SHANG PROPERTIES

29 June 2020

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building,
PICC Complex
Roxas Boulevard, Manila

Thru: Corporate Finance Department

Re: **Shang Properties, Inc. (SPI)**

Gentlemen:

We are submitting a copy of SPI's SEC Form 17-A, which we have filed with Philippine Stock Exchange.

Thank you.

Very truly yours,

SHANG PROPERTIES, INC.
By:

FEDERICO G. NOEL, JR.
Corporate Secretary

Level 5, Shangri-La Plaza Mall, EDSA corner Shaw Boulevard, Mandaluyong City, Metro Manila, Philippines 1550
T: (632) 370-2700 F: (632) 370-2777 www.shangproperties.com

COVER SHEET

1	4	5	4	9	0

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)

8370-2700
(Company Telephone Number)

12 **31**
Month *Day*
(Fiscal Year)

17-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

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended: **31 December 2019**

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) 8370-2700**
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	**4,764,058,982** 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 2020: **₱3,648,759,207.50.**

    Assumptions:

(a) Total no. of shares held by non-affiliates as of 31 March 2020	:	**<u>1,326,821,530</u>**
(b) Closing price of the Issuer's shares on the Exchange on 31 March 2020	:	**₱<u>2.75</u>**
(c) Aggregate market price of (a) as of 31 March 2020	:	**<u>3,648,759,207.50</u>**

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. Business

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 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 2019 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 to this Annual Report, the significant developments in the Issuer's business are as follows:

On 31 March 2011, the 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). 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, the Issuer purchased L'Hirondelle Holdings, Inc.'s 50 million common shares and 270 million preferred shares in Shangri-La Plaza Corporation ("SLPC") (representing 21.28% equity in SLPC), for a total consideration of PHP450,000,000. Said sale increased Issuer's equity in SLPC from 78.72% previously to 100%, making SLPC a wholly-owned subsidiary of the Issuer. SLPC owns and operates the mall establishment known as the Shangri-La Plaza which is located in Mandaluyong City.

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.

The Issuer, in an agreement dated 22 March 2018, entered into a Joint Venture Agreement with Robinsons Land Corporation (RLC) whereupon a new joint venture entity will be incorporated (JVC). The Issuer and RLC shall own said JVC on a 50%-50% basis. The JVC shall build and develop a property situated at McKinley Parkway cor. 5th Avenue and 21st Drive at Bonifacio Global City, Taguig, Metro Manila. The proposed project is intended to be a mixed-use development to include residential condominium units and commercial retail outlets. The joint venture agreement between Issuer and RLC has been duly approved by the Philippine Competition Commission. The Parties project an investment of PHP10 billion for the project.

(2) 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 the Issuer);
- SPI Parking Services, Inc. (formerly EDSA Parking Services, Inc.) (100 % owned by Issuer);
- Shang Properties Realty Corporation (formerly, The Shang Grand Tower Corporation (100% owned by the Issuer)
- EPHI Logistics Holdings, Inc. (60% owned by the Issuer)
- Shang Global City Holdings, Inc. (100% owned by the Issuer)
- Shang Fort Bonifacio Holdings, Inc. (100% owned by the Issuer)
- Shang Property Management Services Inc. (formerly EPHI Project Management Services Corporation) (100% owned by the Issuer)
- KSA Realty Corporation (70.04% owned by the Issuer)
- Shang Property Developers, Inc. (100% owned by the 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 the Issuer's wholly owned subsidiary KPPI Realty Corporation)
- Shang Wack Wack Properties, Inc. (100% owned by the Issuer)
- Classic Elite Holdings, Ltd. (100% owned by the Issuer)
- Shang Robinsons Properties Inc. (50% owned by the Issuer)
- SPI Property Holdings, Inc. (100% owned by the Issuer)
- SPI Property Developers, Inc. (100% owned by the Issuer)
- SPI Land Development Inc. (100% owned by the 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, Gucci, Zara, Debenham's, Armani, etc., which cater 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 developed 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. was incorporated on 17 December 2010 as a realty development company. It is the owner and developer of 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 was completed in 2018.

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 was sold out in 2018.

The Rise Development Company, Inc. is a joint venture with Vivelya Development Company, Inc., for the development of a mixed-use development 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. It is currently developing the Shang Residences at Wack Wack project located at Wack Wack Road, Mandaluyong City.

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 the Issuer may explore possible off-shore investment opportunities aligned with Issuer's business objectives/purposes.

(ii) The Issuer's subsidiary, Shang Properties Realty Corporation (formerly, The Shang Grand Tower Corporation) sold units of the condominium developments The St. Francis Shangri-La Place and One Shangri-La Place to non-resident Filipinos and foreigners, but not exceeding 40% of the total no. of units were sold to foreigners. Issuer's subsidiary Shang Property Developers Inc. has also sold units to its residential condominium development, Shang Salcedo Place, sales of which are also subject to the 40% alien ownership limitation. The Rise Development Company, Inc. had been selling condominium units of The Rise Makati since 2014 and sales of which have also been subject to the 40% foreign ownership limitation. Shang Wack Wack Properties, Inc. started selling units of Shang Residences at Wack Wack in the third quarter of 2018, subject also to the 40% foreign cap.

(iii) The Issuer 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. The 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) Portions of the Issuer's land where the Shangri-La Plaza Mall is located and the area known as the Internal Road are being leased to SLPC. The leases were renewed pursuant to agreements signed and executed between the parties dated 19 September 2017, which renewal shall expire on 06 January 2023. Rental income is calculated at 10% of SLPC's gross rental income net of prompt payment discount.

(ii) Issuer's subsidiary Shang Properties Realty Corporation and SLPC have in turn entered into an agreement whereby SLPC leased East Wing Mall from said subsidiary for 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. The lease has been renewed for another period which shall expire on 31 December 2022.

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 now known as The St. Francis Shangri-La Place ("Project"). SPRC provided 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 now 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.

With Issuer's affiliates:

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. In an agreement dated 26 August 2007, the lease was renewed for another 25 years commencing on 28 August 2017 until 27 August 2042.

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.

Between Issuer's Affiliates:

a. Shang Property Management Services Inc. 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 Inc. 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 Inc. 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. It also has similar agreements with SPRC, SLPC and SPI.

(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, Shang Property Developers, Inc., Shang Wack Wack Properties, Inc. (for its developments, The Shang Grand Tower, The St. Francis-Shangri-La Place, One Shangri-La Place, and Shang Salcedo Place, Residences at Shang Wack Wack) the costs of its compliance with environmental laws is not significant given the overall operational costs.

(xiv) The Issuer has 327 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 - 79
b. Supervisory - 77
c. Managerial - 59
d. Executive - 3
e. Project based
   - Rank & File – 24
   - Supervisory – 43
   - Managerial – 13
f. Consultancy based
   - Supervisory – 21
   - Managerial – 8

SPI Parking Services, Inc. (formerly Edsa Parking Services, Inc.) has **17** employees. The breakdown as to type is as follows:

a. Rank and file - 10
b. Supervisory - 6
c. Managerial - 1

Shangri-La Plaza Corporation has **82** employees. The breakdown as to type is as follows:

a. Rank and file - 24
b. Supervisory - 41
c. Managerial - 17
d. Executive - 0

The Shang Properties Realty Corporation (formerly, The Shang Grand Tower Corporation) has **58** employees. The breakdown as to type is as follows:

a. Rank and file - 26
b. Supervisory - 17
c. Managerial – 7
d. Executive - 3
e. Project based
   - Managerial - 4
f. Consultancy based
   - Managerial - 1

Shang Property Management Services Corporation has **52** employees. The breakdown as to type is as follows:

a. Rank and file - 4
b. Supervisory - 7
c. Managerial - 28
d. Project based
   - Rank & File – 10
   - Supervisory - 3

The Shang Property Developers, Inc. has **9** employees. The breakdown as to type is as follows:

a. Managerial - 1
b. Project based
   - Rank & File – 1
   - Supervisory – 2
   - Managerial – 1

c. Consultancy based
   - Supervisory – 3
   - Managerial – 1

KSA Realty Corporation has 4 employees. The breakdown as to type is as follows:

a. Rank and file - 2
b. Supervisory – 1
c. Manager - 1

The Rise Development Company, Inc., has 62 employees. The breakdown as to type is as follows:

a. Rank and file – 13
b. Supervisory - 5
c. Managerial - 3
d. Project based
   - Rank & File – 9
   - Supervisory – 27
   - Managerial – 5
e. Consulatancy based
   - Managerial – 6

Shang Wack Wack Properties, Inc. has 37 employees. The breakdown as to type is as follows:

a. Project based
   - Rank & File – 4
   - Supervisory – 11
   - Managerial – 3
b. Consultancy based
   - Supervisory – 18
   - Managerial – 1

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 Edsa Shangri-La Hotel (by the Issuer)

The Issuer receives regular rental income based on sales from Edsa Shangri-La Hotel. At times, this income is affected when 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 carpark 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"), The Rise Development Company, Inc. ("TRDCI"), and Shang Wack Wack Properties, Inc. ("SWWPI") 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. Properties

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

(B) Description of Properties

On properties owned by Issuer:

(a) A 71,101 sqm property at the heart of Ortigas Center, portions of which are being leased out to 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) 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 sqm area, abutting the Shangri-La Plaza Complex, with a gross floor area of 23,625.72 sqm. and 681 slots.

(c) The Issuer entered into a Memorandum of Agreement with Bank of the Philippine Islands for the purchase of a parcel of land located in Barangay Wack Wack, Mandaluyong City, with an area of 2,275 sqm.

On Properties owned by Issuer's subsidiaries:

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

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.

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 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. The development have been fully sold to date.

(ii) Land with an area of 9,852 sqms located at Edsa cor. Shaw Blvd., Mandaluyong City, on which One Shangri-La Place project has been constructed. The project was completed in 2016 and fully sold out in 2018.

(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.

The residential condominium project known as Shang Salcedo Place and the parcel of land on which its stands located at the corner of Gil Puyat Ave., Tordesillas St. and H. V. de la Costa St., Salcedo Village, Makati City. The project was completed in 2018 and fully sold out in 2019.

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

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

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

None.

(j) Properties owned by Issuer's Joint Venture Agreement with Robinson's Land Corporation:

Two (2) adjoining parcels of land located at McKinley Parkway corner Fifth Ave. and 21st Drive, Bonifacio Global City, Taguig, Metro Manila, owned by the Robinsons Land Corporation and covered by Transfer Certificate of Title (TCT) No. 1784-P and TCT No. 1785-P of the Registry of Deeds for Taguig City. Total land area of the two (2) parcels of land is nine thousand one hundred eighteen square meters (9,118 sq.m.), more or less.

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

(C) Legal Proceedings

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

In Shangri-La Properties, Inc. (now Shang Properties, Inc.) v. BF Corporation and BF Corporation v. Shangri-La Properties, Inc., a Notice of Judgement was issued by the Supreme Court on 15 October 2019 (a copy of the Decision was received by Issuer's External Counsel for said case only on 10 January 2020), whereby the Supreme Court ordered Issuer to "pay to BF Corporation the net amount of P52,635,679.70, plus legal interest of 6% per annum reckoned from July 31, 2007, the date of the Arbitral Tribunal's Decision, until this decision becomes final and executory, and thereafter, the principal amount due, plus the interest of 6% per annum, shall likewise earn interest of 6% per annum until full satisfaction." This SC Case stems from an Arbitration Case between the parties before the CIAC in connection with the construction in the late 1990's of the carpark structure of what was then known as the Edsa Plaza project. Shang Properties, Inc. already filed a Motion for Reconsideration of the Supreme Court's ruling on 10 January 2020.

(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. Submission of Matters to a Vote of Security Holders

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 **19 June 2019**, the stockholders approved and ratified the following:

1. Minutes of the Annual Stockholders Meeting held on **25 June 2018;**

2. Annual Report of the Company as of **31 December 2018**, 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 **25 June 2018** Annual Stockholders Meeting to the date of the Annual Stockholders Meeting on **19 June 2019**;

4. Election of the following members of the Board of Directors for the period **2019- 2020:**

   1) **Edward Kuok Khoon Loong**
   2) **Alfredo C. Ramos**
   3) **Cynthia R. Del Castillo**
   4) **Antonio O. Cojuangco**
   5) **Maximo G. Licauco III**
   6) **Louis Chi Kong Wong**
   7) **Benjamin I. Ramos**
   8) **Wilfred Shan Chen Woo**
   9) **Karlo Marco P. Estavillo**
   10) **Kean Choon Koay**

5. Appointment of **PriceWaterhouseCooper (Isla Lipana & Co.)** as the Issuer's external auditors for **FY 2019 - 2020.**

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.

(f) 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. Market for Issuer's Common Equity and Related Stockholder Matters

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

(A) Market Price of and Dividends on Registrant'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
2019		
First Quarter	**P3.20**	**P3.00**
Second Quarter	**P3.09**	**P2.95**
Third Quarter	**P3.47**	**P2.95**
Fourth Quarter	**P3.33**	**P3.03**
2018		
First Quarter	P3.59	P3.01
Second Quarter	P3.52	P3.13
Third Quarter	P3.30	P3.15
Fourth Quarter	P3.20	P3.04

The high and low of Issuer's shares for the period **01 January 2020 to 31 March 2020** are as follows:

High: ₱ 3.31
Low: ₱ 2.45

The closing price for the Issuer's shares on 31 March 2020 is ₱2.75.

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 2020,** the Issuer has **5,196** stockholders. Common shares outstanding as of said date is **4,764,056,287.**

The top 20 stockholders of the Issuer as of **31 March 2020** 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	1,008,968,262	21.18%
4. SM Development Corporation	189,550,548	3.98%
5. PCD Nominee Corporation	60,027,834	1.26%
6. KGMPP Holdings, Incorporated	52,925,445	1.11%
7. CCS Holdings, Incorporated	47,633,492	1.00%
8. Pecanola Company Limited	43,175,495	0.91%
9. Kuok Foundation Overseas Limited	37,023,839	0.78%
10. Kuok Brothers SDN. BHD.	37,023,839	0.78%
11. GGC Holdings, Incorporated	26,224,322	0.55%
12. Kerry Holdings Limited	26,090,624	0.55%
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	0.24%
16. Federal Homes, Inc.	4,808,478	0.10%
17. Johnny O. Cobankiat	4,000,000	0.08%
18. Luxhart Assets Limited	3,975,714	0.08%
19. Yan, Lucio W. Yan &/or Clara	3,142,857	0.07%
20. Antonio O. Cojuangco	3,026,964	0.06%
	4,710,291,395	**98.87%**

Ideal Sites and Properties, Inc. (Ideal) is the owner of record of 1,465,144,626 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

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

Cash Dividends

2020

- During the regular meeting of the Issuer's Board held on 01 April 2020, the Board approved the declaration of P0.11250 per share cash dividend to all shareholders of record as of 17 April 2020 to be taken from the unrestricted retained earnings as reflected in the audited financial statements of the Issuer as of 31 December 2019 to be paid on or before 24 March 2020.

2019

- During the regular meeting of the Issuer's Board held on 06 March 2019, the Board approved the declaration of P0.10550 per share cash dividend to all shareholders of record as of 21 March 2019 to be taken from the unrestricted retained earnings as reflected in the audited financial statements of the Issuer as of 31 December 2018 to be paid on or before 29 March 2019.

- During the regular meeting of the Issuer's Board held on 16 September 2019, the Board approved the declaration of P0.07000 per share cash dividend to all shareholders of record as of 30 September 2019 to be taken from the unrestricted retained earnings as reflected in the audited financial statements of the Issuer as of 30 June 2019 to be paid on or before 10 October 2019.

2018

- During the regular meeting of the Issuer's Board held on 14 March 2018, the Board approved the declaration of P0.12550 per share cash dividend to all shareholders of record as of 31 March 2018, to be taken from the unrestricted retained earnings as reflected in the audited financial statements of the Issuer as of 31 December 2017, to be paid on or before 16 April 2018.

- During the regular meeting of the Issuer's Board of Directors held on 04 September 2018, the Board approved the declaration of P0.07 per share cash dividend to all shareholders of record as of 19 September 2018 to be taken from the unrestricted retained earnings as reflected in the unaudited financial statements of the Issuer as of 30 June 2018 to be paid on or before 28 September 2018.

(b) Describe any restriction that limits the ability to pay dividends on common equity or that are likely to do so in the future.

Stock Dividends

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

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.

(4) Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

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.

Item 6. 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		%
		2019	**2018**	**Change**
Turnover	(Php M)	11,362	11,180	1.63%
Profit Attributable to shareholders	(Php M)	3,056	3,012	1.46%
Earnings per share	(Php Ctv)	0.642	0.633	1.42%
Net Asset Value per share	(Php)	7.353	6.884	6.81%
Price Earnings Ratio	(Times)	4.984	4.929	1.11%

- Turnover consists of revenue from condominium sales, rental and cinema, and hotel operations. Shang Properties' gross revenue increased by P182M to P11.362B in 2019 from P11.180B in 2018. Sales of residential condominium units of P4.428B accounted for 39% of the Group's turnover in 2019. Revenue from rental and cinema operations amounted to P3.353B, higher by P336M from last year's P3.017B. Hotel operations of Shangri-La at the Fort contributed revenue amounting to P3.580B or 30% of turnover in 2019, higher by P408M from last year's P3.172B.

- Profit attributable to shareholders pertains to net income from operations of the Group, net of minority shareholders' share. It went up by P44M or 1.46% compared with last year.

- Earnings per share of P0.642 were higher by 1.42% from last year's P0.633.

- 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 6.81% mainly due to increase of P1.935B in Installment Contracts Receivable coming from sales of condominium units during the year and additional Investment in and Advances to a Joint Venture of P1.121B.

- Price Earnings ratio is a valuation of the company's current share price compared to earnings per share and calculated by dividing the market value per share by the earnings per share. Price earnings ratio is higher by 1.11% at 4.984 times this year from 4.929 times last year. The Group' year-end share price in 2019 is P3.20 from P3.12 in 2018.

Results of Operations

Calendar Year 2019 Compared to Calendar Year 2018

Shang Properties' consolidated net income attributable to shareholders for the year ended December 31, 2019 amounted to ₱3.056B, ₱44M higher than the ₱3.012B posted in the same period last year.

Increase in Turnover by ₱182M or 1.62% to ₱11.362B in 2019 from ₱11.180B in 2018, mainly due to higher revenue from rental and cinema and hotel operations of Shangri-La at the Fort, partially offset by the decrease in revenue from condominium sales.

1. Increase in revenue from rental and cinema by ₱336M mainly due to higher occupancy rate of both office leasing at The Enterprise Center and mall operations of Shangri-La Plaza. Rental yield of office leases also increase during the year, due to rental escalations of new and renewed leases.

2. Increase in revenue from hotel operations by ₱409M is mainly due to higher occupancy of the Shangri-La at the Fort Hotel and also higher average daily rate this year compared to last year.
3. Decrease in condominium sales by ₱563M is mainly due to fewer available units for sale as the Group's Shang Salcedo Place project became fully sold out during the year and The Rise Makati project already at handover stage.

Cost of sales and services of the Group amounted to ₱6.079B, lower by ₱192M compared with last year's ₱6.271B due to the following:

1. Decrease in cost of rental and cinema by ₱77M mainly due to higher recovery of common area expenses of Group's Mall operations. Reimbursements from tenants increased during the year due to increase in CUSA rates charged by the Mall and also due to lower electricity rates.

2. Increase in cost of hotel services by ₱189M due to higher occupancy compared to same period last year.

3. Decrease in cost of condominium sales by ₱304M mainly due to lower sales across all projects.

Operating expenses of the Group amounted to ₱1.252B higher by ₱64M or 5.4% from last year's ₱1,188M mainly due to the net effect of the following:

1. Higher staff cost by ₱38M due to annual salary adjustments and increase in number of employees of the Group.

2. Increase in taxes and licenses by ₱6M mainly due to documentary stamp tax paid during the year on the transfer of real estate property purchased by the Group.

3. Increase in depreciation and amortization by ₱11M due to additional office improvements made and purchase of vehicles and other equipment for the year.

4. Increase in insurance expense by ₱14M is mainly due to additional property insurance coverage obtained by Shangri-La at the Fort during the year.

5. Decrease in other general and administrative expenses by ₱5M mainly due to decrease in Advertising and Promotions of Shangri-La at the Fort and The Rise Makati project as it nears completion stage.

Other income decreased by P853M mainly due to lower gain on fair value adjustment of investment properties as a significant adjustment was made in the previous year, as appraised by an independent appraiser.

Decrease in interest expense and bank charges by ₱86M mainly due to payment of lower interest rate on bank loans of Shangri-La at the Fort and Shang Properties Inc. and also lower loan balance due to principal payments during the year.

Provision for income tax is lower by ₱217M mainly due to lower taxable income generated during the year.

Calendar Year 2018 Compared to Calendar Year 2017

Shang Properties' consolidated net income attributable to shareholders for the year ended December 31, 2018 amounted to ₱3.012B, ₱334M lower than the ₱3.346B posted in the same period last year.

Decrease in Turnover by ₱2.590B or 18.81% to ₱11.180B in 2018 from ₱13.770B in 2017, mainly due to net effect of decrease in revenue from condominium sales and increase in revenue from rental and cinema and hotel operations of Shangri-La at the Fort.

1. Decrease in condominium sales by ₱3.201B is mainly due to fewer available units for sale due to completed projects.

2. Increase in rental and cinema revenue by ₱36M mainly due to higher rental yield of The Enterprise Center.

3. Increase in revenue from hotel operations by ₱575M is mainly due to higher occupancy this year compared to last year.

Cost of sales and services of the Group amounted to ₱6.270B, lower by ₱1.338B compared with last year's ₱7.608B due to the following:

1. Decrease in cost of condominium sales by ₱1.726B mainly due to lower sales across all projects, particularly Horizon Homes and Shang Salcedo Place as only few units were left for sale this year.

2. Increase in cost of rental and cinema by ₱24M mainly due to higher utility costs, advertising and promotion, janitorial, security and other services and insurance of Shangri-La Mall this year compared to same period last year.

3. Increase in cost of hotel services by ₱365M due to higher occupancy compared to same period last year.

Operating expenses of the Group amounted to ₱1.188B lower by ₱35M or -2.83% from last year's ₱1,222.8M mainly due to the net effect of the following:

1. Decrease in general and administrative expenses is mainly due to lower commission expenses paid by Shangri-La at the Fort this year and lower condominium dues paid to One Shangri-La Place Condominium Corporation as units have been turned over to unit owners.

2. Increase in taxes and licenses by ₱15M mainly due to higher real property taxes and documentary stamp tax paid during the year.

3. Increase in depreciation by ₱3M mainly due to additional office improvements made and purchase of other equipment for the year.

4. Decrease in insurance expense by ₱2M is mainly due to additional insurance coverage obtained during the year.

Other income increased by ₱390M mainly due to higher gain on fair value adjustment of investment properties and gain on fully depreciated assets.

Increase in interest and bank charges by ₱27M mainly due to payment of interest on bank loans of Shangri-La at the Fort and Shang Properties Inc.

Provision for income tax is lower by ₱193M mainly due to lower taxable income generated during the year.

Calendar Year 2017 Compared to Calendar Year 2016

Increase in Turnover by ₱3.427B or 33.14% to ₱13.770B in 2017 from ₱10.343B in 2016, mainly due to the net effect of higher revenue from condominium sales, rental and cinema and hotel operations of Shangri-La at the Fort.

1. Increase in condominium sales by ₱2.086B mainly due to higher sales recognition from Horizon Homes of Shangri-La at the Fort and The Rise Makati projects.

2. Increase in rental and cinema revenue by ₱89M mainly due to higher rental yield of The Enterprise Center.

3. Increase in revenue from hotel services of Shangri-La at the Fort by ₱1.252B mainly due to its full operations in 2017, compared to ten (10) months of operations in 2016. The hotel commenced its operations on 01 March 2016.

Cost of sales and services of the Group amounted to ₱7.608B, higher by ₱2.508B compared with last year's ₱5.100B due to the following:

1. Increase in cost of condominium sales by ₱1.221B mainly due to higher sales recognition and incremental completion of Horizon Homes and The Rise Makati projects.

2. Increase in cost of rental and cinema by ₱88M mainly due to higher repairs and maintenance and advertising and promotions of Shangri-La Mall this year compared to same period last year.

3. Increase in cost of hotel services by ₱1.199B due to its full operations during the year as compared to only ten (10) months in 2016.

Operating expenses of the Group amounted to ₱1.223B - higher by ₱2M or 0.2% from last year's ₱1.221B mainly due to the net effect of the following:

1. Decrease in staff cost by ₱70M due to the lower staff cost of Shangri-La at the Fort due to completion of Horizon Homes condominium project.

2. Increase in taxes and licenses by ₱25M mainly due to higher business permits and taxes driven by higher revenue earned.

3. Increase in depreciation by ₱2M mainly due to depreciation of newly purchased transportation equipment.

4. Decrease in insurance expense by ₱17M is mainly due to the reclassification of the insurance coverage of Shangri-La at the Fort to cost of sales and services from operating expenses in 2016.

5. Decrease in general and administrative expenses by ₱8M mainly due to lower administration cost incurred due to completion of the projects.

Other income increased by P146M mainly due to higher gain on fair value adjustment of investment properties and dividend income received in 2017.

Increase in interest and bank charges by ₱59M mainly due to payment of interest on bank loans of Shangri-La at the Fort.

Provision for income tax is higher by ₱260M mainly due to higher taxable income generated during the year.

<u>Financial Condition</u>

Calendar Year 2019 Compared to Calendar Year 2018

Total assets of the Group amounted to ₱63.354B, increased by ₱3.098B from the total assets of ₱ 60.256B in December 31, 2018. The following are the significant movements in the assets:

Increase in cash and cash equivalents by ₱208M mainly due to collection from sales of condominium projects (The Rise).

Decrease in financial assets at fair value through profit or loss by ₱5M due to loss on fair value adjustment recognized during the year.

Increase in trade and other receivables by ₱1.935B mainly due to additional receivables arising from sales of condominium units from The Rise and Shang Residences at Wack Wack projects.

Decrease in properties held for sale by ₱801M mainly due to portion recognized as cost of sales of The Rise and Shang Residences at Wack Wack projects.

Increase in investment in and advances to an associate and a joint venture by ₱1.121B due to advances to the joint venture with Robinson's Land Corporation (RLC) and the ₱101M share in Net Income of said joint venture taken up during the year. Both RLC and SPI owns 50% of the outstanding shares in the joint venture under the name of Shang Robinsons Properties Inc.

Increase in investment properties by ₱392M is mainly due to the fair value adjustment taken up during the year.

Increase in real estate development projects by ₱992M is due to development cost of the retail portion of The Rise Makati project.

The increase in the Financial Assets at Fair Value through other comprehensive income by ₱21M is mainly due to the fair valuation of unlisted shares of stock being held by the Group as investment.

Decrease in property, plant and equipment by ₱943M is mainly due to periodic depreciation.

Increase in deferred income tax assets by ₱105M is mainly due to the recognition of higher installment sales of Shang Residences at Wack Wack project.

Increase in other noncurrent assets by ₱275M is mainly due to deposits made by SPI for future project developments.

The net increase in total liabilities by ₱894M from ₱21.190B in 2018 to ₱22.083B in 2019 mainly due to the following:

The Net Increase in Accounts Payable by ₱778M is mainly due to higher accrual of expenses and advance rental collected from tenants of The Enterprise Center (TEC).

Net decrease in installment payable by ₱97M is mainly due to quarterly payments during the year.

Decrease in bank loans mainly due to net repayments amounting to ₱55M.

Increase in deferred lease income by ₱18M is mainly due to higher deposits from The Enterprise Center and (TEC) and Shangri-La Plaza.

Increase in income tax payable by ₱89M mainly due to increase in TRDCI's taxable income for the year.

Increase in dividends payable by ₱5M due unclaimed dividend checks paid to shareholders during the year.

Increase in deferred income tax liabilities by ₱209M is mainly due to the recognition of higher percentage of completion of The Rise condominium project.

Calendar Year 2018 Compared to Calendar Year 2017

Total assets of the Company amounted to ₱60.255B, decreased by ₱194M from the total assets of ₱60.449B in December 31, 2017. The following are the significant movements in the assets:

Decrease in cash and cash equivalents by ₱2.599B mainly due to repayment of bank loans and additions to investment properties and associates.

Decrease in financial assets at fair value through profit or loss by ₱5M due to loss on fair value adjustment recognized during the year.

Increase in receivables by ₱216M mainly due to collection of installment contracts receivable from Horizon Homes.

Decrease in properties held for sale by ₱2.558B due to sale of condominium units of Horizon Homes.

Increase in investment in associates by ₱499M is mainly due to the joint venture with Robinson's Land Corporation (RLC). Both RLC and SPI shall own 50% of the outstanding shares in the joint venture under the name of Shang Robinsons Properties In.
Increase in investment properties by ₱2.411B is mainly due to the investment in Sky Leisure Properties Inc and the fair value adjustment in investment properties.

Increase in real estate development projects by ₱260M is due to the additional cost which pertains to the retail portion of The Rise Makati Project.

Increase in the available for sale financial assets by ₱269M is mainly due to the revaluation to fair value of the unlisted shares that were previously carried at cost.

Increase in property, plant and equipment by ₱1.807B is due to reclassification from real estate development cost the completed portion of Shangri-La at the Fort Hotel.

Decrease in deferred income tax assets decreased by ₱70M is mainly due to the recognition of higher percentage of completion of The Rise condominium project.

Decrease in other noncurrent assets by ₱29M is mainly due to the input VAT claimed and return of deposits for utilities by Shangri-La at the Fort.

The net decrease in total liabilities by ₱2.735B from ₱23.925B in 2017 to ₱21.190B in 2018 mainly due to the following:

Net decrease in installment payable by ₱246M is mainly due to quarterly payments during the year.

Decrease in bank loans mainly due to repayments amounting to ₱2.376B.

Increase in deferred lease income by ₱21M mainly due to higher deposits from The Enterprise Center and (TEC) and Shangri-La Plaza.

Decrease in income tax payable by ₱22M mainly due to lower taxable income during the year.

Increase in dividends payable by ₱5M due to declaration of cash dividends during the year.

Increase in accrued employee benefits by ₱5M mainly due to the increase in retirement benefits to be paid based on the actuarial valuation.

Calendar Year 2017 Compared to Calendar Year 2016

Total assets of the Company amounted to ₱60.4B, decreased by ₱1.3B from the total assets of ₱61.8B in December 31, 2016. The following are the significant movements in the assets:

Increase in cash and cash equivalents by ₱789.6M mainly due to collection from sales of condominium projects.

Increase in financial assets at fair value through profit or loss by ₱13.4M due to gain on fair value adjustment recognized during the year.

Increase in receivables by ₱1.230B mainly due to receivables from sale of condominium units, hotel guests and advances to associated company.

Decrease in properties held for sale by ₱4.418B due to recognition of sales of various condominium units.

Decrease in prepaid taxes and other current assets by ₱651M mainly due to the input VAT claimed against output VAT liabilities and the creditable withholding tax applied to income tax payable during the period.

Decrease in installment contracts receivable due to reclassification to current account with the last installment collectible in 2018.

Decrease in real estate development projects by ₱40M mainly due to completion of Shangri-la at the Fort project. In 2017, the cost of the completed portion of the hotel was reclassified to property and equipment.

Increase in property and equipment by ₱1.5B mainly due to reclassification from real estate development cost the completed portion of Shangri-La at the Fort Hotel.

The net decrease in total liabilities by ₱4.509B from ₱28.4B in 2016 to ₱23.9B in 2017 mainly due to the following:

Net decrease in installment payable by ₱134M is mainly due to quarterly payments during the year.

Decrease in bank loans mainly due to repayments amounting to ₱4.677B.

Increase in deferred lease income by ₱13M and advance rental by ₱71M mainly due to higher deposits from new tenants of The Enterprise Center and (TEC) and Shangri-La Plaza.

Increase in income tax payable by ₱106M mainly due to higher taxable income during the year.

Increase in dividends payable by ₱5M due to unclaimed cash dividends during the year.

Increase in accrued employee benefits by ₱11M mainly due to the increase in retirement benefits to be paid based on the actuarial valuation.

Statement of Cash Flows

Net cash provided by operating activities in 2019 amounted to ₱4.118B. The cash inflows in 2019 and 2018 includes 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. Net cash provided by operating activities in 2018 and 2017 amounted to ₱2.835B and P7.272B, respectively.

Net cash used in investing activities in 2019 amounted to P2.366B mainly used in the joint venture with Robinsons Land Corp, acquisition of investment properties and deposit for future project amounting to ₱1.020B, ₱1.109B and ₱172M respectively. In 2018, net cash used in investing activities amounted to ₱1.497M mainly used in the joint venture with Robinsons Land Corp, acquisition of investment properties and deposit for future project amounting to ₱1.109B, ₱490M and ₱250M, respectively. Net cash used in investing activities in 2017 amounted to ₱456M mainly used in acquisition of investment property (₱467M) and acquisition of property and equipment (₱42M).

Net cash used in financing activities in 2019 and 2018 amounted to ₱1.539B and ₱3.952B, respectively, mainly used in payments of loan principal, interest and cash dividends. In 2017, net cash used in financing activities amounted to ₱6.029B mainly used in payments of bank loans, interest and cash dividends.

(b) Interim Periods

Information required by Part III, 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.

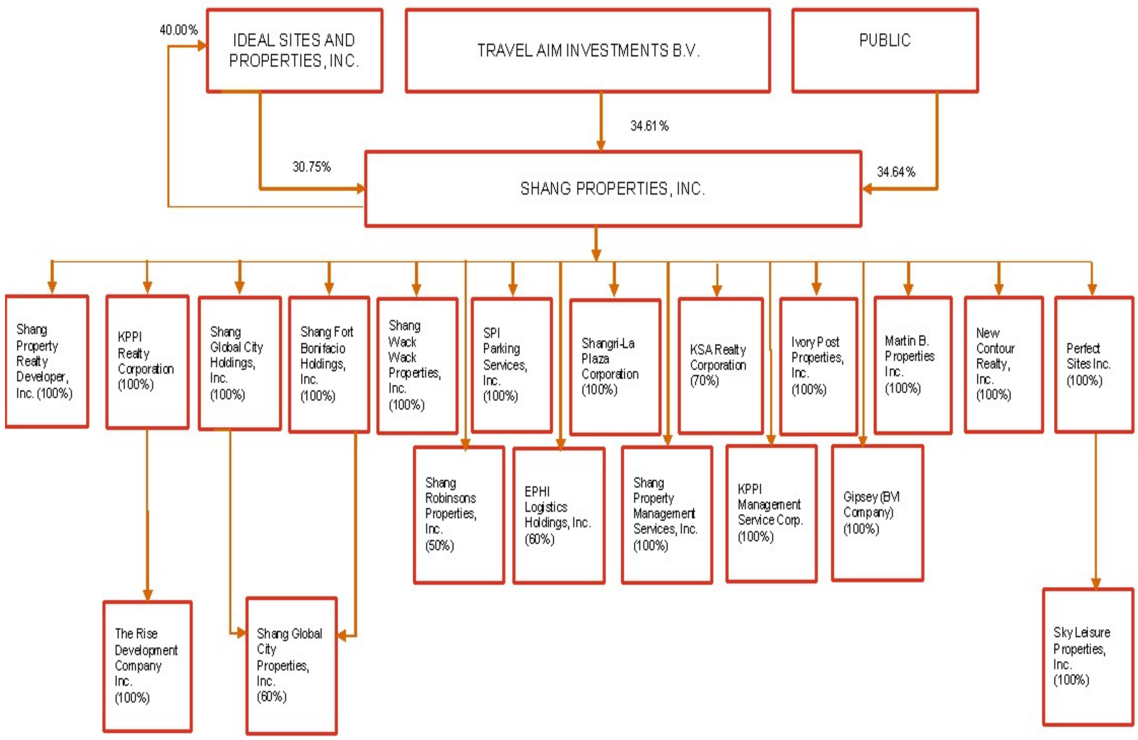
Item 7. Consolidated Audited Financial Statements

The Consolidated Audited Financial Statements of the Group for 2019 are incorporated in the accompanying Exhibits and Schedules.

Statements Required by Rule 68 Securities Regulation Code (SRC)

Shang Properties, Inc. and Subsidiaries

Map of the Group of Companies within which the Reporting Entity Belongs
As at December 31, 2019



Shang Properties, Inc. and Subsidiaries

Financial Soundness Indicators
As at December 31, 2019 and 2018
(With comparative figures as at December 31, 2017)

Ratio	Formula		2019	2018	2017
A. Current and Liquidity Ratios					
1. Current ratio	Total current assets	12,085,927,703	1.11	1.31	2.05
	Divided by: Total current liabilities	10,902,208,502			
	Current ratio	1.11			
2. Acid test ratio	Total current assets	12,085,927,703	0.99	1.13	1.78
	Less: Prepaid taxes and other current assets	1,314,018,515			
	Quick assets	10,771,909,188			
	Divided by: Total current liabilities	10,902,208,502			
	Acid test ratio	0.99			
B. Solvency ratio	Net income	3,421,768,693	0.21	0.22	0.21
	Add: Depreciation*	1,114,177,178			
	Net income before depreciation	4,535,945,871			
	Divided by: Total liabilities	22,083,374,186			
	Solvency ratio	0.21			
C. Debt to equity ratio	Total liabilities	22,083,374,186	0.54	0.54	0.66
	Divided by: Total equity	41,270,138,878			
	Debt to equity ratio	0.54			
D. Asset to equity ratio	Total assets	63,353,513,064	1.54	1.54	1.66
	Divided by: Total equity	41,270,138,878			
	Asset to equity ratio	1.54			
E. Debt ratio	Total liabilities	22,083,374,186	0.35	0.35	0.40
	Divided by: Total assets	63,353,513,064			
	Debt ratio	0.35			

Ratio	Formula		2019	2018	2017
G. Profitability ratios					
1. Return on assets (%)	Net income	3,421,768,693	5.40	5.91	6.98
	Divided by: Total assets	63,353,513,064			
	Return on assets (%)	5.40			
2. Return on equity (%)	Net income	3,421,768,693	8.29	9.11	11.55
	Divided by: Total equity	41,270,138,878			
	Return on equity (%)	8.29			
3. Net profit margin	Net income	3,421,768,693	30.12	31.85	30.65
	Divided by: Total revenues	11,361,826,193			
	Net profit margin (%)	30.12			
H. Earnings per share (EPS) attributable to equity holders of Parent	Net income after minority interest	3,056,001,858	0.64	0.63	0.70
	Divided by: Total shares outstanding	4,761,918,337			
	EPS attributable to equity holders of Parent	0.64			
I. Book value per share (BPS) attributable to equity holders of Parent	Total equity after minority interest	35,015,932,863	7.35	6.88	6.40
	Divided by: Total shares outstanding	4,761,918,337			
	BPS attributable to equity holders of Parent	7.35			

Shang Properties, Inc. and Subsidiaries

Schedule A - Financial Assets
As at December 31, 2019
(All amounts in Philippine Peso)

Description of each issue	Number of shares	Amount shown in the Consolidated Statement of Financial Position	Value based on market quotations at statement date	Income (loss) received and accrued
Cash and cash equivalents*		2,640,088,900	2,640,088,900	44,045,396
Trade and other receivables**		5,219,296,083	5,219,296,083	166,691,384
Financial assets at fair value through profit or loss***		36,278,844	41,424,316	5,145,472
Refundable deposits****		136,376,251	136,376,251	-
Financial assets at fair value through other comprehensive income*****				
Quoted shares	8	33,958,500	33,958,500	-
Unquoted shares	298,516	769,709,996	769,709,996	21,969,000
		803,668,496	803,668,496	21,969,000
		8,835,708,574	8,840,854,046	237,851,252

* See Note 3 to the Consolidated Financial Statements.
** See Note 5 to the Consolidated Financial Statements.
*** See Note 4 to the Consolidated Financial Statements.
**** See Notes 7 and 15 to the Consolidated Financial Statements.
***** See Note 12 to the Consolidated Financial Statements.

Shang Properties, Inc. and Subsidiaries

Schedule B - Amounts Receivable from Directors, Officers,
Employees, Related Parties and Principal Stockholders
(Other than Related Parties)
As at December 31, 2019
(All amounts in Philippine Peso)

Name and designation of debtor	Beginning balance	Additions	Deduction: Amount collected	Deduction: Amount written-off	Current	Non-current	Ending balance
Classic Elite Holdings Inc.	1,143,935,277	252,277	-	-	1,144,187,554	-	1,144,187,554
One Shangri-la Place Condominium Corp.	32,798,339	15,054,831	(4,990,014)	-	42,863,156	-	42,863,156
Shang Salcedo Place Condominium Corp.	5,866,256	21,239,103	6,748,594	-	33,853,953	-	33,853,953
EDSA Shangri-la Hotel & Resorts, Inc.	33,875,646	122,089,170	(123,976,302)	-	31,988,514	-	31,988,514
Makati Shangri-la Hotel	9,075,519	58,342,212	(40,393,721)	-	27,024,010	-	27,024,010
The St. Francis Shangri-la Place Condominium Corp.	19,679,937	17,831,056	(13,119,525)	-	24,391,468	-	24,391,468
The Shang Grand Tower Condominium Corp.	21,578,947	7,239,295	(6,278,008)	-	22,540,234	-	22,540,234
Ideal Sites Property, Inc.	5,700,000	4,580	-	-	5,704,580	-	5,704,580
Mactan Shangri-la Hotel	367,093	1,437,997	(1,579,530)	-	225,560	-	225,560
The Enterprise Centre Condominium Corp.	18,173,772	32,945,079	(42,917,496)	-	8,201,355	-	8,201,355
Shang Robinsons Properties, Inc.	31,145,067	36,017,060	(39,771,469)	-	27,390,658	-	27,390,658
Others	54,630,090	133,010,525	(91,785,532)	-	95,855,083	-	95,855,083
	1,376,825,943	445,463,186	(358,063,003)	-	1,464,226,126	-	1,464,226,125

See Notes 4 and 28 to the Consolidated Financial Statements.

Shang Properties, Inc. and Subsidiaries

Schedule C - Amounts Receivable from Related Parties
which are eliminated during the Consolidation of Financial Statements
As at December 31, 2019
(All amounts in Philippine Peso)

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Shangri-la Plaza Corp.	80,441,007	2,423,940,965	(605,483,517)	-	1,898,898,455	-	1,898,898,455
Shang Property Management Services, Inc.	74,531,584	-	(74,531,584)	-	-	-	-
Shang Properties Realty Corporation	10,618,498	-	(10,618,498)	-	-	-	-
SPI Parking Services, Inc.	19,594,308	-	(2,865,836)	-	16,728,472	-	16,728,472
KPPI Management Services Corporation	12,111,279	12,561,547	-	-	24,672,826	-	24,672,826
Shang Global City Holdings, Inc.	1,915,793	17,891	-	-	1,933,684	-	1,933,684
Shang Fort Bonifacio Holdings, Inc.	2,886,451	1,107,981,205	-	-	1,110,867,656	-	1,110,867,656
KSA Realty Corporation	1,998,515,432	-	-	-	1,998,515,432	-	1,998,515,432
Shang Property Developers, Inc.	1,661,984,806	-	-	-	1,661,984,806	-	1,661,984,806
Silver Hero from SPDI	2,317,500,000	-	-	-	2,317,500,000	-	2,317,500,000
The Rise Development Company, Inc.	-	500,000,000	-	-	500,000,000	-	500,000,000
Others	7,053,722,406	1,303,413,359	(5,117,367,122)	-	3,239,768,643	-	3,239,768,643
Total	13,233,821,564	5,347,914,967	(5,810,866,557)	-	12,770,869,974	-	12,770,869,974

See Note 28 to the Consolidated Financial Statements.

