensive 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.

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 "Prepayments and other current assets" or "Accounts payable and other current liabilities" accounts, respectively, in the parent company statement of financial position.

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

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

Segment Reporting
For management purposes, 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.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the parent company financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the parent company 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 parent company financial statements as they become reasonably determinable.

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

Assessing Control over Subsidiaries
The Parent Company or its subsidiaries makes an assessment whether or not it controls an investee by considering all relevant facts and circumstances that indicates that the Parent Company or its subsidiaries is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Parent Company has determined that it controls its subsidiaries (see Note 9).

Assessing Significant Influence over Associates
The Company 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 Financial Instruments
The Company 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 parent company statement of financial position.

Financial assets are classified as financial assets at FVPL, HTM financial assets, 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 Company determines the classification at initial recognition and re-evaluates the classification at every reporting date.

As of December 31, 2016 and 2015, the Company has financial instrument classified as financial asset at FVPL, AFS financial assets, loans and receivables, and other financial liabilities as disclosed in Note 26.

Distinction between Properties Held For Sale, Investment Properties and Property and Equipment
The Company determines whether a property is to be classified as a property held for sale, an investment property, or 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 Company acquired or developed and intends to sell.

- Investment properties comprise land and buildings which are not occupied, substantially for use by, or in the operations of, nor for sale in the ordinary course of business of the Company, but are held primarily to earn rental income or capital appreciation.

- 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 Company.

In making its judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by the Company.

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 Company 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 7, 10 and 12.

Impairment of Nonfinancial Assets
The Company assesses whether there are any indicators of impairment for all nonfinancial assets at every reporting date. Nonfinancial assets with indefinite life are tested for impairment annually and at other times when an impairment indicator exists. Other nonfinancial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

The factors that the Company 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.

As of December 31, 2016 and 2015, management assessed that there are no indications of impairment for the rest of the Company's nonfinancial assets composed of properties held for sale, prepayments and other current assets, investment and advances, and property and equipment.

Impairment of AFS Equity Financial Assets
The Company treats AFS equity financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or other objective evidence of impairment exists. The determination of what is "significant" and "prolonged" requires judgment. The Company 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 Company evaluates other factors including normal volatility in share prices for quoted securities and future cash flows and discount factors for unquoted securities.

The carrying values of AFS equity financial assets as of December 31, 2016 and 2015 are disclosed in Note 11. Based on management's assessment, there is no impairment loss for 2016 and 2015.

Contingencies
The Company 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 Company's financial position and performance (see Note 23).

Classification of Leases as Operating Lease

a. *Company as a Lessor*
   The Company owns parcels of land and a building located in Mandaluyong City which are leased out to its subsidiaries, an affiliate, and third parties. The Company 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 such properties are disclosed in Note 10.

b. *Company as a Lessee*
   The Company's office is located at the Mall which is being leased from Shangri-La Plaza Corporation (SLPC), a subsidiary of the Company. It is determined that the risks and rewards related to this office space are retained by SLPC. As such, this lease agreement is accounted for as an operating lease.

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

Fair Values of Financial Instruments
When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The fair value measurement of the Company's financial instruments is disclosed in Note 25.

Estimation of Allowance for Impairment of Receivables
The Company 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 collectibility of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the customer, the customer's payment behavior and known market factors. The Company reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a continuous basis.

No bad debts were recognized in 2016 and 2015. The carrying values of the Company's receivable and allowance for impairment of receivables as of December 31, 2016 and 2015 are disclosed in Note 6.

Estimation of NRV
Properties held for sale are carried at the lower of cost and NRV. NRV in respect of condominium units is assessed by reference to market prices at the reporting date for similarly completed property less estimated costs necessary to make the sale.

There were no provision for inventory write-down in 2016 and 2015. As of December 31, 2016 and 2015, carrying values of Company's properties held for sale are disclosed in Note 7.

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. In some cases, fair values are determined based on recent real estate transactions with similar characteristics and in the location of those of the Company's assets. In the absence of such information, the Company determines the amount within a range of reasonable fair value estimates. In making its judgment, the Company considers information from a 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 method and assumptions used by the appraisers in estimating fair values of investment properties are set out in Note 10. The fair values, which are also the values of investment properties as of December 31, 2016 and 2015, are disclosed in Note 10.

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. 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 retirement liabilities as of December 31, 2016 and 2015 are disclosed in Note 20.

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 20.

Realizability of Deferred Tax Assets
The Company 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 Company expects to generate sufficient future taxable profits to allow all of its recognized deferred tax assets to be utilized. Deferred tax assets recognized as of December 31, 2016 and 2015 are disclosed in Note 21. The unrecognized deferred tax assets of the Company are disclosed in Note 21.

4. Cash and Cash Equivalents

This account consists of:

	2016	2015
Cash on hand and in banks	**₱400,434,937**	₱28,591,017
Cash equivalents	**494,712,907**	1,183,208,744
	₱895,147,844	₱1,211,799,761

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates. Short term investments, which have an average maturity of 30 days, earn interest ranging from 0.50% to 2.00% in 2016 and 1.75% to 2.25% in 2015.

Total interest income earned amounted to ₱8,364,211 in 2016 and ₱8,542,619 in 2015 while interest receivables amounted to ₱329,231 and ₱1,891,988 in 2016 and 2015, respectively (see Note 6).

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

	US Dollar		HK Dollar	
	2016	2015	**2016**	2015
Foreign currency	**$7,934,434**	$257,685	**$53,401**	$53,401
Peso equivalent	**₱394,500,058**	₱12,126,656	**₱342,834**	₱325,212
Closing exchange rate per dollar as of December 31	**₱49.72**	₱47.06	**₱6.42**	₱6.09

Unrealized foreign exchange gain charged to profit or loss amounted to ₱565,453 and ₱743,818 in 2016 and 2015, respectively.

5. 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	**₱4,242,540**	₱3,426,453
Fair value adjustment	**(21,828)**	816,087
Ending balance	**₱4,220,712**	₱4,242,540

6. Receivables

This account consists of:

	2016	2015
Trade:		
Rent (Note 22)	**₱51,984,392**	₱39,395,974
Nontrade:		
Related parties (Notes 22)	**128,378,853**	790,217,337
Advances to officers and employees	**754,493**	544,003
Interest (Note 4)	**329,231**	1,891,988
Others	**2,583,474**	2,316,966
	184,030,443	834,366,268
Allowance for impairment losses	**(3,114,405)**	(3,114,405)
	₱180,916,038	₱831,251,863

Rent receivables are noninterest-bearing and pertain to rental fees charged to the Company's subsidiaries, an affiliate and third parties for the use of commercial and carpark spaces. The normal credit terms range from 30 to 60 days.

The terms, balances and transactions with related parties are disclosed in Note 22. Advances to officers and employees are normally settled in the next financial year. Others consist of receivables with various insignificant amounts.

There were no provision for impairment losses in 2016 and 2015.

7. Properties Held for Sale

Properties held for sale consists of condominium units. The movements in properties held for sale is set out below:

	2016	2015
Beginning balance	**₱49,785,462**	₱78,157,835
Recognized cost of condominium units	**(550,278)**	(28,372,373)
Ending balance	**₱49,235,184**	₱49,785,462

Properties held for sale are stated at cost as of December 31, 2016 and 2015. There is no allowance for inventory write down as of December 31, 2016 and 2015.

8. Prepayments and Other Current Assets

This account consists of:

	2016	2015
CWT	**₱161,818,208**	₱138,815,199
Prepaid expenses	**1,661,495**	1,586,773
Prepaid taxes	**1,313,615**	254,369
	₱164,793,318	₱140,656,341

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

Prepaid expenses pertain to membership fees and dues, subscriptions and insurance which are normally utilized within the next financial year.

Prepaid taxes represents taxes paid and not yet claimed.

9. Investments and Advances

This account consists of:

	2016	2015
Cost:		
Preferred shares	**₱1,767,761,304**	₱917,761,304
Common shares	**7,695,947,138**	6,275,836,219
	9,463,708,442	7,193,597,523
Deposits for future stock subscription	**4,814,594,590**	4,836,625,026
	₱14,278,303,032	₱12,030,222,549

As of December 31, 2016 and 2015, the Company's subsidiaries, joint venture and associates and the related percentages of ownerships are as follows:

	Effective Percentages of Ownership	
	2016	2015
Property Development:		
Shang Properties Realty Corporation (SPRC)	**100.00%**	100.00%
Shang Property Developers, Inc. (SPDI)	**100.00%**	100.00%
The Rise Development Corporation, Inc. (TRDCI)*	**100.00%**	100.00%
Shang Global City Properties, Inc. (SGCPI)**	**60.00%**	60.00%
Shang Wack Wack Properties, Inc. (SWWPI)***	**100.00%**	–
Leasing:		
SPI Parking Services, Inc. (SPSI)	**100.00%**	100.00%
Shangri-la Plaza Corporation (SLPC)	**100.00%**	100.00%
KSA Realty Corporation (KSA)****	**70.04%**	52.90%
Real Estate:		
Ivory Post Properties, Inc. (IPPI)	**100.00%**	100.00%
KPPI Realty Corporation (KRC)	**100.00%**	100.00%
Martin B. Properties, Inc. (MBPI)	**100.00%**	100.00%
New Contour Realty, Inc. (NCRI)	**100.00%**	100.00%
Perfect Sites, Inc. (PSI)	**100.00%**	100.00%
Shang Fort Bonifacio Holdings, Inc. (SFBHI)	**100.00%**	100.00%
Shang Global City Holdings, Inc. (SGCHI)	**100.00%**	100.00%
Sky Leisure Properties, Inc. (SLPI)*****	**50.00%**	50.00%
Ideal Sites and Properties, Inc. (ISPI)	**40.00%**	40.00%
Property Management:		
KPPI Management Services Corporation (KMSC)	**100.00%**	100.00%
Shang Property Management Services, Inc. (SPMSI)	**100.00%**	100.00%
Others:		
Gipsey, Ltd. (Gipsey, a BVI Company)	**100.00%**	100.00%
Silver Hero Investments Limited (SHIL, a BVI Company)******	**100.00%**	100.00%
EPHI Logistics Holdings, Inc. (ELHI)	**60.00%**	60.00%

** Owned through KRC*
***59.4% owned through SGCHI and 0.6% own through SFBHI.*
****Incorporated on January 13, 2016.*
***** On June 20, 2016, the Company acquired 207,082 KSA shares from Ocmador Philippines, B.V. for a purchase price of ₱1,419,610,919. This resulted to an increase in ownership in KSA from 52.90% to 70.04%.*
******Owned through PSI.*
*******Owned through Gipsey.*

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.

10. Investment Properties

This account consists of:

	2016		
	Land	**Building**	**Total**
Beginning balances	**₱8,509,659,000**	**₱502,246,814**	**₱9,011,905,814**
Gain on fair value adjustment	**452,527,000**	**–**	**452,527,000**
Additions through subsequent expenditures	**–**	**3,929,860**	**3,929,860**
Ending balances	**₱8,962,186,000**	**₱506,176,674**	**₱9,468,362,674**

	2015		
	Land	Building	Total
Beginning balances	₱7,981,000,000	₱505,270,219	₱8,486,270,219
Gain (loss) on fair value adjustment	528,659,000	(6,761,871)	521,897,129
Additions through subsequent expenditures	–	3,738,466	3,738,466
Ending balances	₱8,509,659,000	₱502,246,814	₱9,011,905,814

The Company's investment properties consist of parcels of land, carpark building and condominium spaces in Mandaluyong City. Management determined that the investment properties are classified as commercial properties based on the nature, characteristics and risks of each property.

As of December 31, 2016 and 2015, the fair values of the land and carpark building are based on valuations performed by an external independent valuer. The valuation models are in accordance with that recommended by the International Valuation Standards Committee. The fair value of the condominium units, as measured in the parent company's financial statements, is based on internal appraisals rather than on a valuation by an external independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued. There were no significant movement in the fair value of the building in 2016.

The Company 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 2 for condominium units and Level 3 for parcels of land and carpark building. The current use of these properties is their highest and best use.

The fair value of the Company's land and condominium units are 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 Company 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. For the market comparison approach, the higher the price per sqm., the higher the fair value.

The following presents the valuation techniques and unobservable key inputs used to value the Company's carpark building categorized as Level 3.

Class of Property	Fair Value as of December 31, 2016	Valuation Technique	Unobservable Inputs	Unobservable Inputs (probability - weighted average)	Relationship of Unobservable Inputs to Fair Value
Carpark building	₱456,236,860	Cost Approach - Modified Quantity Survey Method	Reproduction cost per square meter	₱22,000 per square meter	The higher the reproduction cost, the higher the fair value
			Depreciation rate	28%	The higher the depreciation rate, the lower the fair value

The cost approach considers the possibility that, as an alternative to the purchase of a given property, one could acquire a modern equivalent asset that would provide equal utility. In a real estate context, this would involve the cost of acquiring and constructing an equivalent new structure. Unless undue time, inconvenience, and risk are involved, the price that a buyer would pay for the asset being valued will be less attractive than the cost of the modern equivalent because of age or obsolescence. A depreciation adjustment is required to the replacement cost to reflect this. Modified quantity survey method requires an analysis of the improvements by breaking it down into major components such as foundation, columns, beams, flooring, walls, roofing, etc. using workable units as linear meter, square meter, cubic meter or other appropriate basic unit.