Shang Properties, Inc. and Subsidiaries

Schedule D - Intangible Assets - Other Assets
As at December 31, 2019
(All amounts in Philippine Peso)

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Not applicable						

Shang Properties, Inc. and Subsidiaries

Schedule E - Long-Term Debt
As at December 31, 2019
(All amounts in Philippine Peso)

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet"
10-year loan with fixed interest rate of 4.00% per annum	1,341,666,667	408,333,333	933,333,334
10-year loan with interest based on the higher between the PHP BVAL rate plus spread of 0.75% per annum and the Bangko Sentral ng Pilipinas (BSP) overnight borrowing rate minus spread of 0.95% per annum	1,441,294,424	-	1,441,294,424
6-month loan with fixed interest rate of 5.75% per annum	1,000,000,000	1,000,000,000	-
6-month loan with fixed interest rate of 6.00% per annum	1,100,000,000	1,100,000,000	-
6-month loan with fixed interest rate of 5.40% per annum	125,000,000	125,000,000	-
6-month loan with fixed interest rate of 5.30% per annum	170,000,000	170,000,000	-
3-month loan with fixed interest rate of 4.75% per annum	250,000,000	250,000,000	-
3-month loan with fixed interest rate of 4.15% per annum	500,000,000	500,000,000	-
	5,927,961,091	3,553,333,333	2,374,627,758

See Note 17 to the Consolidated Financial Statements.

Shang Properties, Inc. and Subsidiaries

Schedule F - Indebtedness to Related Parties
As at December 31, 2019
(All amounts in Philippine Peso)

Name of affiliate	Beginning balance	Ending balance
Shangri-La International Hotel Management Limited	16,000,538	18,971,458
St. Francis Shangri-La Place Condominium Corporation	147,247	276,552
The Enterprise Center Condominium Corporation	1,693,679	1,293,930
Others	95,509,311	79,947,313
	113,350,775	100,489,253

See Notes 16 and 28 to the Consolidated Financial Statements.

Shang Properties, Inc. and Subsidiaries

Schedule G - Guarantees of Securities of Other Issuers
As at December 31, 2019
(All amounts in Philippine Peso)

Name of issuing entity of securities guaranteed by the company for which statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by the company for which statement is filed	Nature of guarantee
Not applicable				

Shang Properties, Inc. and Subsidiaries

Schedule H - Share Capital
As at December 31, 2019
(All amounts in Philippine Peso)

Title of issue	Number of shares authorized	Number of Shares issued and outstanding	Number of shares reserved for options, warrants, conversions, and other rights	Number of shares held by Affiliates	Number of shares held by Directors, officers, and employees	Number of shares held by Others
Issued shares:						
Common shares	8,000,000,000	4,764,058,982	-	-	-	-
Outstanding shares:						
Common shares	-	4,764,058,982	-	3,114,016,694	4,053,136	1,645,989,152
Total	-	4,764,058,982	-	3,114,016,694	4,053,136	1,645,989,152

See Note 19 to the Consolidated Financial Statements.

Shang Properties, Inc.

Reconciliation of Retained Earnings Available for Dividend Declaration
As at December 31, 2019
(All amounts in Philippine Peso)

Unappropriated Retained Earnings beginning			27,108,948,851
Fair value adjustment of investment properties in prior years, net of tax			(12,836,244,548)
Unappropriated Retained Earnings, as adjusted, beginning			14,272,704,303
Net income based on the face of audited financial statements		3,421,768,693	
Less:	Non-actual/unrealized income net of tax		
	Equity in net income of associate/joint venture	(70,865,980)	
	Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	-	
	Unrealized actuarial gain	-	
	Fair value adjustment	-	
	Fair value adjustment of investment property resulting to gain	(193,688,171)	
	Adjustment due to deviation from PFRS/GAAP – gain	-	
	Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted under the PFRS	-	
Add:	Non-actual losses		
	Depreciation on revaluation increment (after tax)	-	
	Fair value adjustment	3,601,830	
	Adjustment due to deviation from PFRS/GAAP – loss	-	
	Loss on fair value adjustment of investment property (after tax)	-	
Net income actually earned during the period		3,160,816,372	3,160,816,372
Add (Less):			
	Realized remeasurement loss during the year		-
	Dividends declarations during the year		(1,234,184,549)
	Appropriations of retained earnings		-
	Reversal of appropriateness		-
	Other reserves from restatement due to PAS19 Revised		-
	Treasury shares		(6,850,064)
TOTAL RETAINED EARNINGS ATTRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY, END AVAILABLE FOR DIVIDEND			16,192,486,062

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 Isla Lipana & Co.:

	2019	2018
Audit Fees	4,393,050	4,393,050
Tax Consultancy Fees	-	-
	4,393,050	**4,393,050**

No other service was provided by external auditors to the Company for the fiscal years 2019 and 2018.

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”

(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.

For fiscal year 2016 the Company’s external auditor was Sycip Gorres Velayo & Co. and in June 20, 2017, Isla Lipana & Co. was appointed as the external auditors of the company.

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

The Group’s external auditors for the last 2 years are Isla Lipana & Co. There were no disagreements with Isla Lipana & Co. on any accounting and financial disclosure matters.

(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

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”.

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 2020**):

Name	Citizenship	Director/ No. of Years	Age	Office Held	Directorship in other reporting (Listed) Companies
Edward Kuok Khoon Loong	Malaysian	Yes /28 yrs.	67	Chairman	None
Alfredo C. Ramos	Filipino	Yes /31 yrs. & 7 mos.	76	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 /18 yrs & 9 mos.	67		Sanitary Wares & Mfg. Corp.
Benjamin I. Ramos	Filipino	Yes /9 yrs. & 7 mos.	50		None
Wilfred Shan Chen Woo	Canadian	Yes/8 yrs. & 7 mos.	62		None

Name	Citizenship	Director/ No. of Years	Age	Office Held	Directorship in other reporting (Listed) Companies
Antonio O. Cojuangco***	Filipino	Yes /12 yrs. & 7 mos.	68		None
Louis Chi Kong Wong	British	Yes/1 yr. & 4 mos.	-		None
Karlo Marco P. Estavillo	Filipino	Yes/3 yrs. & 6 mos.	48	Treasurer/ CFO/COO	None
*Kean Choon Koay	Malaysian	Yes/11 mos.	64		None
Maximo G. Licauco III	Filipino	Yes/6 yrs & 4 mos.	69		None
*Rajeev Garg	Indian	(No)	45	VP/Group Financial Controller	None
Federico G. Noel, Jr.	Filipino	(No)	58	Corporate Secretary	None

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 Atlas Consolidated Mining & Development Corporation and Aquatlas, Inc. He is the Chairman and President of Alakor Corporation, National Book Store, Inc., The Philodrill Corporation, Vulcan Industrial & Mining Corporation, United Paragon Mining Corporation and NBS Subic, Inc. He is also the President of Abacus Book & Card Corporation, MRT Holdings Corporation, Power Books, Inc., TMM Management, Inc. and Zenith Holdings Corporation. He is Vice Chairman of MRT Development Corporation and Shangri-La Plaza Corporation. He is also the Governor of National Book Development Board.

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 and Directories Philippines Corporation. He is the President of Calatagan Bay Realty, Chairman and President of Calatagan Golf Club, Inc. and Canlubang Golf and Country Club.

Cynthia Roxas Del Castillo is a Senior Partner and a member of the Executive Board at Romulo, Mabanta, Buenaventura, Sayoc & de los Angeles and has been with the firm for over 30 years. She holds an Ll.B from Ateneo, graduated Valedictorian in 1976 and placed 11th in the 1976 Bar Examinations. She was a former Dean of the Ateneo de Manila University's Law School and the first woman to hold the said position. 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.

Louis Chi Kong Wong has been the Chief Financial Officer of Kerry Properties Limited ("**KPL**") since 2007. He was trained and qualified as Chartered Accountant with KPMG Peat Marwick, London, England. He had about 10 years of experience in auditing in the United Kingdom and Hong Kong before joining Kerry Group in 1994. Prior to taking up the position of the Chief Financial Officer of KPL, he was involved in the Coca-Cola beverage business in which Kerry Group was a franchised bottler of Coca-Cola products in China. He is a graduate of University of Cambridge, England. *(Replaced Mr. Ho Shut Kan who resigned as member of the Board of as of 27 November 2018. Mr. Wong will serve as member of the Board for the remainder of Mr. Ho's term and until his successor is duly elected and qualified)*

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.

Maximo G. Licauco III is the President of Filstar Distributors Corporation (Licensee of Hallmark Cards and exclusive distributor of BIC Products). He was previously an Area Vice President of National Book Store, Inc. where he spent 34 years in the retail business. He graduated at the Ateneo De Manila University with Bachelor of Arts Degree major in Economics.

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 University of the Philippines College of Law and Bachelor of Science in Business Management from the Ateneo de Manila University.

****Kean Choon Koay*** 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. (*Replaced Mr. Gregory Allan Dogan who resigned as a member of the Board as of 15 February 2019. Mr. Koay Kean Choon will serve as member of the board for the remainder of Mr. Dogan's term and until his successor is duly elected and qualified*)

****Rajeev Garg*** is the new Vice President and Group Financial Controller of the Issuer. He has been with the Kuok Group for a total of 14 years covering various functions including Finance in Shangri-La Dubai, Aberdeen Marina Club, Hong Kong, two (2) Shangri-La Development Projects in Sri Lanka and another development project in Colombo before moving to Issuer.

He holds a Bachelor's Degree in Accounting and Accounting Certificate from the Institute of Chartered Accountants of India and PG Diploma in Management. *(Mr. Rajeev Garg was elected as Vice President and Group Financial Controller of the Issuer as of 06 March 2019.)*

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.

Maria Myla Rae S. Orden is Assistant Corporate Secretary and has been the Assistant General Counsel of the Company for the past 20 years. (*Resigned as of 17 January 2020*)

**** Messrs. Maximo G. Licauco III, Antonio O. Cojuangco, and Benjamin I. Ramos 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. **2018 and 2019** and to be paid in the ensuing fiscal year **2020** 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 Php)**		
		BASIC	**BONUS**	**TOTAL**
2020		**78,026,520.00**	**21,844,891.95**	**99,871,411.95**
Wolfgang Krueger				
Karlo Marco P. Estavillo				
Rajeev Garg				
Federico G. Noel Jr.				
Koay Kean Choon				
Jose Juan Z. Jugo				
2019		**58,540,326.00**	**24,097,463.32**	**82,637,789.32**
Gregory Allan Dogan				
Karlo Marco P. Estavillo				
Rajeev Garg				
Federico G. Noel Jr.				
Koay Kean Choon				
Danila Regina I. Fojas				
OFFICERS/DIRECTORS	**FISCAL YEAR**	**AGGREGATE COMPENSATION (in Php)**		
		BASIC	**BONUS**	**TOTAL**
2018		**69,354,683.58**	**26,901,485.92**	**96,256,169.50**
Gregory Allan Dogan				
Karlo Marco P. Estavillo				
Uday Deshpande				
Kuoh Hun Hsion				
Federico G. Noel Jr.				
Koay Kean Choon				
Danila Regina I. Fojas				

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 2020**.

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	Percentage
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	1,465,144,622	30.75%
Common	PCD Nominee Corporation (Filipino) G/F, MSE Building 6767 Ayala Avenue Makati City	R	Filipino	1,008,968,262	21.18%

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 1,465,144,626 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.

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 2020)

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	0.017%
Common	Alfredo C. Ramos	213,734(D)	Filipino	0.000%
Common	Louis Wong Chi Kong	1,000(D)	British	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	Antonio O. Cojuangco	3,026,964(D)	Filipino	0.064%
Common	Wilfred Shan Chen Woo	1,000(D)	Canadian	0.000%
Common	Karlo Marco P. Estavillo	5,000(D)	Filipino	0.000%
Common	Kean Choon Koay	1(D)	Malaysian	0.000%

**Mr. Kean Choon Koay replaced Mr. Gregory Allan Dogan who resigned as of 15 February 2019. He will serve as such for the remainder of Mr. Dogan's term and until his successor is duly elected and qualified.*

As of the reporting of SEC Form 17-A for 2020, the aggregate ownership of all directors and officers as a group unnamed is **4,055,711** shares or **0.000**% 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 2020**, is **34.55%** 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 – CORPORATE GOVERNANCE

Item 13. Corporate Governance

Furnish the information required by Part V of "Annex C, as amended"

(a) The evaluation system established by the company to measure or determine the level of compliance of the Board of Directors and top-level management with its Manual of Corporate Governance;

An internal self-rating system can measure the performance of the Board and Management in accordance with the criteria provided for in the Issuer's Revised Manual on Corporate Governance.

The creation and implementation of such self-rating system, including its salient features, may be disclosed in the corporation's annual report.

(b) Measures being undertaken by the company to fully comply with the adopted leading practices on good corporate governance;

The internal audit conducts periodic review, of the effectiveness of the Issuer's system and internal controls governing the good corporate governance practice, to assess with the board-approved manual on corporate governance, periodically evaluate and monitor the implementation of policies and strategies, including the business plans, operating budgets and Management's overall performance.

(c) Any deviation from the company's Manual of Corporate Governance. It shall include a disclosure of the name and position of the person/s involved, and the sanction/s imposed on said individual;

None

(d) Any plan to improve corporate governance of the company.

The Issuer periodically reviews its Manual on Corporate Governance to ensure that it meets its objectives.

PART V — EXHIBITS AND SCHEDULES

Item 14. 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 2019:

1. 30 January 2019 – Reports that during the regular meeting of the Issuer's Board of Directors held on 30 January 2019, the Board approved the following:

   - Resignation of Director – Mr. Gregory Allan Dogan formally tendered his resignation as Director of the Issuer effective close of the business hours of 15 February 2019.

2. 06 March 2019 – Reports that during the regular meeting of the Issuer's Board of Directors held on 06 March 2019, the Board approved the following:

   i) Election of Group Financial Controller – Mr. Rajeev Garg was elected as the new Vice President and Group Financial Controller of the Issuer.

   ii) The declaration of P0.10550 per share cash dividend to all shareholders of record as of 21 March 2019 to be taken from the unrestricted retained earnings as reflected in the audited financial statements of the Issuer as of 31 December 2018 to be paid on or before 29 March 2019.

   iii) Passed resolution to approve the audited financial statements of the Issuer for the year ended 31 December 2018.

3. 02 May 2019 – Reports that during the regular meeting of the Issuer's Board of Directors held on 02 May 2019, the Board approved the following:

   - Issuer will hold its Annual Stockholders' Meeting on 19 June 2019 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 20 May 2019.

4. 21 May 2019 – Reports that during the regular meeting of the Issuer's Board of Directors held on 21 May 2019, the Board approved the following:

   - Appointment of New Director – Mr. Koay Kean Choon was elected as member of the Board to replace Mr. Gregory Allan Dogan and serve as such for the remainder of Mr. Dogan's term and until his successor is duly elected and qualified.

5. 19 June 2019 - Reports that during the Issuer's Annual Stockholders' Meeting held on 19 June 2019, the following matters were taken up:

   i) Election of Directors

   The following were elected to serve as members of the Board of Directors for the year 2019-2020, namely:

   1) Edward Kuok Khoon Loong
   2) Alfredo C. Ramos
   3) Cynthia R. Del Castillo
   4) Karlo Marco P. Estavillo
   5) Wilfred Shan Chen Woo
   6) Louis Wong Chi Kong
   7) Maximo G. Licauco III – Independent Director
   8) Antonio O. Cojuangco – Independent Director
   9) Benjamin I. Ramos – Independent Director

   ii) Issuer's Certifying Accountant

   PriceWaterhouseCoopers Philippines was appointed as external auditors for the year **2019-2020**.

   iii) 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)	Karlo Marco P. Estavillo	-	Treasurer/CFO/COO
4)	Jose Juan Z. Jugo	-	Executive Vice President
5)	Federico G. Noel, Jr.	-	Corporate Secretary
6)	Maria Myla Rae S. Orden	-	Assistant Corporate Secretary

   Audit Committee:

1)	Maximo G. Licauco III	-	Chairman
2)	Benjamin I. Ramos	-	Member
3)	Cynthia R. Del Castillo	-	Member
4)	Michelle Ching	-	Secretary

   Corporate Governance Committee:

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

6. 16 September 2019 – Reports that during the regular meeting of the Issuer's Board of Directors held on 16 September 2019, the Board approved the following:

   - The declaration of P0.07000 per share cash dividend to all shareholders of record as of 30 September 2019 to be taken from the unrestricted retained earnings as reflected in the audited financial statements of the Issuer as of 30 June 2019, to be paid on or before 10 October 2019.

Following are the reports, in SEC Form 17-C, which were filed as of 31 March 2020:

1. 16 March 2020 – Reports that during the regular meeting of the Issuer's Board of Directors held on 16 March 2020, the Board approved the following:

   - The Issuer filed its Current Report under Section 17 of the Securities Regulation Code on the impact of COVID-19 Pandemic on its business operations, including measures to mitigate its risks.

2. 01 April 2020 – Reports that during the regular meeting on the Issuer's Board of Directors held on 01 April 2020, the Board approved the following:

i) The declaration of P0.11250 per share cash dividend to all shareholders of record as of 17 April 2020 to be taken from the unrestricted retained earnings as reflected in the audited financial statements of the Issuer as of 31 December 2020, to be paid on or before 24 April 2020.

ii) Passed resolution to approve the audited financial statements of the Issuer for the year ended 31 December 2019.

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 JUN 2 4 2020 day of June 2020.

By:

KARLO MARCO P. ESTAVILLO
Chief Operating Officer/Chief Financial Officer

RAJEEV GARG
Group Financial Controller

FEDERICO G. NOEL, JR.
Corporate Secretary

SUBSCRIBED AND SWORN to before me this JUN 2 4 2020 day of ____________ affiant(s) exhibiting to me their Passports, as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
RAJEEV GARG	Z4911342	02 FEB 2018	COLOMBO
KARLO MARCO P. ESTAVILLO	P3455986B	07 OCT. 2019	DFA NCR CENTRAL
FEDERICO G. NOEL, JR.	P6098076A	20 FEB. 2018	DFA MANILA

Doc No. 4r3;
Page No. 92;
Book No. 11;
Series of 2020.

NOTARY PUBLIC

JOVEN G. SEVILLANO
NOTARY PUBLIC FOR CITY OF MANDALUYONG
COMMISSION NO. 0285-19
UNTIL DECEMBER 31, 2020
ROLL NO. 53970
IBP LIFETIME NO. 011302; 12-20-12; RIZAL
PTR NO. 4331546; 1-3-2020; MANDALUYONG
MCLE COMPLIANCE NO. VI 0017960 14 APRIL 2022
METRO MART COMPLEX, MANDALUYONG CITY

pwc

Isla Lipana & Co.

Statements Required by Rule 68
Securities Regulation Code (SRC)

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

We have audited the consolidated financial statements of Shang Properties, Inc. and Subsidiaries as at and for the year ended December 31, 2019, on which we have rendered the attached report dated April 1, 2020. The supplementary information shown in the Reconciliation of Retained Earnings Available for Dividend Declaration, Map of the Group of Companies within which the Reporting Entity Belongs, and Schedules A, B, C, D, E, F, G, and H as required by Part II, Section 7 of Rule 68 of the SRC, are presented for purposes of filing with the Securities and Exchange Commission and are not required parts of the basic consolidated financial statements. Such supplementary information are the responsibility of management and have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements. In our opinion, the supplementary information have been prepared in accordance with Parts I and II of Rule 68 of the SRC.

Isla Lipana & Co.

Imelda Ronnie de Guzman-Castro
Partner
CPA Cert. No. 89352
P.T.R. No. 0011287; issued on January 7, 2020 at Makati City
SEC A.N. (individual) as general auditors 1769-A, Category A; effective until September 2, 2022
SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021
T.I.N. 152-015-095
BIR A.N. 08-000745-44-2018; issued on October 19, 2018; effective until October 18, 2021
BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
April 1, 2020

Shang Properties, Inc. and Subsidiaries

Schedule A - Financial Assets
As at December 31, 2019
(All amounts in Philippine Peso)

Description of each issue	Number of shares	Amount shown in the Consolidated Statement of Financial Position	Value based on market quotations at statement date	Income (loss) received and accrued
Cash and cash equivalents*		2,640,088,900	2,640,088,900	44,045,396
Trade and other receivables**		5,219,296,083	5,219,296,083	166,691,384
Financial assets at fair value through profit or loss***		36,278,844	41,424,316	5,145,472
Refundable deposits****		136,376,251	136,376,251	-
Financial assets at fair value through other comprehensive income*****				
Quoted shares	8	33,958,500	33,958,500	-
Unquoted shares	298,516	769,709,996	769,709,996	21,969,000
		803,668,496	803,668,496	21,969,000
		8,835,708,574	8,840,854,046	237,851,252

* See Note 3 to the Consolidated Financial Statements.
** See Note 5 to the Consolidated Financial Statements.
*** See Note 4 to the Consolidated Financial Statements.
**** See Notes 7 and 15 to the Consolidated Financial Statements.
***** See Note 12 to the Consolidated Financial Statements.

Shang Properties, Inc. and Subsidiaries

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders
(Other than Related Parties)
As at December 31, 2019
(All amounts in Philippine Peso)

Name and designation of debtor	Beginning balance	Additions	Deduction: Amount collected	Deduction: Amount written-off	Current	Non-current	Ending balance
Classic Elite Holdings Inc.	1,143,935,277	252,277	-	-	1,144,187,554	-	1,144,187,554
One Shangri-la Place Condominium Corp.	32,798,339	15,054,831	(4,990,014)	-	42,863,156	-	42,863,156
Shang Salcedo Place Condominium Corp.	5,866,256	21,239,103	6,748,594	-	33,853,953	-	33,853,953
EDSA Shangri-la Hotel & Resorts, Inc.	33,875,646	122,089,170	(123,976,302)	-	31,988,514	-	31,988,514
Makati Shangri-la Hotel	9,075,519	58,342,212	(40,393,721)	-	27,024,010	-	27,024,010
The St. Francis Shangri-la Place Condominium Corp.	19,679,937	17,831,056	(13,119,525)	-	24,391,468	-	24,391,468
The Shang Grand Tower Condominium Corp.	21,578,947	7,239,295	(6,278,008)	-	22,540,234	-	22,540,234
Ideal Sites Property, Inc.	5,700,000	4,580	-	-	5,704,580	-	5,704,580
Mactan Shangri-la Hotel	367,093	1,437,997	(1,579,530)	-	225,560	-	225,560
The Enterprise Centre Condominium Corp.	18,173,772	32,945,079	(42,917,496)	-	8,201,355	-	8,201,355
Shang Robinsons Properties, Inc.	31,145,067	36,017,060	(39,771,469)	-	27,390,658	-	27,390,658
Others	54,630,090	133,010,525	(91,785,532)	-	95,855,083	-	95,855,083
	1,376,825,943	445,463,186	(358,063,003)	-	1,464,226,126	-	1,464,226,125

See Notes 4 and 28 to the Consolidated Financial Statements.

Shang Properties, Inc. and Subsidiaries

Schedule C - Amounts Receivable from Related Parties
which are eliminated during the Consolidation of Financial Statements
As at December 31, 2019
(All amounts in Philippine Peso)

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Shangri-la Plaza Corp.	80,441,007	2,423,940,965	(605,483,517)	-	1,898,898,455	-	1,898,898,455
Shang Property Management Services, Inc.	74,531,584	-	(74,531,584)	-	-	-	-
Shang Properties Realty Corporation	10,618,498	-	(10,618,498)	-	-	-	-
SPI Parking Services, Inc.	19,594,308	-	(2,865,836)	-	16,728,472	-	16,728,472
KPPI Management Services Corporation	12,111,279	12,561,547	-	-	24,672,826	-	24,672,826
Shang Global City Holdings, Inc.	1,915,793	17,891	-	-	1,933,684	-	1,933,684
Shang Fort Bonifacio Holdings, Inc.	2,886,451	1,107,981,205	-	-	1,110,867,656	-	1,110,867,656
KSA Realty Corporation	1,998,515,432	-	-	-	1,998,515,432	-	1,998,515,432
Shang Property Developers, Inc.	1,661,984,806	-	-	-	1,661,984,806	-	1,661,984,806
Silver Hero from SPDI	2,317,500,000	-	-	-	2,317,500,000	-	2,317,500,000
The Rise Development Company, Inc.	-	500,000,000	-	-	500,000,000	-	500,000,000
Others	7,053,722,406	1,303,413,359	(5,117,367,122)	-	3,239,768,643	-	3,239,768,643
Total	13,233,821,564	5,347,914,967	(5,810,866,557)	-	12,770,869,974	-	12,770,869,974

See Note 28 to the Consolidated Financial Statements.

Shang Properties, Inc. and Subsidiaries

Schedule D - Intangible Assets - Other Assets
As at December 31, 2019
(All amounts in Philippine Peso)

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Not applicable						

Shang Properties, Inc. and Subsidiaries

Schedule E - Long-Term Debt
As at December 31, 2019
(All amounts in Philippine Peso)

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet"
10-year loan with fixed interest rate of 4.00% per annum	1,341,666,667	408,333,333	933,333,334
10-year loan with interest based on the higher between the PHP BVAL rate plus spread of 0.75% per annum and the Bangko Sentral ng Pilipinas (BSP) overnight borrowing rate minus spread of 0.95% per annum	1,441,294,424	-	1,441,294,424
6-month loan with fixed interest rate of 5.75% per annum	1,000,000,000	1,000,000,000	-
6-month loan with fixed interest rate of 6.00% per annum	1,100,000,000	1,100,000,000	-
6-month loan with fixed interest rate of 5.40% per annum	125,000,000	125,000,000	-
6-month loan with fixed interest rate of 5.30% per annum	170,000,000	170,000,000	-
3-month loan with fixed interest rate of 4.75% per annum	250,000,000	250,000,000	-
3-month loan with fixed interest rate of 4.15% per annum	500,000,000	500,000,000	-
	5,927,961,091	3,553,333,333	2,374,627,758

See Note 17 to the Consolidated Financial Statements.

Shang Properties, Inc. and Subsidiaries

Schedule F - Indebtedness to Related Parties
As at December 31, 2019
(All amounts in Philippine Peso)

Name of affiliate	Beginning balance	Ending balance
Shangri-La International Hotel Management Limited	16,000,538	18,971,458
St. Francis Shangri-La Place Condominium Corporation	147,247	276,552
The Enterprise Center Condominium Corporation	1,693,679	1,293,930
Others	95,509,311	79,947,313
	113,350,775	100,489,253

See Notes 16 and 28 to the Consolidated Financial Statements.

Shang Properties, Inc. and Subsidiaries

Schedule G - Guarantees of Securities of Other Issuers
As at December 31, 2019
(All amounts in Philippine Peso)

Name of issuing entity of securities guaranteed by the company for which statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by the company for which statement is filed	Nature of guarantee
Not applicable				

Shang Properties, Inc. and Subsidiaries

Schedule H - Share Capital
As at December 31, 2019
(All amounts in Philippine Peso)

Title of issue	Number of shares authorized	Number of Shares issued and outstanding	Number of shares reserved for options, warrants, conversions, and other rights	Number of shares held by: Affiliates	Directors, officers, and employees	Others
Issued shares:						
Common shares	8,000,000,000	4,764,058,982	-	-	-	-
Outstanding shares:						
Common shares	-	4,764,058,982	-	3,114,016,694	4,053,136	1,645,989,152
Total	-	4,764,058,982	-	3,114,016,694	4,053,136	1,645,989,152

See Note 19 to the Consolidated Financial Statements.

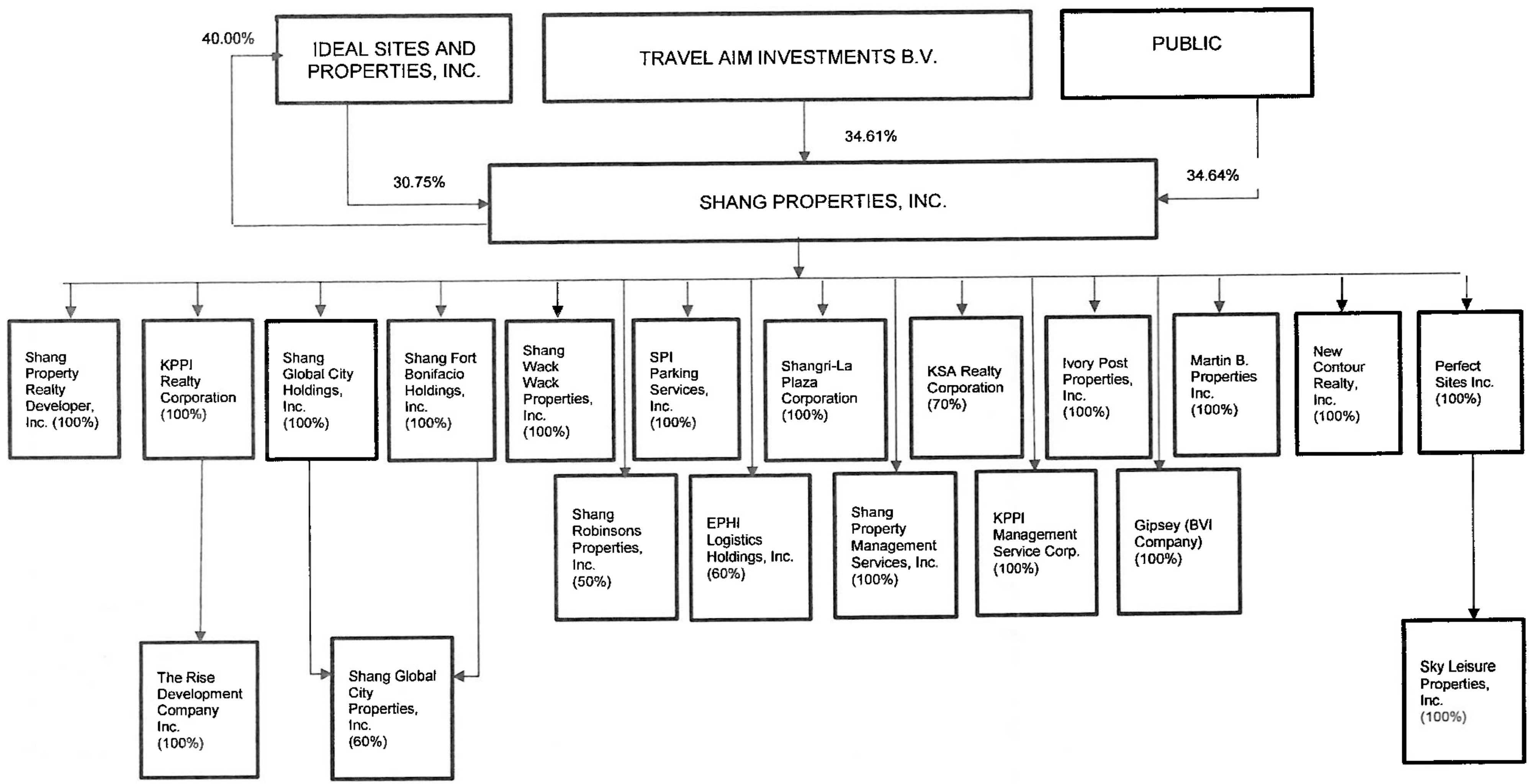
Shang Properties, Inc.

Reconciliation of Retained Earnings Available for Dividend Declaration
As at December 31, 2019
(All amounts in Philippine Peso)

Unappropriated Retained Earnings beginning		27,108,948,851
Fair value adjustment of investment properties in prior years, net of tax		(12,836,244,548)
Unappropriated Retained Earnings, as adjusted, beginning		14,272,704,303
Net income based on the face of audited financial statements	3,421,768,693	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	(70,865,980)	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	-	
Unrealized actuarial gain	-	
Fair value adjustment	-	
Fair value adjustment of investment property resulting to gain	(193,688,171)	
Adjustment due to deviation from PFRS/GAAP – gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted under the PFRS	-	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	-	
Fair value adjustment	3,601,830	
Adjustment due to deviation from PFRS/GAAP – loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
Net income actually earned during the period	3,160,816,372	3,160,816,372
Add (Less):		
Realized remeasurement loss during the year		-
Dividends declarations during the year		(1,234,184,549)
Appropriations of retained earnings		-
Reversal of appropriateness		-
Other reserves from restatement due to PAS19 Revised		-
Treasury shares		(6,850,064)
TOTAL RETAINED EARNINGS ATTRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY, END AVAILABLE FOR DIVIDEND		16,192,486,062

Shang Properties, Inc. and Subsidiaries

Map of the Group of Companies within which the Reporting Entity Belongs
As at December 31, 2019



Shang Properties, Inc. and Subsidiaries

Financial Soundness Indicators
As at December 31, 2019 and 2018
(With comparative figures as at December 31, 2017)

Ratio	Formula		2019	2018	2017
A. Current and Liquidity Ratios					
1. Current ratio	Total current assets	12,085,927,703	1.11	1.31	2.05
	Divided by: Total current liabilities	10,902,208,502			
	Current ratio	1.11			
2. Acid test ratio	Total current assets	12,085,927,703	0.99	1.13	1.78
	Less: Prepaid taxes and other current assets	1,314,018,515			
	Quick assets	10,771,909,188			
	Divided by: Total current liabilities	10,902,208,502			
	Acid test ratio	0.99			
B. Solvency ratio	Net income	3,421,768,693	0.21	0.22	0.21
	Add: Depreciation*	1,114,177,178			
	Net income before depreciation	4,535,945,871			
	Divided by: Total liabilities	22,083,374,186			
	Solvency ratio	0.21			
C. Debt to equity ratio	Total liabilities	22,083,374,186	0.54	0.54	0.66
	Divided by: Total equity	41,270,138,878			
	Debt to equity ratio	0.54			
D. Asset to equity ratio	Total assets	63,353,513,064	1.54	1.54	1.66
	Divided by: Total equity	41,270,138,878			
	Asset to equity ratio	1.54			
E. Debt ratio	Total liabilities	22,083,374,186	0.35	0.35	0.40
	Divided by: Total assets	63,353,513,064			
	Debt ratio	0.35			

Ratio	Formula		2019	2018	2017
F. Profitability ratios					
1. Return on assets (%)	Net income	3,421,768,693	5.40	5.91	6.98
	Divided by: Total assets	63,353,513,064			
	Return on assets (%)	5.40			
2. Return on equity (%)	Net income	3,421,768,693	8.29	9.11	11.55
	Divided by: Total equity	41,270,138,878			
	Return on equity (%)	8.29			
3. Net profit margin	Net income	3,421,768,693	30.12	31.85	30.65
	Divided by: Total revenues	11,361,826,193			
	Net profit margin (%)	30.12			
G. Earnings per share (EPS) attributable to equity holders of Parent	Net income after minority interest	3,056,001,858	0.64	0.63	0.70
	Divided by: Total shares outstanding	4,761,918,337			
	EPS attributable to equity holders of Parent	0.64			
H. Book value per share (BPS) attributable to equity holders of Parent	Total equity after minority interest	35,015,932,863	7.35	6.88	6.40
	Divided by: Total shares outstanding	4,761,918,337			
	BPS attributable to equity holders of Parent	7.35			

Annual Sustainability Report 2019

SHANG PROPERTIES

Shang Properties Inc.

ANNUAL SUSTAINABILITY REPORT 2019

ANNEX TO SEC FORM 17 - A (ANNUAL REPORT)

CONTENTS

ANNUAL SUSTAINABILITY REPORT 2019

ANNEX TO SEC FORM 17 - A (ANNUAL REPORT)

GENERAL INFORMATION

Contextual Information

Company Details	
Name of Organization:	Shang Properties Inc.
Location of Headquarters:	Administration Office Shangri - La Plaza EDSA corner Shaw Boulevard, Mandaluyong City
Location of Operations:	Shang Properties Inc. and its subsidiaries included in this report operates in multiple locations in Mandaluyong City, Makati City, and Taguig City
Report Boundary: *Legal Entities (e.g. Subsidiaries) included in this Report*	This report covers the holding company, Shang Properties Inc., as well as the following subsidiaries: › Shangri - La Plaza Corporation › KSA Realty Corporation › SPI Parking Services, Inc. › Shang Properties Realty Corporation › Shang Property Developers Inc. › The Rise Development Company Inc. › Shang Wack Wack Properties Inc. › Shang Global City Properties Inc. › Shang Property Management Services Inc.
Business Model, including Primary Activities, Brands, Products, and Services:	Property Development (Condominium Sales), Property Leasing, and Hotel Operations
Reporting Period:	FY 2019
Highest Ranking Person Responsible for this Report:	ATTY. KARLO MARCO P. ESTAVILLO Chief Operating Officer/Chief Finance Officer Through: ATTY. ELMER G. PEDREGOSA Compliance Officer

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.*

See GRI 102 - 46 (2016) for more guidance.

In preparing its first Sustainability Report, the Organization made reference to the Global Reporting Initiative (GRI) Standards, as well as the Securities and Exchange Commission (SEC) Memorandum Circular No. 4, Series of 2019.

The Organization adopted the subsequent approach to identify material topics:

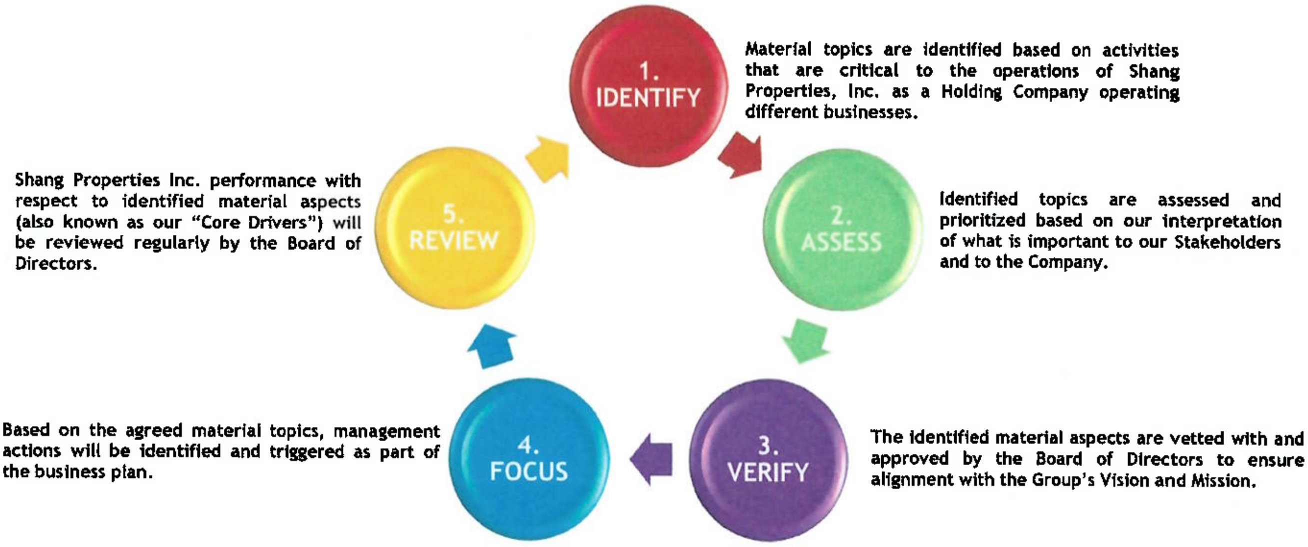


Figure 1 Materiality Assessment Approach

The Organization has identified and prioritized the following Core Drivers for the Company and its Stakeholders as duly reflected in its Sustainability Framework based on the Materiality Assessment:

Figure 2 Sustainability Framework

Investment Management	Direct Economic Value Generated Direct Economic Value Distributed
Good Governance	Anti - Corruption (2) Labor - Management Relations
Risk Management	Occupational Health & Safety Customer Privacy Data Security
Responsible Business	Solid & Hazardous Waste Effluents Environmental Compliance Diversity, Equal Opportunity, & Anti - Discrimination
Customer Experience	Customer Satisfaction Customer Health & Safety
Employee Welfare	Employee Hiring & Benefits Labor Standards & Human Rights

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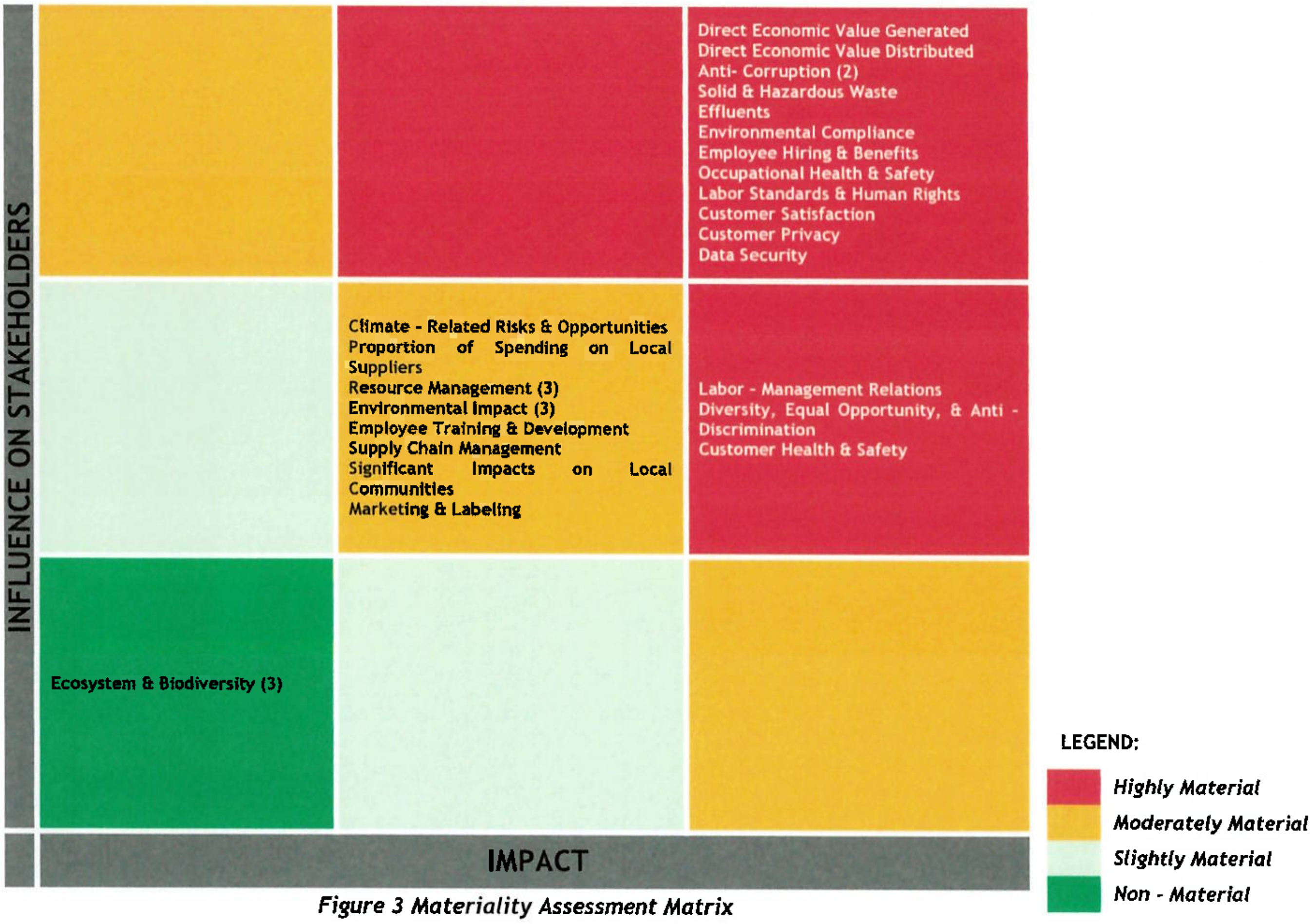

Figure 3 Materiality Assessment Matrix

Data for some disclosure topics in this report are from specific subsidiary(ies) of the Organization and not all Companies within the Group. This is reflective of its materiality and relevance to the operation of the Organization and the maturity of data collection systems that are currently in place as first time reporter on sustainability performance. We have provided specific information on such disclosures in the coming sections.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct Economic Value Generated (Revenue)	9,293,678,969.00	PHP
Direct Economic Value Distributed:		
a. Operating Costs	4,707,932,098.00	PHP
b. Employee Wages and Benefits	244,082,645.00	PHP
c. Payments to Suppliers, Other Operating Costs	578,466,985.00	PHP
d. Dividends given to Stockholders and Interest Payments to Loan Providers	2,283,031,542.00	PHP
e. Taxes given to Government	98,081,840.00	PHP
f. Investments to Community (e.g. Donations, CSR)	4,424,980.00	PHP

What is the Impact and Where does it Occur? What is the Organization's Involvement in the Impact?	Which Stakeholders are Affected?	Management Approach
The impact of the economic performance happens at multiple levels, including influence on the shareholder value, amount of money spent to develop local businesses (suppliers), develop local community (CSR), and most importantly, ability to support nation-building through taxes.	The Stakeholders affected are: › The Shareholders and Investors of the Organization; › The Employees of the Organization; and › The Community where the business operates.	The Organization has undertaken the initiative to conduct quarterly and annual business review as part of the Organization's performance management system. The Organization further undertakes the initiative to conduct annual strategic planning, which includes the preparation of the annual budget, for the succeeding business year.