The following are the significant unobservable inputs:

- *Reproduction Cost*
  Bills of quantities for each building component using the appropriate basic unit and related the unit cost for each component developed on the basis of current costs of materials, labor, plant and equipment prevailing in the locality to arrive at the direct cost of the building. Indirect costs such a contractor's profits, overhead, taxes, fees and other related expenses are then added to arrive at the reproduction cost new of the improvement.

- *Depreciation Rate*
  Adjustments to reflect depreciation resulting from physical deterioration, functional and economic obsolescence based on personal inspection of the improvement, and a comparison with similar new properties.

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

	2016	2015
Rental revenue	**₱221,019,268**	₱212,740,086
Direct operating expenses	**(16,240,525)**	(16,498,952)
Profit arising from investment properties carried at fair value	**₱204,778,743**	₱196,241,134

Direct operating expenses include real property taxes and expenses related to carpark operation.

There are no restrictions on the Company's title on investment properties nor are they pledged as security for liabilities.

11. Available-for-Sale Financial Assets

This account consists of:

	2016	2015
At cost -unquoted	**₱79,274,352**	₱79,274,352
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
	₱98,740,867	₱95,320,867

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

The quoted equity securities consist of investments in various golf club shares and stocks. These are carried at fair values with cumulative changes in fair values presented as part of "Other comprehensive income (loss)". 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
Beginning balance	**₱6,925,000**	₱4,875,000
Increase in fair value	**3,420,000**	2,050,000
Ending balance	**₱10,345,000**	₱6,925,000

12. Property and Equipment

This account consists of:

	2016				
	Building Improvements	**Leasehold Improvements**	**Transportation Equipment**	**Furniture, Fixtures and Other Equipment**	**Total**
Cost					
Beginning balances	**₱38,029,452**	**₱13,676,483**	**₱25,656,880**	**₱30,460,941**	**₱107,823,756**
Additions	**94,788**	**–**	**7,685,660**	**3,971,813**	**11,752,261**
Disposals	**–**	**–**	**(846,429)**	**–**	**(846,429)**
Ending balances	**38,124,240**	**13,676,483**	**32,496,111**	**34,432,754**	**118,729,588**

(Forward)

	2016				
	Building Improvements	**Leasehold Improvements**	**Transportation Equipment**	**Furniture, Fixtures and Other Equipment**	**Total**
Accumulated Depreciation					
Beginning balances	**₱11,512,241**	**₱13,676,483**	**₱21,940,477**	**₱25,632,838**	**₱72,762,039**
Depreciation	**4,993,530**	**–**	**2,156,070**	**2,913,786**	**10,063,386**
Disposals	**–**	**–**	**(846,429)**	**–**	**(846,429)**
Ending balances	**16,505,771**	**13,676,483**	**23,250,118**	**28,546,624**	**81,978,996**
Net Book Values	**₱21,618,469**	**₱–**	**₱9,245,993**	**₱5,886,130**	**₱36,750,592**

	2015				
	Building Improvements	Leasehold Improvements	Transportation Equipment	Furniture, Fixtures and Other Equipment	Total
Cost					
Beginning balances	₱37,913,826	₱13,676,483	₱25,022,952	₱28,776,736	₱105,389,997
Additions	115,626	–	3,239,284	1,684,205	5,039,115
Disposals	–	–	(2,605,356)	–	(2,605,356)
Ending balances	38,029,452	13,676,483	25,656,880	30,460,941	107,823,756
Accumulated Depreciation					
Beginning balances	6,247,080	13,676,483	22,002,360	22,886,044	64,811,967
Depreciation	5,265,161	–	2,543,473	2,746,794	10,555,428
Disposals	–	–	(2,605,356)	–	(2,605,356)
Ending balances	11,512,241	13,676,483	21,940,477	25,632,838	72,762,039
Net Book Values	₱26,517,211	₱–	₱3,716,403	₱4,828,103	₱35,061,717

Gain on sale made on the disposal made in 2016 amounted to ₱254,463 and ₱600,786 in 2015 (see note 19). Costs of fully depreciated property and equipment that are still being used in operations amounted to ₱44,091,919 and ₱44,192,250 as of December 31, 2016 and 2015, respectively. There are no restrictions on the Company's title on the property and equipment and there are no property and equipment pledged as security for liabilities.

13. Accounts Payable and Other Current Liabilities

	2016	2015
Trade:		
Accounts payable	**₱17,038,755**	₱16,324,016
Payable to contractors and suppliers	**44,347,825**	44,347,825
Accrued interest (Note 14)	**15,814,767**	16,480,192
Accrued expenses	**30,377,695**	25,221,217
Nontrade:		
Payables to related parties (Note 22)	**355,088,213**	321,058,818
Output VAT	**–**	2,261,340
Withholding taxes	**3,342,881**	1,850,597
Others	**816,345**	1,247,670
	₱466,826,481	₱428,791,675

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

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.

The terms, conditions, outstanding balances and volume of related party transactions are disclosed in Note 22.

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

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

Other current liabilities pertain mainly to the share in mandatory employee benefit contributions such as SSS, Phil-health, Pag-ibig and various immaterial account balances.

There were no derecognized long outstanding liabilities in 2016 and 2015.

14. Long-term Loan

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

	2016	2015
Beginning principal balance	**₱3,200,000,000**	₱5,095,833,333
Principal payments during the year	**(133,333,333)**	(1,895,833,333)
Ending principal balance	**3,066,666,667**	3,200,000,000
Less current portion	**533,333,333**	133,333,333
Noncurrent portion	**₱2,533,333,334**	₱3,066,666,667

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.

Repayment Schedule
The repayments of long-term debt are scheduled as follows:

Year	Amount
2017	₱533,333,333
2018	533,333,333
2019	533,333,333
2020	533,333,333
2021	533,333,333
2022	400,000,002
	₱3,066,666,667

Interest expense arising from the above loans charged to profit or loss amounted to ₱128,955,324 and ₱155,424,521 in 2016 and 2015, respectively. Accrued interest as of December 31, 2016 and 2015 amounted to ₱15,814,767 and ₱16,480,192 (see note 13).

15. Treasury Shares

There are 2,140,645 shares amounting to ₱6,850,064 that are in the treasury as of December 31, 2016 and 2015. There are no movements in the Company's treasury shares in 2016 and 2015.

16. Retained Earnings

Under the Corporation Code of the Philippines (Code), stock corporations are prohibited from retaining surplus profits in excess of 100% of the paid-up capital, except under certain conditions as provided in the Code. As of December 31, 2016 and 2015, the retained earnings of the Company are in excess of the paid-up capital by ₱6,846,230,946 and ₱5,088,509,213, respectively. Retained earnings not available for dividend declaration pertains to the gain on fair value adjustment of investment properties not yet realized.

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

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
2016			
March 4	**March 21**	**₱452,382,432**	**₱0.095**
September 14	**September 20**	**333,334,424**	**0.070**
		₱785,716,856	**₱0.165**
2015			
March 27	April 15	₱404,763,059	₱0.085
August 18	September 3	333,334,596	0.070
		₱738,097,655	₱0.155

As of December 31, 2016 and 2015, unpaid dividends amounted to ₱33,035,177 and ₱28,464,861, respectively.

17. Staff Costs

This account consists of:

	2016	2015
Salaries and wages	**₱75,334,909**	₱56,072,450
Retirement benefit costs (Note 20)	**7,164,044**	8,158,277
Employee benefits	**7,133,234**	5,892,372
Others	**2,091,486**	1,934,937
	₱91,723,673	₱72,058,036

18. General and Administrative Expenses

	2016	2015
Professional fees and outside services	**₱26,901,534**	₱23,732,878
Carpark expense	**5,310,511**	7,643,339
Rent (Note 22 and 24)	**3,961,008**	3,772,523
Transportation and travel	**3,437,190**	2,779,338
Repairs and maintenance	**3,074,945**	2,417,149
Telephone and communication	**2,564,226**	2,245,779
Janitorial, security and other services	**2,419,792**	2,212,673
Membership fees and dues	**1,918,678**	2,081,310
Supplies	**1,614,952**	1,406,577
Utilities	**1,068,133**	2,173,214
Condominium dues (Note 22)	**958,053**	1,549,020
Entertainment, amusement and recreation	**815,030**	777,653
Insurance	**494,739**	407,631
Reproduction charges	**272,895**	281,121
Others	**1,356,514**	1,266,410
	₱56,168,200	₱54,746,615

Taxes and Licenses

Taxes and licenses pertain to payment for business taxes, permits, real property taxes and other taxes incurred by the Company in 2016 and 2015 amounted to ₱17,383,640 and ₱14,191,498, respectively.

19. Other Income

This account consists of:

	2016	2015
Foreign exchange gain (Note 4)	**₱565,453**	₱743,818
Banner income	**414,185**	210,000
Gain on sale of property and equipment (Note 12)	**254,463**	600,786
Others	**625,941**	117,658
	₱1,860,042	₱1,672,262

20. Retirement Benefits

The Company has a funded, noncontributory defined benefit 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 funds are administered by a trustee bank under the supervision of the Company'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 plan's 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 parent company statement of comprehensive income as part of "Staff costs" consist of the following:

	2016	2015
Current service cost	**₱7,397,030**	₱7,705,500
Net interest cost		
Interest on defined benefit obligation	**2,714,741**	3,108,670
Interest from fair value of plan assets	**(2,947,727)**	(2,655,893)
	₱7,164,044	₱8,158,277

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

	2016	2015
Actuarial gains (losses) in defined benefit obligation	**(₱3,449,450)**	₱1,845,484
Remeasurement loss in plan assets	**(2,014,052)**	(1,389,585)
	(₱5,463,502)	₱455,899

The retirement liabilities (retirement assets) recognized in the statement of financial position were determined as follows:

	2016	2015
Present value of defined benefit obligations	**₱78,031,739**	₱66,446,280
Fair value of plan assets	**(82,258,239)**	(71,300,162)
	(₱4,226,500)	(₱4,853,882)

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

	2016	2015
Beginning balance	**₱66,446,280**	₱70,015,100
Current service cost	**7,397,030**	7,705,500
Interest cost	**2,714,741**	3,108,670
Benefits paid	**(1,975,762)**	(12,537,506)
Actuarial loss (gain) arising from:		
Changes in financial assumptions	**(5,645,542)**	(5,963,294)
Experience adjustments	**8,007,593**	4,117,810
Change in demographic assumptions	**1,087,399**	–
Ending balance	**₱78,031,739**	₱66,446,280

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

	2016	2015
Beginning balance	**₱71,300,162**	₱59,817,399
Interest income	**2,947,727**	2,655,893
Actuarial loss	**(2,014,052)**	(1,389,585)
Contributions paid	**10,024,402**	10,216,455
Ending balance	**₱82,258,239**	₱71,300,162

The fair value of the Company's plan assets by each class as of the end of the reporting period are as follow:

	2016	2015
Cash in banks	**₱2,796,780**	₱24,966,307
Investments in debt instruments:		
Treasury notes and bonds	**61,364,646**	42,804,377
Corporate notes and bonds	**18,096,813**	3,529,478
	₱82,258,239	₱71,300,162

The 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
Future salary increase rate	**3.00%**	4.00%
Discount rate	**5.14%**	4.80%

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

The discount rates used is a single weighted average rate based on bootstrapped Philippine Dealing System Treasury Reference Rates (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	2016	2015
Discount rate		
Increase of 1%	**₱74,643,704**	₱62,425,143
Actual	**78,031,739**	66,446,280
Decrease of 1%	**81,812,749**	71,006,913
Future salary increase rate		
Increase of 1%	**82,302,145**	70,652,256
Actual	**78,031,739**	66,446,280
Decrease of 1%	**74,141,231**	62,671,692

The management performed an Asset-Liability Matching Study (ALM) annually. The overall investment policy and strategy of the Company's defined benefit plan 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 risks of the plan. The Company's current strategic investment strategy consists of 74.6% treasury investments, 22% corporate investments and 3.4% cash.

The Company expects to contribute ₱9,205,303 to the defined benefit plan in 2017.

The average duration of the defined benefit obligation as of December 31, 2016 and 2015 is 11 years and 13 years, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31:

Plan Year	2016	2015
Less than one year	**₱27,831,770**	₱19,778,364
More than one year to five years	**24,808,792**	10,247,229
More than five years to 10 years	**48,910,979**	51,729,811
More than 10 years to 15 years	**28,703,065**	44,662,689
More than 15 years to 20 years	**41,532,175**	30,859,153
More than 20 years	**29,516,178**	47,917,590

21. Income Taxes

a. The details of provision for (benefit from) income taxes for the years ended December 31 are as follows:

	2016	2015
Current:		
MCIT	**₱4,289,203**	₱4,710,899
Final tax on interest income	**1,663,363**	1,707,720
	5,952,566	6,418,619
Deferred	**132,140,287**	152,422,804
	₱138,092,853	₱158,841,423

b. The details of net deferred tax liabilities as of December 31 are as follows:

	2016	2015
Deferred tax assets:		
Accrued staff costs and expense accruals not subjected to withholding tax	**₱22,342,656**	₱20,364,062
Excess MCIT over RCIT	**13,051,229**	9,455,979
Unamortized funded past service cost	**4,513,648**	5,072,353
Allowance for impairment	**934,322**	934,322
	40,841,855	35,826,716
Deferred tax liabilities:		
Unrealized gain on cumulative fair value adjustments of:		
Investment properties	**2,900,933,671**	2,765,175,571
AFS financial assets	**–**	2,077,500
Retirement assets	**1,267,950**	1,456,165
Unrealized foreign exchange gain	**169,636**	223,145
	2,902,371,257	2,768,932,381
Net deferred tax liabilities	**₱2,861,529,402**	₱2,733,105,665

c. The unrecognized carryforward benefit of NOLCO which can be claimed as deduction against future taxable income will expire in the years indicated below:

Year Incurred	Beginning	Incurred	Expired	Ending	Available Until
2014	₱122,733,809	₱–	₱–	₱122,733,809	2017
2015	72,882,120	–	–	72,882,120	2018
2016	–	82,401,766	–	82,401,766	2019
	₱195,615,929	₱82,401,766	₱–	₱278,017,695	

d. The carryforward benefit of MCIT which can be claimed as tax credit against regular income tax will expire in the years indicated below:

Year Incurred	Beginning	Incurred	Expired	Ending	Available Until
2013	₱693,953	₱–	₱693,953	₱–	2016
2014	4,051,127	–	–	4,051,127	2017
2015	4,710,899	–	–	4,710,899	2018
2016	–	4,289,203	–	4,289,203	2019
	₱9,455,979	₱4,289,203	₱693,953	₱13,051,229	

e. The reconciliations of provision for income taxes at the statutory income tax rate to provision for income taxes in the profit or loss for the years ended December 31 are as follows:

	2016	2015
Provision for income tax at statutory income tax rate	**₱804,459,433**	₱1,083,566,060
Adjustments for the income tax effect of:		
Dividend income	**(690,678,740)**	(945,124,641)
Change in unrecognized deferred tax assets	**24,720,530**	21,864,636
Interest income subjected to final tax	**(845,900)**	(855,066)
Expired MCIT	**693,953**	–
Loss (gain) on fair value adjustment of financial assets at FVPL	**6,548**	(244,826)
Other nontaxable income, net of nondeductible expenses	**(262,971)**	(364,340)
Provision for income tax in profit or loss	**₱138,092,853**	₱158,841,823

f. The following are the deferred taxes directly recognized in equity:

	2016	2015
Gain on fair value change of AFS financial assets	**₱2,077,500**	₱615,000
Remeasurement gain on defined benefit plan	**1,639,051**	136,770
Provision for income tax	**₱3,716,551**	₱751,770

22. 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 Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

The following are the transactions with subsidiaries:

a. A portion of the Company's land where the main wing of the mall is located is being leased to SLPC for a period of 25 years from January 6, 1993. Rental revenue is calculated at 10% of SLPC's annual rental revenue from mall operations plus 50% of the carpark's net income.

b. On January 16, 2002, SPSI entered into an agreement with the Company and SLPC. Under the agreement, SPSI is granted limited usufructuary rights over the parking spaces of the Company and SLPC for a consideration equivalent to 95% of the SPSI's gross revenue less direct and indirect expenses relating to the Company's parking facilities. The agreement is effective until December 31, 2002 and shall be renewed automatically on a yearly basis.

c. On January 1, 2001, the Company entered into a cost sharing agreement with its related parties for the services rendered by the officers of the Company to them.

d. The Company earns dividends from its subsidiaries.

e. The Company leases its office space from SLPC for a period of three years that ended on May 16, 2013 and was extended for another three years that will end on May 16, 2016. The Company agrees to pay SLPC for a fixed monthly rental amounting to ₱408.41 per square meter with an annual escalation of 5%.

f. On February 17, 2012, the Board 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 Company and the local bank on May 23, 2012, the 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 Company any and all amounts due. As of December 31, 2016 and 2015, the outstanding balance of the long-term loan amounted to ₱9,669,459,693 and ₱8,964,329,487, respectively. As of December 31, 2016 and 2015, the Company has not recorded any liability in connection with the loan.

g. Certain expenses are initially paid for by the Company (related party) and are subsequently reimbursed by the related party (Company) to whom such payment was intended for.

h. Deposit refers to the downpayment made by the Company for the purchase of condominium unit.

The following are the transactions with affiliates by common investor with significant influence:

i. A portion of the Company's land is being leased by ESHRI, where the EDSA Shangri-La Manila Hotel (the 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 Hotel's room, food and beverage, dry goods and other service revenue.

The following are the transactions with affiliates by common key management personnel:

j. The Company pays dues to TSFSPCC for real property tax, association dues and condominium dues for condominium units owned by the Company in TSFSP.

k. Certain expenses of affiliates are initially paid by the related party (Company) and are subsequently reimbursed by the Company (related party) to whom such payment was intended for.

The following are the transactions with key management personnel:

l. Compensation of key management personnel for the years ended December 31 consists of the following:

	2016	2015
Salaries and other short-term employee benefits	**₱23,248,767**	₱13,323,516
Post-employment benefits	**3,172,347**	3,047,599
	₱26,421,114	₱16,371,115

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

The following table summarizes the foregoing transactions:

	Amount/Volume		Outstanding Balance			
	2016	2015	2016	2015	Terms	Conditions
Rental Income						
Subsidiaries						
SLPC (a)	**₱118,545,528**	₱116,175,732	**₱22,284,876**	₱11,700,485	60-day; noninterest-bearing	Unsecured; no impairment
SPSI (b)	**8,566,288**	7,834,678	**1,280,251**	941,929	60-day; noninterest-bearing	Unsecured; no impairment
Affiliate by common key management personnel						
ESHRI (i)	**89,546,223**	84,909,852	**28,419,265**	26,753,560	60-day; noninterest-bearing	Unsecured; no impairment
	₱216,658,039	₱208,920,262	**₱51,984,392**	₱39,395,974		
Cost Sharing						
Subsidiaries (c)						
SLPC	**₱29,318,625**	₱36,188,559	**₱19,890,567**	₱24,244,283	60-day; noninterest-bearing	Unsecured; no impairment
KSA	**1,446,796**	1,681,382	**250,979**	254,158	60-day; noninterest-bearing	Unsecured; no impairment
	₱30,765,421	₱37,869,941	**₱20,141,546**	₱24,498,441		
Dividend Income						
Subsidiaries (d)						
SPRC	**₱800,000,000**	₱2,000,000,000	**₱–**	₱706,997,879	30 days from date of declaration; noninterest-bearing	Unsecured; no impairment
SLPC	**725,000,000**	725,000,000	–	–	30 days from date of declaration; noninterest-bearing	Unsecured; no impairment

(Forward)