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		In addition, the Organization ensures its profitability and value delivered to relevant Key Stakeholders through proactively conducting Feasibility Studies for all development projects, as well as proactively holding regular revenue optimization and operations meeting.
What are the Risk/s Identified?	**Which Stakeholders are Affected?**	**Management Approach**
The revenue performance of the Organization can be affected by multiple factors, both external and internal to the Organization. External factors include: › Interest Rate Risk or the risk that the value of a financial instrument will fluctuate due to changes in market interest rates; › Credit Risk or the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Organization; › Inflation Rate that impacts the operational costs; › Strong Market Competition with an increasing number of competitors; and › Imposition of new laws and ordinances by the Government.	The Stakeholders affected are: › The Shareholders and Investors of the Organization; › The Employees of the Organization; and › The Community where the business operates.	The Organization has undertaken multiple risk management initiatives to overcome these risks. The Organization has established an Interest Rate Risk Management Policy that focuses on reducing the overall interest expense and exposure to changes in interest rates by closely monitoring its fluctuations and negotiating with the banks to lower the rates. Interest on financial instruments with floating rates is repriced at intervals of less than one (1) year, while, interest on financial instruments with fixed rates is fixed until maturity of the instrument.

Internal factors include: › Liquidity Risk or the risk that the Organization will not be able to meet its financial obligations as they fall due; and › Increase in labor costs and wages.		The Organization retires earlier their loans with higher interest rates and invests excess funds in short - term placements in order to mitigate any increase in interest rate on borrowings. The Organization has strictly implemented credit evaluation of its buyers, tenants, and hotel guests. The Organization requires buyers to provide post - dated checks (PDCs) for sales of residential condominium units on installment basis. The organization strictly implements its policy on the release of titles for sold properties only upon full payment. Leasing tenants, whenever necessary, are required to put up security deposits and pay advance rentals based on the credit evaluation results. Hotel guests, who opted to avail, may be provided with a credit line based on the credit evaluation results. Credit line is being approved by the Financial Controller and the General Manager and is being reviewed annually. Special ad hoc arrangements that require deposits, pre-payments, or credit card guarantees as collaterals are allowed for hotel guests who were not given a credit line. The Organization also proactively conducts market

		reviews in its continuous efforts to increase its market shares and control the impact of inflation. The hotel operations have set its Average Daily Rate (ADR) 37% higher than the competitive set and have established a neighborhood purpose-driven concepts for its Food & Beverage (F&B) outlets. The Organization proactively monitors the release of new laws and ordinances and has been actively participating in public consultations with respective Government agencies, particularly those affecting property valuation and revenue recognition. Furthermore, the Organization strictly maintains sufficient cash and cash equivalents in order to fund its operations, closely monitors its cash flows, and carefully matches cash receipts against cash requirements from its operations. The Organization, whenever necessary, utilizes its borrowing capacity to further bolster its cash reserves. The Organization further engages independent consultants to assess its Employees' compensation package and benchmark it against the relevant industry. The outcome of the assessment and benchmark provides the current trends in salary increases, which serves as reference in the annual budget separation.

What are the Opportunity/ies Identified?	Which Stakeholders are Affected?	Management Approach
There are opportunities to further enhance the revenue performance of the Organization based on: › Changes in Market Demands such as increase in demands for residential properties, influx of arrival of tourists, and rapid infrastructure developments in the Community where the Organization operates; and › Changes on Legislations such as the Tax Reform for Acceleration and Inclusion (TRAIN) law and the increase on foreign ownership for real estate properties.	The Stakeholders affected are: › The Shareholders and Investors of the Organization; › The Employees of the Organization; and › The Community where the business operates.	The Organization has a dedicated Business Development team, who proactively conducts market research to determine consumer appetite and identify the current market trends on real estate development. Based on the outcome of market research, the Organization would acquire and develop land and deliver real estate products that provide constant and favorable returns to Shareholders.
		The hotel operations leverage its complex to create a strong weekend, seasonal, and family market and target new and existing industries to create demand for corporate events, outside catering, and meeting packages. Outside catering and meeting packages are delivered to the respective meeting and / or events facilities of the Client. The Organization exploits the opportunities brought about by changes on legislations whilst strictly maintaining its compliance.

Anti - Corruption

Training on Anti - Corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of Employees to whom the Organization's Anti - Corruption Policies and Procedures have been Communicated To	100.00	%

Percentage of Business Partners to whom the Organization's Anti - Corruption Policies and Procedures have been Communicated To	100.00	%
Percentage of Directors and Management that have Received Anti - Corruption Training	48.63	%
Percentage of Employees that have Received Anti - Corruption Training	48.63	%

Incidents of Corruption

Disclosure	Quantity	Units
Number of Incidents in which Directors were Removed or Disciplined for Corruption	0	#
Number of Incidents in which Employees were Dismissed or Disciplined for Corruption	0	#
Number of Incidents when Contracts with Business Partners were Terminated due to Incidents of Corruption	0	#

What is the Impact and Where does it Occur? What is the Organization's Involvement in the Impact?	Which Stakeholders are Affected?	Management Approach
Acts of corruption have significant impact on the reputation, competitiveness, and morale of the Organization. On the other hand, this can also impact performance of Suppliers with ethical practices, diminish Shareholder value, and lead to irreparable damage.	The Stakeholders affected are: › The Shareholders and Investors of the Organization; › The Employees of the Organization; › The Suppliers of the Organization; › The Customers of the Organization; and › The Government Regulators.	The Organization has undertaken the initiative to establish and implement anti - corruption practices through an Anti - Corruption Policy incorporated in the Code of Conduct and Ethics in the Employee's Handbook and extended it to its suppliers through the Business Ethics on Vendor Engagement in the Supplier Accreditation. These practices have been reinforced through regular training for the Employees, quarterly assembly of Suppliers, and annual review for the Suppliers.

What are the Risk/s Identified?	Which Stakeholders are Affected?	Management Approach
The Organization engaging Small to Medium Enterprises (SMEs) as suppliers, carries the risk of nit being able to adhere to the Organization's anti - corruption practices.	The Stakeholders affected are: › The Shareholders and Investors of the Organization; › The Employees of the Organization; › The Suppliers of the Organization › The Customers of the Organization; and › The Government Regulators.	The Organization strives to ensure the strict implementation of its Supplier accreditation process and more importantly, finds ways to reinforce it through trainings and Supplier orientation.
What are the Opportunity/ies Identified?	**Which Stakeholders are Affected?**	**Management Approach**
There is an opportunity to increase the number of Directors, Management, Employees, and Business Partners trained in the anti - corruption policies and practices of the Organization.	The Stakeholders affected are: › The Shareholders and Investors of the Organization; › The Employees of the Organization; › The Suppliers of the Organization; › The Customers of the Organization; and › The Government Regulators.	The Organization has undertaken the initiative to identify and select the most suitable training program for Directors, Management, Employees, and Business Partners. The Organization has further undertaken the initiative to explore alternative methods of learning to be implemented in FY 2020.

The policy of the Organization on anti - corruption is embedded in the ***Code of Business Ethics*** (http://www.shangproperties.com/wp-content/uploads/2017/10/Code-of-Business-Ethics.pdf), as well as in the ***Conflict of Interest Policy*** (http://www.shangproperties.com/wp-content/uploads/2017/10/Conflict-of-Interest-Policy_2018.pdf).

ENVIRONMENT

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total Solid Waste Generated	88,189.64	Kg
Reusable	0.00	Kg
Recyclable	61,369.94	Kg
Composted	0.00	Kg
Incinerated	0.00	Kg
Residuals / Landfilled	26,820.00	Kg

What is the Impact and Where does it Occur? What is the Organization's Involvement in the Impact?	Which Stakeholders are Affected?	Management Approach
The operations of the Organization and its subsidiaries would inevitably generate solid and hazardous wastes that, if improperly managed, would present potential adverse impact to human health and the immediate surroundings of the Community where the Organization operates.	The Stakeholders affected are: › The Shareholders and Investors of the Organization; › The Employees of the Organization; › The Customers of the Organization; › The Government Regulators; and › The Community where the business operates.	The Organization has undertaken the initiative of developing a Waste Data Collection System (WDCS) to manage the various waste streams of the Organization through the proper implementation of waste segregation schemes suitable for the Organization based on the collected data. WDCS is under development stage and is expected to be implemented in FY 2020.

		The Organization has further undertaken the initiative to designate a Pollution Control Officer (PCO) who fulfills the responsibility of managing the Organization's compliance with all applicable environmental laws and regulations and of ensuring the consistent implementation of good environmental practices in handling and managing solid and hazardous wastes.
What are the Risk/s Identified?	**Which Stakeholders are Affected?**	**Management Approach**
The incidental exposure of the Community where the Organization operates, to improperly-managed solid and hazardous waste resulting from a possible spill due to road traffic accident and accidental release or spill may result in long-term ill-health effects to exposed individuals and may eventually lead to limited access to decent life / livelihood.	The Stakeholders affected are: › The Shareholders and Investors of the Organization; › The Employees of the Organization; › The Customers of the Organization › The Government Regulators; and › The Community where the business operates.	The Organization ensures its compliance with all applicable environmental laws and regulations and has undertaken the initiative to designate a Pollution Control Officer (PCO). The PCO monitors and ensures that good environmental practices are consistently being implemented in handling and managing the generated solid and hazardous wastes. The designated PCO further ensures that all generated solid and hazardous wastes are appropriately transported, treated, disposed.

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What are the Opportunity/ies Identified?	Which Stakeholders are Affected?	Management Approach
Exploring opportunities to divert wastes away from the landfill supports the aim of the Organization to minimize its environmental footprint.	The Stakeholders affected are: › The Shareholders and Investors of the Organization; › The Employees of the Organization; › The Suppliers of the Organization; › The Customers of the Organization; and › The Government Regulators.	The Organization has undertaken the initiative of developing a Waste Data Collection System (WDCS) to manage the various waste streams of the Organization through the proper implementation of waste segregation schemes suitable for the Organization based on the collected data.

Hazardous Waste

Disclosure	Quantity	Units
Total Weight of Hazardous Waste Generated	9,915.68	Kg
Total Weight of Hazardous Waste Transported	8,800.42	Kg

What is the Impact and Where does it Occur? What is the Organization's Involvement in the Impact?	Which Stakeholders are Affected?	Management Approach
The operations of the Organization and its subsidiaries would inevitably generate solid and hazardous wastes that, if improperly managed, would present potential adverse impact to human health and the immediate surroundings of the Community where the Organization operates.	The Stakeholders affected are: › The Shareholders and Investors of the Organization; › The Employees of the Organization; › The Customers of the Organization; › The Government Regulators; and › The Community where the business operates.	The Organization has undertaken the initiative of developing a Waste Data Collection System (WDCS) to manage the various waste streams of the Organization through the proper implementation of waste segregation schemes suitable for the Organization based on the collected data. WDCS is under development stage and is expected to be implemented in FY 2020.

		The Organization has further undertaken the initiative to designate a Pollution Control Officer (PCO) who fulfills the responsibility of managing the Organization's compliance to all applicable environmental laws and regulations and of ensuring the consistent implementation of good environmental practices in handling and managing solid and hazardous wastes.
What are the Risk/s Identified?	**Which Stakeholders are Affected?**	**Management Approach**
The incidental exposure of the Community where the Organization operates to improperly manage solid and hazardous waste due to possible road traffic accident and accidental release or spill may result in long-term ill health effects for exposed individuals and may eventually lead into limited access to decent life / livelihood.	The Stakeholders affected are: › The Shareholders and Investors of the Organization; › The Employees of the Organization; › The Customers of the Organization › The Government Regulators; and › The Community where the business operates.	The Organization ensures its compliance with all applicable environmental laws and regulations and has undertaken the initiative to the initiative to designate a Pollution Control Officer (PCO). The PCO monitors and ensures that good environmental practices are consistently being implemented in handling and managing the generated solid and hazardous wastes. The designated PCO further ensures that all generated solid and hazardous wastes are appropriately transported, treated, disposed.

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What are the Opportunity/ies Identified?	Which Stakeholders are Affected?	Management Approach
Exploring opportunities to divert wastes away from the landfill supports the aim of the Organization to minimize its environmental footprint.	The Stakeholders affected are: › The Shareholders and Investors of the Organization; › The Employees of the Organization; › The Suppliers of the Organization; › The Customers of the Organization; and › The Government Regulators.	The Organization has undertaken the initiative of developing a Waste Data Collection System (WDCS) to manage the various waste streams of the Organization through the proper implementation of waste segregation schemes suitable for the Organization based on the collected data.

Effluents

Disclosure	Quantity	Units
Total Volume of Water Discharges	640,638.67	Cubic Meters
Percent of Wastewater Recycled	38.55	%

What is the Impact and Where does it Occur? What is the Organization's Involvement in the Impact?	Which Stakeholders are Affected?	Management Approach
Improperly managed effluents affects the Organization at multiple levels including the potential loss in revenues due to imposition of monetary fines and non - monetary sanctions, the potential loss of reputation of the Organization due to potential revocation of Environmental Compliance Certificate (ECC) and License to Operate (LTO), and the potential impacts to the	The Stakeholders affected are: › The Shareholders and Investors of the Organization; › The Employees of the Organization; › The Customers of the Organization; › The Government Regulators; and › The Community where the business operates.	The Organization ensures its compliance with all applicable environmental laws and regulations and has undertaken the initiative to designate a Pollution Control Officer (PCO). The PCO monitors the water consumption of the Organization and ensures that good environmental practices are consistently being implemented.

health and safety of the Community where the Organization operates.		The Organization has also undertaken the initiative of conducting regular maintenance and monthly cleaning of all sewage tanks, as well as quarterly sampling and analysis of its effluents based on the requirements of the Department of Environment and Natural Resources (DENR).
What are the Risk/s Identified?	**Which Stakeholders are Affected?**	**Management Approach**
Scarcity of water supply in the community where the organization operates leading into limited access to clean and safe water.	The Stakeholders affected are: › The Shareholders and Investors of the Organization; › The Employees of the Organization; › The Customers of the Organization › The Government Regulators; and › The Community where the business operates.	The Organization has undertaken the initiative to recycle its generated wastewater through a grey water system for plant watering and for toilet tanks. The Organization has further undertaken to monitor its water consumption against set water consumption reduction goals.
What are the Opportunity/ies Identified?	**Which Stakeholders are Affected?**	**Management Approach**
Explore the opportunities to increase the percentage of wastewater being recycled by the organization.	The Stakeholders affected are: › The Shareholders and Investors of the Organization; › The Employees of the Organization; › The Suppliers of the Organization; › The Customers of the Organization; and › The Government Regulators.	The Organization has undertaken the initiative to safeguard its water and wastewater systems and pipelines through the installation of a pre - treatment facility, which is under the development stage in FY 2019.

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Environmental Compliance

Non - Compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total Amount of Monetary Fines for Non - Compliance with Environmental Laws and / or Regulations	4,103,900.00	PHP
No. of Non - Monetary Sanctions for Non - Compliance with Environmental Laws and / or Regulations	0	#
No. of Cases Resolved through Dispute Resolution Mechanism	0	#

What is the Impact and Where does it Occur? What is the Organization's Involvement in the Impact?	Which Stakeholders are Affected?	Management Approach
Compliance to environmental laws and regulations is imperative to operate as a business. Failure to do so will impact the Company's reputation, financial performance, livelihood of Small and Medium Enterprise (SME) Suppliers, and the extended community	The Stakeholders affected are: › The Shareholders and Investors of the Organization; › The Employees of the Organization; › The Customers of the Organization; › The Government Regulators; and › The Community where the business operates.	The Organization has undertaken the initiative to ensure its compliance with all applicable environmental laws and regulations following the payment of monetary fines from non -compliance to the Clean Water Act. The Organization has immediately undertaken cleaning of all sewage tanks, as well as effluent sampling and analysis to prove compliance with corrective actions per requirements of the Department of Environment and Natural Resources (DENR).

		The Organization has also undertaken preventive actions by conducting regular maintenance and monthly cleaning of all sewage tanks, as well as quarterly sampling and analysis of its effluents based on the requirements of the Department of Environment and Natural Resources (DENR).
What are the Risk/s Identified?	**Which Stakeholders are Affected?**	**Management Approach**
Incidence of non-compliance with any applicable environmental laws and regulations affects the Organization at multiple levels including potential loss in revenues due to imposition of monetary fines and non - monetary sanctions, potential loss of reputation of the Organization due to potential revocation of Environmental Compliance Certificate (ECC) and License to Operate (LTO), and potential impact to the health and safety of the Community where the Organization operates.	The Stakeholders affected are: › The Shareholders and Investors of the Organization; › The Employees of the Organization; › The Customers of the Organization › The Government Regulators; and › The Community where the business operates.	The Organization ensures its compliance with all applicable environmental laws and regulations and has undertaken the initiative of designating a Pollution Control Officer (PCO). The PCO shall ensure that good environmental practices are consistently being implemented.

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What are the Opportunity/ies Identified?	Which Stakeholders are Affected?	Management Approach
Reducing the identified risk(s) and identifying means to further enhance the compliance of the Organization with all applicable environmental laws and regulations through the strategic incorporation of sustainable environmental practices and establishing better Stakeholder partnership.	The Stakeholders affected are: › The Shareholders and Investors of the Organization; › The Employees of the Organization; › The Suppliers of the Organization; › The Customers of the Organization; and › The Government Regulators.	The Organization ensures its compliance with all applicable environmental laws and regulations and has undertaken the initiative of designating a Pollution Control Officer (PCO). The PCO shall ensure that good environmental practices are consistently being implemented. The Organization further undertakes the initiative to safeguard its water and wastewater systems and pipelines through the installation of a pre - treatment facility, which is under the development stage in FY 2019.

SOCIAL

Employee Management

Employee Hiring and Benefits
Employee Data

Disclosure	Quantity	Units
Total Number of Employees*		
a. Number of Female Employees	550	#
b. Number of Male Employees	616	#
Attrition Rate**	7.725	Rate
Ratio of Lowest Paid Employee Against Minimum Wage	1:1.26	Ratio

**Employees are individual who are in an employment relationship with the Organization, according to national law or its application (GRI Standards 2016 Glossary)*

***Attrition Rate = (No. of New Hires less No. of Turnover) / (Average of Total Number of Employees of Previous Year and Total Number of Employees of Current Year)*

Employee Benefits

Disclosure	Y / N	% Female Employees Who Availed this Year	% Male Employees Who Availed this Year
SSS	Y	53.27	57.79
PhilHeath	Y	52.55	57.30
PAG - IBIG	Y	53.45	58.12
Parental Leaves	Y	5.98	3.24
Vacation Leaves	Y	100.00	100.00
Sick Leaves	Y	95.97	92.54
Medical Benefits *(Aside from PhilHealth)*	Y	59.68	62.21
Housing Assistance *(Aside from PAG - IBIG)*	Y	0.18	2.76
Recruitment Fund *(Aside from SSS)*	Y	2.13	0.63
Further Education Support	N	---	---
Company Stock Options	N	---	---
Telecommuting	N	---	---

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Disclosure	Y / N	% Female Employees Who Availed this Year	% Male Employees Who Availed this Year
Flexible Working Arrangement (FWA)	Y	44.00	52.76

What is the Impact and Where does it Occur? What is the Organization's Involvement in the Impact?	Which Stakeholders are Affected?	Management Approach
Non - competitive employment benefits limit access to decent life / livelihood for the Employees and may eventually result in a decline in the employment rate in the Community where the Organization operates its business.	The Stakeholders affected are: › The Employees of the Organization; and › The Community where the business operates.	The Organization ensures its compliance with all applicable laws, rules and regulations of the Department of Labor and Employment (DOLE) and all appropriate government entities. In addition, the Organization conducts annual review of Employees' performance, as well as Employees' compensation vis - à - vis the present industry standards. The Organization has a standing practice of granting performance bonus and salary increases based on the performance ratings of the Employees and the Organization against set goals.

What are the Risk/s Identified?	Which Stakeholders are Affected?	Management Approach
The overall competitiveness of the Organization is affected by Employees' dissatisfaction and attrition / loss of Employees to competition.	The Stakeholders affected are the Employees of the Organization, as well as Senior Management.	The Organization has undertaken to proactively allocate an annual budget for employee engagement programs. The Organization has also assigned a dedicated HR partner to strengthen the handling of Employees' concerns / queries.
What are the Opportunity/ies Identified?	**Which Stakeholders are Affected?**	**Management Approach**
Benchmarking with the relevant industry top performers to identify means to further enhance the competitiveness of the Organization.	The Stakeholders affected are: › The Employees of the Organization; and › The Community where the business operates.	The Organization has undertaken the initiative to conduct an annual organizational climate survey for the periodic assessment of Employees' satisfaction. The HR of the Organization further utilizes social media platforms to solicit applications.

Labor - Management Relations

Disclosure	Quantity	Units
% of Employees Covered with Collective Bargaining Agreements	**Not Applicable**	%
No. of Consultations Conducted with Employees Concerning Employee - Related Policies	**No Recorded Data***	#

**Employee consultation is part of the daily transactions of the designated HR Account Specialist*

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What is the Impact and Where does it Occur? What is the Organization's Involvement in the Impact?	Management Approach
The process of consulting Employees enhances access to decent life / livelihood of the Employees and may eventually result in an increase in the employment rate in the Community where the Organization operates its business.	The Organization ensures its compliance with all applicable laws, rules and regulations of the Department of Labor and Employment (DOLE) and all appropriate government entities. In addition, the Organization has undertaken the initiative to appoint a designated HR Account Specialist, who remains as the focal point for Employee consultations. Numerous informal consultation sessions have been conducted but not recorded. The Organization has also undertaken the initiative to conduct an annual organizational climate survey for the periodic assessment of Employees' satisfaction.
What are the Risk/s Identified?	**Management Approach**
The overall competitiveness of the Organization is affected by Employees' dissatisfaction and attrition / loss of Employees to competition.	The Organization has undertaken the initiative to appoint a designated HR Account Specialist, who shall be mainly responsible for Employee consultations and reception of complaints/concerns.
What are the Opportunity/ies Identified?	**Management Approach**
Benchmarking with the relevant industry top performers to identify means to further enhance the competitiveness of the Organization.	The Organization has undertaken the initiative to conduct an annual organizational climate survey for the periodic assessment of Employees' satisfaction. The Organization will undertake further initiatives to record all consultation sessions to be conducted in 2020.

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of Female Workers in the Workplace	47.17	%
% of Male Workers in the Workplace	52.83	%
No. of Employees from Indigenous Community and / or Vulnerable Sector*	12	#

**Vulnerable sector includes elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the Base of the Pyramid (BPO: Class D and E)*

What is the Impact and Where does it Occur? What is the Organization's Involvement in the Impact?	Management Approach
Diverse and equal employment opportunities enhance access to decent life / livelihood of the Employees and may eventually result in an increased trend in employment rates in the Community where the Organization operates its business.	The Organization ensures its compliance with all applicable laws, rules and regulations of the Department of Labor and Employment (DOLE) and all appropriate government regulatory entities. In addition, the Organization has undertaken the initiative to establish and implement anti - discrimination, anti - harassment, and human rights policies and practices embedded in Items 4 and 20 of its Code of Conduct and Ethics, including Employee training and awareness programs.
What are the Risk/s Identified?	**Management Approach**
Incidents of discrimination and harassment. This could also lead to Employees'possible separation.	The Organization has undertaken the initiative to establish and implement anti - discrimination, anti - harassment, and human rights policies and practices embedded in Items 4 and 20 of its Code of Conduct and Ethics.

What are the Opportunity/ies Identified?	Management Approach
Appropriately-informed Employees provides assurance that the Organization is operating at a highest standard of business ethics.	The Organization has undertaken the initiative to establish and implement anti - discrimination, anti - harassment, and human rights policies and practices embedded in Items 4 and 20 of its Code of Conduct and Ethics, including Employee training and awareness programs.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man - Hours	4,985,057	Man - Hours
No. of Work - Related Injuries	57	#
No. of Work - Related Fatalities	0	#
No. of Work - Related Ill - Health	0	#
No. of Safety Drills	263	#

What is the Impact and Where does it Occur? What is the Organization's Involvement in the Impact?	Management Approach
The impacts of occupational health and safety performance happens at multiple levels including influence on Employees' morale, operational cost, and quality of service that the Organization provides.	The Organization ensures its compliance with the requirements of Occupational Health & Safety standards based on Republic Act 11058. As such, the Organization has developed and adopted the following policies and procedures for ensuring a safe and healthy work environment: › Workplace Policy and Program on TB Prevention and Control; › Alcohol - Free Workplace Policy and Program; › Drug - Free Workplace Policy and Program; › HIV / AIDS Workplace Policy and Program; › Occupational Safety and Health (OSH) Program;

	› Smoke - Free Workplace Policy and Program; › Workplace Policy and Program and Hepatitis B; › Mental Health and Well - Being Policy; › Mother - Baby Friendly Workplace Policy; › Solid Waste and Hazardous Waste Management Policy; and › Emergency Policies and Procedures. The Organization has assigned first aid personnel who have undergone training and accreditation with the Philippine National Red Cross (PNRC).The Organization further undertakes to: › Identify and control potential health & safety hazards in the workplace; and › Regularly conduct health & safety trainings and wellness workshops.
What are the Risk/s Identified?	**Management Approach**
Fatality and / or serious injury to employees may result in increased operational costs and loss of confidence of the Community where the Organization operates. This may eventually lead to a decline in employment preference index for the Organization.	The Organization ensures its compliance with the requirements of Occupational Health & Safety standards based on Republic Act 11058 and has undertaken the initiative to identify and control potential health & safety hazards in the workplace.
What are the Opportunity/ies Identified?	**Management Approach**
Allocation of sufficient resources to provide a safe and healthy work environment will boost Employees' morale.	The Organization ensures its compliance with the requirements of Occupational Health & Safety based on Republic Act 11058 and has undertaken the initiative to regularly conduct health & safety trainings and wellness workshops.

The policy of the Organization on Occupational Health and Safety (OHS) is embedded in the ***Code of Conduct*** (http://www.shangproperties.com/wp-content/uploads/corpdf/05.pdf), as well as in the ***Policy and Data relating to Health, Safety and Welfare of Employees, including Company Sponsored Trainings*** (http://www.shangproperties.com/wp-content/uploads/corpdf/42.pdf).

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of Legal Actions or Employee Grievance involving Forced or Child Labor	0	#

Do you have policies that explicitly disallow violations of labor laws and human rights (e.g. harassment, bullying) in the workplace? **YES**
(http://www.shangproperties.com/wp-content/uploads/corpdf/05.pdf)

Topic	Y / N	If YES, Cite Reference in Company Policy
Forced Labor	Y	**Code of Conduct** and **Code of Business Ethics**
Child Labor	Y	**Code of Conduct** and **Code of Business Ethics**
Human Rights	Y	**Code of Conduct** and **Code of Business Ethics**

What is the Impact and Where does it Occur? What is the Organization's Involvement in the Impact?	Management Approach
Compliance with labor rules and regulations is imperative in doing business. Failure to do so will impact the Organization's reputation, financial performance, the livelihood of the Small and Medium Enterprise (SME) suppliers and the extended Community.	The Organization ensures its compliance with the laws, rules and regulations of the Department of Labor and Employment (DOLE) and all appropriate government entities. The Organization has also undertaken to establish and implement a Code of Conduct for its employees and a Code of Business Ethics for its suppliers. The Organization has further undertaken the initiative to establish and implement Employees' grievance mechanisms that will enable the organization to collect and analyze data for work - related issues and concerns of the Employees.

What are the Risk/s Identified?	Management Approach
Failure to comply with relevant and existing labor rules and regulations may result in the loss of confidence of the Community where the Organization operates and may eventually lead into the closure of business.	The Organization ensures its compliance with the laws, rules and regulations of the Department of Labor and Employment (DOLE) and all appropriate government entities. As such, the Organization has undertaken to establish and implement a Code of Conduct for its employees and a Code of Business Ethics for its suppliers.
What are the Opportunity/ies Identified?	**Management Approach**
Benchmarking with other relevant Organization to ensure the implementation of the relevant industry's good labor practices.	The Organization has undertaken the initiative to establish and implement Employees' grievance mechanisms that will enable the organization to collect and analyze data for work - related issues and concerns of the Employees.

Customer Management

Customer Satisfaction

Disclosure	Score	Did a Third Party Conduct the Customer Satisfaction Study (Y/N)?
Customer Satisfaction	91%	Y

What is the Impact and Where does it Occur? What is the Organization's Involvement in the Impact?	Management Approach
The overall performance of the Organization is affected by the satisfaction of its Customers. Customers experiencing inconvenience may become verbally abusive that will affect the servicing Employee(s) and will expose them to physical, mental, and / or emotional stress.	The Organization ensures the satisfaction of its Customers and has established a dedicated Customer Relations Group for Customer concerns. The Organization further undertakes the initiative to:

	› Establish and implement an internal tracking system for timely resolution and periodic verification of Customer feedback; › Establish and implement Employee training and awareness programs on Customer engagement and complaints management; › Improve its Customer engagement and complaints management processes and procedures; and › Establish a dedicated Customer Services Department, including hiring of personnel. In addition, the hotel has undertaken the initiative to engage a third party vendor (TrustYou) to monitor its Customer satisfaction and has achieved a result within the "excellent" range.
What are the Risk/s Identified?	**Management Approach**
The overall business reputation of the Organization is affected by the dissatisfied Customers.	The Organization ensures the satisfaction of its Customers and has undertaken the initiative to establish a dedicated Customer Relations Group for Customer concerns. The Organization further undertakes to establish and implement a complaint management system such as the DR3 (Defect Reporting, Recording, and Resolution) system.
What are the Opportunity/ies Identified?	**Management Approach**
Motivated and appropriately-informed Employees manifest excellent Customer service and provides assurance that the Organization is operating at a highest standard of business ethics.	The Organization has undertaken the initiative to establish and implement a customer service culture, including conducting employee training and awareness programs on customer engagement and complaints management.

Health and Safety

Disclosure	Quantity	Units
No. of Substantiated Complaints on Product or Service Health & Safety*	9,067	#
No. of Complaints Addressed	9,067	#

Substantiated complaints include complaints from Customers that went through the Organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

What is the Impact and Where does it Occur? What is the Organization's Involvement in the Impact?	Management Approach
The business confidence of the Organization's Shareholders, Investors, Employees, Customers, Suppliers, and Government Regulators linked to unresolved incident(s) on product or service health & safety.	The Organization ensures its commitment to improve Customer experience and has undertaken the initiative to establish and implement a complaint management system such as the DR3 (Defect Reporting, Recording, and Resolution) system.
	The Organization further undertakes to obtain certifications for compliance to relevant local and international standards on quality, food safety, and health and safety, including the appointment of a dedicated Fire Life Safety Officer / Health & Safety Officer and a dedicated Hygiene Manager. The Organization has also undertaken the initiative to establish and conduct Employee training and awareness programs on complaints management. In addition, the Organization undertakes the initiative to establish and conduct regular, periodic inspection and preventive maintenance of all health and safety equipment.

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What are the Risk/s Identified?	Management Approach
The overall business reputation of the Organization is affected by the loss of trust and confidence from the Organization's Shareholders, Investors, Employees, Customers, Suppliers, and Government Regulators.	The Organization has undertaken the initiative to appoint a dedicated Fire Life Safety Officer / Health & Safety Officer and a dedicated Hygiene Manager. The Organization further undertakes the initiative to obtain certifications for compliance to relevant local and international standards on quality, food safety, and health and safety.

What are the Opportunity/ies Identified?	Management Approach
Appropriately-informed Employees provides assurance that the Organization is operating at a highest standard of business ethics.	The Organization has undertaken the initiative to establish and conduct Employee training and awareness programs on complaints management.

Customer Privacy

Disclosure	Quantity	Units
No. of Substantiated Complaints on Customer Privacy*	1	#
No. of Complaints Addressed	1	#
No. of Customers, Users, and Account Holders whose Information is Used for Secondary Purposes	0	#

Substantiated complaints include complaints from Customers that went through the Organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

What is the Impact and Where does it Occur? What is the Organization's Involvement in the Impact?	Management Approach
The Organization values the privacy of its Clients and takes it seriously to immediately address incident(s) of breach(es) in Customer privacy as it affects the confidence of the Community where the Organization operates.	The Organization ensures its compliance with the Data Privacy Act of 2012 (RA 10173) and has undertaken initiatives to establish and implement Data Privacy statements and Data Security practices, including the appointment of a dedicated Data Privacy Officer (DPO).

	The Organization has undertaken initiative to implement an annual internal and external, through third party, comprehensive security audits. The Organization further undertakes that critical files are protected from loss through regular, periodic backup systems and regular, periodic updating of anti – virus software. The Organization has also undertaken to establish and implement strict physical security practices, including the installation and 24 / 7 monitoring of Closed Circuit Televisions (CCTVs) within the area of its operations. In addition, the Organization undertakes to conduct Employee training and awareness programs on Customer privacy.
What are the Risk/s Identified?	**Management Approach**
The overall business reputation of the Organization is affected by the loss of trust and confidence from the Organization's Shareholders, Investors, Employees, Customers, Suppliers, and Government Regulators.	The Organization has appointed a Data Privacy Officer (DPO). The Organization further undertakes to establish and implement annual internal and external, through third party, comprehensive security audits.
What are the Opportunity/ies Identified?	**Management Approach**
Appropriately informed Employees provides assurance that the Organization is operating at a highest standard of business ethics.	The Organization has taken the initiative to establish and implement Data Privacy statements and Data Security practices. The Organization further undertakes the initiative to establish and conduct Employee training and awareness programs on Customer privacy.

The policy of the Organization on privacy is embedded in the ***Code of Conduct*** (http://www.shangproperties.com/wp-content/uploads/corpdf/05.pdf), as well as in the ***Code of Business Ethics*** (http://www.shangproperties.com/wp-content/uploads/2017/10/Code-of-Business-Ethics.pdf).

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Data Security

Disclosure	Quantity	Units
No. of Data Breaches, including Leaks, Thefts, and Losses of Data	0	#

What is the Impact and Where does it Occur? What is the Organization's Involvement in the Impact?	Management Approach
The business confidence of the Organization's Shareholders, Investors, Employees, Customers, Suppliers, and Government Regulators linked to unreported incident(s) of data security breach(es) and / or data loss(es) of the Organization.	The Organization ensures its compliance with the Data Privacy Act of 2012 (RA 10173) and has undertaken to initiate implementation of Data Privacy statements and Data Security practices, including the appointment of a dedicated Data Privacy Officer (DPO).
	The Organization has undertaken initiatives to continuously improve its Data Security practices, including the establishment and implementation of IT fraud detection systems, as well as, the establishment and implementation of regular, periodic penetration tests and independent reviews of its IT applications and environment. The Organization further undertakes to establish and conduct Employee training and awareness programs on data protection.
What are the Risk/s Identified?	**Management Approach**
The overall business reputation of the Organization is affected by the loss of trust and confidence from the Organization's	The Organization has appointed a Data Privacy Officer (DPO) in each of its subsidiaries.
Shareholders, Investors, Employees, Customers, Suppliers, and Government Regulators.	The Organization further undertakes the initiative to establish and conduct regular, periodic penetration tests and independent reviews of its IT applications and environment. The organization has also taken initiatives to establish and implement IT fraud detection systems.

What are the Opportunity/ies Identified?	Management Approach
Appropriately informed Stakeholders of the Organization (Shareholders, Investors, Employees, Customers, Suppliers, and Government Regulators) provides assurance that the Organization is operating at a highest standard of business ethics.	The Organization has undertaken to establish and implement Data Privacy statements and Data Security practices. The Organization further undertakes to establish and conduct Employee training and awareness programs on data protection.

The policy of the Organization on data protection is embedded in the ***Code of Conduct*** (http://www.shangproperties.com/wp-content/uploads/corpdf/05.pdf), as well as in the ***Code of Business Ethics*** (http://www.shangproperties.com/wp-content/uploads/2017/10/Code-of-Business-Ethics.pdf).

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						1	4	5	9	0

COMPANY NAME

S H A N G   P R O P E R T I E S ,   I N C .

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

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

Form Type	Department requiring the report	Secondary License Type, if Applicable
A F S	2 0 1 9	N / A

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month/Day)	Fiscal Year (Month/Day)
5,231	07/25	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. Karlo Marco P. Estavillo	karlo.estavillo@shangproperties.com	370-2700	N/A

CONTACT PERSON's ADDRESS

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

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

pwc

Isla Lipana & Co.

Independent Auditor's Report

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

Report on the Audits of the Separate Financial Statements

Our Opinion

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of Shang Properties, Inc. (the "Company") as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

What we have audited

The separate financial statements of the Company comprise:

- the statements of financial position as at December 31, 2019 and 2018;
- the statements of total comprehensive income for the years ended December 31, 2019 and 2018;
- the statements of changes in equity for the years ended December 31, 2019 and 2018;
- the statements of cash flows for the years ended December 31, 2019 and 2018; and
- the notes to the separate financial statements, which include a summary of significant accounting policies.

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 Separate Financial Statements section of our report.

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

Independence

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 separate financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

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

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

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Isla Lipana & Co.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUN 11 2021 SCES
RECEIVED

In preparing the separate 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 Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 separate 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 separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Isla Lipana & Co.

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 Bureau of Internal Revenue Requirement

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

The engagement partner on the audit resulting in this independent auditor's report is Imelda Ronnie de Guzman-Castro.

Isla Lipana & Co.

Imelda Ronnie G. Castro

Imelda Ronnie de Guzman-Castro
Partner
CPA Cert. No. 89352
P.T.R. No. 0011287; issued on January 7, 2020 at Makati City
SEC A.N. (individual) as general auditors 1769-A, Category A; effective until September 2, 2022
SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021
T.I.N. 152-015-095
BIR A.N. 08-000745-44-2018; issued on October 19, 2018; effective until October 18, 2021
BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
April 1, 2020

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS
Date JUN 11
RECEIVED

Statement Required by Section 8-A, Revenue Regulations No. V-1

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

None of the partners of the firm has any financial interest in Shang Properties, Inc. or any family relationships with its president, manager, or shareholders.

The supplementary information on taxes and licenses is presented in Note 28 to the separate financial statements.

Isla Lipana & Co.

Imelda Ronnie de Guzman-Castro
Partner
CPA Cert. No. 89352
P.T.R. No. 0011287; issued on January 7, 2020 at Makati City
SEC A.N. (individual) as general auditors 1769-A, Category A; effective until September 2, 2022
SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021
T.I.N. 152-015-095
BIR A.N. 08-000745-44-2018; issued on October 19, 2018; effective until October 18, 2021
BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
April 1, 2020

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUN 11 2020 SCES
RECEIVED
PRECIOSA C. JAVIER

Statement Required by Rule 68
Securities Regulation Code (SRC)
As Amended on October 20, 2011

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

We have audited the financial statements of Shang Properties, Inc. as at and for the year ended December 31, 2019, on which we have rendered the attached report dated April 1, 2020. The supplementary information shown in the Reconciliation of Retained Earnings Available for Dividend Declaration, is presented for purposes of filing with the Securities and Exchange Commission and is not required part of the basic financial statements. Such supplementary information is the responsibility of management and have been subjected to the auditing procedures applied in the audit of the basic separate financial statements. In our opinion, the supplementary information have been prepared in accordance with Part 1, Section 4 of Rule 68 of the SRC.

Isla Lipana & Co.

Imelda Ronnie de Guzman-Castro
Partner
CPA Cert. No. 89352
P.T.R. No. 0011287; issued on January 7, 2020 at Makati City
SEC A.N. (individual) as general auditors 1769-A, Category A; effective until September 2, 2022
SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021
T.I.N. 152-015-095
BIR A.N. 08-000745-44-2018; issued on October 19, 2018; effective until October 18, 2021
BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
April 1, 2020

Isla Lipana & Co.

Statements Required by Rule 68
Securities Regulation Code (SRC)
As Amended on October 20, 2011

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

We have audited the financial statements of Shang Properties, Inc. (the "Company") as at and for the year ended December 31, 2019, on which we have rendered the attached report dated April 1, 2020.

In compliance with SRC Rule 68 and based on the certification received from the Company's corporate secretary and the results of work performed by us, the Company has five thousand two hundred (5,200) shareholders owning one hundred (100) or more shares as at December 31, 2019.

Isla Lipana & Co.

Imelda Ronnie de Guzman-Castro
Partner
CPA Cert. No. 89352
P.T.R. No. 0011287; issued on January 7, 2020 at Makati City
SEC A.N. (individual) as general auditors 1769-A, Category A; effective until September 2, 2022
SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021
T.I.N. 152-015-095
BIR A.N. 08-000745-44-2018; issued on October 19, 2018; effective until October 18, 2021
BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
April 1, 2020

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, 2019 and 2018, 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 of 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.

Isla Lipana and Co., the independent auditors appointed by the stockholders for the period December 31, 2019 and 2018, respectively, have audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their 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 Chairman of the Board

Rajeev Garg
Vice President, Group Financial Officer

Signed this 1st day of April, 2020

REPUBLIC OF THE PHILIPPINES)
CITY OF TAGUIG CITY)

SUBSCRIBED AND SWORN to before me in the City of TAGUIG CITY this APR 0 1 2020 day of 2020, by:

Name	Passport/License No.	Date/Place Issued/Expiry
Edward Kuok Khoon Loong	A37525149	06.15.2016/Hong Kong/12.15.2021
Wilfred Shan Chen Woo	GA228904	04.07.2014/Hong Kong/04.07.2024
Karlo Marco P. Estavillo	P3455986B	10.07.2019/DFA NCR Central/10.06.2029

and who have satisfactorily proven to me their identities and that they are the same persons who executed and voluntarily signed the foregoing **Statement of Management's Responsibility for Financial Statements of Shang Properties, Inc.** and acknowledged that they executed that same freely and voluntarily, that they acting as the authorized representatives of **Shang Properties, Inc.**

Doc No. 640;
Page No. 191;
Book No. 2;
Series of 2020.

NOTARY PUBLIC

ATTY. MICHELENE C. MALASA
Commission No. 11 (2020-2021)
Notary Public for Taguig City, Metro Manila
Until December 31, 2021/Roll No. 62149
IBP No. 102147/January 03, 2020/Rizal
PTR No. A-4761599/January 03, 2020/Taguig City
Block 07 Lot 10 Pampanga Street, Pinagsama
Village Phase 1 C-5 Road Taguig City, Metro Manila

Shang Properties, Inc.