	Amount/Volume		Outstanding Balance			
	2016	2015	**2016**	2015	Terms	Conditions
KSA	**₱560,329,630**	₱317,383,324	**₱–**	₱–	30 days from date of declaration; noninterest-bearing	Unsecured; no impairment
SPDI	**200,000,000**	95,000,000	**–**	–	30 days from date of declaration; noninterest-bearing	Unsecured; no impairment
SPSI	**4,600,000**	4,400,000	**4,100,000**	4,400,000	30 days from date of declaration; noninterest-bearing	Unsecured; no impairment
SPMSI	**9,000,000**	5,300,000	**9,000,000**	5,300,000	30 days from date of declaration; noninterest-bearing	Unsecured; no impairment
Affiliates by common key management personnel						
Brown Swallow Development Corporation	**2,117,500**	2,117,500	**–**	–	30 days from date of declaration; noninterest-bearing	Unsecured; no impairment
Green Mangrove Realty, Inc.	**1,210,000**	1,210,000	**–**	–	30 days from date of declaration; noninterest-bearing	Unsecured; no impairment
	₱2,302,257,130	₱3,150,410,824	**₱13,100,000**	₱716,697,879		
Subsidiaries and Affiliates' Share in Expenses						
Subsidiaries (k)						
SPRC	**₱78,421,264**	₱87,098,399	**₱18,994,647**	₱418,769	30-day; noninterest-bearing	Unsecured; no impairment
SPMSI	**14,480,077**	6,154,268	**34,785,322**	24,949,930	30-day; noninterest-bearing	Unsecured; no impairment
SPDI	**10,652,915**	9,917,794	**2,974,953**	1,672,843	30-day; noninterest-bearing	Unsecured; no impairment
SPSI	**1,397,362**	866,526	**323,897**	227,893	30-day; noninterest-bearing	Unsecured; no impairment
KMSC	**26,070**	25,557	**1,088,845**	1,062,775	30-day; noninterest-bearing	Unsecured; no impairment
SFBHI	**3,294**	3,755	**500,315**	500,759	30-day; noninterest-bearing	Unsecured; no impairment
SGCHI	**2,664**	3,289	**500,285**	500,727	30-day; noninterest-bearing	Unsecured; no impairment
SGCPI	**22,762,894**	7,044	**10,870,126**	4,255,097	30-day; noninterest-bearing	Unsecured; no impairment
Affiliates by common key management personnel (g)						
The Enterprise Center Condominium Corporation	**5,902,173**	6,094,640	**1,002,683**	693,547	30-day; noninterest-bearing	Unsecured; no impairment

(Forward)

	Amount/Volume		Outstanding Balance			
	2016	2015	**2016**	2015	Terms	Conditions
Royal Asia Land, Inc.	**14,580,983**	2,034,942	**559,699**	471,415	30-day; noninterest-bearing	Unsecured; no impairment
The Shang Grand Tower Condominium Corporation	**₱1,757,504**	₱1,607,828	**₱4,309,594**	₱ 2,743,349	30-day; noninterest-bearing	Unsecured; no impairment
TSFSPCC	**438,686**	1,156,994	**529,490**	487,583	30-day; noninterest-bearing	Unsecured; no impairment
ESHRI	**701,439**	651,534	**268,244**	146,808	30-day; noninterest-bearing	Unsecured; no impairment
ISPI	**1,205,321**	305,792	**5,105,311**	3,899,990	30-day; noninterest-bearing	Unsecured; no impairment
Atea Tierra Corporation	**54,638**	2,228	**54,887**	2,228	30-day; noninterest-bearing	Unsecured; no impairment
MBRI	**1,419**	643	**(7,034)**	(7,793)	30-day; noninterest-bearing	Unsecured; no impairment
Clavall Properties, Inc.	**925**	583	**12,824**	12,332	30-day; noninterest-bearing	Unsecured; no impairment
Others	**43,039,207**	29,036,175	**13,263,219**	6,982,765	30-day; noninterest-bearing	Unsecured; with impairment
	₱195,428,835	₱144,967,991	**₱95,137,307**	₱49,021,017		
Company's Share in Expenses						
Subsidiaries(g)						
SLPC	**13,335,276**	13,105,277	**1,795,023**	2,675,938	30-day; noninterest-bearing	Unsecured
SPRC	**15,296,134**	6,965,605	**3,590,815**	4,004,889	30-day; noninterest-bearing	Unsecured
SPDI	–	–	**311,151,271**	311,151,271	30-day; noninterest-bearing	Unsecured
Affiliates by key management personnel (k)						
ESHRI	**1,575,020**	883,918	**25,975**	264,440	30-day; noninterest-bearing	Unsecured
Others	**37,146,341**	2,154,376	**1,636,525**	1,196,997	30-day; noninterest-bearing	Unsecured
	₱67,352,771	₱23,109,176	**₱318,199,609**	₱319,293,535		
Deposit						
Subsidiaries(h)						
SGCPI	**₱35,478,912**	₱–	**₱35,478,912**	₱–	30-day; noninterest-bearing	Unsecured
Rental Expense						
Subsidiary						
SLPC (e)	**₱3,961,008**	₱3,772,523	**₱336,105**	₱320,106	30-day; noninterest-bearing	Unsecured

(Forward)

	Amount/Volume		Outstanding Balance			
	2016	2015	**2016**	2015	Terms	Conditions
Condominium Dues						
Affiliate by common key management personnel						
TSFSPCC*(j)*	**₱958,053**	₱1,549,020	**₱1,073,587**	₱1,445,177	30-day; noninterest-bearing	Unsecured

23. Contingencies

On July 14, 1993, a complaint was initially filed before the Regional Trial Court (RTC) - Pasig by the principal contractor of the Mall against the 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 to about ₱122,000,000, exclusive of interest. In the answer *ex abundante ad cautelam*, as a counterclaim, the 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 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 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 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 Company of its motion for partial reconsideration.

On June 5, 2009, the Company filed a Petition for Review on Certiorari to the Supreme Court praying to issue an order or decision: (a) declaring the 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 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 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 Company has no other pending or threatened litigation or claim or any matter involving a contingent liability which are being contested by the Company and its legal counsels.

24. Lease Commitments

Company as a Lessor

The Company entered into operating lease agreements with related parties covering the freehold land, a building and its improvements. The Company also leases certain commercial areas at TSFSP to third parties. The lease agreements, where the Company is the lessor, provide for a fixed monthly rental or a certain percentage of gross revenue.

Rental revenues are as follows:

	2016	2015
Percentage basis	**₱216,658,039**	₱208,920,262
Fixed monthly rental	**4,361,229**	3,819,824
	₱221,019,268	₱212,740,086

Total future minimum lease collections under the non-cancellable operating lease with fixed monthly rental are as follows:

	2016	2015
Within one year	**₱4,509,327**	₱4,238,629
More than one year but not more than five years	**13,605,478**	17,822,456
	₱18,114,805	₱22,061,085

Company as a Lessee

The Company leases its office space from SLPC and incurred rent expense of ₱3,961,008 and ₱3,772,523 in 2016 and 2015 respectively. Total future minimum lease payments for this non-cancellable operating lease are as follows:

	2016	2015
Within one year	**₱4,126,558**	₱2,080,691
More than one year but not more than five years	**4,331,755**	–
	₱8,458,313	₱2,080,691