Statements of Financial Position
As at December 31, 2019 and 2018
(All amounts in Philippine Peso)

	Notes	2019	2018
ASSETS			
Current assets			
Cash and cash equivalents	2	280,738,936	176,870,650
Financial assets at fair value through profit or loss	3	2,450,793	2,273,965
Trade and other receivables, net	4	1,468,712,445	1,461,244,685
Properties held for sale, net	5	13,395,279	15,862,779
Prepayments and other current assets	6	263,026,646	389,627,538
Total current assets		2,028,324,099	2,045,879,617
Non-current assets			
Investments and advances	7	17,013,799,065	16,029,430,718
Investment properties	8	14,228,882,687	11,811,689,204
Financial assets at fair value through other comprehensive income, net	9	193,183,642	171,561,142
Property and equipment, net	10	82,701,599	83,574,330
Retirement benefit asset	18	6,127,631	2,218,646
Other non-current assets	11	470,967,336	251,281,424
Total non-current assets		31,995,661,960	28,349,755,464
Total assets		34,023,986,059	30,395,635,081
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and other current liabilities	12	2,058,521,292	1,887,235,063
Current portion of bank loans	13	3,553,333,333	1,833,333,333
Dividends payable	14	47,544,516	42,683,650
Total current liabilities		5,659,399,141	3,763,252,046
Non-current liabilities			
Long-term bank loans, net of current portion	13	933,333,334	1,466,666,667
Deposits from tenants		1,269,161	1,269,161
Deferred income tax liabilities, net	19	3,934,362,728	3,572,847,382
Total non-current liabilities		4,868,965,223	5,040,783,210
Total liabilities		10,528,364,364	8,804,035,256
Equity			
Share capital	14	4,764,058,982	4,764,058,982
Share premium	14	1,210,073,869	1,210,073,869
Treasury shares	14	(6,850,064)	(6,850,064)
Other comprehensive income	9, 18	67,367,115	47,032,992
Retained earnings	14	17,460,971,793	15,577,284,046
Total equity		23,495,621,695	21,591,599,825
Total liabilities and equity		34,023,986,059	30,395,635,081

The notes on pages 1 to 52 are integral part of these separate financial statements.

Shang Properties, Inc.

Statements of Total Comprehensive Income
For the years ended December 31, 2019 and 2018
(All amounts in Philippine Peso)

	Notes	2019	2018
Revenue			
Rental	8, 22	249,930,202	236,573,529
Sale of condominium units	5	1,660,714	77,057,753
		251,590,916	313,631,282
Costs and expenses			
Staff costs	15	336,330,948	302,269,759
Taxes and licenses	16	48,103,735	24,093,134
Depreciation and amortization	10	20,063,481	11,791,634
Cost of condominium units sold	5	2,467,500	32,741,079
Other general and administrative expense	16	109,606,958	107,644,919
		516,572,622	478,540,525
Other income (expense)			
Dividend income	20	1,781,553,950	1,394,482,096
Gain on fair value adjustment of investment properties	8	1,445,898,813	814,449,087
Interest expense	13	(104,993,758)	(135,308,807)
Interest income	2	3,922,554	2,721,729
Other income, net	17	222,924,410	113,947,469
		3,349,305,969	2,190,291,574
Income before provision for income tax		3,084,324,263	2,025,382,331
Provision for income tax	19	(364,919,967)	(251,546,275)
Net income for the year		2,719,404,296	1,773,836,056
Other comprehensive income (loss)			
Items that will not be subsequently reclassified to profit or loss			
Increase in fair value of equity investments at fair value through other comprehensive income, net of tax	9	18,673,650	7,760,500
Derecognition of the fair value of equity investments written-off, net of tax	9	1,079,500	-
Remeasurement gain (loss) on retirement benefit obligation, net of tax	18	580,973	(6,530,950)
		20,334,123	1,229,550
Total comprehensive income for the year		2,739,738,419	1,775,065,606
Basic and diluted earnings per share	14	0.57	0.37

The notes on pages 1 to 52 are integral part of these separate financial statements.

Shang Properties, Inc.

Statements of Changes in Equity
For the years ended December 31, 2019 and 2018
(All amounts in Philippine Peso)

	Share capital (Note 14)	Share premium (Note 14)	Treasury shares (Note 14)	Other comprehensive income (loss): Cumulative changes in fair value of FVOCI (Note 9)	Other comprehensive income (loss): Remeasurement loss on defined benefit plan (Note 18)	Retained earnings (Note 14)	Total
Balances at January 1, 2018	4,764,058,982	1,210,073,869	(6,850,064)	65,921,522	(20,118,080)	14,734,134,576	20,747,220,805
Comprehensive income							
Net income for the year	-	-	-	-	-	1,773,836,056	1,773,836,056
Other comprehensive income (loss)							
Increase in fair value of equity investments at fair value through other comprehensive income, net of tax of P1,369,500	-	-	-	7,760,500	-	-	7,760,500
Remeasurement loss on retirement benefit obligation, net of tax of P2,798,979	-	-	-	-	(6,530,950)	-	(6,530,950)
Total comprehensive income (loss)	-	-	-	7,760,500	(6,530,950)	1,773,836,056	1,775,065,606
Transaction with owners							
Cash dividends declared (Note 14)	-	-	-	-	-	(930,686,586)	(930,686,586)
Balances at December 31, 2018	4,764,058,982	1,210,073,869	(6,850,064)	73,682,022	(26,649,030)	15,577,284,046	21,591,599,825
Comprehensive income							
Net income for the year	-	-	-	-	-	2,719,404,296	2,719,404,296
Other comprehensive income							
Increase in fair value of equity investments at fair value through other comprehensive income, net of tax of P3,295,350	-	-	-	18,673,650	-	-	18,673,650
Derecognition of fair value of equity investments written-off, net of tax of P190,500	-	-	-	1,079,500	-	-	1,079,500
Remeasurement gain on retirement benefit obligation, net of tax of P248,987	-	-	-	-	580,973	-	580,973
Total comprehensive income	-	-	-	19,753,150	580,973	2,719,404,296	2,739,738,419
Transactions with owners							
Cash dividends declared (Note 14)	-	-	-	-	-	(835,716,549)	(835,716,549)
Balances at December 31, 2019	4,764,058,982	1,210,073,869	(6,850,064)	93,435,172	(26,068,057)	17,460,971,793	23,495,621,695

The notes on pages 1 to 52 are integral part of these separate financial statements.

Shang Properties, Inc.

Statements of Cash Flows
For the years ended December 31, 2019 and 2018
(All amounts in Philippine Peso)

	Notes	2019	2018
Cash flows from operating activities			
Income before provision for income tax		3,084,324,263	2,025,382,331
Adjustments for:			
Interest expense	13	104,993,758	135,308,807
Depreciation and amortization	10	20,063,481	11,791,634
Retirement benefit expense	18	9,793,557	7,766,226
Unrealized foreign exchange loss, net	2, 17	1,809,141	4,730,711
Loss on write-off of financial assets at fair value through profit or loss	9, 17	1,550,000	-
Loss (gain) on fair value adjustment of financial assets at fair value through profit or loss	3	(176,828)	942,040
Gain on sale of property and equipment	17	(1,050,726)	(2,232)
Interest income	2	(3,922,554)	(2,721,729)
Share in net income from a joint venture	7, 17	(101,237,114)	-
Gain on fair value adjustment of investment properties	8	(1,445,898,813)	(814,449,087)
Dividend income	20	(1,781,553,950)	(1,394,482,096)
Operating loss before working capital changes		(111,305,785)	(25,733,395)
Changes in working capital:			
Trade and other receivables		9,792,574	(213,256,041)
Properties held for sale	5	252,762,500	29,847,126
Prepayments and other current assets		119,461,434	(178,817,665)
Other non-current assets		(47,980,912)	68,000
Accounts payable and other current liabilities		172,224,995	1,438,037,490
Cash generated from operations		394,954,806	1,050,145,515
Interest received		3,762,220	2,721,729
Contributions paid to retirement plan	18	(12,872,582)	-
Retirement benefits paid directly by the Company	18	-	(4,788,097)
Net cash provided by operating activities		385,844,444	1,048,079,147
Cash flows from investing activities			
Dividends received	20	1,764,453,950	1,394,482,096
Increase (decrease) in investments and advances	7	137,944,253	(869,110,476)
Proceeds from sale of property and equipment		1,050,728	2,263
Proceeds from sale of financial assets at fair value through other comprehensive income	9	66,500	-
Additions to:			
Investment in and advances to a joint venture	7	(1,021,075,486)	(1,000,000,000)
Deposit for a future project	11	(422,000,000)	(250,295,000)
Investment properties	8	(971,294,670)	(49,697,674)
Property and equipment	10	(19,190,752)	(53,366,662)
Net cash used in investing activities		(530,045,477)	(827,985,453)
Cash flows from financing activities			
Availment of loan	13	3,145,000,000	1,300,000,000
Payments of:			
Cash dividends	14	(830,855,683)	(925,518,202)
Loan principal	13	(1,958,333,333)	(533,333,333)
Interest	13	(105,932,524)	(130,235,572)
Net cash provided by (used in) financing activities		249,878,460	(289,087,107)
Net increase (decrease) in cash and cash equivalents for the year		105,677,427	(68,993,413)
Cash and cash equivalents as at January 1		176,870,650	250,594,774
Effects of exchange rate changes on cash and cash equivalents		(1,809,141)	(4,730,711)
Cash and cash equivalents as at December 31	2	280,738,936	176,870,650

The notes on pages 1 to 52 are integral part of these separate financial statements.

Shang Properties, Inc.

Notes to the Separate Financial Statements
As at and for the years ended December 31, 2019 and 2018
(In the notes, all amounts are shown in Philippine Peso, unless otherwise stated)

Note 1 - General 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 properties of all kinds.

The Company's registered office address, which is also its principal place of business, is at Administration Office, Shangri-La Plaza 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 P1.18 per share. As at December 31, 2019, the Company has 5,200 shareholders (2018 - 5,231). The details of the Company's shareholders are disclosed in the annual report.

The separate financial statements have been approved and authorized for issue in accordance with a resolution of the Board of Directors on April 1, 2020.

Note 2 - Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2019	2018
Cash on hand	132,768	155,267
Cash in banks	38,913,464	69,515,553
Cash equivalents	241,692,704	107,199,830
	280,738,936	176,870,650

Cash in banks earned an average interest at respective bank deposit rates of 0.19% in 2019 (2018 - 0.25%).

Cash equivalents are made for varying periods of between one (1) day and three (3) 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 2.25% to 3.75% in 2019 (2018 - 0.50% to 6.38%).

Interest income earned and interest receivable for the year ended and as at December 31, 2019 amounted to P3,922,554 and P210,724, respectively (2018 - P2,721,729 and P50,390, respectively) (Note 4).

The carrying amounts of the Company's cash and cash equivalents are generally denominated in Philippine Peso, US Dollar and Hong Kong Dollar. The Company's foreign currency denominated cash and cash equivalents as at December 31 are as follows:

	2019			2018		
	Foreign currency	Exchange rate	Peso Equivalent	Foreign currency	Exchange rate	Peso Equivalent
US Dollar	500,197	50.74	25,379,996	985,323	52.72	51,946,229
HK Dollar	2,000	6.52	13,040	2,000	6.39	12,780
			25,393,036			51,959,009

Realized and unrealized foreign exchange credited/charged to income for the year ended December 31, 2019 amounted to P719,559 loss and P1,809,141 loss, respectively (2018 - P10,223,625 gain and P4,730,711 loss) (Note 17).

Note 3 - Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss (FVPTPL) represent shares of stock of various publicly listed companies based on current bid prices in an active market (Level 1 valuation). Movements in the account for the years ended December 31 are as follows:

	Note	2019	2018
January 1		2,273,965	3,216,005
Gain (loss) on fair value adjustments	17	176,828	(942,040)
December 31		2,450,793	2,273,965

Fair value adjustments of financial assets at FVPTPL are presented in the statements of total comprehensive income as part of other income, net (Note 17).

Note 4 - Trade and other receivables, net

Trade and other receivables, net, as at December 31 consist of:

	Notes	2019	2018
Trade			
Rental - related parties	20	57,321,620	42,068,718
Rental - third parties		339,607	-
Condominium sale	5	-	24,000,000
Non-trade			
Receivables from related parties	20	1,404,274,392	1,385,314,753
Advances to officers and employees		1,237,868	883,136
Interest	2	210,724	50,390
Others		7,460,277	11,059,731
		1,470,844,488	1,463,376,728
Allowance for impairment of other receivables		(2,132,043)	(2,132,043)
		1,468,712,445	1,461,244,685

Rent receivables are non-interest-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.

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

Other non-trade receivables pertain to advances to suppliers and contractors, receivables from a government agency and the retirement fund. The carrying amounts of the Company's trade and other receivables are all denominated in Philippine Peso.

There was no additional provision recognized in 2019 and 2018.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables presented above. There were no trade and other receivables pledged as collaterals as at December 31, 2019 and 2018.

Note 5 - Properties held for sale, net

Properties held for sale consist of condominium units for sale in the ordinary course of business. Movements in properties held for sale for the years ended December 31 are as follows:

	2019	2018
January 1	15,862,779	45,709,905
Recognized cost of condominium units sold	(2,467,500)	(29,847,126)
December 31	13,395,279	15,862,779

Properties held for sale are stated at cost and no allowance for write-down is provided as at December 31, 2019 and 2018.

The cost of condominium units sold plus other directly attributable costs recognized as cost and expense is shown in the statements of total comprehensive income.

Note 6 - Prepayments and other current assets

Prepayments and other current assets as at December 31 consist of:

	2019	2018
Creditable withholding tax	244,253,676	215,190,913
Deferred input VAT	16,267,789	-
Prepaid expenses	2,505,181	843,377
Down payment to property developer	-	173,593,248
	263,026,646	389,627,538

Prepaid expenses pertain to membership fees and dues, subscriptions and insurance.

Down payment to property developer in 2018 pertains to cash paid by the Company for a condominium unit purchased from SGCPI, a subsidiary of the Company, which was reclassified to investment property after execution of deed of sale in 2019 (Note 8).

Note 7 - Investments and advances

Investments and advances at December 31 consist of:

	Ownership %		Amount	
	2019	2018	2019	2018
Subsidiaries:				
Property development:				
Shang Properties Realty Corporation (SPRC)	100	100	950,036,621	950,036,621
Shang Wack Wack Properties, Inc. (SWWPI)	100	100	850,000,000	850,000,000
Shang Property Developers, Inc. (SPDI)	100	100	5,000,000	5,000,000
Leasing:				
KSA Realty Corporation (KSA)	70.04	70.04	4,333,249,902	4,333,249,902
Shangri-la Plaza Corporation (SLPC)	100	100	699,882,830	699,882,830
SPI Parking Services, Inc. (SPSI)	100	100	250,000	250,000
Real estate:				
KPPI Realty Corporation (KRC)	100	100	125,000,000	125,000,000
New Contour Realty, Inc. (NCRI)	100	100	50,000	50,000
Perfect Sites, Inc. (PSI)	100	100	250,000	250,000
Ivory Post Properties, Inc. (IPPI)	100	100	250,000	250,000
Shang Fort Bonifacio Holdings, Inc. (SFBHI)	100	100	500,000	500,000
Shang Global City Holdings, Inc. (SGCHI)	100	100	500,000	500,000
Martin B Properties, Inc. (MBPI)	100	100	400,000	400,000
Property management:				
KPPI Management Services Corporation (KMSC)	100	100	1,000,000	1,000,000
Shang Property Management Services, Inc. (SPMSI)	100	100	50,000	50,000
Other supplementary business:				
Gipsey, Ltd. (Gipsey)	100	100	2,095,810,078	2,095,810,078
EPHI Logistics Holdings, Inc. (ELHI)	60	60	900,000	900,000
Exemplary Ventures & Interests, Inc.	100	100	-	250,000
Guidebo Properties, Inc.	100	100	62,500	62,500
Laguna Hills Property Ventures, Inc.	100	100	62,500	62,500
			9,063,254,431	9,063,504,431
Associate:				
Real estate:				
Ideal Sites and Properties, Inc. (ISPI)	40	40	250,000	250,000
Joint venture:				
Real estate:				
Shang Robinsons Properties, Inc. (SRPI)	50	50	1,101,237,114	1,000,000,000
Deposits for future share subscription, and advances to subsidiaries, joint venture and associate			8,382,565,205	7,499,183,972
Allowance for impairment losses			(1,533,507,685)	(1,533,507,685)
			17,013,799,065	16,029,430,718

Except for Gipsey and SHIL, which were incorporated in the British Virgin Islands (BVI) and use Hong Kong Dollar (HK$) as their functional currency, all the other subsidiaries were incorporated and registered in the Philippines which use Philippine Peso as their functional currency.

The Company takes effective and absolute control over key decisions, operating strategies, and key policies of KSA, SGCPI, and ELHI. In compliance with the provisions of PAS 27, "Consolidated and Separate Financial Statements", investment in subsidiaries is accounted for using the cost method in these separate financial statements.

The following subsidiaries and associates are owned through other subsidiaries:

(a) TRDCI - A wholly owned subsidiary of KRC.
(b) SHIL - A wholly owned subsidiary of Gipsey.
(c) SGCPI - 59.4% owned by SGCHI and 0.6% owned by SFBHI. Both SGCHI and SFBHI are wholly owned subsidiaries of the Company.
(d) Sky Leisure Properties, Inc. (SLPI) - A wholly owned subsidiary of PSI.

On March 2, 2018, PSI, acquired the remaining 50% interest in SLPI through step-acquisition. The acquisition was accounted for as an asset acquisition because the group of assets and liabilities acquired does not meet the definition of a business. Total consideration amounted to P888,201,910 which consists of the cash consideration and previously held investment in an associate amounting to P363,880,270 and P524,321,640, respectively. The cash consideration is paid by the Company and is considered a non-cash investing activity. PSI also paid the advances from the previous shareholder of SLPI and legal fees attributable to the acquisition amounting to P319,119,730 and P26,785,714, respectively. The legal fees were considered as part of the cost of acquisition.

In 2017, SLPI was classified as an investment in associate and was accounted for in the consolidated financial statements using the equity method of accounting. As a result of the acquisition, the Company now holds 100% interest in SLPI, through PSI, and is considered as a subsidiary in 2018.

In 2019, the Company sold its 100% interest in Exemplary Ventures & Interests, Inc. at cost.

There has been no movement in the allowance for impairment losses as at December 31, 2019 and 2018.

There are no significant restrictions on the ability of the subsidiaries and associates to transfer cash assets, pay dividends or pay advances to the Company and between subsidiaries.

The summarized financial information of subsidiaries with significant non-controlling interest as at and for the year ended December 31, 2019 are as follows:

	KSA	SGCPI
Total current assets	462,514,679	881,210,512
Total non-current assets	10,673,621,504	9,820,274,434
Total assets	11,136,136,183	10,701,484,946
Total current liabilities	(457,006,457)	(1,369,367,257)
Total non-current liabilities	(2,802,195,974)	(1,525,408,317)
Total liabilities	(3,259,202,431)	(2,894,775,574)
Net assets	7,876,933,752	7,806,709,372
Non-controlling interest share in net assets	2,363,080,126	3,122,557,657
Revenue	1,429,812,199	3,701,852,718
Cost and expenses	(71,929,445)	(3,469,666,393)
Other income (expense), net	89,508,516	(163,685,699)
Income before provision for income tax	1,447,391,270	68,500,626
Provision for income tax	(279,232,769)	(25,143,078)
Net income for the year	1,168,158,501	43,357,548
Other comprehensive loss	(54,383)	(3,892,437)
Total comprehensive income for the year	1,168,104,118	39,465,111
Non-controlling interest share in total comprehensive income for the year	349,964,496	15,785,407

	KSA	SGCPI
Cash flows provided by (used in):		
Operating activities	1,247,497,746	979,260,721
Investing activities	(2,369,718)	(144,178,230)
Financing activities	(1,330,000,000)	(1,396,972,328)
Net effect of exchange rate changes on cash and cash equivalents	(16,948)	9,897
Net decrease in cash and cash equivalents	(84,888,920)	(561,879,940)

The summarized financial information of subsidiaries with significant non-controlling interest as at and for the year ended December 31, 2018 are as follows:

	KSA	SGCPI
Total current assets	543,458,320	1,557,160,698
Total non-current assets	10,611,286,514	10,800,893,831
Total assets	11,154,744,834	12,358,054,529
Total current liabilities	(509,480,448)	(1,818,647,846)
Total non-current liabilities	(2,606,434,752)	(2,772,162,422)
Total liabilities	(3,115,915,200)	(4,590,810,268)
Net assets	8,038,829,634	7,767,244,261
Non-controlling interest share in net assets	2,408,433,358	3,106,897,705
Revenue	1,249,996,056	4,061,702,373
Cost and expenses	(70,847,981)	(3,633,789,870)
Other income, net	660,520,320	15,851,888
Income before provision for income tax	1,839,668,395	443,764,391
Provision for income tax	(423,276,174)	(133,913,982)
Net income for the year	1,416,392,221	309,850,409
Other comprehensive income (loss)	(17,995)	7,239,149
Total comprehensive income for the year	1,416,374,226	317,089,558
Non-controlling interest share in total comprehensive income for the year	424,351,108	126,830,818

	KSA	SGCPI
Cash flows provided by (used in):		
Operating activities	1,086,939,089	2,896,350,545
Investing activities	(9,004,907)	(612,443,432)
Financing activities	(1,060,000,000)	(3,078,230,241)
Net effect of exchange rate changes on cash and cash equivalents	25,179	(17,623)
Net increase (decrease) in cash and cash equivalents	17,959,361	(794,340,751)

The summarized financial information of the associate as at and for the years ended December 31 are as follows:

	2019	2018
Total current assets	905,385	849,302
Total non-current assets	1,463,653	1,469,445
Total assets	2,369,038	2,318,747
Total current liabilities	(5,957,999)	(5,832,176)
Total non-current liabilities	-	(4,771)
Total liabilities	(5,957,999)	(5,836,947)
Net assets	(3,588,961)	(3,518,200)
Revenue	118,452	128,580
Cost and expenses	(187,874)	(504,111)
Loss before income tax	(69,422)	(375,531)
Benefit from (provision) for income tax	8,398	(4,422)
Net loss	(61,024)	(379,953)
Other comprehensive loss	(9,419)	(4,710)
Total comprehensive loss	(70,443)	(384,663)
Cash flows provided by (used in)		
Operating activities	(20,260)	(14,616)
Investing activities	82,656	92,076
Net effect of exchange rate changes on cash and cash equivalents	(12,092)	17,147
Net increase in cash and cash equivalents	50,304	94,607

Investment in and advances to a joint venture

On March 22, 2018, the Company entered into a Joint Venture Agreement with Robinsons Land Corporation for the development of a property into a mixed-use condominium project. Within two (2) months from the effective date of the Agreement, the parties shall establish the joint venture company ("JVC") and shall execute the Articles and By-Laws of the JVC. On, May 23, 2018, the SEC approved the Certificate of Incorporation of the JVC, Shang Robinsons Properties, Inc.

The JVC's registered office address, which is also its principal place of business, is at Cyber Sigma, Lawton Avenue, Taguig City.

The JVC shall engage in: (i) the business of developing a property into a mixed-use development, (ii) the marketing and sale of the residential condominium units in the project, (iii) and the lease of serviced apartment units and/or commercial units in the project.

The authorized capital stock of the JVC is P3,000,000,000 divided into 3,000,000,000 common shares with par value of P1.00 per share. The JVC is equally owned by the parties at 50% each. On April 19, 2018, the Company subscribed and paid in full the amount of P1,000,000,000 equivalent to 1,000,000,000 commons shares at P1.00 per share.

The JVC commenced operations in 2019 and sold 37% of its condominium units. As at December 31, 2019, the percentage-of-completion (POC) of the JVC's construction-in-progress is at 3.21%. In 2019, the Company's share in net income of the joint venture amounted to P101,237,115.

In 2019, advances amounting to P1,019,989,374 were extended to the JVC. These are non-current and bear interest at a rate of 4%.

Summarized financial information of the JVC as at and for the years ended December 31 are presented below:

	2019	2018
Summarized statements of financial position		
Current assets	9,172,554,112	5,962,538,659
Current liabilities	(2,896,394,000)	(1,120,640,578)
Current net assets	6,276,160,112	4,841,898,081
Non-current assets	18,277,783	148,037,223
Non-current liabilities	(4,110,968,362)	(3,008,940,000)
Non-current net liabilities	(4,092,690,579)	(2,860,902,777)
Net assets	2,183,469,533	1,980,995,304

	2019	2018
Summarized statements of total comprehensive income		
Gross revenue	493,523,933	-
Net income (loss) for the year	202,474,229	(19,004,696)
Other comprehensive income for the year	-	-
Total comprehensive income (loss) for the year	202,474,229	(19,004,696)

	2019	2018
Summarized statements of cash flows		
Operating activities	1,579,557,178	(5,379,570,732)
Investing activities	-	-
Financing activities	876,570,242	6,118,901,600
Net effect of exchange rate changes on cash and cash equivalents	(288,965)	(102,811)
Net increase in cash and cash equivalents	2,455,838,455	739,228,057

Note 8 - Investment properties

Details of investment properties as at December 31 and their movements during the years are as follows:

	Land	Building	Total
January 1, 2018	10,446,641,629	500,900,814	10,947,542,443
Gain on fair value adjustment	778,954,587	35,494,500	814,449,087
Capitalized subsequent expenditure	45,226,174	4,471,500	49,697,674
December 31, 2018	11,270,822,390	540,866,814	11,811,689,204
Gain on fair value adjustment	1,445,898,813	-	1,445,898,813
Capitalized subsequent expenditure	500,500,000	470,794,670	971,294,670
December 31, 2019	13,217,221,203	1,011,661,484	14,228,882,687

The Company's investment properties in 2019 and 2018 consist of parcels of land, carpark building and condominium units. The land and carpark building are being leased out to subsidiaries and third parties.

On September 5, 2019, the Company acquired additional land in Mandaluyong City for a total contract price of P500,500,000. The land will be developed for future use as investment property.

As at December 31, 2019 and 2018, the fair values of the properties are based on valuations performed by an independent external appraiser duly certified by the management. The valuation models are in accordance with that recommended by the International Valuation Standards Committee. The fair value of the condominium units is based on internal appraisals.

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 spaces and Level 3 for parcels of land and building properties. The current use of these properties is their highest and best use.

The following table presents the valuation techniques and unobservable key inputs used to value the Company's land property:

Property	Fair value as at December 31, 2019	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability -weighted average)	Relationship of unobservable inputs to fair value
Land where the main wing and east wing of Shangri-La Plaza mall is located	P5,871,373,900 (2018 - P5,876,841,587)	Direct income capitalization	Rental value	P1,700 per square meter (2018 - P1,650)	The higher the rental value and occupancy rate, the higher the fair value.
			Occupancy rate	96% (2018 - 93%)	
			Expense-revenue ratio	23% (2018 - 27%)	The higher the expense- revenue ratio and discount rate, the lower the fair value.
			Discount rate	12% (2018 - 9%)	

The fair value of the land property where the Shangri-La Plaza mall is located is calculated using the direct income capitalization approach. In applying the direct income capitalization approach, the stabilized net operating income (NOI) of each property is divided by an appropriate capitalization rate. Discount rate is based on actual location, size and quality of the property and taking into account any available market data at the valuation date. Stabilized NOI is computed at revenue less property operating expenses adjusted for items such as average lease up costs, long-term vacancy rates, non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring items.

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

The following are the significant unobservable inputs:

- Rental value average rental rate per square meter paid by tenants based on the asking price in the market;
- Discount rates reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
- Occupancy rate based on current and expected future market conditions after expiry of any current lease; and
- Expense - revenue ratio total direct operating expenses for the entire property based on budget.

The following table presents the valuation techniques and unobservable key inputs used to value the Company's other land property:

Property	Fair value as at December 31, 2019	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability - weighted average)	Relationship of unobservable inputs to fair value
Land where the Edsa Shangri-La, Manila is located	P5,355,528,000 (2018 - P4,221,700,000)	Market comparison approach	Comparable transactions	P222,000 per square meter (2018 - P298,246)	The higher the comparable transactions, the higher the fair value.
			Price adjustments	26.86% (2018 - 41.67%)	The higher the price adjustments, the lower the fair value.

The fair values of the Company's other land properties and carpark building are determined using the market comparison approach. Under the market comparison approach, a property's fair value is estimated based on comparable transactions adjusted for bargaining allowance, marketability, location, size and terrain. The market comparison approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. In theory, the best comparable sale would be an exact duplicate of the subject property and would indicate, by the known selling price of the duplicate, the price for which the subject property could be sold. The unit of comparison applied by the Company is the price per square meter (sqm).

The amounts recognized in the statements of comprehensive income for investment properties for the years ended December 31 are as follows:

	2019	2018
Rental revenue	249,930,202	236,573,529
Direct operating expenses	(18,554,878)	(31,015,170)
Profit arising from investment properties carried at fair value	231,375,324	205,558,359

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

There is no restriction on the Company's title on investment properties and no investment properties were pledged as security for liabilities.

Note 9 - Financial assets at fair value through other comprehensive income, net

Financial assets at fair value through other comprehensive income (FVOCI), net at December 31, consist of:

	2019	2018
Unquoted	78,349,278	78,415,778
Quoted	7,551,515	9,101,515
	85,900,793	87,517,293
Cumulative changes in fair value	107,282,849	84,043,849
	193,183,642	171,561,142

Unquoted equity securities include unlisted shares of stock which are measured at fair value. The fair values of the unquoted equity securities are based on the net asset value of the underlying assets which are mainly investment properties consisting of land and buildings measured and carried at fair value of underlying assets. The fair value measurements have been categorized as Level 3 with the following significant unobservable inputs in the computation of the fair value of investment properties: (1) rental value average rental rate, (2) discount rates, (3) occupancy rate, (4) expense - revenue ratio, and (5) comparable transactions adjusted for bargaining allowance, marketability, location, size and terrain. The net asset value per share of unquoted equity securities ranges from P1,043 per share to P465,054 per share.

In 2019, the Company sold its unquoted equity securities at cost of P66,500.

The quoted equity securities consist of investments in various golf club shares and stocks. These are carried at fair values which are based on the quoted market prices (Level 1) as at the reporting date.

The Company wrote-off quoted equity securities in 2019 with cost of P1,550,000 and cumulative changes in fair value of P1,270,000. There were no similar transaction during 2018.

The cumulative changes in fair values of unquoted and quoted equity shares are presented as part of other comprehensive income in the statements of financial position.

The movements in the cumulative changes in fair value of financial assets at FVOCI for the years ended December 31 are as follows:

	2019	2018
January 1	73,682,022	65,921,522
Gain on fair value adjustment	21,969,000	9,130,000
Derecognition	1,270,000	-
	96,921,022	75,051,522
Deferred income tax effect	(3,485,850)	(1,369,500)
December 31	93,435,172	73,682,022

Note 10 - Property and equipment, net

Details of property and equipment, net, as at December 31 and their movements during the years are as follows:

	Building improvements	Leasehold improvements	Transportation equipment	Furniture, fixtures and other equipment	Total
Cost					
January 1, 2018	38,124,240	13,875,763	39,002,603	38,102,228	129,104,834
Additions	-	48,940,758	1,970,089	2,455,815	53,366,662
Disposals	-	-	-	(2,898,437)	(2,898,437)
December 31, 2018	38,124,240	62,816,521	40,972,692	37,659,606	179,573,059
Additions	4,634,794	4,634,287	7,259,821	2,661,850	19,190,752
Disposals	-	-	(5,668,473)	-	(5,668,473)
December 31, 2019	42,759,034	67,450,808	42,564,040	40,321,456	193,095,338
Accumulated depreciation					
January 1, 2018	18,700,836	13,709,696	23,327,854	31,367,115	87,105,501
Depreciation	1,317,050	2,895,445	4,239,498	3,339,641	11,791,634
Disposals	-	-	-	(2,898,406)	(2,898,406)
December 31, 2018	20,017,886	16,605,141	27,567,352	31,808,350	95,998,729
Depreciation	1,310,354	10,158,636	4,921,938	3,672,553	20,063,481
Disposals	-	-	(5,668,471)	-	(5,668,471)
December 31, 2019	21,328,240	26,763,777	26,820,819	35,480,903	110,393,739
Net book values at					
December 31, 2018	18,106,354	46,211,380	13,405,340	5,851,256	83,574,330
December 31, 2019	21,430,794	40,687,031	15,743,221	4,840,553	82,701,599

As at December 31, 2019, the Company has fully depreciated property and equipment still in use with acquisition cost of P57,361,489 (2018 - P60,224,687).

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

Note 11 - Other non-current assets

Other non-current assets as at December 31 consist of:

	2019	2018
Deposit for a future project	422,000,000	250,295,000
Down payment to property developer	47,980,912	-
Refundable deposits	986,424	986,424
	470,967,336	251,281,424

On March 28, 2018, the Company entered into a Memorandum of Agreement with a third party to purchase a parcel of land located along Shaw Boulevard in Mandaluyong City for development and other activities to create a real estate property intended for future lease or sale. As at December 31, 2018, the Company deposited 50% of the total purchase price amounting to P500,500,000 to the third party. The remaining amount was paid by the Company on July 1, 2019 and the entire cost of land was reclassified to investment properties.

On December 12, 2019, the Company paid P422,000,000 as a first installment for a 50% share in an investment. The Company expects to pay the second installment on December 12, 2020.

Down payment to property developer as at December 31, 2019 pertains to cash paid by the Company for the condominium and parking units purchased from SRPI, a joint venture of the Company.

Refundable deposits are cash paid by the Company for deposits to utility companies which are expected to be returned after a specified period of time, or when certain conditions are satisfied.

Note 12 - Accounts payable and other current liabilities

Accounts payable and other current liabilities as at December 31 consist of:

	Notes	2019	2018
Trade			
Accounts payable		13,436,215	22,057,621
Accrued expenses		49,244,119	51,771,974
Payable to contractors and suppliers		44,347,825	44,347,825
Accrued interest	13	17,798,369	18,737,135
Non-trade			
Payable to related parties	20	1,901,188,067	1,727,131,685
Payable to regulatory agencies		11,811,907	7,702,814
Output value added tax (VAT)		5,972,522	1,378,080
Others		14,722,268	14,107,929
		2,058,521,292	1,887,235,063

Accounts payable and accrued expenses are non-interest 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.

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

Other accrued expenses consist of accruals for advertising and promotions, insurance, other employee related cost and other general and administrative expenses. Other current liabilities pertain mainly to taxes and insurance.

Note 13 - Bank loans

Bank loans as at December 31 are as follows:

	2019	2018
Current portion	3,553,333,333	1,833,333,333
Non-current portion	933,333,334	1,466,666,667
	4,486,666,667	3,300,000,000

Movements in the bank loans as at December 31 are as follows:

	2019	2018
January 1	3,300,000,000	2,533,333,333
Additions	3,145,000,000	1,300,000,000
Payments	(1,958,333,333)	(533,333,333)
December 31	4,486,666,667	3,300,000,000

On July 30, 2012, the Company obtained a ten-year loan facility from a local bank amounting to P5,000,000,000 payable in 24 equal quarterly installments, commencing on the 17th quarter from the initial borrowing date at a fixed interest rate of 4% per annum for the three (3) years effective September 17, 2015.

Moreover, the loan agreement requires the Company to comply with certain covenants and financial ratios until the loans are fully paid. Failure to comply with the covenants will render the full amount of loans due and demandable. As at December 31, 2019 and 2018, the Company is in compliance with the covenants.

Total drawdown from the above facility amounted to P3.70 billion as at December 31, 2019 and 2018.

The repayments of the bank loans as at December 31 are scheduled as follows:

Year	2019	2018
2019	-	1,833,333,333
2020	3,553,333,333	533,333,333
2021	533,333,333	533,333,333
2022	400,000,001	400,000,001
	4,486,666,667	3,300,000,000

On April 13, 2018, the Company obtained a 6-month loan from another local bank amounting to P800 million payable on October 10, 2018 at a fixed rate of 3.8% per annum, to be repriced every 30 to 180 days as agreed by the parties. On October 10, 2018, the loan was extended for three months payable on January 9, 2019 at fixed interest rate of 5.25% per annum. On January 9, 2019, the loan was extended for another six months payable on July 9, 2019. On March 26, 2019, the Parent Company paid the entire amount of the loan.

On July 31, 2018, the Company obtained another 6-month loan from a local bank amounting to P500 million payable on January 31, 2019 at a fixed rate at 4.50% per annum. On January 31, 2019, the loan was extended for 6 months payable on July 31, 2019. On July 31, 2019, the Parent Company paid the entire amount of the loan.

In 2019, the Parent Company availed of the following short-term loans which are payable within a period of 12 months:

Payment term	Starting date	Maturity date	Interest rate	Extension	Loan amount
6 months	June 14, 2019	December 11, 2019	5.75%	6 months until June 30, 2020	1,000,000,000
6 months	March 28, 2019	September 24, 2019	6.00%	6 months until June 30, 2020	1,100,000,000
6 months	August 1, 2019	January 28, 2020	5.40%	No extension period	125,000,000
6 months	August 14, 2019	February 10, 2020	5.30%	No extension period	170,000,000
3 months	October 7, 2019	January 6, 2020	4.75%	No extension period	250,000,000
3 months	December 11, 2019	March 10, 2020	4.15%	No extension period	500,000,000
Total					3,145,000,000

Interest expense charged to profit or loss amounted to P104,993,758 in 2019 (2018 - P135,308,807) as shown in the statements of total comprehensive income.

Movements in the accrued interest recorded as accrued interest under accounts payable and other current liabilities account for the years ended December 31 are as follows:

	Note	2019	2018
January 1		18,737,135	13,663,900
Interest expense		104,993,758	135,308,807
Payments		(105,932,524)	(130,235,572)
December 31	12	17,798,369	18,737,135

Note 14 - Equity

(a) Share capital, share premium and treasury shares

Details of share capital and share premium at December 31, 2019 and 2018 are as follows:

	Shares	Amount
Authorized, at P1 par value per share		
Common shares	8,000,000,000	8,000,000,000
Issued and outstanding shares		
Common shares	4,764,058,982	4,764,058,982
Share premium	1,210,073,869	1,210,073,869
	5,974,132,851	5,974,132,851

In 2007, the Board of Directors approved the redemption of 2,140,645 common shares at redemption price of P3.20 per share or a total of P6,850,064 and the amount is presented as treasury shares in the statements of financial position.

(b) Retained earnings

As at December 31, 2019, excess retained earnings available for dividend declaration amounted to P7,515,143,833 (2018 - P6,721,354,348). The Company annually declares dividends in compliance with SEC Memorandum Circular No. 11, Series of 2008.

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

Date of declaration	Shareholders of record as at	Payment date	Total	Per share
2019				
March 6	March 21	March 29	502,382,385	0.106
September 16	September 30	October 10	333,334,164	0.070
			835,716,549	0.176
2018				
March 15	March 31	April 16	597,352,351	0.126
September 4	September 19	September 28	333,334,235	0.070
			930,686,586	0.196

As at December 31, 2019, dividends payable amounting to P47,544,516 (2018 - P42,683,650) presented in the statements of financial position pertain to dividends declared by the Company to its shareholders who have not yet claimed or encashed their dividend checks.

(c) Earnings per share

Basic and diluted earnings per share, which are the same due to absence of dilutive potential common shares, for the years ended December 31 are as follows:

	2019	2018
Net income for the year	2,719,404,296	1,773,836,056
Weighted average number of shares outstanding	4,761,918,337	4,761,918,337
Earnings per share	0.57	0.37

Note 15 - Staff costs

The components of staff costs for the years ended December 31 are as follows:

	Note	2019	2018
Salaries and wages		293,838,648	267,484,011
Employee benefits		22,895,420	22,869,553
Retirement benefit expense	18	9,793,557	7,766,226
Others		9,803,323	4,149,969
		336,330,948	302,269,759

Note 16 - Other general and administrative expenses

The components of other general and administrative expenses for the years ended December 31 are as follows:

	Note	2019	2018
Professional fees		58,888,547	52,988,899
Transportation and travel		6,639,281	7,734,359
Carpark expense		6,542,921	6,922,036
Donations		5,500,000	5,000,000
Rent	22	4,610,159	4,417,500
Repairs and maintenance		4,595,386	3,877,896
Janitorial, security and other services		3,528,873	3,854,377
Telephone and communication		3,289,528	5,082,995
Utilities		3,160,996	2,085,188
Membership fees and dues		2,650,600	2,525,056
Supplies		2,015,156	2,191,894
Entertainment, amusement and recreation		1,889,783	2,060,040
Condominium dues		1,286,796	2,275,069
Insurance		1,057,721	1,121,949
Reproduction charges		653,920	555,810
Others		3,297,291	4,951,851
		109,606,958	107,644,919

Taxes and licenses pertaining to payment of business taxes, permits, real property taxes and other taxes incurred by the Company in 2019 amounted to P48,103,735 (2018 - P24,093,134) as shown in the statements of total comprehensive income.

Note 17 - Other income, net

The components of other income (expense) for the years ended December 31 are as follows:

	Notes	2019	2018
Management fees	20	125,353,654	109,789,770
Share in net income from a joint venture	7	101,237,114	-
Gain on sale of property and equipment		1,050,726	2,232
Gain (loss) on fair value adjustments of financial assets at FVTPL	3	176,828	(942,040)
Bank charges		(519,836)	(433,370)
Foreign exchange gain (loss), net	2	(2,528,700)	5,492,914
Loss on write-off of financial assets at FVOCI	9	(1,550,000)	-
Others		(295,376)	37,963
		222,924,410	113,947,469

Note 18 - Retirement benefit asset

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

The retirement benefit obligation is determined using the "Projected Unit Credit Cost" (PUC) method. Under the PUC method, the annual normal cost for the portion of the retirement is determined as the amount necessary to provide for the portion of the retirement benefit accruing during the year.

The actuarial present value of the retirement benefit obligation under the plan is measured in terms of actuarial assumptions for discount rate, salary increases, retirement rates and mortality using the 2019 Philippine Intercompany Mortality Table. The discount rates used is a single weighted average rate based on rates as published in the Bankers Association of the Philippines Peso Bloomberg Valuation (PHP BVAL) at various tenors as at December 31, 2019. Rate 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 plan typically exposes the Company to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

a) Investment risk

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan's investments are in the form of investments in debt instruments and cash deposits to universal and commercial banks. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets is invested in investments in debt instruments and cash deposits to universal and commercial banks.

b) Interest rate risk

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using single weighted average rate based on PHP-BVAL rates. A decrease in rate will increase the defined benefit obligation. Hence, the present value of defined benefit obligation is directly affected by the discount rate to be applied by the Company. However, the Company believes that due to the long-term nature of the pension benefit obligation, the investment holdings of the plan is an appropriate element of the Company's long-term strategy to manage the plan efficiently.

c) Longevity risk

The present value of the defined benefit plan obligation is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the retirement benefit obligation.

d) Salary risk

The present value of the defined benefit plan obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the retirement benefit obligation.

Management performs 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 risk of the plan. The Company's current strategic investment strategy consists of 45.76% treasury investments, 14.52% corporate investments, 22.98% equity securities, 16.70% money market deposits and trust funds and 0.04% cash.

The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Company has changed its fund management in 2019 and has changed the processes used to manage its risks from previous periods. The Company does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

The Company's plan assets consist of investment in debt and equity instruments, money market deposits and trust funds, and cash in banks. The Company believes that equities offer the best returns over the long term with an acceptable level of risk.

The actuarial valuation of the Company's retirement plan was performed by an independent actuary. The latest actuarial valuation report prepared was for the year ended December 31, 2019. The principal assumptions used by the actuary for the years ended December 31 are as follows:

	2019	2018
Discount rate	4.63%	7.29%
Salary increase rate	4.00%	5.00%

The details of the retirement benefit asset and expense as at and for the years ended December 31 are as follows:

	2019	2018
Retirement benefit asset	6,127,631	2,218,646
Retirement benefit expense	9,793,557	7,766,226

The amounts of retirement benefit asset recognized in the statements of financial position are determined as follows:

	2019	2018
Fair value of plan assets	108,364,884	89,976,407
Present value of defined benefit obligation	(102,237,253)	(87,757,761)
Retirement benefit asset	6,127,631	2,218,646

The movements in the remeasurement loss on defined benefit plan under other comprehensive loss for the years ended December 31 are as follows:

	2019	2018
January 1	(38,070,043)	(28,740,114)
Remeasurements	829,960	(9,329,929)
	(37,240,083)	(38,070,043)
Deferred income tax effect	11,172,026	11,421,013
December 31	(26,068,057)	(26,649,030)

Below is the analysis of the movement in the retirement benefit asset for the years ended December 31:

	2019	2018
January 1	2,218,646	14,526,704
Remeasurement loss	829,960	(9,329,929)
Contributions	12,872,582	-
Benefits payment by the Company	-	4,788,097
Retirement expense	(9,793,557)	(7,766,226)
December 31	6,127,631	2,218,646

The components of retirement expense for the years ended December 31 recognized in the statements of total comprehensive income are as follows:

	Note	2019	2018
Current service cost		10,404,722	8,832,032
Net interest cost		(611,165)	(1,065,806)
Pension expense	15	9,793,557	7,766,226

Changes in the present value of the defined benefit obligation for the years ended December 31 are as follows:

	2019	2018
January 1	87,757,761	76,362,712
Net interest cost	4,971,848	3,583,509
Current service cost	10,404,722	8,832,032
Benefits paid by the Company	(1,746,768)	(4,788,097)
Remeasurement losses (gains) from:		
Experience adjustments	(4,580,792)	2,973,731
Changes in financial assumptions	5,430,482	(42,535)
Change in demographic assumptions	-	836,409
December 31	102,237,253	87,757,761

Changes in the fair value of plan assets for the years ended December 31 are as follows:

	2019	2018
January 1	89,976,407	90,889,416
Interest income	5,583,013	4,649,315
Loss on return on plan assets	1,679,650	(5,562,324)
Contributions	12,872,582	-
Benefits paid from plan assets	(1,746,768)	-
December 31	108,364,884	89,976,407

Apart from the benefit payments to certain qualified employees advanced by the Company and the contributions to the plan for the years ended December 31, 2019 and 2018, the Company had no other transactions with the plan.

Details of plan assets as at December 31 are as follows:

	2019	2018
Cash in banks	47,046	2,266,592
Investments in debt instruments:		
Treasury notes and bonds	49,593,592	78,967,846
Corporate notes and bonds	15,734,602	8,741,969
Investments in equity instruments	24,892,867	-
Money market deposits and trust funds	18,096,777	-
	108,364,884	89,976,407

At December 31, 2019 and 2018, the Company's plan assets (investment in equity and debt instruments) are determined by reference to published price quotations in an active market (classified as Level 1 in the fair value hierarchy).

There are no plan assets invested in related parties as at and for the years ended December 31, 2019 and 2018.

Expected contribution to post-employment benefit plans for the year ending December 31, 2020 amounts to P7,551,374.

The weighted average duration of the defined benefit obligation is 9.81 years.

Expected maturity analysis of undiscounted retirement benefits as at December 31 are as follows:

	2019	2018
Less than a year	33,983,469	30,863,063
Between 1 and 5 years	55,429,579	48,365,086
Between 5 and 10 years	50,663,483	54,355,239
Over 10 years	159,885,688	127,567,477
	299,962,219	261,150,865

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions are as follows:

	Increase (Decrease)	
	2019	2018
Discount rate		
Increase by 1.0%	(98,173,136)	(81,853,550)
Decrease by 1.0%	106,777,729	88,199,055
Salary increase rate		
Increase by 1.0%	107,358,597	88,819,525
Decrease by 1.0%	(97,558,484)	(81,223,274)

The sensitivity is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement benefit asset recognized within the statements of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to prior years.

Note 19 - Income taxes

Income tax expense for the years ended December 31 follows:

	2019	2018
Current	-	7,485,513
Deferred	364,919,967	244,060,762
	364,919,967	251,546,275

Deferred income tax assets and liabilities as at December 31, 2019 and 2018 are determined using the income tax rate in the period in which the temporary differences are expected to be recovered or settled. The analysis of deferred income tax assets and liabilities as at December is as follows:

	2019	2018
Deferred income tax assets:		
Expected to be recovered after more than 12 months	90,492,105	4,289,203
Expected to be recovered within 12 months	15,128,638	25,804,342
	105,620,743	30,093,545
Deferred income tax liability:		
Expected to be recovered after more than 12 months	4,039,707,627	3,602,155,319
Expected to be settled within 12 months	275,844	785,608
	4,039,983,471	3,602,940,927
Net deferred income tax liabilities	3,934,362,728	3,572,847,382

Deferred income tax assets and liabilities as at December 31 consist of:

	2019	2018
Deferred income tax assets:		
Minimum corporate income tax (MCIT)	7,139,458	4,289,203
Accrued expenses	14,489,025	19,239,920
Unamortized past service cost	6,490,989	5,924,809
Allowance for impairment of receivables	639,613	639,613
Net operating loss carry over (NOLCO)	76,861,658	-
	105,620,743	30,093,545
Deferred income tax liabilities:		
Unrealized gain on cumulative fair value adjustments of		
Investment properties	4,021,055,182	3,587,285,538
Financial assets at FVOCI	14,969,103	12,774,791
Retirement benefit asset	3,683,342	2,094,990
Unrealized foreign exchange gain	275,844	785,608
	4,039,983,471	3,602,940,927
Net deferred income tax liabilities	3,934,362,728	3,572,847,382

Realization of the future tax benefits related to the deferred income tax assets are dependent on many factors, including the Company's ability to generate taxable income in the future. The Company's management believes that the related future tax benefit will be realized.

Movements in net deferred income tax liabilities for the years ended December 31 are as follows:

	2019	2018
January 1	(3,572,847,382)	(3,329,229,617)
Credited to profit or loss	(364,919,967)	(244,060,762)
Charged to other comprehensive income	(3,734,837)	442,997
MCIT	7,139,458	-
December 31	(3,934,362,728)	(3,572,847,382)

The details of unrecognized deferred income tax assets on net operating loss carry over (NOLCO) at December 31 which could be carried over as deductible expense from taxable income for three (3) consecutive years following the year of incurrence are as follows:

Year incurred	Year of expiry	2019	2018
2016	2019	-	82,401,766
2017	2020	146,790,411	146,790,411
2018	2021	157,555,295	157,555,295
		304,345,706	386,747,472
Unrecognized DTA at 30%		91,303,712	116,024,242

The Company recognized NOLCO for the year ended December 31, 2019 amounting to P145,459,480. This can be carried over as a deductible expense from taxable income for three (3) consecutive years following taxable year of incurrence. The NOLCO will expire in 2022.

In compliance with the Tax Reform Act of 1997, the Company is required to pay the MCIT or the normal income tax, whichever is higher. The details of the MCIT that can be carried forward on an annual basis and credited against normal income tax payable within three (3) immediately succeeding years from the period when the MCIT was paid.

Year incurred	Year of expiry	2019	2018
2016	2019	-	4,289,203
2019	2022	7,139,458	-
		7,139,458	4,289,203

The movements in MCIT as at December 31 are as follows:

	2019	2018
January 1	4,289,203	9,000,102
Addition	7,139,458	-
Expired	(4,289,203)	(4,710,899)
December 31	7,139,458	4,289,203

A reconciliation of the income tax expense computed at the statutory income tax rate and the actual income tax expense as shown in the statements of total comprehensive income for the years ended December 31 follows:

	2019	2018
Tax at statutory rate of 30%	925,297,279	607,614,699
Additions (reductions) to income tax resulting from:		
Unrecognized NOLCO and MCIT	-	54,752,102
Expired MCIT	4,289,203	4,710,899
Other non-deductible expenses	917,953	3,342,508
Derecognition of fair value of equity investments at FVOCI	465,000	-
Loss (gain) on fair value adjustment of financial assets at FVTPL	(53,049)	282,612
Interest income subjected to final tax rate	(1,159,100)	(811,916)
Share in net income from joint venture	(30,371,134)	-
Dividend income	(534,466,185)	(418,344,629)
Actual provision for income tax	364,919,967	251,546,275

In 2019 and 2018, the Company used the itemized deduction in claiming deductions against the taxable income.

Note 20 - Related party transactions

In the normal course of business, the Company transacts with related parties. The following are the significant transactions and outstanding balances with related parties as at and for the years ended December 31:

	2019		2018		
	Transactions	Outstanding receivables (payables)	Transactions	Outstanding receivables (payables)	Terms and conditions
Subsidiaries:					
Rental income (a)	143,976,651	26,529,292	133,015,834	12,432,285	Balances to be collected in cash and are due generally within 60 days. These are non-interest bearing and are not covered by any security.
Management fees (b)	105,670,390	50,741,698	91,756,338	82,073,747	Balances to be collected in cash and are due generally within 30 days. These are non-interest bearing and are not covered by any security.
Administrative recharges by the Company	188,789,761	88,465,011	110,377,306	62,460,227	
Dividend income	1,781,548,010	49,000,000	1,389,336,760	31,900,000	
Advances	170,000,000	(1,570,000,000)	1,400,000,000	(1,400,000,000)	Balances are to be settled in cash and are generally due within 30 days. These balances are non-interest bearing and not covered by any guarantee.
Administrative recharges to the Company	62,919,206	(327,066,687)	53,614,699	(325,626,831)	
Rental expense (d)	4,610,159	(3,498,494)	4,417,500	(1,111,665)	
Entities under common control					
Rental income (a)	100,961,283	30,792,328	98,803,152	29,636,433	Balances to be collected in cash and are due generally within 60 days. These are non-interest bearing and are not covered by any security.
Dividend income	-	5,142,500	5,142,500	5,142,500	Balances to be collected in cash and are due generally within 30 days from date of declaration. These are non-interest bearing and are not covered by any security.
Advances (c)	-	1,144,187,554	116,581,067	1,144,187,554	Balances are to be collected in cash and are generally due within 30 days. These balances are non-interest bearing and not covered by any guarantee.
Management fees (b)	19,683,264	2,978,436	18,033,432	25,685,950	
Administrative recharges by the Company	62,163,810	63,759,193	134,129,318	33,864,775	
Administrative recharges to the Company	3,974,481	(622,886)	3,753,345	(393,189)	Balances are to be settled in cash and are generally due within 30 days. These balances are non-interest bearing and not covered by any guarantee.
Condominium dues (e)	1,286,796	-	2,275,069	-	
Retirement fund					
Contributions	12,872,582	-	-	-	Refer to Note 18.
Key management personnel:					
Salaries and other short-term employee benefits	45,453,358	-	47,966,039	-	Salaries and wages are settled in cash at the period incurred. Other short-term benefits are payable within the current year. There were no stock options or other long-term benefits provided in 2019 and 2018 nor amounts due to/from key management personnel as at December 31, 2019 and 2018.
Post-employment benefits	4,723,941	44,572,193	4,146,949	48,248,224	Refer to Note 18.

Significant agreements with related parties are as follows:

a) The Company has the following rental agreements with its subsidiaries and affiliate:

- 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. On September 19, 2017, the agreement was renewed by both parties for another 5 years until January 6, 2023. Rental income is calculated at 10% of SLPC's annual rental revenue from mall operations plus 50% of the carpark's net income.
- 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.
- A portion of the Company's land is being leased by EDSA Shangri-La Hotel and Resort Inc. (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. On August 16, 2017, the agreement was renewed by ESHRI for another 25 years until August 27, 2042. Rental revenue is based on a fixed percentage of the Hotel's room, food and beverage, dry goods and other service revenue.

b) The Company has management service agreement with its subsidiaries wherein the former shall provide human resource administration services for shared employees and project costs. The subsidiaries shall pay the Company management fees at actual cost plus taxes (Note 17).

c) In 2018, Classic Elite Holdings Limited, an affiliate with common key management personnel, advanced cash amounting to P116,581,067. Remaining transactions and balance pertain to advanced cash to other entities under common control.

d) The Company leases its office space from SLPC for a period of three (3) years that ended on May 17, 2019 and was extended for another three (3) years that will end on May 16, 2022. The Company agrees to pay SLPC for a fixed monthly rental amounting to P472.77 per square meter with an annual escalation of 5%.

e) The Company pays dues to The St. Francis Shangri-La Place Condominium Corporation for real property tax, association dues and condominium dues for condominium units owned by the Company in The St. Francis Shangri-La Place.

There were no write-offs or provisions made in relation to related party transactions and balances as at and for the years ended December 31, 2019 and 2018.

Note 21 - Provisions and 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 P122,000,000, exclusive of interest. In the answer ex abundance ad cautelam, as a counterclaim, the Company is asking for approximately P182,000,000 in overpayment plus P7,000,000 in damages and litigation costs. Due to technical reasons, the principal contractor re-filed the case on 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 P46,905,987, and to the Company, the sum of P8,387,484 (net award to the principal contractor was P38,518,503).

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 P24,497,556, 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 P7,590,000 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.

On October 15, 2019, the Supreme Court En Banc made its decision to modify the Arbitral award and the CA decision in the net award of the principal contractor amounting to P52,635,679. Such award includes: (a) unpaid progress billings for the contact bills and change orders, (b) award for the accomplished but unpaid change orders, (c) award for the legal interest and arbitration costs, and deducted by the awards to the Company for the liquidated damages, other counter claims and arbitration costs.

Finally, the imposable interest on the net monetary awards after the finality of this judgment is modified to conform to prevailing jurisprudence, which allows the rate of only 6% per annum from the time the awards attain finality until full satisfaction thereof. In addition, the principal amount due, plus the interest of 6% per annum, shall further earn interest of 6% per annum until full satisfaction.

Within the reglementary period, the Company filed on January 27, 2020 a motion for partial reconsideration, which if granted will reduce the net award to the principal contractor. The Supreme Court resolution on the said motion is pending as at April 1, 2020.

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

Note 22 - Lease commitments

(a) 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 The St. Francis Shangri-La Place 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 for the years ended December 31 are as follows:

	Note	2019	2018
Percentage basis	20	244,937,934	231,818,987
Fixed monthly rental		4,992,268	4,754,542
		249,930,202	236,573,529

Total future minimum lease collections under the non-cancellable operating lease with fixed monthly rental as at December 31 are:

	2019	2018
Within one (1) year	3,625,284	4,984,575
One to two (1 to 2) years	-	3,625,284
	3,625,284	8,609,859

(b) Company as a lessee

The Company leases its office space from SLPC and incurred rent expense amounting to P4,610,159 in 2019 (2018 - P4,417,500) (Note 20).

Total future minimum lease payments for these non-cancellable operating lease as at December 31 are:

	2019	2018
Within one (1) year	4,027,969	1,667,497
One to two (1 to 2) years	5,604,771	-
Two to three (2 to 3) years	3,610,436	-
	13,243,176	1,667,497

Note 23 - Net debt reconciliation

The net debt reconciliation as at December 31 is presented below:

	Notes	2019	2018
Bank loans, January 1	13	3,300,000,000	2,533,333,333
Cash flows		1,186,666,667	766,666,667
Bank loans, December 31	13	4,486,666,667	3,300,000,000
Accrued interest	12	17,798,369	18,737,135
Cash and cash equivalents	2	(280,738,936)	(176,870,650)
Net debt		4,223,726,100	3,141,866,485

Movements in financing liabilities comprising the net debt are disclosed in the related notes to the separate financial statements.

Note 24 - Financial risk and capital management

24.1 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk, and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by the Company's management under policies approved by its Board of Directors. These policies cover financing structure, foreign exchange and interest rate risk management, guarantees and credit support, as well as treasury control framework. There are no changes in the Company's risk management plans for the years ended December 31, 2019 and 2018.

24.1.1 Market risk

(a) Foreign exchange risk

The Company's exposure to currency risk is minimal and limited only to foreign currency denominated cash in banks and cash equivalents. Changes in foreign currency exchange rates of these asset is not expected to have a significant impact on the financial position or results of operations of the Company.

The Company's foreign currency denominated cash in banks and cash equivalents as at December 31, 2019 and 2018 and net foreign exchange gains/losses for the years ended December 31, 2019 and 2018 are disclosed in Note 2.

(b) Price risk

The Company's exposure to price risk is minimal and limited only to financial assets at fair value through profit or loss (Note 3) and FVOCI (Note 9) presented in the statement of financial position. Changes in market prices of these financial assets are not expected to have a significant impact on the financial position or results of operations of the Company.

(c) Cash flow and fair value interest risk

Interest rate risk refers to risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company's interest-bearing financial instruments include long-term loan (Note 13). These financial instruments are not exposed to fair value interest rate risk as these are carried at amortized cost. Likewise, these instruments are not exposed to variability in cash flows as these carry fixed interest rate, to be repriced every 30 to 180 days as agreed by the parties.

The sensitivity analysis has been determined based on the exposure to interest rates for non-derivative financial instruments at the end of each reporting period. The sensitivity rate in the analysis is the same rate used in reporting interest rate risk internally to key management personnel and represents the Company's best estimate of the reasonably possible change in interest rates.

At December 31, 2019, if interest rates on bank loans had been 100 basis points lower or higher with all other variables held constant, post-tax profit for the year would have been higher by/lower by P10,499,376 (2018 - higher by/lower by P13,530,881), mainly as a result of higher/lower interest expense on floating-rate bank loans. Management uses 100 basis points as threshold in assessing the potential impact of interest rate in the operations.

24.1.2 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Company. Credit risk arises from cash deposits with banks, as well as credit exposure to customers and suppliers.

Exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets. The Company has no significant concentration on credit risk.

The Company's financial assets are categorized based on the Company's collection experience with the counterparties as follows:

a. High performing - settlements are obtained from counterparty following the terms of the contracts without much collection effort.
b. Underperforming - some reminder follow-ups are performed to collect accounts from counterparty.
c. Credit impaired - constant reminder follow-ups are performed to collect accounts from counterparty.

The following tables summarize the credit quality of the Company's financial assets per category and aging analysis of financial assets as at December 31:

	High performing	Under performing	Credit impaired	Total
2019				
Current assets				
Cash and cash equivalents	280,738,936	-	-	280,738,936
Financial assets at FVTPL	2,450,793	-	-	2,450,793
Trade and other receivables	1,468,712,445	-	2,132,043	1,470,844,488
Non-current assets				
Advances to a joint venture and a subsidiary	1,020,489,374	-	-	1,020,489,374
Financial assets at FVOCI	193,183,642	-	-	193,183,642
Refundable deposits*	986,424	-	-	986,424
	2,966,561,614	-	2,132,043	2,968,693,657
2018				
Current assets				
Cash and cash equivalents	176,870,650	-	-	176,870,650
Financial assets at FVTPL	2,273,965	-	-	2,273,965
Trade and other receivables	1,461,244,685	-	2,132,043	1,463,376,728
Non-current assets				
Advances to a subsidiary	100,000,000	-	-	100,000,000
Financial assets at FVOCI	171,561,142	-	-	171,561,142
Refundable deposits*	986,424	-	-	986,424
	1,912,936,866	-	2,132,043	1,915,068,909

** Presented within other non-current assets in the separate statements of financial position.*

There are no collaterals held as security or other credit enhancements attached to the Company's financial assets.

Allowance for impairment of receivables as at December 31, 2019 and 2018 amounted to P2,132,043. Apart from the financial assets covered by allowance, the remaining financial assets are classified as neither past due nor impaired.

The credit quality of the Company's financial assets is discussed below.

(a) Cash and cash equivalents

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.

As at December 31, the Company's cash and cash equivalents are deposited in the following types of financial institutions as approved by the Board of Directors:

	2019	2018
Universal banks	258,604,001	123,197,883
Commercial bank	22,002,167	53,517,500
	280,606,168	176,715,383

Cash in banks and cash equivalents as at December 31, 2019 and 2018 are all considered high grade financial assets. The remaining cash in the statement of financial position pertains to cash on hand which is not exposed to credit risk (Note 2).

(b) Trade and other receivables

There is no concentration of credit risk with respect to receivables since the Company has a large number of counterparties involved.

Trade receivables

The Company's rental income is concentrated mainly to its related parties and is subject to normal credit terms. Credit risk is minimized since the related parties are paying on normal credit terms and no history of default. The Company also enter into lease agreements with recognized and creditworthy third parties. It is the policy of the Company that all customers who trade on credit terms are subjected to credit verification procedures and are required to put up security deposits and pay advance rentals, if necessary. The Company does not offer credit terms to third parties without the specific approval of management. In addition, receivable balances are monitored on an on-going basis with the result that the exposure of the Company to bad debts is not significant.

The Company applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. There is no loss allowance provided for trade receivables as at December 31, 2019 and 2018.

	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
December 31, 2019					
Expected loss rate	0%	0%	0%	100%	
Trade receivables	57,661,227	-	-	-	57,661,227
Loss allowance	-	-	-	-	-
January 1, 2019					
Expected loss rate	0%	0%	0%	100%	
Trade receivables	66,068,718	-	-	-	66,068,718
Loss allowance	-	-	-	-	-

Non-trade receivables; Advances to a joint venture and a subsidiary

The credit exposure on nontrade receivables is considered to be minimal as there is no history of defaults and collections are expected to be made within 30 to 60 days. In respect of balances due from related parties, management considered the credit quality of these receivables to be good based on financial condition of the related parties.

(c) Refundable deposits

Refundable deposits include cash required from the Company for utilities maintenance. This is refundable at the end of the lease term. Refundable deposits are reflected at their carrying amounts which are assumed to approximate their fair values. Considering the balance and average term of outstanding lease arrangements, management believes that the impact of discounting is not significant. Refundable deposits are considered as high grade financial assets.

24.1.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company 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 table below analyzes the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Balances due within 12 months approximate their carrying balances, as the impact of discounting is not significant.

	0 - 90 days	91 - 180 days	181 - 360 days	Total
December 31, 2019				
Long-term loan	133,333,333	133,333,333	266,666,667	533,333,333
Current portion of bank loans	3,020,000,000	-	-	3,020,000,000
Accounts payable and other current liabilities*	2,040,736,863	-	-	2,040,736,863
Dividends payable	-	47,544,516	-	47,544,516
Deposits from tenants	-	-	1,269,161	1,269,161
Future interest payable	47,418,376	19,910,995	34,989,658	102,319,029
	5,241,488,572	200,788,844	302,925,486	5,745,202,902
At December 31, 2018				
Long-term loan	133,333,333	133,333,333	266,666,667	533,333,333
Current portion of bank loans	-	1,300,000,000	-	1,300,000,000
Accounts payable and other current liabilities*	1,878,154,169	-	-	1,878,154,169
Dividends payable	-	42,683,650	-	42,683,650
Deposits from tenants	-	-	1,269,161	1,269,161
Future interest payable	34,125,000	32,791,667	32,258,333	99,175,000
	2,045,612,502	1,508,808,650	300,194,161	3,854,615,313

**Excluding payable to government agencies and output value added tax*

24.2 Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating, complies with externally imposed capital requirements, and maintains healthy capital ratios in order to support its business and maximize shareholder 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 shareholder, return capital to shareholder or issue new shares. There were no changes in the Company's strategies and policies during 2019 and 2018.

The Company monitors capital using a gearing ratio, which is net debt, including long-term loan less cash and cash equivalents, divided by capital. Capital pertains to total equity. The gearing ratio as at December 31 is presented below:

	2019	2018
Net debt		
Long-term loan	4,486,666,667	3,300,000,000
Less: cash and cash equivalents	280,738,936	176,870,650
	4,205,927,731	3,123,129,350
Total equity	23,495,621,695	21,591,599,825
Gearing ratio	17.90%	14.46%

The Company was able to meet its capital management objectives.

24.3 Fair value of financial assets and liabilities

The table below summarizes the carrying amounts and fair values of financial assets and liabilities at December 31 as follows:

	2019		2018	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Financial assets at FVTPL	2,450,793	2,450,793	2,273,965	2,273,965
Loans and receivables				
Cash and cash equivalents	280,738,936	280,738,936	176,870,650	176,870,650
Trade and other receivables	1,468,712,445	1,468,712,445	1,461,244,685	1,461,244,685
Financial assets at FVOCI	87,517,293	193,183,642	87,517,293	171,561,142
Refundable deposits	986,424	986,424	986,424	986,424
Advances to a joint venture and a subsidiary*	1,020,489,374	-	100,000,000	-
Total assets	2,860,895,265	1,946,072,240	1,828,893,017	1,812,936,866
Financial liabilities at amortized cost				
Long-term loan	4,486,666,667	4,486,666,667	3,300,000,000	3,300,000,000
Accounts payable and other current liabilities**	2,040,736,862	2,040,736,862	1,878,154,169	1,878,154,169
Dividends payable	47,544,516	47,544,516	42,683,650	42,683,650
Deposits from tenants	1,269,161	1,269,161	1,269,161	1,269,161
Total liabilities	6,576,217,206	6,576,217,206	5,222,106,980	5,222,106,980

** Presented within investments and advances in the separate statement of financial position*
***Excluding payable to government agencies and output value added tax*

These carrying amounts approximate fair values at reporting dates due to the short-term nature of financial assets and liabilities. Refer to Note 9 for the methods and assumptions used to estimate the fair values of financial assets at FVOCI as at December 31, 2019 and 2018.

Since the long-term loan is interest-bearing, the Company believes the fair value of the bank loan approximates its carrying amount (Note 13).

Note 25 - Significant accounting estimates, assumption and judgments

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates, assumptions and judgments concerning the future. The resulting accounting estimates will, by definition seldom equal the related actual results. The estimates and assumptions applied by the Company and which may cause adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

25.1 Critical accounting estimates and assumptions

(a) 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 disclosed in Note 8 and the fair values, which are also the values of investment properties as at December 31, 2019 and 2018 are disclosed in Note 8.

Fair value gain on investment properties represent significant amounts both in value of property and income. Any +/- 1% change in (assumption) increases/decreases total assets and income before tax by P142.27 (2018 - P117.16 million).

(b) Useful lives of property and equipment

The useful life of each item of the Company's property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimate is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any property and equipment or investment property would increase the recorded operating expenses and decrease non-current assets.

In 2019 and 2018, there were no changes in the estimated useful lives of property and equipment and investment properties. As at December 31, 2019, property and equipment have a carrying value of P82,701,599 (2018 - P83,574,330) (Note 10).

(c) Determining retirement benefit obligation

The Company maintains a qualified defined benefit retirement plan. The calculations of retirement costs of the Company are dependent upon the use of assumptions, including discount rates, expected return on plan assets, interest cost, future salary increases, benefits earned, mortality rates, the number of employee retirements, the number of employees electing to take lump-sum payments and other factors.

Actual results that differ from assumptions are accumulated and amortized over future periods and, therefore, generally affect recognized expense and the recorded obligation in future periods. While the Company believes that the assumptions used are reasonable, differences in actual experience or changes in assumptions may materially affect the Company's retirement obligation and future expense.

In determining the long-term rates of return, the Company considers the nature of the plans' investments, an expectation for the plans' investment strategies, historical rates of return and current economic forecasts. The Company evaluates the expected long-term rate of return annually and adjusts such rate as necessary. The possible effects of sensitivities surrounding the actuarial assumption at the reporting date are presented in Note 18.

25.2 Critical accounting judgments

(a) Assessing control over subsidiaries (Note 7)

The 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 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 Company has determined that it controls its subsidiaries.

(b) 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 at December 31, 2019 and 2018 are disclosed in Notes 5, 8 and 10, respectively.

(c) Recoverability of investments in an associate and a joint venture

The Company's investments in associate and a joint venture are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable.

Management believes that the current level of allowance for impairment losses as at December 31, 2019 and 2018 is sufficient to cover non-recoverable amount.

(d) Impairment of non-financial assets

The Company reviews its non-financial assets for any indicator of impairment in value. This includes considering certain factors such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. If indicators of impairment have been identified, the Company determines the recoverable amount of the asset, which is the higher of the asset's fair value less costs to sell and value in use.

Given historical profitable operations and profit projections, the Company has assessed that there are no impairment indicators with respect to the non-financial assets as at December 31, 2019 and 2018.

(e) Operating lease commitments - Company as lessor

The Company owns parcels of land and a carpark 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 8.

(f) Income tax (Note 19)

A certain degree of judgment is required in determining the provision for income taxes, as there are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Company recognizes liabilities for tax audit issues when it is probable. The liabilities are based on estimates whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Further, 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 at December 31, 2019 and 2018 are disclosed in Note 19.

(g) Contingencies (Note 21)

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.

(h) Low value leases (Note 22)

Payments associated with leases of low-value assets are recognized on a straight-line basis as an expense in the profit or loss. Management considered lease agreements with third parties as low value leases.

Note 26 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

26.1 Basis of preparation

The separate financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippines Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by SEC.

The separate financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value at FVTPL, FVOCI and investment properties.

The preparation of separate financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 25.

The Company has also prepared consolidated financial statements in accordance with PFRS for the Parent company and its Subsidiaries (the "Group"). In the consolidated financial statements, subsidiary undertakings - which are those companies in which the Group, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations - have been fully consolidated.

Users of these separate financial statements should read them together with the Group's consolidated financial statements as at and for the years ended December 31, 2019 and 2018 in order to obtain full information on the financial position, results of operations and changes in financial position of the Company as a whole. The consolidated financial statements of the Group can be obtained from SEC or from the Parent's website: www.shangproperties.com.

Changes in accounting policies and disclosures

(a) New standards, amendments and interpretations adopted by the Company

- PFRS 16, 'Leases' (effective January 1, 2019). PFRS 16, 'Leases', affects primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

  In applying PFRS 16 for the first time, the Company applied the modified retrospective method and used the practical expedient permitted by the standard on accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases.

  The adoption of the standard did not have a significant impact on the Company's separate financial statements. Its existing leases with third parties were classified as low-value leases, in accordance with the standard's exemption.

- Philippine Interpretation IFRIC 23 - *Uncertainty over Income Tax Treatments* (effective January 1, 2019). The interpretation explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

  - how to determine the appropriate unit of account;
  - that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored;
  - that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;
  - that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and;
  - that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

  The adoption of the interpretation above had no material impact on the separate financial statements of the Company.

- Amendments to PAS 19 - *Plan Amendment, Curtailment or Settlement* (effective January 1, 2019). The amendments to IAS 19 Employee Benefits clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must:

  - calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change.
  - recognise any reduction in a surplus immediately in profit or loss, either as part of past service cost or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling.
  - separately recognise any changes in the asset ceiling through other comprehensive income.

  The adoption of the interpretation above had no material impact on the separate financial statements of the Company.

- *IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost)*

  In March 2019, the IFRIC in its agenda decision concluded that the principles and requirements in International Accounting Standard (IAS) 23, Borrowing Costs, provide an adequate basis for an entity to determine whether to capitalize borrowing costs incurred related to the construction of a residential multi-unit real estate development with the intention of selling the individual units in the building to customers in which the entity intends to enter into contracts with customers for the unsold units as soon as it finds suitable customers.

  The terms and relevant facts and circumstances of the contracts with customers are such that, applying International Financial Reporting Standard (IFRS) 15, Revenue from Contracts with Customers, par. 35(c), the entity transfers control of each unit over time and therefore, recognizes revenue over time.

  The IFRIC concluded that any inventory (work-in-progress) for unsold units under construction that the entity recognizes is not a qualifying asset, as the asset is ready for its intended sale in its current condition - i.e., the developer intends to sell the partially constructed units as soon as it finds suitable customers and, on signing a contract with a customer, will transfer control of any work-in-progress relating to that unit to the customer. Accordingly, no borrowing costs can be capitalized on such unsold real estate inventories.

  The SEC, in its Memorandum Circular No. 4-2020, provided for the relief to the Real Estate Industry by deferring the implementation of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) until December 31, 2020. Effective January 1, 2021, real estate companies in the Philippines shall adopt the IFRIC interpretations and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. The Company opted to avail this relief for the current period. The accounting policies applied for borrowing costs are disclosed in Note 26.12. If the Company adopted the IFRIC agenda decision, the Company would recognize capitalized borrowing costs as expense in the period it was incurred.

(b) New standards, amendments and interpretations to existing standards not yet adopted

A number of new standards, amendments to standards and interpretations to existing standards are effective for annual periods after January 1, 2019 and have not been early adopted nor applied by the Company in preparing these separate financial statements. None of these standards are expected to have significant effect on the separate financial statements of the Company.

26.2 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.

26.3 Financial instruments

Financial assets

(a) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value either through other comprehensive income ("OCI") or through profit or loss, and
- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(c) Subsequent measurement

(i) Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other income, net, together with foreign exchange gains and losses. Impairment losses are presented in other general and administrative expenses in the separate statement of total comprehensive income.

The Company's financial assets at amortized cost consist of cash and cash equivalents (Note 2), trade and other receivables (Note 4) and refundable deposits classified under other non-current assets (Note 11) in the separate statement of financial position.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other income, net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income, net, and impairment expenses are presented in other general and administrative expenses in the separate statement of total comprehensive income.

  The Company does not have debt instruments at FVOCI as at December 31, 2019 and 2018.

- FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented within other income, net, in the period in which it arises.

  The Company does not have debt instruments at FVTPL as at December 31, 2019 and 2018.

(ii) Equity instruments

The Company subsequently measures all equity investments at fair value through profit or loss, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Company's right to receive payments is established.

At December 31, 2019 and 2018, the Company's financial assets measured at FVOCI represent unquoted shares of stock of related parties and quoted investments in various golf club shares and stocks. These are classified in the separate statement of financial position (Note 9).

(d) Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of counterparties over a period of 36 months before January 1, 2018 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has assessed that the impact of forward-looking information on the loss rates applied is immaterial.

Impairment losses on receivables are presented in other general and administrative expense in the separate statement of total comprehensive income. Subsequent recoveries are credited to other income.

Financial liabilities

(a) Classification and measurement

Financial liabilities are classified in the following categories: financial liabilities at fair value at FVTPL (including financial liabilities held for trading and those that designated at fair value); and financial liabilities at amortized cost.

Financial liabilities that are not classified at FVTPL fall into this category and are measured at amortized cost.

The Company's long-term loan (Note 13) and accounts payable and other current liabilities (excluding payable to government agencies and output value added tax) (Note 12) are classified under financial liabilities at amortized cost.

(b) Initial recognition

Regular purchases and sales of financial assets are recognized on the trade date (the date on which the Company commits to purchase or sell the asset).

Financial assets and liabilities not carried at FVTPL are initially recognized at fair value plus transaction costs. Financial assets and liabilities carried at FVTPL are initially recognized at fair value, and transaction costs are recognized as expense in profit or loss.

The Company recognizes a financial liability in the statement of financial position when the Company becomes a party to the contractual provision of the instrument.

Derecognition of financial instrument

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognized when the obligation is discharged or is 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 modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting of financial instrument

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty. There are no offsetting arrangements as at December 31, 2019 and 2018.

26.4 Trade and other receivables

Trade receivables arising from regular sales with credit term of 30 to 60 days and other receivables are recognized initially at fair value and subsequently measured at cost using the effective interest method, less any provision for impairment.

The Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized within operating expenses in the statement of total comprehensive income. When a receivable remains uncollectible after the Company has exerted all legal remedies, it is written-off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written-off are credited against other general and administrative expenses in the statement of total comprehensive income.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before January 1, 2018 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Prior to the adoption of PFRS 9, a provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the trade receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade and other receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Refer to Note 26.3 for other relevant accounting policies on trade and other receivables.

26.5 Properties held for sale

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

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.

Properties held for sale are derecognized when they are sold or there are no future benefits to the Company. The carrying amount of those properties held for sale is recognized as an expense, reported as cost and expenses in the period in which the related revenue is recognized.

26.6 Prepayments and other assets

Prepayments are expenses paid in cash and recorded as assets before they are used or consumed, as the service or benefit will be received in the future. Prepayments expire and are recognized as expense either with the passage of time or through use or consumption.

Creditable withholding taxes are carried at face amount or at nominal amount. Creditable withholding taxes are included in current assets, except when these are expected to be utilized more than twelve months after the end of the reporting period, in which case these are classified as non-current assets. The Company's creditable withholding taxes are part of the prepaid taxes under prepaid expenses and other current assets in the balance sheet. Creditable withholding taxes are derecognized when utilized or applied against income tax due.

Other current assets include assets that are realized as part of the normal operating cycle and are expected to be realized within twelve months after the reporting period.

Deposit for a future project represents cash deposit with a third party for a purchase of a property.

Deposit for a future project is derecognized upon full payment to the third party. The Company then determines whether the property is to be classified as property held for sale, an investment property, or property and equipment depending on the usage of the property.

26.7 Investments and advances

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Investment in a subsidiary in the separate financial statements are accounted for using the cost method in accordance with PAS 27 (Amended), Separate Financial Statements. Under this method, income from investment is recognized in profit or loss only to the extent that the investor receives distributions from accumulated profits of the investee arising after the acquisition date. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as reduction of the cost of the investment.

The Company recognizes dividend income from investments in profit or loss when its right to receive dividends has been established.

When the Company ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(b) Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in associate is initially recognized at cost. It is subsequently carried in the separate financial statements at cost, less allowance for impairment losses.

Interests in joint ventures are accounted for using the equity method, after initially being recognized at cost in the statement of financial position.

Under the equity method of accounting, the interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Company's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

Investment in associates and joint ventures are derecognized upon disposal. Gains and losses on disposals of these investments are determined by comparing the proceeds with the carrying amount and are included in profit or loss.

Impairment of investment is presented in Note 26.10.

(c) Deposits for future share subscriptions

Deposits for future share subscriptions represents amounts received from subsidiaries which will be settled by way of issuance of the Company's own shares at a future date. These are recognized upon receipt of cash and measured at face value or nominal amount.

Deposit for future share subscription is derecognized once share has been issued.

Refer to Note 26.4 for relevant accounting policies on advances to subsidiaries and associate.

26.8 Investment properties

Investment property is defined as property held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both, rather than for: (a) use in the production of supply of goods or services or for administrative purposes; or (b) sale in the common course of business.

The Company's investment properties are held for capital appreciation and is not occupied by the Company. The Company has adopted the fair value model for its investment property (Note 8).

After initial recognition, investment properties are carried at fair value as determined by an independent firm of appraisers. Fair value is based on direct income capitalization approach and market comparison approach, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by the independent appraiser. 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.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the profit or loss during the financial period in which they are incurred.

Changes in fair values are recognized in the statement of total comprehensive income within gain/loss on fair value adjustment of investment properties.

An investment property is derecognized from the statement of financial position on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Removal of an item within investment property is triggered by a change in use, by sale or disposal. If an investment property becomes owner-occupied, it is reclassified as property and equipment (Note 26.9), and its fair value at the date of reclassification becomes its cost for accounting purposes. Gain or loss arising from disposal is determined as the difference between the net disposal proceeds and the carrying amount of the asset. Gain or loss on disposal is recognized in profit or loss in the period of the disposal.

Property that is being constructed or developed for future use as investment property is classified as investment property.

Impairment of investment properties is presented in Note 26.10.

26.9 Property and equipment

Property and equipment are stated at historical cost less depreciation and amortization, and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items, which comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of total comprehensive income within other general and administrative expenses during the financial period in which they are incurred.

Depreciation and amortization of property and equipment are calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives (in years), as follows:

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

Major renovations are depreciated over the remaining useful life of the related asset.

The assets' residual values and estimated useful lives are reviewed periodically, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 26.3).

The carrying amount of an item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its disposal at which time the cost and related accumulated depreciation and amortization are removed from the accounts. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized under other income or expense in the statement of total comprehensive income.

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.

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 the statement of total comprehensive income.

26.10 Impairment of non-financial assets

Asset that has an indefinite useful life such as investment in a subsidiaries and associates not subject to amortization is evaluated regularly for impairment. Assets that have definite useful lives and are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that are previously impaired are reviewed for possible reversal of the impairment at each reporting date. Subsequent reversals are credited to other income in the statement of total comprehensive income.

The Company determines at each reporting date whether there is any objective evidence that the investment in subsidiaries and associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the subsidiaries and associate and its carrying value and recognizes the amount in profit or loss. An allowance is set-up for any substantial and presumably permanent decline in value of investments.

26.11 Accounts payable and other current liabilities

Accounts payable and other current liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable and other current liabilities are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, these are presented as non-current liabilities.

Accounts payable and other current liabilities are measured at the original invoice amount as the effect of discounting is immaterial.

Relevant accounting policies for classification, recognition, measurement and derecognition of accounts payable and other current liabilities are presented in Note 26.3.

26.12 Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non- cash assets transferred or liabilities assumed, is recognised in profit or loss as other income.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. All other borrowing costs are recognized and charged to profit or loss in the year in which they are incurred. The Company decided to avail relief issued by the SEC per Memorandum Circular No. 4-2020. The SEC provided for the relief to the real estate industry by deferring the implementation of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) until December 31, 2020. As at December 31, 2019 and 2018, the capitalized borrowing costs amounted to P110,125,555 (2018 - nil).

26.13 Fair value measurement

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 of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Company, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1. The financial assets at fair value through profit or loss and listed financial assets at FVOCI financial assets are classified under Level 1 category.

The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2. If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3. The Company's unlisted financial assets at FVOCI financial assets are included in Level 3.

The Company uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.
- Income approach - Valuation techniques that convert future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The investment properties of the Company are classified under Level 2 and 3 category.

26.14 Current and deferred income tax

The tax expense comprises current and deferred income taxes. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, NOLCO) and unused tax credits (MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized. The Company reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset. Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

Deferred income tax liabilities are recognized in full for all taxable temporary differences, except to the extent that the deferred income tax liability arises from the initial recognition of goodwill. Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Company is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Company the ability to control the reversal of the temporary difference not recognized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority where there is an intention to settle the balances on a net basis.

Deferred income tax assets and liabilities are derecognized when relevant temporary differences have been realized and settled, respectively. The Company reassesses at each reporting the need to recognize previously unrecognized deferred income tax asset.

26.15 Provisions

Provisions are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses. Provisions are derecognized when the obligation is paid, cancelled or has expired.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the reversal is recognized in the statement of total comprehensive income within the same line item in which the original provision was charged.

26.16 Equity

(a) Share capital

Share capital consists of common shares, which are stated at par value, that are classified as equity.

Share premium is recognized for the excess proceeds and subscriptions over the par value of the shares issued.

(b) Treasury shares

Where any member of the Company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity.

(c) Retained earnings

Retained earnings includes current and prior years' results of operations, net of transactions with shareholders and dividends declared, if any.

(d) Dividend distribution

Dividend distribution to Company's shareholder is recognized as a liability in its separate financial statements in the period in which the dividends are approved by the Board of Directors.

26.17 Earnings per share

Basic earnings per share is calculated by dividing net income by the weighted average number of common shares in issue during the year.

Diluted earnings per share is computed in the same manner as basic earnings per share, however, profit attributable to common shareholders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares.

26.18 Employee benefits

(a) Retirement benefits

The Company maintains a defined benefit retirement plan determined by periodic actuarial calculations. This defined benefit retirement plan is funded through payments to a trustee-administered fund and determined by periodic actuarial calculations. A defined benefit plan is a retirement plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the statement of financial position in respect of defined benefit retirement plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. In cases when the amount determined results in a surplus (being an excess of the fair value of the plan assets over the present value of the defined benefit obligation), the Company measures the resulting asset at the lower of: (a) such amount determined; and (b) the present value of any economic benefits available to the Company in the form of refunds or reductions in future contributions to the plan. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest of government bonds converted into zero coupon rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity which approximate the terms of the related retirement liability.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in profit or loss.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting date are discounted to present value.

(c) Short-term employee benefits

The Company recognizes a liability and an expense for short-term employee benefits which include salaries, paid sick and vacation leaves and bonuses. Bonuses are based on a formula that takes into consideration the resulting qualified profits. The Company recognizes a provision when contractually obliged or when there is a past practice that has created a constructive obligation.

Liabilities for employee benefits are derecognized when the obligation is settled, cancelled or has expired.