25. Fair Value Measurement

The following table provides the fair value measurement hierarchy of the Company'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
Assets Measured at Fair Value				
Financial assets at FVPL	**₱4,220,712**	**₱–**	**₱–**	**₱4,220,712**
Investment properties:				
Land	**–**	**–**	**8,962,186,000**	**8,962,186,000**
Buildings	**–**	**49,939,814**	**456,236,860**	**506,176,674**
AFS financial asset - quoted	**19,466,515**	**–**	**–**	**19,466,515**

(Forward)

	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets for which Fair Values are Disclosed				
Receivables*	**₱–**	**₱180,161,545**	**₱–**	**₱180,161,545**
AFS financial assets – unquoted	**–**	**–**	**79,274,352**	**79,274,352**
Refundable deposit	**–**	**425,424**	**–**	**425,424**
Liabilities for which Fair Values are Disclosed				
Accounts payable and other current liabilities**	**–**	**463,483,600**	**–**	**463,483,600**
Dividends payable	**–**	**33,035,177**	**–**	**33,035,177**
Long-term loan	**–**	**3,066,666,667**	**–**	**3,066,666,667**
Deposits from tenants	**–**	**1,269,161**	**–**	**1,269,161**

**excluding advances to officers and employees amounting to ₱754,493.*
***excluding output VAT and withholding taxes amounting to ₱3,342,881.*

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

	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets Measured at Fair Value				
Financial assets at FVPL	₱4,242,540	₱–	₱–	₱4,242,540
Investment properties:				
Land	–	–	8,509,659,000	8,509,659,000
Buildings	–	49,939,814	452,307,000	502,246,814
AFS financial asset - quoted	16,046,515	–	–	16,046,515
Assets for which Fair Values are Disclosed				
Receivables*	–	830,707,860	–	830,707,860
AFS financial assets – unquoted	–	–	79,274,352	79,274,352
Refundable deposit	–	425,424	–	425,424
Liabilities for which Fair Values are Disclosed				
Accounts payable and other current liabilities**	–	424,679,738	–	424,679,738
Dividends payable	–	28,464,861	–	28,464,861
Long-term loan	–	3,200,000,000	–	3,200,000,000
Deposits from tenants	–	1,085,905	–	1,085,905

**excluding advances to officers and employees amounting to ₱544,003.*
***excluding output VAT and withholding taxes amounting to ₱4,111,937.*

The Company'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 the period.

26. Financial Instruments

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 in Banks and Cash Equivalents; Receivables; Accounts Payable and Other Current Liabilities; and Dividend Payable
Due to the short-term nature of these financial instruments, their carrying values approximate their fair values.

Refundable Deposits and Deposits from Tenants
Refundable deposits and deposits from tenants were not discounted because management has assessed that the carrying amount approximate their fair values.

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.

Long-term Loan
The carrying value of the long-term loan approximates its fair value because of recent and monthly re-pricing based on market conditions.

<u>Fair Value Hierarchy</u>
The fair value hierarchy of the financial instruments is disclosed in Note 25.

27. Financial Risk Management Objective and Policies

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

The main risks arising from the use of the financial instruments are credit risk and liquidity risk. Management has assessed that foreign exchange risk and equity price risk are insignificant to the parent company financial statements.

Risk management is carried out by the Company's management under policies approved by the Board. The Company's management identifies and evaluates financial risks in close cooperation with the Company's operating units.

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

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

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

Trade Receivables
In the case of leasing operation, lessees are subjected to credit evaluation and are required to put up security deposits and pay advance rentals, if necessary. The maximum exposure to credit risk at the reporting date is equivalent to the carrying value of the receivable as disclosed in Note 6 which are neither past due nor impaired.

Financial Instruments and Cash Deposits
Credit risk from balances with banks is managed by the Company's treasury department in accordance with the Company'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 Company's maximum exposure to credit risk for the component of the statement of financial position at December 31, 2016 and 2015 is equivalent to their carrying amounts except for financial guarantees. The Company's maximum exposure relating to financial guarantees is noted in the liquidity table below.

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

		Neither Past Due	Past Due but Not Impaired		
	Total	**nor Impaired**	**< 30 Days**	**30 – 60 Days**	**> 60 Days**
2016	**₱127,396,492**	**₱42,087,907**	**₱17,411,818**	**₱7,842,133**	**₱60,054,634**
2015	₱789,234,975	₱719,508,356	₱16,658,288	₱4,548,905	₱48,519,426

The credit quality of the financial assets classified under neither past due not impaired was determined as follows:

Cash and cash equivalents, financial assets at FVPL and AFS financial assets are considered by management as high grade because counterparties have a strong financial capacity to meet their obligations.

Receivables which are standard grade pertain to receivables from existing and active tenants, customers, related parties, counter parties, officers and employees. Standard grade accounts are active accounts with minimal to regular instances of payment default due to ordinary or common collection issues. The accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Substandard grade pertains to receivables from related parties and counter parties that have already ceased their respective operations. Substandard grade are accounts which have probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up actions and extended terms. Financial assets in which outstanding balance may not be recovered and are individually assed as impaired are disclosed in Note 6.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to settle or meet its obligations on time or at reasonable prices. The Company maintains sufficient cash and cash equivalents in order to fund its operations. The Company monitors its cash flows and carefully matches the cash receipts

from its condominium sales and leasing operations against cash requirements for its operations. The Company utilizes its borrowing capacity, if necessary, to further bolster its cash reserves.

The tables below 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 Company's liquidity as of December 31:

	2016				
	Within 1 Year	**Over 1 to 3 Years**	**Over 3 to 5 Years**	**Over 5 Years**	**Total**
Financial Assets					
Financial assets at FVPL	**₱4,220,712**	**₱–**	**₱–**	**₱–**	**₱4,220,712**
Cash and cash equivalents	**895,147,844**	–	–	–	**895,147,844**
Receivables:					
Rent	**51,984,392**	–	–	–	**51,984,392**
Related parties	**127,396,492**	–	–	–	**127,396,492**
Interest	**329,231**	–	–	–	**329,231**
Others	**341,948**	–	–	–	**341,948**
Refundable deposits	–	**425,424**	–	–	**425,424**
AFS financial assets	–	–	–	**98,740,867**	**98,740,867**
	₱1,079,420,619	**₱425,424**	**₱–**	**₱98,740,867**	**₱1,178,586,910**
Financial Liabilities					
Accounts payable and other current liabilities*	**₱463,483,600**	**₱–**	**₱–**	**₱–**	**₱463,483,600**
Long-term loan	**533,333,333**	**1,066,666,667**	**933,333,334**	–	**2,533,333,334**
Deposits from tenants	–	**1,269,161**	–	–	**1,269,161**
Dividend payable	**33,035,177**	–	–	–	**33,035,177**
Financial guarantee**	**4,834,729,847**	–	–	–	**4,834,729,847**
	₱5,864,581,957	**₱1,067,935,828**	**₱933,333,334**	**₱–**	**₱7,865,851,119**