26.19 Revenue and expense recognition

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.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or as an agent. The Company has concluded that it is acting as principal in its revenue arrangements.

(a) Rental income

Rental income from operating leases (the Company is the lessor) is recognized as income on a straight-line basis over the lease term or based on a certain percentage of gross revenue of the lessees, whichever is applicable. When the Company provides incentives to its lessees, the cost of incentives are recognized over the lease term, on a straight-line basis, as a reduction of rental income.

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

(b) Sale of condominium units and cost of condominium units sold

Revenue from condominium sales are recognized in full (ie. point in time) once the Company has assessed that the contract meets all criteria for revenue recognition.

Cost of condominium units sold is recognized simultaneously with revenue. Cost of condominium units sold pertains only to the cost of the property as all other expenses are shouldered by the buyer.

(c) Interest income and expense

Interest income and expense are recognized in profit or loss for all interest-bearing financial instruments using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Once a financial asset or a Company of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the original effective interest rate.

Interest income on bank deposits is recognized when earned, net of final tax.

(d) Dividend income

Dividend income is recognized when the right to receive payment is established.

(e) Other income

Other income is recognized when earned.

(f) Cost and expenses

Cost and expenses are recognized when these are incurred.

26.20 Leases

(a) Company is the lessor

Rental income from operating lease is recognized on a straight-line basis over the term of the relevant lease or based on a certain percentage of gross revenue of the lessees, whichever is applicable. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term. Assets under these arrangements are classified as investment property in the statement of financial position (Note 26.8).

(b) Company is the lessee

The Company has adopted PFRS 16 Leases using the modified retrospective approach from January 1, 2019, as permitted under the specific transition provisions in the standard (Note 26.1).

Aside from exemptions in the standard for short-term and low-value leases which are recognized as operating leases under the provisions of PAS 17, lease payments are discounted using the interest rate implicit in the lease. Payments for leases of properties and office equipment are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Accounting policies applied until December 31, 2018

Leases, where the Company has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is apportioned between the liability and finance charges using the effective interest method. Finance charges are reflected in the statement of total comprehensive income through profit or loss. Rental obligations, net of finance charges, are included in liabilities in the statement of financial position. The property and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Leases, in which substantially all the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged in the statement of total comprehensive income through profit or loss on a straight-line basis over the period of the lease.

26.21 Foreign currency transactions and translation

(a) Functional and presentation currency

Items included in the separate financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The separate financial statements are presented in Philippine Peso, which is the functional and presentation currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the date of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

26.22 Related party relationships and transactions

Related party relationship exists when one party has the ability to control the other party, directly or indirectly through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors, or its shareholder. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

26.23 Contingencies

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

26.24 Events after the reporting period

Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the separate financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the separate financial statements when material.

Note 27 - Events after the reporting period

In March 2020, the Philippine Government declared a community quarantine within Metro Manila to mitigate the spread of the COVID-19 virus. The ongoing quarantine measures not only require people to stay at home but has caused domestic and international travel bans and closure of practically all business establishments. Consequently, the Company suspended its lease operations. While the Company has already seen some adverse effects of the community quarantine on the financial results, the full impact of the global pandemic, however, is yet to be established.

Note 28 - Supplementary information required by Bureau of Internal Revenue (BIR)

The following information required by Revenue Regulations No. 15-2010 is presented for purposes of filing with the BIR and is not a required part of the basic separate financial statements.

(a) Output value-added tax (VAT)

Output VAT declared for the year ended December 31, 2019 and the revenues upon which the same was based consist of:

	Gross amount of revenues	Output VAT
Subject to 12% VAT		
Rental revenue	536,140,923	64,336,911

(b) Input VAT

Movements in input VAT for the year ended December 31, 2019 follow:

Beginning balance	3,130,339
Current year's purchases:	
Capital goods subject to amortization	16,001,427
Purchases other than capital goods	39,854,437
Input tax applied against output tax	(42,719,679)
Total input VAT	16,266,524

(c) Importations

There were no customs, import, duties and tariff fees for the year ended December 31, 2019 since the Company is not engaged in importation activities.

(d) Excise tax

There were no transactions subject to excise tax for the year ended December 31, 2019.

(e) Documentary stamp tax

Documentary stamp taxes paid for the year ended December 31, 2019 amounted to P27,349,774 which mainly pertain to taxes on dividends and cash advances.

(f) All other local and national taxes

All other local and national taxes accrued and paid for the year ended December 31, 2019 consist of:

Real property tax	12,011,957
Transfer tax	3,753,750
Mayor's permit	2,582,592
Registration fee	2,276,770
Community tax	10,500
Barangay clearance	1,180
BIR registration	500
Others	116,713
	20,753,962

The local and national taxes are presented as part of taxes and licenses in the statement of total comprehensive income.

(g) Withholding taxes

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

	Paid	Accrued	Total
Creditable withholding tax			36,258,350
Withholding tax on compensation	72,827,414	8,699,418	81,526,832
Expanded withholding tax	11,208,313	1,200,784	12,409,097
Final withholding taxes	67,495,063	755,172	68,250,235
Fringe benefit tax	4,257,586	1,156,533	5,414,119

(h) Tax assessments and cases

There are no outstanding tax assessments and cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR as at December 31, 2019.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						1	4	5	9	0

COMPANY NAME

SHANG PROPERTIES, INC. AND SUBSIDIARIES

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

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

Form Type	Department requiring the report	Secondary License Type, if Applicable
AFS	2019	N/A

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month/Day)	Fiscal Year (Month/Day)
5,231	07/25	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. Karlo Marco P. Estavillo	karlo.estavillo@shangproperties.com	370-2700	N/A

CONTACT PERSON's ADDRESS

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

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

pwc

Isla Lipana & Co.

Independent Auditor's Report

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUN 11 2021 SCE:
RECEIVED
PRECIOSA C. JAVIER

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

Our Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Shang Properties, Inc. (the "Parent Company") and its subsidiaries (together, the "Group") as at December 31, 2019 and 2018, and the consolidated financial performance and consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRS).

What we have audited

The consolidated financial statements of the Group comprise:

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of total comprehensive income for each of the three years in the period ended December 31, 2019;
- the consolidated statements of changes in equity for each of the three years in the period ended December 31, 2019;
- the consolidated statements of cash flows for each of the three years in the period ended December 31, 2019; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for Opinion

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

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

Independence

We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

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

Key audit matters identified in our audit are summarized as follows:

- Valuation of investment properties;
- Revenue recognition on condominium sales based on percentage of completion (POC); and
- Impairment assessment of goodwill.

Key Audit Matters	How our Audit Addressed the Key Audit Matters
a) Valuation of investment properties	
Refer to Note 10 to the consolidated financial statements for the details of the investment properties and Note 33.1 for discussion on critical accounting estimates and assumptions. As at December 31, 2019, total investment properties, carried at fair value, amounts to P32.90 billion which accounts for about 52% of the total consolidated assets of the Group. The determination of fair values by an appraiser involves significant estimation using assumptions such as property prices for similar market listing in the area, occupancy rate, rental rate and discount rate. An annual fair value assessment is performed based on the requirements of PFRS 13, Fair Value Measurement, and Philippine Accounting Standards (PAS) 40, Investment Property. In 2019, the Group recognized a fair value gain amounting to P276.70 million. This is based on the report prepared by an independent appraiser using the market comparison approach and direct income capitalization approach for the Group's parcels of land and buildings held for office and retail lease, and other parcels of land held for capital appreciation. The market comparison approach considers the sales of similar or substitute properties and related market data, and establishes a value estimate by a process involving comparison. The direct income capitalization approach considers income and expense data relating to the property being valued and estimates value through a capitalization process. Capitalization relates income (usually a net income figure) and a defined value type by converting an income amount into a value estimate.	We have addressed the matter by obtaining the appraisal reports and reviewing the appropriateness of the method and reasonableness of the significant assumptions and estimates used in calculating the fair value as supported by our valuation expert. In particular, comfort over the reliability of the appraiser reports was obtained through independent verification of certain fair value assumptions and inputs specifically: • similar market listing in the area by comparing to records of recent sales and offerings of similar land; • occupancy rate by agreeing to management's records and historical actual information; • expense-revenue ratio by comparing to the historical experience of the Group's leasing operations; • rental rate by comparing to prevailing market rents to leasing transactions of comparable properties; and • discount rate by comparing to published market yields. We evaluated competence, capabilities and objectivity of the independent appraiser engaged by the Group by reviewing its profile, licenses and client portfolio. We did not note any significant issues in our testing of management's estimate of fair value of investment properties.

Key Audit Matters	How our Audit Addressed the Key Audit Matters
b) Revenue recognition on condominium sales based on Percentage of Completion (POC) as a measure of progress	
Refer to Note 33.1 to the consolidated financial statements for the discussion on critical accounting estimates and assumptions. The revenue arising from condominium sales for the year ended December 31, 2019 amounts to P4.43 billion which accounts for about 39% of the consolidated total revenues. It is therefore, deemed material to the consolidated financial statements. Revenue from sale of condominium is recognized over time using the output method in accordance with the guidance set in Philippine Interpretations Committee Questions and Answers (PIC Q&A) 2016-04. Under the output method, revenue is calculated with reference to the percentage of completion (PoC) of the project. In the case of the Group, PoC is determined based on the actual physical completion of the project.	We have addressed the matter by understanding the process employed by the Group in estimating the actual physical completion of the condominium project as performed by independent quantity surveyors. We have evaluated the competence, capabilities and objectivity of independent quantity surveyors engaged by the Group by reviewing their profile, professional licenses and client portfolio. We have examined detailed accomplishment reports that provide information and analysis about the status of the project. We have also visited physically the projects and performed on-site observations and interviews with project engineers. Furthermore, as part of our analytical procedures, we compared PoC reported by surveyors with PoC derived based on total actual costs incurred-to-date in relation to the total estimated project cost. We inspected relevant contracts, contractors' billings, invoices, and other supporting documents to verify the reasonableness of the recorded actual costs. We did not note any significant issues in our testing of critical accounting estimate on revenue recognition on condominium sales.

Key Audit Matters	How our Audit Addressed the Key Audit Matters
c) Impairment assessment of goodwill	
Refer to Note 14 to the consolidated financial statements for the details of the goodwill and Note 33.2 for discussion on critical accounting judgments. As at December 31, 2019, the Group's goodwill attributable to Shang Global City Properties, Inc. (the Cash Generating Unit or CGU) amounted to P269.87 million. Under PAS 36, Impairment of Assets, the Group is required to annually test the amount of goodwill for impairment. In addition, management's assessment process is complex, and requires significant estimates and judgment. The most significant judgments relate to the terminal growth rate and discount rate applied together with the assumptions supporting the underlying forecast cash flows, in particular revenue growth rates and operating margins.	We checked the reasonableness of management's future cash flow forecasts and the underlying assumptions based on the historical performance of the business, industry-specific reports and the macro economic outlook as supported by our valuation expert. We assessed the projected cash flow against the approved budgets of the CGU. We reviewed management's basis for identifying the CGU where goodwill is allocated. We validated that the calculation of the carrying amount of the CGU is consistent with the requirements of PAS 36. We also tested management's assumptions in relation to the: • terminal growth rate by comparing to the economic and industry forecasts; and • pre-tax discount rate by assessing the cost of capital for the CGU and comparable businesses. We found the assumptions consistent and in line with our expectations. We considered the adequacy of management's sensitivity calculations. We determined that the calculations were most sensitive to assumptions for terminal growth rate and the pre-tax discount rate as disclosed in Note 33.2 to the consolidated financial statements.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of each entity within the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause an entity within the Group to cease to continue as a going concern.

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

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.

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Isla Lipana & Co.

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

The engagement partner on the audit resulting in this independent auditor's report is Imelda Ronnie de Guzman-Castro.

Isla Lipana & Co.

Imelda Ronnie G. Castro

Imelda Ronnie de Guzman-Castro
Partner
CPA Cert. No. 89352
P.T.R. No. 0011287; issued on January 7, 2020 at Makati City
SEC A.N. (individual) as general auditors 1769-A, Category A; effective until September 2, 2022
SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021
T.I.N. 152-015-095
BIR A.N. 08-000745-44-2018; issued on October 19, 2018; effective until October 18, 2021
BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
April 1, 2020

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUN 11 2021 SCES
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Isla Lipana & Co.

Statements Required by Rule 68
Securities Regulation Code (SRC)

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Shang Properties, Inc. and its subsidiaries as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated April 1, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised SRC Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

Isla Lipana & Co.

Imelda Ronnie de Guzman-Castro
Partner
CPA Cert. No. 89352
P.T.R. No. 0011287; issued on January 7, 2020 at Makati City
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Makati City
April 1, 2020

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 consolidated financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud of error.

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

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

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

Isla Lipana and Co., the independent auditors appointed by the stockholders for the period December 31, 2019 and 2018, respectively, have audited the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their 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 Chairman of the Board

Karlo Marco P. Estavillo
Treasurer/Chief Finance Officer and Chief Operating Officer

Signed this 1st day of April, 2020

REPUBLIC OF THE PHILIPPINES)
CITY OF TAGUIG CITY)

SUBSCRIBED AND SWORN to before me in the City of TAGUIG CITY this APR 0 1 2020 day of 2020, by:

Name	Passport/License No.	Date/Place Issued/Expiry
Edward Kuok Khoon Loong	A37525149	06.15.2016/Hong Kong/12.15.2021
Wilfred Shan Chen Woo	GA228904	04.07.2014/Hong Kong/04.07.2024
Karlo Marco P. Estavillo	P3455986B	10.07.2019/DFA NCR Central/10.06.2029

and who have satisfactorily proven to me their identities and that they are the same persons who executed and voluntarily signed the foregoing **Statement of Management's Responsibility for Financial Statements of Shang Properties, Inc. and its subsidiaries** and acknowledged that they executed that same freely and voluntarily, that they acting as the authorized representatives of **Shang Properties, Inc.**

Doc No. 639;
Page No. 141;
Book No. 2;
Series of 2020.

NOTARY PUBLIC
ATTY. MICHELENE C. MALASA
Commission No. 11 (2020-2021)
Notary Public for Taguig City, Metro Manila
Until December 31, 2021/Roll No. 62149
IBP No. 102147/January 03, 2020/Rizal
PTR No. A-4761599/January 03, 2020/Taguig City
Block 07 Lot 10 Pampanga Street, Pinagsama
Village Phase 1 C-5 Road Taguig City, Metro Manila

Shang Properties, Inc. and Subsidiaries

Consolidated Statements of Financial Position
As at December 31, 2019 and 2018
(All amounts in Philippine Peso)

	Notes	2019	2018
ASSETS			
Current assets			
Cash and cash equivalents	3	2,640,088,900	2,432,097,332
Financial assets at fair value through profit or loss	4	36,278,844	41,424,316
Trade and other receivables, net	5	5,219,296,083	3,284,010,542
Properties held for sale	6	2,876,245,361	3,677,577,353
Prepaid taxes and other current assets	7	1,314,018,515	1,515,512,255
Total current assets		12,085,927,703	10,950,621,798
Non-current assets			
Investments in and advances to an associate and a joint venture	8	2,121,615,473	1,000,388,985
Investment properties	10	32,903,376,768	32,511,076,048
Real estate development projects	11	1,487,613,661	495,950,088
Financial assets at fair value through other comprehensive income, net	12	803,668,496	782,395,996
Property and equipment, net	13	12,811,489,580	13,754,741,363
Goodwill	14	269,870,864	269,870,864
Deferred income tax assets, net	26	226,921,795	122,428,897
Other non-current assets	15	643,028,724	368,410,888
Total non-current assets		51,267,585,361	49,305,263,129
Total assets		63,353,513,064	60,255,884,927
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and other current liabilities	16	6,169,431,637	5,391,793,728
Current portion of:			
Installment payable	6	443,917,972	390,280,531
Bank loans	17	3,553,333,333	1,833,333,333
Deposits from tenants	18	391,914,057	503,462,220
Deferred lease income	18	45,303,980	33,518,985
Income tax payable	26	250,763,007	162,066,422
Dividends payable	20	47,544,516	42,683,650
Total current liabilities		10,902,208,502	8,357,138,869
Non-current liabilities			
Installment payable, net of current portion	6	-	150,881,202
Accrued employee benefits	25	55,145,025	57,052,807
Bank loans, net of current portion	17	2,374,627,758	4,149,694,158
Deferred income tax liabilities, net	26	7,865,210,146	7,655,864,029
Advance rentals, net of current portion	30	112,000,606	187,029,727
Deposits from tenants, net of current portion	18	726,830,874	590,521,263
Deferred lease income, net of current portion	18	47,351,275	41,343,640
Total non-current liabilities		11,181,165,684	12,832,386,826
Total liabilities		22,083,374,186	21,189,525,695
Equity			
Share capital	19	4,764,058,982	4,764,058,982
Share premium	19	834,439,607	834,439,607
Treasury shares	19	(6,850,064)	(6,850,064)
Equity reserves	9	(141,132,606)	(141,132,606)
Other comprehensive income		236,182,784	219,970,989
Retained earnings	19	29,329,234,160	27,108,948,851
Total equity attributable to shareholders of the Parent Company		35,015,932,863	32,779,435,759
Non-controlling interests	9	6,254,206,015	6,286,923,473
Total equity		41,270,138,878	39,066,359,232
Total liabilities and equity		63,353,513,064	60,255,884,927

The notes on pages 1 to 79 are integral part of these consolidated financial statements.

BUREAU OF INTERNAL REVENUE
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Shang Properties, Inc. and Subsidiaries

Consolidated Statements of Total Comprehensive Income
For each of the three years in the period ended December 31, 2019
(All amounts in Philippine Peso)

	Notes	2019	2018	2017
Revenues				
Condominium sales	5	4,428,339,649	4,991,248,279	8,192,197,299
Rental and cinema	10	3,353,266,040	3,017,331,251	2,981,321,414
Hotel operation		3,580,220,504	3,171,907,725	2,596,696,685
		11,361,826,193	11,180,487,255	13,770,215,398
Cost of sales and services				
Condominium sales		2,696,938,381	3,000,561,223	4,726,826,668
Rental and cinema		169,393,067	246,411,337	222,938,433
Hotel operation		3,212,676,342	3,023,783,595	2,658,648,660
	21	6,079,007,790	6,270,756,155	7,608,413,761
Gross income		5,282,818,403	4,909,731,100	6,161,801,637
Operating expenses				
Staff costs	22	476,405,566	438,271,316	442,405,884
Taxes and licenses	23	209,219,439	203,394,325	188,172,168
Depreciation and amortization	13	33,625,702	23,032,736	20,456,404
Insurance		17,695,659	3,351,421	994,078
Other general and administrative	23	514,856,663	520,129,987	570,771,981
		1,251,803,029	1,188,179,785	1,222,800,515
Other income				
Gain on fair value adjustment of investment properties, net	10	276,697,387	879,994,277	660,167,229
Interest income	24	217,586,055	190,828,895	231,052,079
Foreign exchange gains (losses), net	3	(7,757,080)	24,186,733	25,130,010
Other income, net	24	130,139,136	374,556,513	165,323,609
		616,665,498	1,469,566,418	1,081,672,927
Share in net income (losses) of associates and a joint venture	8	101,237,114	-	(4,099,987)
Interest expense and bank charges	24	(272,338,911)	(358,741,709)	(331,962,863)
Income before income tax		4,476,579,075	4,832,376,024	5,684,611,199
Provision for income tax	26	(1,054,810,382)	(1,271,761,567)	(1,464,529,236)
Net income for the year		3,421,768,693	3,560,614,457	4,220,081,963
Net income attributable to:				
Shareholders of the Parent Company		3,056,001,858	3,012,328,190	3,346,165,957
Non-controlling interests	9	365,766,835	548,286,267	873,916,006
		3,421,768,693	3,560,614,457	4,220,081,963
Basic and diluted earnings per share attributable to shareholders of the Parent Company	27	0.642	0.633	0.703
Other comprehensive income (loss)				
Items that will be subsequently reclassified to profit or loss				
Increase in fair value of available-for-sale financial assets, net of tax	12	-	-	4,620,000
Translation adjustments		(932,813)	(339,985)	(57,256)
Items that will not be subsequently reclassified to profit or loss				
Increase in fair value of equity investments at fair value through other comprehensive income, net of tax	12	19,943,650	7,760,500	-
Remeasurement gain (loss) on retirement benefit obligation, net of tax	25	(2,815,335)	1,845,050	(13,474,804)
		16,195,502	9,265,565	(8,912,060)
Total comprehensive income for the year		3,437,964,195	3,569,880,022	4,211,169,903
Total comprehensive income attributable to:				
Shareholders of the Parent Company		3,072,213,653	3,018,703,487	3,337,180,321
Non-controlling interests	9	365,750,542	551,176,535	873,989,582
		3,437,964,195	3,569,880,022	4,211,169,903

The notes on pages 1 to 79 are integral part of these consolidated financial statements.

Shang Properties, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For each of the three years in the period ended December 31, 2019
(All amounts in Philippine Peso)

	Notes	2019	2018	2017
Cash flows from operating activities				
Income before provision for income tax		4,476,579,075	4,832,376,024	5,684,611,199
Adjustments for:				
Depreciation and amortization	13	1,115,107,861	1,041,599,497	898,032,690
Interest expense	24	271,398,458	357,899,249	330,986,305
Retirement benefit expense	25	37,765,035	38,161,019	50,603,555
(Gain) loss on fair value adjustment of financial assets at fair value through profit or loss	4, 24	5,145,472	4,545,027	(14,247,505)
Provision for doubtful accounts	5, 23	170,000	8,468,256	5,178,302
Write-off of available-for-sale financial assets		-	-	2,000,000
Loss on disposal of financial assets at fair value through profit or loss	4	-	-	875,663
Unrealized foreign exchange gain (loss)	3	4,958,704	(16,419,512)	(2,196,833)
Loss (gain) on sale of property and equipment	24	(1,050,728)	(206,643,583)	986,953
Amortization of deferred lease income	18	(37,686,644)	(30,434,852)	(33,787,663)
Dividend income	24	(55,541,739)	(48,440,301)	(63,880,748)
Share in net losses (gains) of associates and a joint venture	8	(101,237,114)	-	4,099,987
Interest income	24	(217,586,055)	(190,828,895)	(231,052,079)
Gain on fair value adjustment of investment properties	10	(276,697,387)	(879,994,277)	(660,167,229)
Operating income before working capital changes		5,221,324,938	4,910,287,652	5,972,042,597
Changes in working capital:				
Trade and other receivables		(1,937,313,040)	(52,262,791)	(616,593,302)
Properties held for sale		800,401,309	2,557,995,862	4,424,893,843
Prepaid taxes and other current assets		60,990,622	(272,776,044)	658,487,273
Real estate development projects		(45,181,174)	(3,096,726,897)	(2,317,743,014)
Other non-current assets		(90,602,627)	21,641,516	15,528,384
Accounts payable and other current liabilities		516,712,135	(752,634,597)	(96,161,148)
Accrued employee benefits		51,116	-	(12,935,285)
Installment payable		(97,243,761)	(95,349,464)	(133,759,476)
Advance rentals		217,340,128	19,539,880	52,455,750
Deposits from tenants		32,156,643	10,854,586	35,006,572
Net cash generated from operations		4,678,636,289	3,250,569,703	7,981,222,194
Income tax paid		(722,631,847)	(440,320,188)	(719,460,846)
Interest received		218,510,740	53,446,209	68,984,880
Contributions paid to retirement plan	25	(52,653,236)	(8,409,257)	(20,716,867)
Retirement benefits paid directly by the Group	25	(3,617,203)	(20,215,578)	(37,530,039)
Net cash provided by operating activities		4,118,244,743	2,835,070,889	7,272,499,322
Cash flows from investing activities				
Additions to:				
Financial assets at fair value through other comprehensive income	12	1,966,500	-	-
Available-for-sale financial assets	12	-	-	(299,900)
Property and equipment	13	(125,092,093)	(75,080,688)	(42,308,025)
Deposit for a future project	15	(171,705,000)	(250,295,000)	-
Investment in and advances to a joint venture	8	(1,019,989,374)	(1,000,000,000)	(10,400,000)
Investment properties	10	(1,109,209,440)	(489,886,876)	(467,302,585)
Dividends received	24	55,541,739	48,440,301	63,880,748
Proceeds from sale of property and equipment	24	2,341,134	269,640,000	779,764
Net cash used in investing activities		(2,366,146,534)	(1,497,182,263)	(455,649,998)
Cash flows from financing activities				
Payments of:				
Loan principal	17	(3,208,333,333)	(3,687,083,333)	(4,689,583,333)
Interest	17	(246,490,921)	(322,790,651)	(318,919,689)
Cash dividends paid to:				
Shareholders	20	(830,855,683)	(925,518,202)	(781,236,767)
Non-controlling shareholders of subsidiaries	9	(398,468,000)	(317,576,000)	(239,680,000)
Proceeds from loan availment, net of debt issue costs	17	3,145,000,000	1,300,000,000	-
Net cash used in financing activities		(1,539,147,937)	(3,952,968,186)	(6,029,419,789)
Net increase (decrease) in cash and cash equivalents for the year		212,950,272	(2,615,079,560)	787,429,535
Cash and cash equivalents at January 1	3	2,432,097,332	5,030,757,380	4,241,131,012
Effects of exchange rate changes on cash and cash equivalents	3	(4,958,704)	16,419,512	2,196,833
Cash and cash equivalents at December 31	3	2,640,088,900	2,432,097,332	5,030,757,380

The notes on pages 1 to 79 are integral part of these consolidated financial statements.

Note 1 - General information

Shang Properties, Inc. (the "Parent Company"), a corporation duly organized and existing in the Philippines, was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 21, 1987 to acquire, own, develop, subdivide, sell, mortgage, exchange, lease or hold for investment, real estate of all kinds.

The Parent Company's registered office address, which is also its principal place of business, is at Administration Office, Shangri-La Plaza Mall, EDSA corner Shaw Boulevard, Mandaluyong City.

The Parent Company and its subsidiaries' (together, the "Group") businesses include property investment and development, hotel operation, real estate management, leasing, mall and carpark operations, and other supplementary businesses.

The consolidated financial statements have been approved and authorized for issue in accordance with a resolution of the Board of Directors on April 1, 2020.

Note 2 - Segment information

The Group's operating businesses are organized and managed according to the nature of the products and services marketed. Each segment represents a strategic business unit that offers different products and serves different markets. The Group has operations only in the Philippines. The Group derives revenues from three (3) main segments as follows:

(a) Property development

This business segment pertains to the sale of condominium units.

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

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

The Rise Development Company Inc. ("TRDCI") is the developer of The Rise Makati Project, located in Makati City.

Shang Wack Wack Properties, Inc. ("SWWPI") is the developer of Shang Residences at Wack Wack Project, located in Mandaluyong City.

(b) Hotel operation

This business segment pertains to the operations of Shangri-La at the Fort's hotel and residences. Shang Global City Properties, Inc. ("SGCPI") is the developer of Shangri-La at the Fort Project, located in Taguig City. SGCPI's hotel and restaurant operations started commercial operations on March 1, 2016.

(c) Leasing

This business segment pertains to the rental operations of the Shangri-La Plaza Mall, The Enterprise Center ("TEC") and their related carpark operations as operated by Shangri-La Plaza Corporation ("SLPC"), KSA Realty Corporation ("KSA") and SPI Parking Services, Inc. ("SPSI"), respectively. It also includes rental of a portion of the Parent Company's land to EDSA Shangri-La Hotel and Resort, Inc. ("ESHRI") and cinema operations of Shangri-La Plaza Mall.

Other business segments pertain to property management services and operations of real estate entities and other subsidiaries.

Except for the rental revenue from ESHRI, all revenues come from transactions with third parties. There are no revenues derived from a single external customer above 10% of total revenue in 2019, 2018 and 2017. There is no need to present reconciliation since measure of segment assets, liabilities and results of operations are consistent with those of the consolidated financial statements.

All revenues are from domestic entities incorporated in the Philippines, hence, the Group did not present geographical information required by PFRS 8, *Operating Segments*.

There are no changes in the Group's reportable segments and related strategies and policies in 2019, 2018, and 2017.

Shang Properties, Inc. and Subsidiaries

Consolidated Statements of Changes in Equity
For each of the three years in the period ended December 31, 2019
(All amounts in Philippine Peso)

	Shareholders of the Parent Company										
				Other comprehensive income							
	Share capital (Note 19)	Share premium (Note 19)	Treasury shares (Note 19)	Cumulative changes in fair value of financial assets at FVOCI (Note 12)	Cumulative translation adjustments	Remeasurement loss on defined benefit plan (Note 25)	Total	Equity reserves (Note 9)	Retained earnings (Note 19)	Non-controlling interests (Note 9)	Total
Balances at January 1, 2017	4,764,058,982	834,439,607	(6,850,064)	10,345,000	(215,183)	(11,012,849)	(883,032)	(141,132,606)	22,466,858,146	5,421,977,200	33,338,468,233
Comprehensive income											
Net income for the year	-	-	-	-	-	-	-	-	3,346,165,957	873,916,006	4,220,081,963
Other comprehensive income (loss)	-	-	-	4,620,000	(57,256)	(13,474,804)	(8,912,060)	-	-	-	(8,912,060)
Total comprehensive income (loss)	-	-	-	4,620,000	(57,256)	(13,474,804)	(8,912,060)	-	3,346,165,957	873,916,006	4,211,169,903
Transaction with owners											
Cash dividends declared (Note 20)	-	-	-	-	-	-	-	-	(785,716,856)	(239,680,000)	(1,025,396,856)
Balances at December 31, 2017, as previously presented	4,764,058,982	834,439,607	(6,850,064)	14,965,000	(272,439)	(24,487,653)	(9,795,092)	(141,132,606)	25,027,307,247	6,056,213,206	36,524,241,280
Change in accounting policy	-	-	-	220,500,516	-	-	220,500,516	-	-	-	220,500,516
Balances at January 1, 2018, as restated	4,764,058,982	834,439,607	(6,850,064)	235,465,516	(272,439)	(24,487,653)	210,705,424	(141,132,606)	25,027,307,247	6,056,213,206	36,744,741,796
Comprehensive income											
Net income for the year	-	-	-	-	-	-	-	-	3,012,328,190	548,286,267	3,560,614,457
Other comprehensive income (loss)	-	-	-	7,760,500	(339,985)	1,845,050	9,265,565	-	-	-	9,265,565
Total comprehensive income (loss)	-	-	-	7,760,500	(339,985)	1,845,050	9,265,565	-	3,012,328,190	548,286,267	3,569,880,022
Transaction with owners											
Cash dividends declared (Note 20)	-	-	-	-	-	-	-	-	(930,686,586)	(317,576,000)	(1,248,262,586)
Balances at December 31, 2018	4,764,058,982	834,439,607	(6,850,064)	243,226,016	(612,424)	(22,642,603)	219,970,989	(141,132,606)	27,108,948,851	6,286,923,473	39,066,359,232
Comprehensive income											
Net income for the year	-	-	-	-	-	-	-	-	3,056,001,858	365,766,835	3,421,768,693
Other comprehensive income (loss)	-	-	-	19,943,650	(932,813)	(2,799,042)	16,211,795	-	-	(16,293)	16,195,502
Total comprehensive income (loss)	-	-	-	19,943,650	(932,813)	(2,799,042)	16,211,795	-	3,056,001,858	365,750,542	3,437,964,195
Transaction with owners											
Cash dividends declared (Note 20)	-	-	-	-	-	-	-	-	(835,716,549)	(398,468,000)	(1,234,184,549)
Balances at December 31, 2019	4,764,058,982	834,439,607	(6,850,064)	263,169,666	(1,545,237)	(25,441,645)	236,182,784	(141,132,606)	29,329,234,160	6,254,206,015	41,270,138,878

The notes on pages 1 to 79 are integral part of these consolidated financial statements.

The segment assets, liabilities and results of operations of the reportable segments of the Group as at and for the year ended December 31, 2019 are as follows:

	Property development	Hotel operation	Leasing	Others	Total segments	Eliminations	Consolidated
Revenues							
Condominium sales	4,426,678,935	-	1,660,714	-	4,428,339,649	-	4,428,339,649
Rental and cinema	-	-	3,597,477,911	-	3,597,477,911	(244,211,871)	3,353,266,040
Hotel operation	-	3,580,220,504	-	-	3,580,220,504	-	3,580,220,504
Cost of sales and services							
Condominium sales	(2,694,470,881)	-	(2,467,500)	-	(2,696,938,381)	-	(2,696,938,381)
Rental and cinema	-	-	(164,670,882)	-	(164,670,882)	(4,722,185)	(169,393,067)
Hotel operation	-	(3,212,676,342)	-	-	(3,212,676,342)	-	(3,212,676,342)
Gross income	1,732,208,054	367,544,162	3,432,000,243	-	5,531,752,459	(248,934,056)	5,282,818,403
Operating expenses							
Staff costs	(137,433,543)	(6,520,462)	(489,159,470)	(49,631,195)	(682,744,670)	206,339,104	(476,405,566)
Taxes and licenses	(46,755,530)	(45,543,319)	(115,611,135)	(1,309,455)	(209,219,439)	-	(209,219,439)
Depreciation and amortization	(2,325,326)	(7,101,422)	(225,042,038)	(450,120)	(234,918,906)	201,293,204	(33,625,702)
Insurance	(199,887)	(16,168,863)	(1,312,912)	(13,997)	(17,695,659)	-	(17,695,659)
Other general and administrative	(110,798,398)	(224,431,411)	(425,943,743)	(2,617,167)	(763,790,719)	248,934,056	(514,856,663)
Other income (expense)							
Gain (loss) on fair value adjustment of investment properties	(422,968,694)	-	699,666,081	-	276,697,387	-	276,697,387
Interest income	180,907,639	7,764,188	27,938,924	975,304	217,586,055	-	217,586,055
Foreign exchange gains (losses), net	(3,602,953)	(1,588,543)	(2,549,751)	67,387,434	59,646,187	(67,403,267)	(7,757,080)
Other income, net	52,844,484	1,034,530	1,944,515,823	619,555,386	2,617,950,223	(2,487,811,087)	130,139,136
Share in net gains of associates and a joint venture	-	-	101,237,114	-	101,237,114	-	101,237,114
Interest expense and bank charges	(409,668)	(130,105,616)	(141,818,458)	(5,169)	(272,338,911)	-	(272,338,911)
Income before income tax	1,241,466,178	(55,116,756)	4,803,920,678	633,891,021	6,624,161,121	(2,147,582,046)	4,476,579,075
Provision for income tax	(408,670,623)	(25,143,078)	(848,064,622)	(5,487,532)	(1,287,365,855)	232,555,473	(1,054,810,382)
Net income for the year	832,795,555	(80,259,834)	3,955,856,056	628,403,489	5,336,795,266	(1,915,026,573)	3,421,768,693
Segment assets	15,488,335,021	10,683,758,292	44,877,200,970	9,579,217,281	80,628,511,564	(19,396,613,973)	61,231,897,591
Associate companies (Note 8)	-	-	-	2,121,615,473	2,121,615,473	-	2,121,615,473
Total assets	15,488,335,021	10,683,758,292	44,877,200,970	11,700,832,754	82,750,127,037	(19,396,613,973)	63,353,513,064
Segment liabilities	9,413,391,161	2,877,048,916	15,144,127,410	7,802,821,483	35,237,388,970	(13,154,014,784)	22,083,374,186
Capital expenditures for the year (Notes 10 and 13)	8,835,831	87,584,563	144,081,584	193,448	240,695,426	-	240,695,426

(3)

The segment assets, liabilities and results of operations of the reportable segments of the Group as at and for the year ended December 31, 2018 are as follows:

	Property development	Hotel operation	Leasing	Others	Total segments	Eliminations	Consolidated
Revenues							
Condominium sales	4,207,725,948	783,522,331	-	-	4,991,248,279	-	4,991,248,279
Rental and cinema	-	103,587,139	3,145,593,103	-	3,249,180,242	(231,848,991)	3,017,331,251
Hotel operation	-	3,171,907,725	-	-	3,171,907,725	-	3,171,907,725
Cost of sales and services							
Condominium sales	(2,693,212,800)	(307,348,423)	-	-	(3,000,561,223)	-	(3,000,561,223)
Rental and cinema	-	-	(241,988,954)	-	(241,988,954)	(4,422,383)	(246,411,337)
Hotel operation	-	(3,023,783,595)	-	-	(3,023,783,595)	-	(3,023,783,595)
Gross income	1,514,513,148	727,885,177	2,903,604,149	-	5,146,002,474	(236,271,374)	4,909,731,100
Operating expenses							
Staff costs	(116,145,626)	(6,088,626)	(361,112,216)	(11,229,423)	(494,575,891)	56,304,575	(438,271,316)
Taxes and licenses	(65,362,223)	(38,749,585)	(85,990,201)	(13,292,316)	(203,394,325)	-	(203,394,325)
Depreciation and amortization	(1,186,061)	-	(202,559,636)	(16,875)	(203,762,572)	180,729,836	(23,032,736)
Insurance	(2,013,374)	-	(1,324,884)	(13,163)	(3,351,421)	-	(3,351,421)
Other general and administrative	(79,924,576)	(277,519,182)	(163,095,841)	(8,751,983)	(529,291,582)	9,161,595	(520,129,987)
Other income (expense)							
Gain (loss) on fair value adjustment of investment properties	(136,392,806)	-	1,281,604,356	180,238,500	1,325,450,050	(445,455,773)	879,994,277
Interest income	148,245,729	21,847,470	19,493,406	1,242,290	190,828,895	-	190,828,895
Foreign exchange gains (losses), net	13,313,171	5,330,885	5,520,360	(108,816,697)	(84,652,281)	108,839,014	24,186,733
Other income, net	120,722,046	206,668,529	33,851,901	1,462,627,836	1,823,870,312	(1,449,313,799)	374,556,513
Share in net gains of associates and a joint venture	-	-	-	-	-	-	-
Interest expense and bank charges	(263,116)	(188,978,167)	(33,652,296)	(135,848,130)	(358,741,709)	-	(358,741,709)
Income before income tax	1,395,506,312	450,396,501	3,396,339,098	1,366,140,039	6,608,381,950	(1,776,005,926)	4,832,376,024
Provision for income tax	(446,005,860)	(133,913,982)	(659,135,439)	(9,503,010)	(1,248,558,291)	(23,203,276)	(1,271,761,567)
Net income for the year	949,500,452	316,482,519	2,737,203,659	1,356,637,029	5,359,823,659	(1,799,209,202)	3,560,614,457
Segment assets	12,848,496,749	9,146,496,232	30,352,019,019	13,231,383,964	65,578,395,964	(6,322,900,022)	59,255,495,942
Associate companies (Note 8)	-	-	-	1,000,388,985	1,000,388,985	-	1,000,388,985
Total assets	12,848,496,749	9,146,496,232	30,352,019,019	14,231,772,949	66,578,784,949	(6,322,900,022)	60,255,884,927
Segment liabilities	7,051,526,346	4,590,810,260	13,112,558,754	8,757,631,862	33,512,527,222	(12,323,001,527)	21,189,525,695
Capital expenditures for the year (Notes 10 and 13)	58,076,120	17,004,568	489,886,876	-	564,967,564	-	564,967,564

The segment assets, liabilities and results of operations of the reportable segments of the Group as at and for the year ended December 31, 2017 are as follows:

	Property development	Leasing	Hotel operation	Others	Total segments	Eliminations	Consolidated
Revenue							
Condominium sales	8,192,197,299	-	-	-	8,192,197,299	-	8,192,197,299
Rental and cinema	-	-	3,213,206,569	-	3,213,206,569	(231,885,155)	2,981,321,414
Hotel operation	-	2,596,696,685	-	-	2,596,696,685	-	2,596,696,685
Cost of sales and services							
Condominium sales	(4,726,826,668)	-	-	-	(4,726,826,668)	-	(4,726,826,668)
Rental and cinema	-	-	(218,779,404)	-	(218,779,404)	(4,159,029)	(222,938,433)
Hotel operation	-	(2,658,648,660)	-	-	(2,658,648,660)	-	(2,658,648,660)
Gross income (loss)	3,465,370,631	(61,951,975)	2,994,427,165	-	6,397,845,821	(236,044,184)	6,161,801,637
Operating expenses							
Staff costs	(142,992,270)	-	(319,727,957)	(10,342,898)	(473,063,125)	30,657,241	(442,405,884)
Taxes and licenses	(95,895,508)	-	(90,761,302)	(1,515,358)	(188,172,168)	-	(188,172,168)
Depreciation and amortization	(7,809,435)	-	(345,581,519)	(34,505)	(353,425,459)	332,969,055	(20,456,404)
Insurance	(200,697)	-	(782,578)	(10,803)	(994,078)	-	(994,078)
Other general and administrative expenses	(190,912,048)	(322,975,081)	(295,062,777)	(2,160,519)	(811,110,425)	240,338,444	(570,771,981)
Other income (expense)							
Gain (loss) on fair value adjustments of investment properties	(440,547,000)	-	559,703,983	1,473,390,469	1,592,547,452	(932,380,223)	660,167,229
Interest income	211,539,790	-	18,848,178	664,111	231,052,079	-	231,052,079
Foreign exchange gains (losses), net	2,794,395	-	22,334,009	(4,665,286)	20,463,118	4,666,892	25,130,010
Other income, net	82,157,479	-	33,172,247	2,010,586,242	2,125,915,968	(1,960,592,359)	165,323,609
Share in net gains of associates and a joint venture	-	-	-	(4,099,987)	(4,099,987)	-	(4,099,987)
Interest expense and bank charges	(188,570,012)	-	(28,438,846)	(114,954,005)	(331,962,863)	-	(331,962,863)
Income (loss) before income tax	2,694,935,325	(384,927,056)	2,548,130,603	3,346,857,461	8,204,996,333	(2,520,385,134)	5,684,611,199
Provision for income tax	(756,502,288)	-	(531,339,659)	(465,441,298)	(1,753,283,245)	288,754,009	(1,464,529,236)
Net income (loss) for the year	1,938,433,037	(384,927,056)	2,016,790,944	2,881,416,163	6,451,713,088	(2,231,631,125)	4,220,081,963
Segment assets	11,729,438,058	11,554,781,316	28,087,222,598	9,088,747,020	60,460,188,992	(513,332,901)	59,946,856,091
Associate companies (Note 8)	-	-	-	501,935,625	501,935,625	-	501,935,625
Total assets	11,729,438,058	11,554,781,316	28,087,222,598	9,590,682,645	60,962,124,617	(513,332,901)	60,448,791,716
Segment liabilities	6,978,354,123	7,316,184,909	10,899,297,278	6,405,705,759	31,599,542,069	(7,674,991,633)	23,924,550,436
Capital expenditures for the year (Notes 10 and 13)	599,206	25,132,508	483,478,274	400,622	509,610,610	-	509,610,610

Note 3 - Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2019	2018
Cash on hand	22,898,792	14,679,720
Cash in banks	428,422,956	592,751,317
Cash equivalents	2,188,767,152	1,824,666,295
	2,640,088,900	2,432,097,332

Cash in banks earned an average interest at respective bank deposit rates ranging from 0.10% to 0.25% in 2019 (2018 - 0.25%).

Cash equivalents are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group, 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 2.25% to 6.38% in 2019 (2018 - 0.50% to 6.375%; 2017 - 0.50% to 2.50%).

Interest income earned for the year ended December 31, 2019 amounted to P44,045,396 (2018 - P54,619,455; 2017 - P69,013,073) (Note 24).

The carrying amounts of the Group's cash and cash equivalents are generally denominated in Philippine Peso, US Dollar and Hong Kong Dollar. The Group's foreign currency denominated cash and cash equivalents as at December 31 are as follows:

	2019			2018		
	Foreign currency	Exchange rate	Peso equivalent	Foreign currency	Exchange rate	Peso equivalent
US Dollar	1,302,055	50.74	66,066,290	1,988,453	52.72	104,839,221
HK Dollar	-	-	-	93,259	6.73	628,043

Realized and unrealized exchange loss, presented within other income in the consolidated statement of total comprehensive income for the year ended December 31, 2019, amounted to P2,798,376 and P4,958,704, respectively (2018 - P7,767,221 realized exchange gain and P16,419,512 unrealized exchange gain; 2017 - P22,933,177 realized exchange gain and P2,196,833 unrealized exchange gain).

Note 4 - Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represent shares of stock of various locally listed companies and valued based on current bid prices in an active market (Level 1 valuation). Movements in the account for the years ended December 31 are as follows:

	Note	2019	2018
At January 1		41,424,316	45,969,343
Loss on fair value adjustment	24	(5,145,472)	(4,545,027)
At December 31		36,278,844	41,424,316

Fair value adjustments of financial assets at fair value through profit or loss are presented in the consolidated statements of total comprehensive income as part of other income (Note 24).

Note 5 - Trade and other receivables, net

Trade and other receivables, net, as at December 31 consist of:

	Note	2019	2018
Trade			
Installment contracts receivable		3,365,390,819	1,553,678,143
Rent	28	211,633,668	205,873,027
Receivables from guests and concessionaires		119,345,385	109,877,534
Non-trade			
Related parties	28	1,464,226,125	1,347,189,510
Advances to officers and employees		4,000,339	15,676,675
Interest		2,900,097	3,824,782
Others		66,298,077	63,433,204
		5,233,794,510	3,299,552,875
Allowance for impairment of receivables		(14,498,427)	(15,542,333)
		5,219,296,083	3,284,010,542

Installment contracts receivable arises from sale of condominium units with average term ranging from one to five years, with last installment collectible in 2020. This arises when the revenue recognized to date under the percentage-of-completion method exceeds the total collections from the buyer. The amounts due from the condominium buyers are subject to either bank financing or in-house financing. Interest income earned from installment contracts receivable for the year ended December 31, 2019 amounted to P166,691,384 (2018 - P127,423,327; 2017 - P157,547,654) (Note 24).

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

Receivables from guests and concessionaires pertain to receivables arising from hotel, restaurant and rental services. These are usually due within 30 days and do not bear any interest.

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

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

Movements in allowance for impairment of receivables for the years ended December 31 are as follows:

	Note	2019	2018
At January 1		15,542,333	12,252,379
Provision	23	170,000	8,468,256
Write-off		(1,213,906)	(5,178,302)
At December 31		14,498,427	15,542,333

The expected cash flows from installment contracts receivable as at December 31, 2019 and 2018 are as follows:

	2019	2018
Expected cash flows in:		
2019	-	3,952,123,391
2020	4,226,009,887	776,161,987
	4,226,009,887	4,728,285,378
Less: Unearned income and unamortized discount	(860,619,067)	(3,174,607,235)
	3,365,390,820	1,553,678,143

Unearned income is the portion of the total contract price of sold units which remains to be unearned as of the reporting period. The amount will be recognized as condominium sales as the construction of the projects progress based on the percentage of completion of the projects. The unearned income portion of contract price from sold condominium units as at December 31, 2019 amounted to P860,619,067 (2018 - P3,174,607,235). The Group expects to realize this amount during the remaining construction period of The Rise project.

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

	Note	2019	2018
At January 1		3,174,607,235	328,323,106
Additions		2,281,042,865	7,964,955,735
Recognized as:			
Condominium sales		(4,428,339,649)	(4,991,248,279)
Interest income	24	(166,691,384)	(127,423,327)
At December 31		860,619,067	3,174,607,235

The carrying amounts of the Group's trade and other receivables are all denominated in Philippine Peso.

There were no trade and other receivables pledged as collaterals as at December 31, 2019 and 2018.

Note 6 - Properties held for sale

Properties held for sale as at December 31 consist of:

	2019	2018
Condominium units held for sale	486,168,462	576,106,507
Construction in-progress	2,390,076,899	3,101,470,846
	2,876,245,361	3,677,577,353

On November 2, 2015, TRDCI entered into a contract with Vivelya Development Company, Inc. (VDCI) to purchase the land where TRDCI's project is currently being constructed. The consideration for the land is for a minimum base price of P1.10 billion, exclusive of 12% VAT. Payment term for the purchase price includes down payment of fifteen per cent (15%) of base price amounting to P165.00 million, exclusive of 12% VAT, upon signing of the contract. The remaining balance of the purchase price is payable on a quarterly installment basis until full payment of the purchase price.

As at December 31, 2019, installment payable at amortized cost amounted to P443,917,972 (2018 - P541,161,733). Interest cost related to the amortization of the installment payable amounted to P15,365,728 in 2019 (2018 - P14,143,726; 2017 - P17,819,742) and was capitalized as part of construction in-progress. The unamortized discount on installment payable amounted to P674,538 as at December 31, 2019 (2018 - P16,040,267; 2017 - P30,183,992).

In 2018, the Group completed the construction and development of Shang Salcedo Place Project and Horizon Homes at Shangri-La at the Fort Project. The Group also started the construction and development of Shang Residences at Wack Wack Project during the same year.

As at December 31, 2019, the Group has remaining estimated cost to complete the on-going projects namely, The Rise Makati and Shang Residences at Wack Wack amounting to P661,009,994 and P3,913,538,022, respectively (2018 - The Rise Makati and Shang Residences at Wack Wack amounting to P2,870,626,926 and P4,018,830,736, respectively; 2017 - The Rise Makati, Shang Salcedo Place and Horizon Homes at Shangri-La at the Fort amounting to P5,451,119,513, P236,610,499 and P104,795,263, respectively).

The movements in condominium units held for sale as at December 31 are as follows:

	2019	2018
At January 1	576,106,507	194,946,068
Recognition of additional costs	32,023,095	-
Buyback of unit at cost	-	4,947,130
Transfer from construction in-progress	-	1,164,094,588
Recognized cost of condominium sales excluding commissions	(121,961,140)	(787,881,279)
At December 31	486,168,462	576,106,507

In 2019, SPDI recognized additional costs incurred to the Shang Salcedo Place amounting to P32,023,095.

The movements in construction in-progress as at December 31 are as follows:

	Note	2019	2018
At January 1		3,101,470,846	6,040,627,147
Construction and development costs incurred:			
Construction cost		1,611,800,483	3,013,847,567
Project management expenses		207,575,388	221,953,108
Professional and consultancy fees		37,950,318	61,329,141
Insurance and bonds		17,602,041	2,769,873
Land cost		15,365,728	17,507,211
Taxes, permits and licenses		12,521,425	21,978,629
Others		24,391,177	27,490,989
Transfer to real estate development projects	11	(226,815,885)	(3,096,726,897)
Transfer to condominium units held for sale excluding commissions		-	(1,164,094,588)
Recognized cost of condominium sales excluding commissions		(2,411,784,622)	(2,045,211,334)
At December 31		2,390,076,899	3,101,470,846

The cost of condominium sales recognized as expense and presented as part of cost of sales and services in the consolidated statements of total comprehensive income amounted to P2,696,938,381 in 2019 (2018 - P3,000,561,223; 2017 - P4,726,826,668) (Note 21).

Condominium units held for sale and construction in-progress are stated at cost as at December 31, 2019 and 2018. There were no allowances for inventory write-down as at December 31, 2019 and 2018.

Note 7 - Prepaid taxes and other current assets

Prepaid taxes and other current assets as at December 31 consist of:

	2019	2018
Advances to contractors and suppliers	532,967,837	672,584,614
Creditable withholding tax (CWT)	398,877,908	352,984,660
Prepaid commission	107,336,710	145,844,338
Input value added tax (VAT)	102,028,661	165,546,301
Prepaid property tax	96,704,392	53,231,740
Inventories	17,702,227	28,049,290
Staff accommodation rentals	7,415,455	9,193,448
Deferred input VAT	6,597,630	23,275,155
Software support	4,720,972	2,324,098
Refundable deposits	3,537,728	3,567,100
Prepaid insurance	127,746	16,125,672
Other prepaid expenses	36,001,249	42,785,839
	1,314,018,515	1,515,512,255

Advances to contractors and suppliers pertain to down payment made by the Group for the construction and development of its condominium properties. These are not collectible but recouped upon every progress billing by the contractors and suppliers based on milestones or percentage of accomplishment or delivery as stipulated in the contracts.

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

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

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

Inventories consist of food, beverages and other recreational consumable items for the hotel operation. The inventories are stated at cost. There is no allowance for decline in value of inventories as at December 31, 2019 and 2018.

Other prepaid expenses mainly consist of advance payments for rent, and other expenses which are normally utilized within the next financial year.

Note 8 - Investments in and advances to an associate and a joint venture

Investment in an associate and a joint venture as at December 31 consist of:

	2019	2018
Investment in an associate		
Acquisition costs		
At January 1	388,985	524,710,625
Acquisition of additional interest in a previously held associate	-	(524,321,640)
At December 31	388,985	388,985
Accumulated share in net losses		
At January 1	-	(22,775,000)
Acquisition of additional interest in a previously held associate	-	22,775,000
At December 31	-	-
	388,985	388,985
Investment in a joint venture		
At January 1	1,000,000,000	-
Additions to investment	-	1,000,000,000
Share in net income	101,237,114	-
At December 31	1,101,237,114	1,000,000,000
	1,101,626,099	1,000,388,985
Advances to a joint venture	1,019,989,374	-
	2,121,615,473	1,000,388,985

(a) Investment in an associate

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

As at December 31, 2019 and 2018, the Group owns a 40% interest in Ideal Sites and Properties, Inc. (ISPI). Summarized financial information of ISPI as at and for the years ended December 31 are presented below:

	2019	2018
Summarized statements of financial position		
Current assets	905,385	849,302
Current liabilities	(5,957,999)	(5,832,176)
Current net liabilities	(5,052,614)	(4,982,874)
Non-current assets	1,463,653	1,469,445
Non-current liabilities	-	(4,771)
Non-current net assets	1,463,653	1,464,674
Net assets	(3,588,961)	(3,518,200)

	2019	2018	2017
Summarized statements of total comprehensive income			
Gross revenue	118,452	128,580	347,938
Expenses	(187,874)	(504,111)	(393,106)
Loss before income tax	(69,422)	(375,531)	(45,168)
Benefit from (provision for) income tax	8,080	(4,422)	(1,053)
Net loss for the year	(61,342)	(379,953)	(46,221)
Other comprehensive loss for the year	(9,419)	(4,710)	(65,937)
Total comprehensive loss for the year	(70,761)	(384,663)	(112,158)

	2019	2018	2017
Summarized statements of cash flows			
Operating activities	(20,260)	(14,616)	(245,586)
Investing activities	82,656	92,076	77,711
Financing activities	-	-	-
Net effect of exchange rate changes on cash and cash equivalents	(12,092)	17,147	1,246
Net increase (decrease) in cash and cash equivalents	50,304	94,607	(166,629)

On March 2, 2018, Perfect Sites, Inc. (PSI), a wholly-owned subsidiary of the Parent Company, acquired the remaining 50% interest in Sky Leisure Properties, Inc. (SLPI) through step-acquisition. The acquisition was accounted for as an asset acquisition because the group of assets and liabilities acquired does not meet the definition of a business. Total consideration amounted to P888,201,910 which consists of the cash consideration and previously held investment in associates amounting to P363,880,270 and P524,321,640, respectively. The cash consideration is paid by the Parent Company and is considered a non-cash investing activity. PSI also paid the advances from the previous shareholder of SLPI and legal fees attributable to the acquisition amounting to P319,119,730 and P26,785,714, respectively. The legal fees were considered as part of the cost of acquisition.

The total cost of the acquisition was allocated to the group of asset and liabilities acquired based on the relative fair value. The identifiable assets acquired and liabilities recognized as a result of the step-acquisition at acquisition date are presented below.

	2018
Asset	
Cash and cash equivalents	4,010,484
Investment properties	1,040,991,452
	1,045,001,936
Liabilities	
Accounts payable and other current liabilities	74,047,699
Deferred income tax liabilities, net	82,752,327
	156,800,026
Net assets	888,201,910

(b) Investment in and advances to a joint venture

On March 22, 2018, the Parent Company entered into a Joint Venture Agreement with Robinsons Land Corporation for the development of a property into a mixed-use condominium project. Within two (2) months from the effective date of the Agreement, the parties shall establish the joint venture company ("JVC") and shall execute the Articles and By-Laws of the JVC. On May 23, 2018, the SEC approved the Certificate of Incorporation of the JVC, Shang Robinsons Properties, Inc.

The JVC's registered office address, which is also its principal place of business, is at Cyber Sigma, Lawton Avenue, Taguig City.

The JVC shall engage in: (i) the business of developing a property into a mixed-use development, (ii) the marketing and sale of the residential condominium units in the project, (iii) and the lease of serviced apartment units and/or commercial units in the project.

The authorized capital stock of the JVC is P3,000,000,000 divided into 3,000,000,000 common shares with par value of P1.00 per share. The JVC is equally owned by the parties at 50% each. On April 19, 2018, the Parent Company subscribed and paid in full the amount of P1,000,000,000 equivalent to 1,000,000,000 commons shares at P1.00 per share.

The JVC commenced operations in 2019 and sold 37% of its condominium units. As at December 31, 2019, the percentage-of-completion (POC) of the JVC's construction-in-progress is at 3.21%. In 2019, the Group's share in net income of the joint venture amounted to P101,237,114.

In 2019, advances amounting to P1,019,989,374 were extended to the JVC. These are non-current and bear interest at a rate of 4%.

Summarized financial information of the JVC as at and for the years ended December 31 are presented below:

	2019	2018
Summarized statements of financial position		
Current assets	9,172,554,112	5,962,538,659
Current liabilities	(2,896,394,000)	(1,120,640,578)
Current net assets	6,276,160,112	4,841,898,081
Non-current assets	18,277,783	148,037,223
Non-current liabilities	(4,110,968,362)	(3,008,940,000)
Non-current net liabilities	(4,092,690,579)	(2,860,902,777)
Net assets	2,183,469,533	1,980,995,304

	2019	2018
Summarized statements of total comprehensive income		
Gross revenue	493,523,933	-
Net income (loss) for the year	202,474,229	(19,004,696)
Other comprehensive income for the year	-	-
Total comprehensive income (loss) for the year	202,474,229	(19,004,696)

	2019	2018
Summarized statements of cash flows		
Operating activities	1,579,557,178	(5,379,570,732)
Investing activities	-	-
Financing activities	876,570,242	6,118,901,600
Net effect of exchange rate changes on cash and cash equivalents	(288,965)	(102,811)
Net increase in cash and cash equivalents	2,455,838,455	739,228,057

Note 9 - Non-controlling interests

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

	2019	2018
KSA	29.96%	29.96%
SGCPI	40.00%	40.00%

On June 20, 2016, the Parent Company acquired 207,082 KSA common shares from Ocmador Philippines, B.V. for a purchase price amounting to P1,419,610,919. The Parent Company accounted for the increase in ownership in KSA from 52.90% to 70.04% as equity transaction. The difference between the considerations paid and the carrying amount of the NCI acquired is recognized directly in equity reserves amounting to P141,132,606.

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

(a) KSA Realty Corporation

	2019	2018
Summarized statements of financial position		
Current assets	462,514,679	543,458,320
Current liabilities	(457,006,457)	(509,480,448)
Current net assets	5,508,222	33,977,872
Non-current assets	10,673,621,504	10,611,286,514
Non-current liabilities	(2,802,195,974)	(2,606,434,752)
Non-current net assets	7,871,425,530	8,004,851,762
Equity	7,876,933,752	8,038,829,634
Equity attributable to:		
Equity holders of the Parent Company	5,513,853,626	5,630,396,276
NCI	2,363,080,126	2,408,433,358
	7,876,933,752	8,038,829,634
Dividends declared to NCI	398,468,000	317,576,000

	2019	2018	2017
Summarized statements of total comprehensive income			
Revenues	1,429,812,199	1,249,996,056	1,197,165,399
Cost and expenses	(71,929,445)	(70,847,981)	(67,751,093)
Other income, net	89,508,516	660,520,320	576,042,614
Income before income tax	1,447,391,270	1,839,668,395	1,705,456,920
Provision for income tax	(279,232,769)	(423,276,174)	(382,225,433)
Net income for the year	1,168,158,501	1,416,392,221	1,323,231,487
Other comprehensive loss	(54,383)	(17,995)	(15,304)
Total comprehensive income	1,168,104,118	1,416,374,226	1,323,216,183
Net income attributable to:			
Equity holders of the Parent Company	818,178,214	992,041,113	926,791,333
NCI	349,980,287	424,351,108	396,440,154
	1,168,158,501	1,416,392,221	1,323,231,487
Total comprehensive income attributable to:			
Equity holders of the Parent Company	818,139,622	992,028,509	926,780,615
NCI	349,964,496	424,345,717	396,435,568
	1,168,104,118	1,416,374,226	1,323,216,183

	2019	2018	2017
Summarized statements of cash flows			
Operating activities	1,247,497,746	1,086,939,089	1,058,253,844
Investing activities	(2,369,718)	(9,004,907)	(352,972,946)
Financing activities	(1,330,000,000)	(1,060,000,000)	(800,000,000)
Net effect of exchange rate changes on cash and cash equivalents	(16,948)	25,179	(8,223)
Net increase (decrease) in cash and cash equivalents	(84,888,920)	17,959,361	(94,727,325)

The principal place of business of KSA is at Administration Office, Shangri-La Plaza Mall, Edsa corner Shaw Boulevard, Mandaluyong City.

(b) Shang Global City Properties, Inc.

	2019	2018
Summarized statements of financial position		
Current assets	881,210,512	1,557,160,698
Current liabilities	(1,369,367,257)	(1,818,647,846)
Current net liabilities	(488,156,745)	(261,487,148)
Non-current assets	9,820,274,434	10,800,893,831
Non-current liabilities	(1,525,408,317)	(2,772,162,422)
Non-current net assets	8,294,866,117	8,028,731,409
Equity	7,806,709,372	7,767,244,261
Equity attributable to:		
Equity holders of the Parent Company	4,684,151,715	4,660,346,556
NCI	3,122,557,657	3,106,897,705
	7,806,709,372	7,767,244,261

	2019	2018	2017
Summarized statements of total comprehensive income			
Revenues	3,701,852,718	4,061,702,373	7,165,524,915
Cost of sales and services	(2,696,734,646)	(2,830,396,604)	(4,437,370,645)
Operating expenses	(772,931,747)	(803,393,266)	(850,267,458)
Other income (expenses), net	(163,685,699)	15,851,888	(151,671,145)
Income before income tax	68,500,626	443,764,391	1,726,215,667
Provision for income tax	(25,143,078)	(133,913,982)	(516,525,165)
Net income for the year	43,357,548	309,850,409	1,209,690,502
Other comprehensive income (loss)	(3,892,437)	7,239,149	195,406
Total comprehensive income	39,465,111	317,089,558	1,209,885,908
Net income attributable to:			
Equity holders of the Parent Company	26,015,229	185,915,250	732,214,650
NCI	17,342,319	123,935,159	477,475,852
	43,357,548	309,850,409	1,209,690,502
Total comprehensive income attributable to:			
Equity holders of the Parent Company	23,679,704	190,258,740	732,331,894
NCI	15,785,407	126,830,818	477,554,014
	39,465,111	317,089,558	1,209,885,908

	2019	2018	2017
Summarized statements of cash flows			
Operating activities	979,260,721	2,896,350,545	6,046,520,678
Investing activities	(144,178,230)	(612,443,432)	(711,652,376)
Financing activities	(1,396,972,328)	(3,078,230,241)	(4,390,745,685)
Net effect of exchange rate changes on cash and cash equivalents	9,897	(17,623)	(724,842)
Net decrease in cash and cash equivalents	(561,879,940)	(794,340,751)	943,397,775

No dividends were declared and paid by SGCPI in 2019 and 2018.

The principal place of business of SGCPI is at Crescent Park West District, Fort Bonifacio Global City, Taguig City.

Note 10 - Investment properties

Details of investment properties as at December 31 and their movements during the years are as follows:

	Note	Land	Building	Total
At January 1, 2018		11,794,156,481	18,306,046,962	30,100,203,443
Gain on fair value adjustment		814,449,087	65,545,190	879,994,277
Capitalized subsequent expenditures		45,226,174	444,660,702	489,886,876
Addition through step-acquisition	8	1,040,991,452	-	1,040,991,452
At December 31, 2018		13,694,823,194	18,816,252,854	32,511,076,048
Gain (loss) on fair value adjustment		1,445,898,813	(1,169,201,426)	276,697,387
Capitalized subsequent expenditures		113,188,592	2,414,741	115,603,333
At December 31, 2019		15,253,910,599	17,649,466,169	32,903,376,768

The Group's investment properties located in Mandaluyong City and Makati City include parcels of land and buildings held for office and retail leases and other parcels of land held for capital appreciation.

As at December 31, 2019 and 2018, the fair values of the properties are based on valuations performed by an independent external appraiser engaged by the management. The valuation models are in accordance with that recommended by the International Valuation Standards Committee.

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

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

The following table presents the valuation techniques and unobservable key inputs used to value the Group's building and land properties:

Property	Fair value as at December 31, 2019	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability - weighted average)	Relationship of unobservable inputs to fair value
The Enterprise Center (Office)	P10,662,565,000 (2018 - P10,595,778,000)	Direct income capitalization	Rental value	P1,680 per square meter (2018 - P1,300)	The higher the rental value and occupancy rate, the higher the fair value.
			Occupancy rate	95% (2018 - 94%)	
			Expense-revenue ratio	5.55% (2018 - 5.26%)	The higher the expense- revenue ratio and discount rate, the lower the fair value.
			Discount rate	11.37% (2018 - 9%)	
Main wing and east wing of Shangri-La Plaza mall (Retail), including the land where the property is located	P12,232,029,000 (2018 - P13,358,794,000)	Direct income capitalization	Rental value	P1,700 per square meter (2018 - P1,650)	The higher the rental value and occupancy rate, the higher the fair value.
			Occupancy rate	96% (2018 - 93%)	
			Expense-revenue ratio	23% (2018 - 27%)	The higher the expense- revenue ratio and discount rate, the lower the fair value.
			Discount rate	12.37% (2018 - 9%)	

The fair values of the building and land properties are calculated using the direct income capitalization approach. In applying the direct income capitalization approach, the stabilized net operating income (NOI) of each property is divided by an appropriate capitalization rate. Discount rate is based on actual location, size and quality of the property and taking into account any available market data at the valuation date. Stabilized NOI is computed at revenue less property operating expenses adjusted for items such as average lease up costs, long-term vacancy rates, non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring items.

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

The following are the significant unobservable inputs:

- Rental value average rental rate per square meter paid by tenants based on the asking price in the market;
- Discount rates reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
- Occupancy rate based on current and expected future market conditions after expiry of any current lease; and
- Expense - revenue ratio total direct operating expenses for the entire property based on budget.

The following table presents the valuation techniques and unobservable key inputs used to value the Group's other land property:

Property	Fair value as at December 31, 2019	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability - weighted average)	Relationship of unobservable inputs to fair value
Land where the Edsa Shangri-La, Manila is located	P5,355,528,000 (2018 - P4,221,700,000)	Market comparison approach	Comparable transactions	P222,000 per square meter (2018 - P298,246)	The higher the comparable transactions, the higher the fair value.
			Price adjustments	36.67% (2018 - 41.67%)	The higher the price adjustments, the lower the fair value.

The fair values of the Company's other land properties are determined using the market comparison approach. Under the market comparison approach, a property's fair value is estimated based on comparable transactions adjusted for bargaining allowance, marketability, location, size and terrain. The market comparison approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. In theory, the best comparable sale would be an exact duplicate of the subject property and would indicate, by the known selling price of the duplicate, the price for which the subject property could be sold. The unit of comparison applied by the Group is the price per square meter (sqm).

The remaining investment properties relate to individually immaterial land and building properties whose fair values have been determined in the prior years and are subject to reassessment in accordance with the Group's accounting policy.

The amounts recognized in the consolidated statements of total comprehensive income for investment properties for the years ended December 31 are as follows:

	2019	2018	2017
Rental revenue	3,278,602,944	2,991,967,885	2,928,811,951
Cinema revenue	74,663,096	25,363,366	52,509,463
Total rental and cinema revenue	3,353,266,040	3,017,331,251	2,981,321,414
Direct operating expenses	(169,393,067)	(246,411,337)	(222,938,433)
Profit arising from investment properties carried at fair value	3,183,872,973	2,770,919,914	2,758,382,981

Direct operating expenses include share in common expenses, real property taxes and insurance expenses (Note 21).

There is no restriction on the realizability of investment properties or the remittance of income and proceeds of disposal.

The Group has cancellable lease agreements with third parties covering the freehold buildings and their improvements. The lease arrangements are either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Details of the gross rental income related to these cancellable lease agreements for the years ended December 31 are as follows:

	2019	2018	2017
Percentage basis	988,628,467	952,052,008	983,435,320
Fixed monthly rental	2,289,974,477	2,039,915,877	1,945,376,631
	3,278,602,944	2,991,967,885	2,928,811,951

Note 11 - Real estate development projects

Real estate development projects account includes construction cost related to the Parent Company, SGCPI and TRDCI as follows:

(a) Parent Company

In 2019, the Parent Company started construction of a project located in the City of Mandaluyong. The project is being constructed on a parcel of land registered in the Parent Company's name. The construction of the project is ongoing and is expected to be completed in 2023. Upon completion, the project will be subsequently leased out to third parties and related parties. Project management costs in 2018 amounting to P45,181,174 was reclassified from "construction in-progress" under properties held for sale to "real estate development projects" (Note 6). As at December 31, 2019, total capitalized costs relating to the project amounted to P857,152,570.

(b) SGCPI

During 2018, costs related to the construction of the hotel portion of SGCPI's Shangri-La at the Fort project amounting to P2,836,522,171 was incurred and subsequently reclassified to property and equipment account. As at December 31, 2018, the outstanding balance amounting to P47,123,708 relates to the development of hotel restaurants and facilities still in-progress which were reclassified to property and equipment upon completion in 2019 (Note 13).

(c) TRDCI

As at December 31, 2019 and 2018, the real estate development project account includes the construction cost of the retail portion of The Rise Makati Project amounting to P630,461,091 and P448,826,380, respectively. In 2019, additional costs of the project amounting to P181,634,711 were incurred and reclassified to real estate development projects from "construction in-progress" under properties held for sale (2018 - P260,204,726) (Note 6).

Note 12 - Financial assets at fair value through other comprehensive income, net

Financial assets at fair value through other comprehensive income (FVOCI), net as at December 31, 2019 are presented below.

	2019	2018
Unquoted	488,429,727	489,126,227
Quoted	9,101,515	9,101,515
	497,531,242	498,227,742
Cumulative changes in fair value	306,137,254	284,168,254
	803,668,496	782,395,996

Unquoted equity securities include unlisted shares of stock which were previously carried at cost. In 2018, these securities are measured at fair value. The fair values of the unquoted equity securities are based on the net asset value of the underlying assets which are mainly investment properties consisting of land and buildings which are measured and carried at fair value of underlying assets. The fair value measurements have been categorized as Level 3 with the following significant unobservable inputs in the computation of the fair value of investment properties: (1) rental value average rental rate, (2) discount rates, (3) occupancy rate, (4) expense - revenue ratio, and (5) comparable transactions adjusted for bargaining allowance, marketability, location, size and terrain. The net asset value per share of unquoted equity securities ranges from P1,043 per share to P465,053 per share.

The Group wrote off unquoted equity securities in 2019 with cost of P696,500 and cumulative changes in fair value of P1,270,000 (2018 - nil).

The quoted equity securities consist of investments in various golf club shares and stocks. These are carried at fair values which are based on the quoted market prices (Level 1) as at the reporting date.

The cumulative changes in fair values of unquoted and quoted equity shares are presented as part of other comprehensive income in the consolidated statements of financial position.

The movements in the cumulative changes in fair value of financial assets at FVOCI for the years ended December 31 are as follows:

	2019	2018	2017
At January 1	243,226,016	14,965,000	10,345,000
Impact of PFRS 9 adoption	-	260,073,254	-
Deferred income tax effect	-	(39,572,738)	-
January 1, calculated under PFRS 9	243,226,016	235,465,516	10,345,000
Gain on fair value adjustment	21,969,000	9,130,000	6,600,000
Derecognition of cumulative changes in fair value of equity investments written-off	(1,270,000)	-	-
	263,925,016	244,595,516	16,945,000
Deferred income tax effect	(755,350)	(1,369,500)	(1,980,000)
At December 31	263,169,666	243,226,016	14,965,000

Note 13 - Property and equipment, net

Details of property and equipment, net, as at December 31 and their movements during the years are as follows:

	Building and building improvements	Transportation equipment	Furniture, fixtures and other equipment	Total
Cost				
At January 1, 2019	9,424,595,767	50,989,050	6,851,791,731	16,327,376,548
Transfer from real estate development projects (Note 11)	18,762,768	-	28,360,940	47,123,708
Additions	12,084,249	10,379,063	102,628,781	125,092,093
Disposals	-	(7,226,512)	(4,521,249)	(11,747,761)
At December 31, 2019	9,455,442,784	54,141,601	6,978,260,203	16,487,844,588
Accumulated depreciation and amortization				
At January 1, 2019	1,043,157,423	32,928,318	1,496,549,444	2,572,635,185
Depreciation and amortization	167,173,715	6,984,752	940,949,394	1,115,107,861
Disposals	-	(7,226,512)	(4,161,526)	(11,388,038)
At December 31, 2019	1,210,331,138	32,686,558	2,433,337,312	3,676,355,008
Cost				
At January 1, 2018	6,930,869,920	48,988,407	6,505,282,732	13,485,141,059
Transfer from real estate development projects (Note 11)	2,507,138,589	-	329,383,582	2,836,522,171
Additions	49,503,258	2,000,679	23,576,751	75,080,688
Disposals	(62,916,000)	(36)	(6,451,334)	(69,367,370)
At December 31, 2018	9,424,595,767	50,989,050	6,851,791,731	16,327,376,548
Accumulated depreciation and amortization				
At January 1, 2018	714,183,515	26,609,598	796,613,528	1,537,406,641
Depreciation and amortization	328,973,908	6,318,756	706,306,833	1,041,599,497
Disposals	-	(36)	(6,370,917)	(6,370,953)
At December 31, 2018	1,043,157,423	32,928,318	1,496,549,444	2,572,635,185
Net book values at				
At December 31, 2019	8,245,111,646	21,455,043	4,544,922,891	12,811,489,580
At December 31, 2018	8,381,438,344	18,060,732	5,355,242,287	13,754,741,363

Building and building improvements include land rights which pertain to the share of SGCPI in the land where the construction project was constructed after deducting the rights allocated to condominium unit owners.

Depreciation and amortization was allocated as follows:

	Notes	2019	2018	2017
Cost of sales and services	21	1,080,551,476	1,018,566,761	877,576,286
Operating expenses		33,625,702	23,032,736	20,456,404
Capitalized under property held for sale	6	930,683	-	-
		1,115,107,861	1,041,599,497	898,032,690

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

Note 14 - Goodwill

Goodwill acquired through business combinations amounting to P269,870,864 has been allocated to SGCPI, the CGU, for impairment testing.

The recoverable amount of the CGU has been based on value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to cash flow is 4.13% (2018 - 8.00%). Cash flows beyond the five-year period are extrapolated using a steady growth rate of 3.40% (2018 - 4.30%), which does not exceed the compounded annual growth rate for the real estate industry. As a result of the analysis, management did not identify impairment for this CGU.

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

- Discount Rates - Discount rate represents the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the CGU that have not been incorporated in the cash flow estimates. The discount rate is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of debt refers to the effective rate the Group pays on its debt. It is derived from BSP's average long-term interest rates on loans and discounts granted by local banks, universal banks subsidiaries of foreign banks, and foreign banks operating in the Philippines. The cost of equity is derived from the expected return on investment. The rates used to discount the future cash flows are based on risk-free interest rates in the relevant markets where the CGU operates. The beta factors are based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

- Terminal growth rate - Rates are based on published industry research.

The following assumptions are also considered in the calculation of value in use of the CGU:

- Gross margins - Gross margins are based on average values achieved in one to five years preceding the beginning of the budget period from other similar affiliated entities.

- Market share assumptions - When using industry data for growth rates (as noted above), these assumptions are important because management assesses how the unit's position, relative to its competitors, might change over the forecast period. Management expects its share of the real estate market to be stable over the forecast period.

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

Note 15 - Other non-current assets

Other non-current assets as at December 31 consist of:

	Note	2019	2018
Deposit for a future project		422,000,000	250,295,000
Refundable deposits		132,838,523	76,104,635
Deferred input VAT		62,870,019	29,001,280
Retirement benefit asset	25	25,320,182	13,009,973
		643,028,724	368,410,888

On March 28, 2018, the Parent Company entered into a Memorandum of Agreement with a third party to purchase a parcel of land located along Shaw Boulevard in Mandaluyong City for development and other activities to create a real estate property intended for future lease or sale. As at December 31, 2018, the Parent Company deposited 50% of the total purchase price amounting to P500,500,000 to the third party. The remaining amount was paid by the Parent Company on July 1, 2019 and the entire cost of land was reclassified to real estate development projects.

On December 12, 2019, the Parent Company paid P422,000,000 as a first installment for a 50% share in an investment. The Parent Company expects to pay the second installment on December 12, 2020.

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

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

Note 16 - Accounts payable and other current liabilities

Accounts payable and other current liabilities as at December 31 consist of:

	Notes	2019	2018
Trade:			
Accounts payable		653,706,710	644,928,182
Advance rentals	30	271,914,158	132,235,230
Accrued expenses:			
Construction		555,359,817	260,254,895
Taxes		229,087,026	228,412,001
Titling cost		335,706,109	121,120,927
Employee benefits		154,839,915	138,224,376
Outside services		103,848,111	80,883,579
Utilities		91,898,665	73,884,450
Repairs and maintenance		58,768,131	45,879,025
Commission		37,661,896	33,014,919
Interest	17	22,829,348	34,220,895
Professional fees		22,169,700	26,149,240
Advertising and promotion		16,057,275	16,347,158
Others		9,529,746	89,263,015
Customers' deposits from:			
Condominium sales		524,538,746	662,845,921
Hotel guests		160,249,477	116,875,586
Retention payables		847,964,710	929,513,282
Reservation payables		819,251,496	657,102,989
Advances from condominium unit buyers		165,052,377	260,067,135
Contract liabilities		132,446,606	-
Payable to contractors and suppliers		57,528,550	44,097,825
Construction bonds		63,129,360	60,762,162
Non-trade:			
Payable to related parties	28	100,489,253	113,350,775
Deferred output VAT		414,694,924	257,355,410
Payable to government agencies		149,500,917	140,261,434
Output VAT		46,212,920	52,466,842
Others		124,995,694	172,276,475
		6,169,431,637	5,391,793,728

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

Advance rentals pertain to the three-month rent collected from tenants to be applied to the last three (3) months of the lease term.

Contract liabilities represent any excess collections received from buyers over the revenue recognized based on the percentage of completion method. The amount is expected to be applied against revenue in the following year. In 2018, the Group recognized revenue from condominium sales arising from contract liabilities in 2017.

Customers' deposits from condominium buyers represent initial collections (e.g. down payments) received from the buyers which shall be applied as payment of the transaction price when the sales contract meets the requirements of PFRS 15 for revenue recognition purposes while deposits from hotel guests are advances made by guests in relation to their stay in the hotel and will be applied against the guests' hotel charges upon their check-out.

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

Reservation payables pertain to cash paid by the buyers of condominium units for the reservation of the units purchased. These shall be considered as part of the down payment on the units purchased upon execution of the contracts or income if the reservation is non-refundable and the buyer did not push through with the purchase.

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

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

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

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

Payable to government agencies are expected to be settled within the next financial year.

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

Other accrued expenses consist of accruals for advertising and promotions, insurance, other employee related cost and other general and administrative expenses. Other current liabilities pertain mainly to taxes and insurance.

Note 17 - Bank loans

Bank loans as at December 31 consist of:

	2019	2018
Current portion		
Parent Company	3,553,333,333	1,833,333,333
Non-current portion		
SGCPI	1,441,294,424	2,683,027,491
Parent Company	933,333,334	1,466,666,667
	2,374,627,758	4,149,694,158
	5,927,961,091	5,983,027,491

Movements in the bank loans as at December 31 are as follows:

	2019	2018
At January 1	5,983,027,491	8,359,472,703
Amortized debt issue cost	8,266,933	10,638,121
Proceeds from loan availment, net of unamortized debt issue costs	3,145,000,000	1,300,000,000
Payments	(3,208,333,333)	(3,687,083,333)
At December 31	5,927,961,091	5,983,027,491

(a) Parent Company

On July 30, 2012, the Parent Company obtained a 10-year loan facility from a local bank amounting to P5.00 billion payable in 24 equal quarterly installments, commencing on the 17th quarter from the initial borrowing date at a fixed interest rate of 4.00% per annum for the three (3) years effective September 17, 2015.

Moreover, the loan agreement requires the Parent Company to comply with certain covenants and financial ratios until the loans are fully paid. Failure to comply with the covenants will render the full amount of loans due and demandable. As at December 31, 2019 and 2018, the Parent Company is in compliance with the covenants.

Total drawdown from the above facility amounted to P3.70 billion as at December 31, 2019 and 2018.

On April 13, 2018, the Parent Company obtained a 6-month loan from another local bank amounting to P800 million payable on October 10, 2018 at a fixed rate of 3.8% per annum, to be repriced every 30 to 180 days as agreed by the parties. On October 10, 2018, the loan was extended for three months payable on January 9, 2019 at fixed interest rate of 5.25% per annum. On January 9, 2019, the loan was extended for another six months payable on July 9, 2019. On March 26, 2019, the Parent Company paid the entire amount of the loan.

On July 31, 2018, the Parent Company obtained another 6-month loan from a local bank amounting to P500 million payable on January 31, 2019 at a fixed rate at 4.50% per annum. On January 31, 2019, the loan was extended for 6 months payable on July 31, 2019. On July 31, 2019, the Parent Company paid the entire amount of the loan.

In 2019, the Parent Company availed of the following short-term loans which are payable within a period of 12 months:

Payment term	Starting date	Maturity date	Interest rate	Extension	Loan amount
6 months	June 14, 2019	December 11, 2019	5.75%	6 months until June 30, 2020	1,000,000,000
6 months	March 28, 2019	September 24, 2019	6.00%	6 months until June 30, 2020	1,100,000,000
6 months	August 1, 2019	January 28, 2020	5.40%	No extension period	125,000,000
6 months	August 14, 2019	February 10, 2020	5.30%	No extension period	170,000,000
3 months	October 7, 2019	January 6, 2020	4.75%	No extension period	250,000,000
3 months	December 11, 2019	March 10, 2020	4.15%	No extension period	500,000,000
Total					3,145,000,000

(b) SGCPI

On April 11, 2012, SGCPI obtained a 10-year term loan facility from a local bank amounting to P10.00 billion to be used for the construction of SGCPI's hotel, serviced apartments and residential units in Fort Bonifacio, Taguig City in relation to the construction of the Hotel and Horizon Homes.

The principal amount of the loan shall be payable in 24 equal quarterly consecutive installments commencing on the 17th quarter from the initial drawdown, with the last installments in an amount sufficient to fully pay the loan. Interest shall be paid on each interest payment date for the relevant interest period based on three-month treasury bill rate as published in the Bankers Association of the Philippines Peso Bloomberg Valuation (PHP BVAL), previously Philippine Dealing System Treasury Reference Rates - 2 (PDST-R2). The interest shall be based on the higher between the PHP BVAL rate plus spread of 0.75% per annum and the Bangko Sentral ng Pilipinas (BSP) overnight borrowing rate minus spread of 0.95% per annum. The Company has the option to prepay the principal amount and to fix the interest rate. Further, the Company is required to maintain a ratio of debt to tangible net worth, not exceeding 2.5:1. As at December 31, 2019 and 2018, SGCPI is in compliance with the requirements of the loan agreement.

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

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

On October 16, 2015, the parties executed an agreement to amend the spread rate from seventy-five basis points (0.75%) to eighty-five basis points (0.85%).

On July 27, 2016, the parties agreed to amend the commitment period of the agreement which pertains to the period from the date hereof to and including the earliest of (i) July 29, 2016, (ii) the date of the commitment is fully availed by SGCPI or (iii) the date of the commitment terminates in accordance with the terms of the amended agreement.

On September 16, 2016, the parties executed an amendment to the definition of the repayment date, repayment provision, prepayment provision and repayment schedule. SGCPI shall repay the loan in 21 quarterly consecutive installments commencing on the 20th quarter from the initial drawdown with the last installments in an amount sufficient to fully pay the loan.

In 2019, SGCPI paid P1.25 billion (2018 - P2.89 billion) prepayment to be applied to the subsequent installments.

The loan is subject to a front-end fee of 25 basis points (0.25%) of the total principal amount. The front-end fee is considered a transaction cost, which is allocated based on each drawdown and amortized using effective interest rate. Debt issue costs also include the documentary stamp tax paid by SGCPI for each drawdown. Average floating interest rates is 5.37% in 2019 (2018 - 5.40%).

Outstanding balance of SGCPI's bank loans as at December 31 consist of:

	2019	2018
Bank loan	1,450,000,000	2,700,000,000
Unamortized debt issue costs	(8,705,576)	(16,972,509)
	1,441,294,424	2,683,027,491

(c) SLPC

On November 5, 2012, SLPC obtained an unsecured 10-year loan facility from a local bank amounting to P1.40 billion to partially finance its mall redevelopment program with interest based on the higher between the PDST-R2 rate plus 0.75% per annum and the BSP overnight borrowing rate. The loan is payable in 24 equal quarterly installments commencing on the 17th quarter from the initial borrowing date and is subject debt-to-equity ratio of 3:1 and debt coverage ratio of not lower than 1.2. As at December 31, 2017, SLPC is in compliance with the covenants. On January 15, 2018, SLPC paid in full the remaining balance of the loan amounting to P262,500,000.

The repayments of the above bank loans are scheduled as follows:

Year	2019	2018
2019	-	1,833,333,333
2020	3,553,333,333	1,023,333,334
2021	1,983,333,333	2,200,000,000
2022	400,000,001	943,333,333
	5,936,666,667	6,000,000,000
Unamortized debt issue cost	(8,705,576)	(16,972,509)
	5,927,961,091	5,983,027,491

Total interest expense arising from these loans as shown in the consolidated statements of total comprehensive income in 2019 amounted to P235,099,374 (2018 - P328,088,762; 2017 - P311,826,531) (Note 24). Total capitalized interest amounted to P110,125,555 in 2019 and was included as part of real estate development projects (Note 11). In 2018 and 2017, capitalized interest was included as part of construction in-progress under properties held for sale account and amounted to P2,852,850 and P70,872,328, respectively (Note 6). The capitalization rate used to determine the amount of capitalized interest which is the weighted average interest rate applicable to the Group's general borrowings during the year is 5.23% (2018 - 3.80%).