* *Excludes output VAT, and withholding taxes amounting to ₱3,342,881.*
***Based on the maximum amount that can be called for under the financial guarantee contract (Note 22).*

	2015				
	Within 1 Year	Over 1 to 3 Years	Over 3 to 5 Years	Over 5 Years	Total
Financial Assets					
Financial assets at FVPL	₱4,242,540	₱–	₱–	₱–	₱4,242,540
Cash and cash equivalents	1,211,799,761	–	–	–	1,211,799,761
Receivables:					
Rent	39,395,974	–	–	–	39,395,974
Related parties	789,234,975	–	–	–	789,234,975
Interest	1,891,988	–	–	–	1,891,988
Others	184,924	–	–	–	184,924
Refundable deposits	–	425,424	–	–	425,424
AFS financial assets	–	–	–	95,320,867	95,320,867
	₱2,046,750,162	₱425,424	₱–	₱95,320,867	₱2,142,496,453
Financial Liabilities					
Accounts payable and other current liabilities*	₱424,679,738	₱–	₱–	₱–	₱424,679,738
Long-term loan	133,333,333	1,600,000,000	1,066,666,667	400,000,000	3,200,000,000
Deposits from tenants	–	1,085,905	–	–	1,085,905
Dividend payable	28,464,861	–	–	–	28,464,861
Financial guarantee**	4,482,164,744	–	–	–	4,482,164,744
	₱5,068,642,676	₱1,601,085,905	₱1,066,666,667	₱400,000,000	₱8,136,395,248

* *Excludes output VAT, and withholding taxes amounting to ₱4,111,937.*
***Based on the maximum amount that can be called for under the financial guarantee contract (Note 22).*

28. Capital Management

The primary objective of the Company'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 Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company 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 Company monitors capital using a gearing ratio, which is net debt divided by capital. The Company includes within net debt bank loans less cash and cash equivalents. Capital pertains to total equity.

	2016	2015
Net Debt		
Long-term loan	**₱3,066,666,667**	₱3,200,000,000
Less: cash and cash equivalents	**895,147,844**	1,211,799,761
	2,171,518,823	1,988,200,239
Capital		
Total equity	**18,783,472,897**	17,024,078,114
Gearing Ratio	**11.56%**	11.68%

The Company was able to meet its capital management objectives.

29. Segment Information

The Company'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 Company has operations only in the Philippines.

In 2016 and 2015, the Company derives revenues from three main segments as follows:

Property Development
This business segment pertains to the sale of condominium, storage and parking units of the TSFSP project.

Leasing
This business segment pertains to the leasing of land and a building together with the carpark operation. Significant portion of this segment comes from lease agreements with related parties.

Others
This business segment pertains to management services provided on real estate projects.

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

	Property Development	Leasing	Others	Total
Revenue/sales	₱550,278	₱221,019,268	₱–	₱221,569,546
Staff costs	–	(91,723,673)	–	(91,723,673)
Taxes and licenses	–	(17,383,640)	–	(17,383,640)
Depreciation and amortization	–	(10,063,386)	–	(10,063,386)
Cost of condominium sold	(550,278)	–	–	(550,278)
Segment results	–	101,848,569	–	101,848,569
Dividend income	1,000,000,000	1,293,257,130	9,005,335	2,302,262,465
Others	–	277,420,408	–	277,420,408
Provision for income tax	–	(138,092,853)	–	(138,092,853)
Net income for the year	₱1,000,000,000	₱1,534,433,254	₱9,005,335	₱2,543,438,589
Segment assets	₱49,235,184	₱25,163,546,601	₱–	₱25,212,781,785
Segment liabilities	₱–	₱6,429,326,888	₱–	₱6,429,326,888
Capital expenditures for the year	₱–	₱15,682,121	₱–	₱15,682,121

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

	Property Development	Leasing	Others	Total
Revenue/sales	₱58,147,402	₱212,740,086	₱–	₱270,887,488
Staff costs	–	(72,058,036)	–	(72,058,036)
Taxes and licenses	–	(14,191,498)	–	(14,191,498)
Depreciation and amortization	–	(10,555,428)	–	(10,555,428)
Cost of condominium sold	(28,372,373)	–	–	(28,372,373)
Segment results	29,775,029	115,935,124	–	145,710,153
Dividend income	2,095,000,000	1,050,110,824	5,304,645	3,150,415,469
Others	–	315,761,246	–	315,761,246
Provision for income tax	(595,501)	(158,245,922)	–	(158,841,423)
Net income for the year	₱2,124,179,528	₱1,323,561,272	₱5,304,645	₱3,453,045,445
Segment assets	₱49,785,462	₱23,365,740,758	₱–	₱23,415,526,220
Segment liabilities	₱133,928	₱6,391,314,178	₱–	₱6,391,448,106
Capital expenditures for the year	₱–	₱8,777,581	₱–	₱8,777,581

30. Supplementary Information Required under Revenue Regulations (RR) 15-2010

On November 25, 2010, the Bureau of Internal Revenue (BIR) issued RR 15-2010 to amend certain provisions of RR 21-2002 prescribing the manner of compliance with documentary and/or procedural requirements in connection with the preparation and submission of financial statements accompanying the tax returns.

In compliance with the requirements set forth by RR 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year ended December 31, 2016.

The Company is a VAT-registered company with VAT output tax declaration of ₱42,956,292 for the year based on the amount reflected in the Sales Account and various collections of ₱357,969,098.

The Company has no zero-rated/exempt sales.

The amount of VAT input taxes claimed are broken down as follows:

a. Beginning of the year	₱–
b. Current year's purchases:	
I. Capital goods subject to amortization	150,000
II. Capital goods not subject to amortization	14,970,586
c. Total input taxes claimed	15,120,586

The Company did not have any importations or purchases of any product subject to excise tax in 2016.

The documentary stamp tax (DST) paid or accrued on the following transactions are as follow:

Transaction	Amount	DST Thereon
Dividend remittance to a foreign company	₱240,825,278	₱361,238
Acquisition of KSA Realty Corp shares from Ocmador	207,082,000	776,558
Contract of lease	199,701,170	199,703
Cash advances	33,677,880	168,389
Bank checks (5,000 units @ ₱10.80)	54,000	7,500
Others	–	80
Total	₱681,340,328	₱1,513,468

Other taxes and licenses:

a. Local	
Real property taxes	₱11,731,255
Business taxes	4,065,891
Banner permit	61,786
Community tax certificate	10,500
Notarial fees	240
	15,869,672
b. National	
BIR annual registration	500
	₱15,870,172

The amount of withholding taxes paid or accrued for the year amounted to:

i Withholding taxes on compensation	₱47,305,690
ii. Final withholding taxes	47,581,496
iii. Expanded withholding taxes	5,214,195
iv. Fringe benefit tax	1,735,621

The Company is not involved in any cases with BIR and is currently not involved in any tax cases, preliminary investigations, litigation and/or prosecution in courts outside of the BIR.