Movements in the accrued interest recorded as accrued expenses under accounts payable and other current liabilities account for the years ended December 31 are as follows:

	Notes	2019	2018
At January 1		34,220,895	28,922,784
Interest expense	24	235,099,374	328,088,762
Payments		(246,490,921)	(322,790,651)
At December 31	16	22,829,348	34,220,895

Note 18 - Deposits from tenants

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

Details of deposits from tenants as at December 31 and their movements during the years are as follows:

	2019	2018
At January 1, at face value	1,171,904,922	1,161,131,772
Net additions	44,023,071	10,773,150
At December 31, at face value	1,215,927,993	1,171,904,922
Day 1 difference	(97,183,062)	(77,921,439)
	1,118,744,931	1,093,983,483
Current portion	391,914,057	503,462,220
Non-current portion	726,830,874	590,521,263
	1,118,744,931	1,093,983,483

Details of deferred lease income as at December 31 and its movement during the years are as follows:

	2019	2018
At January 1	74,862,625	54,348,866
Additions	55,479,274	50,948,611
Amortization	(37,686,644)	(30,434,852)
At December 31	92,655,255	74,862,625
Current portion	45,303,980	33,518,985
Non-current portion	47,351,275	41,343,640
	92,655,255	74,862,625

The movements in the day 1 difference on deposits from tenants are as follows:

	Note	2019	2018
At January 1		77,921,439	56,864,751
Additions		55,560,707	50,867,175
Accretion as interest expense	24	(36,299,084)	(29,810,487)
At December 31		97,183,062	77,921,439

Note 19 - Equity

(a) Share capital, share premium and treasury shares

Details of share capital and share premium at December 31, 2019 and 2018 are as follows:

	2019	2018
Authorized, at P1 par value per share		
Common shares	8,000,000,000	8,000,000,000
Issued and outstanding shares		
Common shares	4,764,058,982	4,764,058,982
Share premium	834,439,607	834,439,607
	5,598,498,589	5,598,498,589

In 2007, the Board of Directors approved the redemption of 2,140,645 common shares at redemption price of P3.20 per share or a total of P6,850,064 and the amount is presented as treasury shares in the consolidated statements of financial position.

The Parent Company is listed in the Philippine Stock Exchange. It was registered on June 13, 1991 with total listed shares of 4,764,058,982 which was initially issued at P1.18 per share. As at December 31, 2019, the Parent Company has 5,200 shareholders (2018 - 5,231). The details of the Parent Company's shareholders are disclosed in the annual report.

(b) Retained earnings

As at December 31, 2019, total unrestricted retained earnings amounted to P23,730,735,571 (2018 - P21,510,450,262). Further, SGCPI is restricted to declare or pay dividends for as long as its bank loan is outstanding (Note 17).

Note 20 - Dividends

The Parent Company annually declares dividends in compliance with SEC Memorandum Circular No. 11, Series of 2008. The Parent Company's Board of Directors approved the declaration of the following cash dividends for the years ended December 31:

Date of declaration	Shareholders of record as at	Payment date	Total	Per share
2019				
March 6	March 21	March 31	502,382,385	0.106
September 16	September 30	October 20	333,334,164	0.070
			835,716,549	0.176
2018				
March 15	March 31	April 14	597,352,351	0.126
September 4	September 19	September 28	333,334,235	0.070
			930,686,586	0.196
2017				
March 4	March 31	April 7	452,382,432	0.095
September 14	September 15	September 22	333,334,424	0.070
			785,716,856	0.165

At December 31, 2019, dividends payable presented in the consolidated statements of financial position pertains to dividends declared by Parent company attributable to its shareholders amounting to P47,544,516 (2018 - P42,683,650).

Movements in dividends payable as at December 31 are as follows:

	2019	2018
At January 1	42,683,650	37,515,266
Declaration	835,716,549	930,686,586
Payment	(830,855,683)	(925,518,202)
At December 31	47,544,516	42,683,650

Cash dividends paid during 2019 include payment to non-controlling shareholders of subsidiaries amounting to P398,468,000 at P1,101.09 per share (2018 - P317,576,000 at P877.56 per share).

Note 21 - Cost of sales and services

The components of cost of sales and services for the years ended December 31 are as follows:

(a) Cost of condominium sales

	Note	2019	2018	2017
TRDCI		2,478,688,308	2,176,060,519	1,178,857,604
SPDI		114,111,369	445,522,327	1,174,023,598
SWWPI		86,923,224	-	-
SPRC		14,747,980	38,888,875	113,615,246
Parent Company		2,467,500	32,741,079	3,525,278
SGCPI		-	307,348,423	2,256,804,942
	6	2,696,938,381	3,000,561,223	4,726,826,668

(b) Cost of rental and cinema

	Note	2019	2018	2017
Share in common expenses		81,948,325	157,116,180	138,121,538
Real property taxes		55,170,244	54,233,974	56,139,021
Insurance		32,274,498	35,061,183	28,677,874
	10	169,393,067	246,411,337	222,938,433

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

The details of SLPC's share in common expenses for the years ended December 31 are as follows:

	2019	2018	2017
Light, power and water	302,726,076	331,145,179	299,675,199
Janitorial, security and other services	127,323,539	123,630,177	113,180,741
Repairs and maintenance	81,699,444	96,294,917	82,560,170
Advertising and promotions	80,387,787	98,928,837	103,393,284
Tenants' reimbursements	(510,188,521)	(492,882,930)	(460,687,856)
	81,948,325	157,116,180	138,121,538

PIC Q&A 2018-12-H, 'PFRS 15 implementation issues affecting the real estate industry', includes guidance on accounting for CUSA charges. This clarifies that for CUSA and air conditioning charges to tenants, the entities have the ability to direct the use of and obtain substantially all the remaining benefits from the services being delivered to the tenants. The entities can direct the maintenance, security, and cleaning and administrative services and therefore, in this arrangement, the entity is a principal and should recognize revenue. The Group decided to avail the relief issued by the Securities and Exchange Commission (SEC) per Memorandum Circular No. 3-2019 dated February 8, 2019. The SEC provided relief to the real estate industry by deferring the application of the provisions of PIC Q&A 2018-12-H for a period of three (3) years until January 1, 2021.

(c) Cost of hotel operation

	Note	2019	2018	2017
Depreciation and amortization	13	1,080,551,476	1,018,566,761	877,576,286
Food and beverages		868,269,534	777,858,510	702,255,544
Utilities and maintenance		576,004,362	552,319,514	435,889,082
Staff costs		404,965,369	306,053,518	298,958,752
Supplies		74,127,536	84,914,282	83,000,022
Property tax and insurance		61,712,182	21,569,070	141,399,639
Others		147,045,883	262,501,940	119,569,335
		3,212,676,342	3,023,783,595	2,658,648,660

Others consist of telephone, fax, postage, subscriptions, publications, and hotel guest entertainment expenditures.

Note 22 - Staff costs

The components of staff costs for the years ended December 31 are as follows:

	Note	2019	2018	2017
Salaries and wages		336,984,080	350,786,180	355,720,814
Employee benefits		95,230,365	37,893,004	30,933,766
Retirement benefits costs	25	37,765,035	38,161,019	50,603,555
Others		6,426,086	11,431,113	5,147,749
		476,405,566	438,271,316	442,405,884

Note 23 - Other general and administrative expenses

The components of other general and administrative expenses for the years ended December 31 are as follows:

	Note	2019	2018	2017
Advertising		254,459,024	303,477,508	240,698,352
Professional fees		115,578,591	80,019,619	82,012,183
Janitorial, security and other services		53,786,048	41,819,127	35,967,775
Utilities		19,541,547	11,225,895	10,831,838
Telephone and communication		9,088,133	10,287,372	8,754,609
Transportation and travel		7,070,500	8,778,876	7,265,705
Supplies		6,627,181	6,618,499	6,298,191
Carpark expense		6,542,921	6,922,036	5,986,656
Repairs and maintenance		6,329,398	5,505,975	10,538,294
Donations		5,561,050	-	-
Commission		5,382,606	16,262,426	82,173,030
Condominium dues		3,624,674	6,045,247	39,352,930
Systems license and maintenance		2,835,871	4,125,172	3,466,343
Membership fees and dues		2,734,398	2,920,660	4,289,307
Entertainment, amusement and recreation		2,553,423	3,054,537	2,940,185
Gas and oil		2,252,390	2,400,056	1,846,199
Reproduction charges		1,459,364	1,083,391	1,346,298
Rent		566,126	35,614	198,404
Provision for doubtful accounts	5	170,000	8,468,256	5,178,302
Others		8,693,418	1,079,721	21,627,380
		514,856,663	520,129,987	570,771,981

Taxes and licenses pertaining to payment for business taxes, permits, real property taxes, documentary stamp taxes and other taxes incurred by the Group in 2019 amounted to P209,219,439 (2018 - P203,394,325; 2017 - P188,172,168) as shown in the consolidated statements of total comprehensive income.

Note 24 - Interest income, other income, and interest expense and bank charges

The components of interest income, other income, and interest expense and bank charges for the years ended December 31 are as follows:

(a) Interest income

	Notes	2019	2018	2017
Interest on:				
Installment contracts receivable	5	166,691,384	127,423,327	157,547,654
Cash in banks and cash equivalents	3	44,045,396	54,619,455	69,013,073
Overdue accounts from tenants		6,849,275	8,786,113	4,491,352
		217,586,055	190,828,895	231,052,079

(b) Other income, net

	Note	2019	2018	2017
Dividend income		55,541,739	48,440,301	63,880,748
Administration and management fee		24,785,736	18,732,446	19,797,621
Customer lounge fee		10,278,244	9,622,218	8,759,036
Income (loss) from ancillary services		8,057,028	(2,321,947)	1,994,036
Signage fee		7,180,687	6,681,893	6,003,850
Income from back-out buyers		6,908,319	4,867,806	21,334,380
Forfeited security deposits		6,830,401	1,943,015	2,876,637
Banner income		3,679,732	4,258,589	5,137,357
Gain (loss) on sale of property and equipment		1,050,728	206,643,583	(986,953)
Other rental revenue		312,500	2,500,000	2,130,089
Income from reversal of liabilities		-	63,974,806	-
Service revenue		-	4,438,616	2,820,524
Interest and penalty for overdue accounts		-	869,109	5,053,570
Gain (loss) on fair value adjustments of financial assets at fair value through profit or loss	4	(5,145,472)	(4,545,027)	14,247,505
Others		10,659,494	8,451,105	12,275,209
		130,139,136	374,556,513	165,323,609

In November 2018, SGCPI sold its land rights with carrying value of P62,916,000 to a third party for a total consideration of P269,640,000 resulting in a gain of P206,724,000.

(c) Interest expense and bank charges

	Notes	2019	2018	2017
Interest expense on bank loans	17	235,099,374	328,088,762	311,826,531
Accretion of deposits from tenants	18	36,299,084	29,810,487	19,159,774
Bank charges		940,453	842,460	976,558
		272,338,911	358,741,709	331,962,863

Note 25 - Accrued employee benefits

Accrued employee benefits as at December 31 consist of:

	2019	2018
Retirement benefit liability	55,093,909	57,052,807
Other employee benefits	51,116	-
	55,145,025	57,052,807

Accrued employee benefits pertain to liability for retirement, leaves and other related benefits expected to be settled more than 12 months after the end of the annual reporting period. Retirement asset amounting to P25,320,182 as at December 31, 2019 (2018 - 13,009,973) (Note 15), is not offset against the retirement liability as the retirement liabilities within the Group shall be settled on a per entity basis.

Retirement benefits

The Group, except SGCPI, has a funded, non-contributory defined benefit plan, providing death, disability and retirement benefits for all of its regular employees. In 2016, SGCPI started an unfunded non-contributory defined benefit plan. Under the plan, the normal retirement age is 60 years old and completion of at least five (5) 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 Group's Treasury Department. The trustee bank is responsible for investment of the assets. The Pension Fund Board defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes into account the plans objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy).

The retirement benefit obligation is determined using the "Projected Unit Credit Cost" (PUC) method. Under the PUC method, the annual normal cost for the portion of the retirement is determined as the amount necessary to provide for the portion of the retirement benefit accruing during the year.

The actuarial present value of the retirement benefit obligation under the plan is measured in terms of actuarial assumptions for discount rate, salary increases, retirement rates and mortality using the 2017 Philippine Intercompany Mortality Table. The discount rates used is a single weighted average rate based on rates as published in the Bankers Association of the PHP BVAL at various tenors as at December 7, 2018. Rate 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 plan typically exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(a) Investment risk

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan's investments are in the form of investments in debt instruments and cash deposits to universal and commercial banks. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets is invested in investments in debt instruments and cash deposits to universal and commercial banks.

(b) Interest rate risk

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using single weighted average rate based on PHP-BVAL rates. A decrease in rate will increase the defined benefit obligation. Hence, the present value of defined benefit obligation is directly affected by the discount rate to be applied by the Group. However, the Group believes that due to the long-term nature of the pension benefit obligation, the investment holdings of the plan is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(c) Longevity risk

The present value of the defined benefit plan obligation is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the retirement benefit obligation

(d) Salary risk

The present value of the defined benefit plan obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the retirement benefit obligation.

The management performed an Asset-Liability Matching Study (ALM) annually. The overall investment policy and strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay retirement benefits as they fall due while also mitigating the various risk of the plans. The Group's current strategic investment strategy mainly consists of treasury notes and bonds accounting for 99% of the total plan assets.

The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Group has not changed the processes used to manage its risks from previous periods. The Group does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

The Group's plan assets consist of investment in debt instruments and cash in banks. The Group believes that equities offer the best returns over the long term with an acceptable level of risk.

The actuarial valuation of the Group's retirement plan was performed by an independent actuary. The latest actuarial valuation report prepared was for the year ended December 31, 2019. The principal assumptions used by the actuary for the years ended December 31 are as follows:

	2019	2018	2017
Discount rate	4.63%	7.29%	5.29%
Salary increase rate	4.00%	5.00%	3.50%

The amounts of retirement benefit assets and liabilities recognized in the consolidated statements of financial position as part of "other non-current assets" and "accrued employee benefits" are as follows:

Retirement asset

	2019	2018
Fair value of plan assets	225,085,966	170,907,700
Present value of defined benefit obligations	(199,765,784)	(157,897,727)
Retirement benefit asset	25,320,182	13,009,973

Retirement liability

	2019	2018
Fair value of plan assets	-	10,052,475
Present value of defined benefit obligations	(55,093,909)	(67,105,282)
Retirement benefit liability	(55,093,909)	(57,052,807)

The summary of the total defined benefit obligation and fair value of plan assets as at December 31 are as follows:

	2019	2018
Fair value of plan assets	225,085,966	180,960,175
Present value of defined benefit obligations	(254,859,693)	(225,003,009)
	(29,773,727)	(44,042,834)

The movements in the remeasurement loss on defined benefit obligations under other components of other comprehensive income as shown in the consolidated statements of financial position for the years ended December 31 are as follows:

	2019	2018
At January 1	(37,974,006)	(34,982,361)
Remeasurements	(4,236,297)	(2,991,645)
	(42,210,303)	(37,974,006)
Deferred income tax effect	16,768,658	15,331,403
At December 31	(25,441,645)	(22,642,603)

Below is the analysis of the movements in the retirement benefit obligation for the years ended December 31:

	2019	2018
At January 1	44,042,834	31,515,005
Remeasurement loss	4,236,297	2,991,645
Contributions	(52,653,236)	(8,409,257)
Benefits paid directly by the Group	(3,617,203)	(20,215,578)
Retirement benefits costs	37,765,035	38,161,019
At December 31	29,773,727	44,042,834

The components of retirement expense for the years ended December 31 recognized in the consolidated statements of total comprehensive income included under staff costs account are as follows:

	Note	2019	2018	2017
Current service cost		35,890,449	27,435,307	48,655,224
Net interest cost		1,862,546	1,004,454	1,948,331
Net acquired obligation arising from transfer of employees		12,040	9,721,258	-
Pension expense	22	37,765,035	38,161,019	50,603,555

Changes in the present value of the defined benefit obligation for the years ended December 31 are as follows:

	2019	2018
At January 1	225,003,009	206,006,362
Interest cost	13,562,194	10,108,697
Current service cost	35,890,449	27,435,307
Net acquired obligation	12,040	9,721,258
Benefits paid directly by the Group	(26,688,536)	(20,215,578)
Remeasurement losses (gains) from:		
Experience adjustments	(7,311,570)	(9,333,281)
Change in demographic assumptions	7,328,441	(981,534)
Changes in financial assumptions	7,063,666	2,261,778
At December 31	254,859,693	225,003,009

Changes in the fair value of plan assets for the years ended December 31 are as follows:

	2019	2018
At January 1	180,960,175	174,491,357
Interest income	11,699,649	9,104,243
Losses on return on plan assets	2,844,241	(11,044,682)
Benefits paid from plan assets	(23,071,335)	-
Contributions	52,653,236	8,409,257
At December 31	225,085,966	180,960,175

Apart from the benefit payments to certain qualified employees advanced by the Group and the contributions to the plan as presented above for the years ended December 31, 2019 and 2018, the Group had no other transactions with the plan.

Details of plan assets as at December 31 are as follows:

	2019	2018
Cash in banks	9,853,357	246,603
Money market deposits and trust funds	23,264,717	-
Investments in equity	24,892,867	-
Investments in debt instruments:		
Treasury notes and bonds	136,661,982	172,035,531
Corporate notes and bonds	30,413,043	8,678,041
	225,085,966	180,960,175

At December 31, 2019 and 2018, the Group's plan assets (investment in debt instruments) are determined by reference to published price quotations in an active market (classified as Level 1 in the fair value hierarchy).

There are no plan assets invested in related parties as at and for the years ended December 31, 2019 and 2018.

Expected contribution to post-employment benefit plans for the year ending December 31, 2020 amounts to P10,337,930.

The weighted average duration of the defined benefit obligation is 13.34 years.

Expected maturity analysis of undiscounted retirement benefits as at December 31 are as follows:

	2019	2018
Less than a year	51,032,384	60,803,691
Between one and five years	111,053,595	104,928,605
Over five years	840,841,184	836,652,689
	1,002,927,163	1,002,384,985

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions are as follows:

	Increase (decrease)	
	2019	2018
Discount rate		
Increase by 1.0%	(110,173,475)	(95,608,619)
Decrease by 1.0%	120,701,943	104,372,543
Salary increase rate		
Increase by 1.0%	121,847,005	105,739,305
Decrease by 1.0%	(110,165,758)	(95,538,437)

The sensitivity is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement benefit asset/liability recognized within the consolidated statements of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to prior years.

Note 26 - Income taxes

Provision for income tax for the years ended December 31 follows:

	2019	2018	2017
Current	934,619,771	834,860,295	1,225,631,267
Deferred	120,190,611	436,901,272	238,897,969
	1,054,810,382	1,271,761,567	1,464,529,236

Deferred income tax assets and liabilities as at December 31 consist of:

	2019	2018
Deferred income tax assets:		
Difference in profit, installment method versus POC method	175,403,239	87,888,722
Advance rentals	115,174,430	95,779,487
Accrued expenses	58,003,879	66,682,834
Deferred lease income	56,415,939	49,714,885
Net operating loss carry over (NOLCO)	43,974,721	9,254,918
Guest and banquets prepayments and deposits	31,882,983	23,372,681
Deferred income:		
Health club membership fees	-	13,884,520
Sale of gift certificates	-	2,269,759
Accrued employee benefits	19,321,592	11,681,663
Unamortized funded past service cost	12,381,686	10,355,625
Minimum corporate income tax (MCIT)	7,139,458	4,289,203
Allowance for doubtful accounts	4,349,528	4,662,700
Unrealized loss on foreign exchange	502,183	47,442
Others	6,356,675	18,253,967
	530,906,313	398,138,406
Deferred income tax liabilities:		
Unrealized increase in fair value of investment property	(7,767,798,971)	(7,707,311,298)
Difference in profit, installment method versus POC method	(301,700,661)	(109,554,403)
Unrealized increase in fair value of FVOCI	(46,669,624)	(42,922,238)
Difference between cost of condominium sales for accounting and income tax purposes	(40,321,738)	(38,013,120)
Day 1 difference on deposits from tenants	(7,480,744)	(23,376,432)
Rent income per PFRS 16/Philippine Accounting Standard 17	(4,297,419)	(5,454,296)
Unrealized gain on foreign exchange	(867,416)	(4,941,751)
Others	(58,091)	-
	(8,169,194,664)	(7,931,573,538)
Net deferred income tax liabilities	(7,638,288,351)	(7,533,435,132)

The deferred income tax assets and liabilities balances presented in the consolidated statements of financial position are netted on a per entity basis as follows:

	2019	2018
Deferred income tax assets	226,921,795	122,428,897
Deferred income tax liabilities	(7,865,210,146)	(7,655,864,029)
	(7,638,288,351)	(7,533,435,132)

Realization of the future tax benefits related to the deferred income tax assets is dependent on many factors, including the Group's ability to generate taxable income in the future. The Group's management believes that the related future tax benefit will be realized.

Movements in net deferred income tax liabilities for the years ended December 31 are as follows:

	Note	2019	2018
At January 1		(7,533,435,132)	(7,025,919,725)
Charged to profit or loss		(115,901,408)	(432,190,373)
Credited to other comprehensive income		15,337,392	3,467,195
Acquisition from additional interest in a previously held associate	8	-	(74,081,330)
Expired MCIT		(4,289,203)	(4,710,899)
At December 31		(7,638,288,351)	(7,533,435,132)

The details of unrecognized deferred income tax assets on NOLCO at December 31 which could be carried over as deductible expense from taxable income for three (3) consecutive years following the year of incurrence are as follows:

Year incurred	Year of expiry	2019	2018
2016	2019	-	82,401,766
2017	2020	153,931,742	153,931,742
2018	2021	95,193,368	95,193,368
2019	2022	16,799,864	-
		265,924,974	331,526,876
Unrecognized DTA at 30%		79,777492	99,458,063

In compliance with the Tax Reform Act of 1997, the Group is required to pay the MCIT or the normal income tax, whichever is higher. The Group's MCIT incurred in 2016 amounting to P4,289,203 expired in 2019.

A reconciliation of the provision for income tax computed at the statutory income tax rate and the actual provision for income tax as shown in the consolidated statements of total comprehensive income for the years ended December 31 follows:

	2019	2018	2017
Tax at statutory rate of 30%	1,342,973,723	1,449,712,807	1,705,383,360
Additions (reductions) to income tax resulting from:			
Unrecognized NOLCO	22,368,423	101,296,815	46,179,523
Other non-deductible expenses	11,113,270	-	-
Expired MCIT	4,289,203	4,710,899	4,051,127
MCIT	1,092,499	-	-
Interest income subjected to final tax	(13,213,618)	(15,985,699)	(19,343,758)
Dividend income	(16,662,522)	(14,266,769)	(19,164,224)
Share in net losses of associates	(30,371,134)	-	1,229,996
Other non-taxable income	(57,516,306)	(86,486,328)	(91,237,537)
Difference between itemized and optional standard deductions (OSD)	(209,263,156)	(167,220,158)	(162,569,251)
Actual provision for income tax	1,054,810,382	1,271,761,567	1,464,529,236

In 2019 and 2018, the Group used the itemized deduction in claiming deductions against the taxable income except for KSA and SLPC which availed of the optional standard deduction for the computation of their taxable income.

Income tax payable amounted to P250,763,007 as at December 31, 2019 (2018 - P162,066,422).

Note 27 - Basic and diluted earnings per share

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

	2019	2018	2017
Net income attributable to the shareholders of Parent Company	3,056,001,858	3,012,328,190	3,346,165,957
Divided by the average number of outstanding common shares	4,761,918,337	4,761,918,337	4,761,918,337
Basic and diluted earnings per share	0.642	0.633	0.703

Basic and diluted earnings per share are the same due to the absence of dilutive potential common shares.

Note 28 - Related party transactions

In the normal course of business, the Group transacts with companies which are considered related parties. Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Group.

The transactions and outstanding balances of the Group with its related parties as at and for the years ended December 31 are as follows:

	2019		2018		
	Transactions	Outstanding receivables (payables)	Transactions	Outstanding receivables (payables)	Terms and conditions
Entities under common control					
Rental income (a) (Note 5)	111,637,754	30,792,405	106,548,187	29,636,433	Balances to be collected in cash and are due generally within 30 to 60 days. These are non-interest bearing and are not covered by any security.
Entities under common control					
Management services (b)	24,026,178	20,770,331	12,587,445	18,720,051	Balances to be collected in cash and are due generally within 30 days. These are non-interest bearing and are not covered by any security.
Reimbursed expenses (f)	6,765,396	713,542	1,058,071	3,368,327	
Affiliates share in Group's expenses (g)	303,029,278	262,057,715	88,821,365	180,913,578	
Advances (d)	-	1,144,187,553	116,581,067	1,144,187,554	Balances to be collected in cash and are generally due on demand. These are non-interest bearing and are not covered by any security.
Associates					
Associates' share in Group's expenses (g)	4,580	5,704,579	-	-	Balances to be collected in cash and are due generally within 30 days. These are non-interest bearing and are not covered by any security.
Total (Note 5)		1,464,226,125		1,347,189,510	
Entities under common control					
Marketing, management and other service fees (c)	99,841,412	(18,971,458)	83,424,313	(16,000,538)	Balances are to be settled in cash and are generally due within 30 days. These balances are non-interest bearing and not covered by any guarantee.
Condominium dues (e)	4,935,070	(1,570,482)	6,045,247	(1,840,926)	
Group's share in affiliates' expenses (g)	218,423,222	(79,947,313)	270,445,196	(95,509,311)	
Total (Note 16)		(100,489,253)		(113,350,775)	

All individual material related party transactions shall be approved by at least two-thirds (2/3) vote of the Board, with at least a majority of the independent directors voting to approve the material related party transaction. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock of SPI. For aggregate related party transactions within a twelve-month period which breaches the materiality threshold of ten percent (10%) of the Group's total assets, the same board approval shall be required for the transaction that meets and exceeds the materiality threshold covering the same related party.

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

Significant agreements with related parties are as follows:

(a) A portion of the Parent Company's land is being leased by ESHRI, where the EDSA Shangri-La, Manila 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. On August 16, 2017, the agreement was renewed by ESHRI for another 25 years until August 27, 2042. Rental revenue is based on a fixed percentage of ESHRI's room, food and beverage, dry goods and other service revenue.

(b) Shang Property Management Services, Inc. (SPMSI) provides management services to The Enterprise Center Condominium Corporation (TECCC), St. Francis Shangri-La Place Condominium Corporation (TSFSPCC), The Shang Grand Tower Condominium Corporation (TSGTCC), and One Shangri-La Place Condominium Corporation (OSPCC) for a minimum period of five years starting January 7, 2009, April 1, 2010, January 7, 2007, and January 1, 2015 respectively. As consideration, SPMSI shall receive from TECCC, TSGTCC, TSFSPCC, and OSPCC monthly management fees of P400,000, P100,000, P100,000, and P250,000 respectively, inclusive of VAT, with an escalation rate of 5% to 10% per annum. The parties mutually agreed to renew the agreements for another 5 years upon expiration.

(c) SGCPI entered into a License Agreement with Shangri-La International Hotel Management Limited (SLIM-BV) for the use of intellectual property rights over Shangri-La's policies, practices, procedures, and guidelines affecting different aspects of operations of the Shangri-La chain of hotels. The agreement is for 10 years commencing on the opening date, March 1, 2016, renewable for another 10 years at the option of either parties and subject to the approval of the Bureau of Patents, Trademarks and Technology Transfer of the Republic of the Philippines and applicable authorities. In consideration for such access and use, SGCPI pays SLIM-BV license fees and royalties. License fees paid to SLIM-BV is equivalent to $100 per annum while royalties are computed at 3% of the gross operating revenue per annum payable within 30 days of the end of each calendar month.

    Further, in 2016, SGCPI entered into a Marketing and Reservations Agreement with SLIM, whereby the related party acting as an independent contractor of SGCPI provides marketing, communication, and reservation services to promote SGCPI. The agreement is for a period of 10 years commencing on the opening date, March 1, 2016, renewable for another 10 years at the option of either parties. Under this agreement, SLIM shall act solely for the account of SGCPI and all expenses incurred shall be borne by SGCPI. As a consideration for such services, SGCPI shall pay SLIM an amount equivalent to certain percentage of gross operating revenue. Other charges includes reservation, loyalty program, communication, and other group services fees. Basis of these various charges are stipulated in the Marketing and Reservations Agreement.

(d) In 2018, Classic Elite Holdings Limited, an affiliate with common key management personnel, advanced cash amounting to P116,581,067 from the Parent Company. The amount is still outstanding as at December 31, 2019.

(e) Condominium dues charged by TSFSPCC and TECCC to Parent Company, KSA, SPDI and SPRC.

(f) Reimbursement of expenses paid for by SLPC for ESHRI.

(g) Certain other general and administrative expenses are initially paid for by the Group/affiliate and are subsequently reimbursed by the affiliate/Group to whom such payment was intended for.

(h) There were no write-offs or provisions made in relation to related party transactions and balances not eliminated during consolidation as at and for the years ended December 31, 2019 and 2018. The following are the significant transactions and outstanding balances with retirement fund and key management personnel as at and for the years ended December 31:

	2019		2018		
	Transactions	Outstanding receivables (payables)	Transactions	Outstanding receivables (payables)	Terms and conditions
Retirement fund					
Contributions	52,653,236	-	8,409,257	-	Refer to Note 25.
Advances	3,617,203	-	20,050,884	-	Balance pertains to claims from the retirement fund in relation to employee benefits directly paid by the Group.
Key management personnel:					
Salaries and other short-term employee benefits	81,719,074	-	72,207,752	-	Salaries and wages are settled in cash at the period incurred. Other short-term benefits are payable within the current year. There were no stock options or other long-term benefits provided in 2019 and 2018 nor amounts due to/from key management personnel as at December 31, 2019 and 2018.
Post-employment benefits	4,723,941	-	5,164,530	72,810,506	Refer to Note 25.

The following related party transactions and balances were eliminated for the purpose of preparing the consolidated financial statements:

	2019	2018	2017
At December 31			
Trade and other receivables	12,770,869,974	13,233,821,564	7,254,525,338
Accounts payable and other current liabilities	12,770,869,974	13,233,821,564	7,254,525,338
For the years ended December 31			
Rental revenue	244,211,871	231,848,991	231,886,155
Cost of sales and services	4,722,185	4,422,383	4,159,029
Operating expenses	656,566,364	246,196,006	296,249,041
Other income	273,682,354	101,211,223	60,204,857
Dividend income	2,281,532,000	1,389,324,000	1,900,570,000

The Parent Company and its subsidiaries are a party to significant agreements with related parties as follows:

(a) A portion of the Parent Company's land where the Shangri-La Plaza Mall is located is being leased to SLPC. The lease is for a period of 25 years from January 6, 1993. On September 19, 2017, the agreement was renewed by both parties to another 5 years until January 6, 2023. Rental revenue is based on a certain percentage of SLPC's annual rental revenue from mall operations and certain percentage of the carpark's net income. Rental revenue of the Parent Company amounted to P113,770,373 in 2019 (2018 - P118,077,382; 2017 - P119,550,361).

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

(d) On January 1, 2009, SPSI entered into an agreement with KSA, whereby SPSI is to manage and operate the parking slots of KSA. The agreement is renewable upon mutual agreement by the parties. The monthly gross parking revenue, less applicable VAT, is shared between KSA and SPSI at 75% and 25%, respectively.

(e) KSA entered into a management agreement with SPMSI for a monthly fee of P150,000 with 10% annual escalation for a period of five years starting March 2008. The parties agreed mutually on the renewal of the agreement. SPMSI shall provide on-site property leasing management including head office support services and periodic audit to ensure compliance with international practices; perform staff recruitment, training and performance evaluation; and perform financial management, including billing and collection and budget provisioning.

(f) In 2011, SPDI obtained an unsecured, noninterest-bearing loan from SHIL amounting to P2,317,500,000, payable on demand. As at December 31, 2019 and 2018, this loan is still outstanding.

(g) The Parent Company's dividend income from declarations of its subsidiaries are as follows:

	2019	2018	2017
KSA	931,532,000	742,424,000	560,320,000
SLPC	725,000,000	525,000,000	425,000,000
SPDI	70,000,000	50,000,000	700,000,000
NCRI	35,000,000	51,000,000	-
SPMSI	13,000,000	13,000,000	10,350,000
SPSI	7,000,000	7,900,000	4,900,000
SPRC	-	-	100,000,000
TRDCI	-	-	100,000,000
	1,781,532,000	1,389,324,000	1,900,570,000

In 2019, TRDCI declared cash dividends amounting to P500,000,000 to KRC. The declaration was eliminated under both dividend income in the statement of comprehensive income and dividends declared under equity in the statement of financial position. There were no similar transactions by TRDCI in 2018 and 2017.

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

Note 29 - Contingencies

On July 14, 1993, a complaint was initially filed before the Regional Trial Court (RTC) - Pasig by the principal contractor of the Shangri-La Plaza Mall against the Parent Company and the Board for the recovery of the balance of alleged unpaid construction work, compensatory and moral damages, legal fees and litigation costs totaling about P122,000,000, exclusive of interest. In the answer ex abundante ad cautelam, as a counterclaim, the Parent Company is asking for approximately P182,000,000 in overpayment plus P7,000,000 in damages and litigation costs. Due to technical reasons, the principal contractor re-filed the case on or about June 23, 1998 with the Construction Industry Arbitration Commission (CIAC).

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

The arbitration hearing, during which both the Parent Company and the principal contractor were given the opportunity to present their witnesses, commenced in December 2006 and ended with the decision of the Arbitral Tribunal promulgated on July 31, 2007. In its decision, the Arbitral Tribunal awarded to the principal contractor the sum of P38,518,503, net of the award to Parent Company amounting to P8,387,484.

The principal contractor has appealed the Arbitral Tribunal's decision to the Court of Appeals, praying for the award of the full amount of its claim. The Parent Company has partially appealed the said decision, praying for the reduction of the award to the plaintiff. The Court of Appeals, in its decision dated August 12, 2008 and resolution dated April 16, 2009, awarded to the principal contractor P24,497,556, unpaid progress billings based on the original scope of work, and denied the Parent Company of its motion for partial reconsideration.

On June 5, 2009, the Parent Company filed a Petition for Review on Certiorari to the Supreme Court praying to issue an order or decision (a) declaring the Parent Company as not liable to the principal contractor for unpaid progress billings based on the original scope of work, (b) ordering the principal contractor to pay the Parent Company P7,590,000 as liquidated damages, and (c) setting aside or reversing the Court of Appeal's decision and resolution insofar as they are adverse to the Parent Company. On a Petition for Review on Certiorari dated June 11, 2009, the principal contractor prayed to the Supreme Court to modify the decision and resolution of the Court of Appeals, to award the principal contractor the full amount of its claim. Both petitions are pending resolution by the Supreme Court as of April 1, 2020.

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

Note 30 - Advance rentals

Advance rentals are collected from all tenants depending on the agreed terms stated in the contracts which are usually equivalent to three months' rent and can be applied at the terminal months of the lease. The current portion is included as part of accounts payable and other current liabilities account (Note 16) and the non-current portion is shown separately in the consolidated statements of financial position. Movements in the account for the year ended December 31 are as follows:

	2019	2018
At January 1	319,264,957	299,725,077
Additions	97,868,384	87,904,471
Applications	(33,218,577)	(68,364,591)
At December 31	383,914,764	319,264,957

Advance rentals for the years ended December 31 are as follows:

	Note	2019	2018
Current	16	271,914,158	132,235,230
Non-current		112,000,606	187,029,727
		383,914,764	319,264,957

Note 31 - Net debt reconciliation

The net debt reconciliation as at December 31 is presented below:

	Notes	2019	2018
Long-term loan, at January 1	17	5,983,027,491	8,359,472,703
Cash flows		(55,066,400)	(2,376,445,212)
Long-term loan, at December 31	17	5,927,961,091	5,983,027,491
Accrued interest		22,829,348	34,220,895
Cash and cash equivalents	3	(2,640,088,900)	(2,432,097,332)
Net debt		3,310,701,539	3,585,151,054

Movements in financing liabilities comprising the net debt are disclosed in the related notes to the consolidated financial statements.

Note 32 - Financial risk and capital management

32.1 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the Group's management under policies approved by its Board of Directors. These policies cover financing structure, foreign exchange and interest rate risk management, guarantees and credit support, as well as treasury control framework. There are no changes in the Group's risk management plans for the years ended December 31, 2019 and 2018.

32.1.1 Market risk

(a) Foreign exchange risk

The Group's exposure on currency risk is minimal and limited only to foreign currency denominated cash in banks and cash equivalents. Changes in foreign currency exchange rates of these assets are not expected to have a significant impact on the financial position or results of operations of the Group.

The Group's foreign currency denominated cash in banks and cash equivalents as at and net foreign exchange gains for the years ended December 31, 2019 and 2018 are disclosed in Note 3.

(b) Price risk

The Group's exposure to price risk is minimal and limited only to financial assets at fair value through profit or loss (Note 4) and FVOCI (Note 12) presented in the consolidated statements of financial position. Changes in market prices of these financial assets are not expected to have a significant impact on the financial position or results of operations of the Group.

(c) Cash flow and fair value interest rate risk

Interest rate risk refers to risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's interest-bearing financial instruments include bank loans (Note 17). Interest rates on bank loans of SLPC and SGCPI are based on the higher between the PHP BVAL rate plus 0.75% per annum and the BSP overnight borrowing rate. The Parent Company's bank loan has fixed interest rate, to be repriced every 30 to 180 days as agreed by the parties.

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

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

At December 31, 2019, if interest rates on bank loans had been 100 basis points lower or higher with all other variables held constant, post-tax profit for the year would have been higher by/lower by P59,279,611 (2018 - higher by/lower by P28,626,909) mainly as a result of lower/higher interest expense on floating-rate bank loans. Management uses 100 basis points as threshold in assessing the potential impact of interest rate in the operations.

The sensitivity analysis has been determined based on the exposure to interest rates at the end of each reporting period. The sensitivity rate in the analysis is the same rate used in reporting interest rate risk internally to key management personnel and represents the Group's best estimate the reasonably possible change in interest rates.

32.1.2 Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a financial loss to the Group. Credit risk arises from cash deposits with banks, as well as credit exposure to customers and suppliers.

Exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets. The Group has no significant concentration on credit risk.

The Group's financial assets are categorized based on the Group's collection experience with the counterparties as follows:

a. High performing - settlements are obtained from counterparty following the terms of the contracts without history of default.
b. Underperforming - some reminder follow-ups are performed to collect accounts from counterparty.
c. Credit impaired - evidence that a financial asset is credit-impaired includes the following observable data: significant financial difficulty of the counterparty, a breach of contract such as a default or being more than 120 days past due; or it is probable that the borrower will enter bankruptcy or other financial reorganization.

The following tables summarize the credit quality of the Group's financial assets per category and aging analysis of financial assets as at December 31:

	High performing	Under performing	Credit impaired	Total
2019				
Current assets				
Cash and cash equivalents	2,617,190,108	-	-	2,617,190,108
Trade and other receivables	5,219,296,083	-	14,498,427	5,233,794,510
Financial assets at fair value through profit or loss	36,278,844	-	-	36,278,844
Refundable deposits	3,537,728	-	-	3,537,728
Non-current assets				
Advances to a joint venture	1,019,989,374	-	-	1,019,989,374
Refundable deposits	132,838,523	-	-	132,838,523
Financial assets at FVOCI	803,668,496	-	-	803,668,496
	9,832,799,156	-	14,498,427	9,847,297,583
2018				
Current assets				
Cash and cash equivalents	2,417,417,612	-	-	2,417,417,612
Trade and other receivables	3,284,010,542	-	15,542,333	3,299,552,875
Financial assets at fair value through profit or loss	41,424,316	-	-	41,424,316
Refundable deposits	3,567,100	-	-	3,567,100
Non-current assets				
Refundable deposits	76,104,635	-	-	76,104,635
Financial assets at FVOCI	782,395,996	-	-	782,395,996
	6,604,920,201	-	15,542,333	6,620,462,534

There are no collaterals held as security or other credit enhancements attached to the Group's financial assets.

Allowance for impairment of receivables as at December 31, 2019 amounted to P14,498,427 (2018 - P15,542,333). Apart from the financial assets covered by allowance, the remaining financial assets are classified as high performing.

The credit quality of the Group's financial assets is discussed below.

(a) Cash and cash equivalents

Credit risk from balances with banks is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties to mitigate financial loss through counterparty's potential failure to make payments.

As at December 31, the Group's cash and cash equivalents are deposited in the following types of financial institutions as approved by the Board of Directors:

	2019	2018
Universal banks	1,378,727,558	1,925,507,775
Thrift banks	1,216,460,383	437,868,697
Commercial banks	22,002,167	54,041,140
	2,617,190,108	2,417,417,612

Cash in banks and cash equivalents as at December 31, 2019 and 2018 are all considered high grade financial assets. The remaining cash in the consolidated statements of financial position pertains to cash on hand which is not exposed to credit risk (Note 3).

(b) Receivables

There is no concentration of credit risk with respect to receivables since the Group has a large number of counterparties involved.

Trade receivables

Sales of residential condominium units that are on installment basis are supported by post-dated checks from the buyers. Titles to properties sold are not released unless full payment is received. In case of leasing operation, tenants are subjected to credit evaluation and are required to put up security deposits and pay advance rentals, if necessary. For the hotel operation, hotel guests who wish to avail of a credit line are subjected to the normal credit investigation and checking. References are required including review of the customer's financial position and earnings. Approval of a credit line is performed by the Financial Controller and the General Manager. A guest may not be given a line, but special ad hoc arrangements are allowed. It usually requires deposits, prepayments or credit card guarantees as collaterals. Existing credit lines are reviewed annually. The balances due from customers are considered as high grade financial assets.

The Group applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The loss allowance as at December 31, 2019 and 2018 was determined as follows for trade receivables:

	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
December 31, 2019					
Expected loss rate	0%	0%	0%	100%	
Trade receivables	3,684,003,488	-	-	12,366,384	3,696,369,872
Loss allowance	-	-	-	12,366,384	12,366,384
December 31, 2018					
Expected loss rate	0%	0%	0%	100%	
Trade receivables	1,856,018,414	-	-	13,410,290	1,869,428,704
Loss allowance	-	-	-	13,410,290	13,410,290

Non-trade receivables; Advances to a joint venture

The credit exposure on nontrade receivables is considered to be minimal as there is no history of defaults and collections are expected to be made within 30 to 60 days. In respect of balances due from related parties, management considered the credit quality of these receivables to be good based on financial condition of the related parties.

(c) Refundable deposits

Refundable deposits include cash required from the Group for the on-going construction and utilities maintenance. This is refundable at the end of the lease term. Refundable deposits are reflected at their carrying amounts which are assumed to approximate their fair values. Considering the balance and average term of outstanding lease arrangements, management believes that the impact of discounting is not significant. Refundable deposits are considered as high performing financial assets.

(d) Financial assets at fair value through profit or loss and financial assets at FVOCI

The Group adheres to fixed limits and guidelines in its dealings with counterparties of its investments in financial assets at fair value through profit or loss and financial assets at FVOCI. The Group's maximum exposure to credit risk as at December 31, 2019 and 2018 is equal to the carrying values of its financial assets. Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

32.1.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group maintains sufficient cash and cash equivalents in order to fund its operations. The Group monitors its cash flows and carefully matches the cash receipts from its operations against cash requirements for its operations. The Group utilizes its borrowing capacity, if necessary, to further bolster its cash reserves.

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Balances due within 12 months approximate their carrying balances, as the impact of discounting is not significant.

	0 - 90 days	91 - 180 days	181 - 360 days	Total
At December 31, 2019				
Bank loans	1,045,000,000	2,100,000,000	408,333,333	3,553,333,333
Accounts payable and other current liabilities*	3,650,622,393	-	-	3,650,622,393
Deposits from tenants	-	-	391,914,057	391,914,057
Installment payable	-	443,917,972	-	443,917,972
Dividends payable	-	47,544,516	-	47,544,516
Future interest payable	59,411,317	116,194,444	54,444,444	230,050,205
	4,755,033,710	2,707,656,932	854,691,834	8,317,382,476
At December 31, 2018				
Bank loans	133,333,333	1,433,333,333	266,666,667	1,833,333,333
Accounts payable and other current liabilities*	3,372,650,316	-	-	3,372,650,316
Deposits from tenants	-	-	503,462,220	503,462,220
Installment payable	113,948,488	91,306,826	185,025,217	390,280,531
Dividends payable	-	42,683,650	-	42,683,650
Future interest payable	88,681,822	88,255,395	132,350,972	309,288,189
	3,708,613,959	1,655,579,204	1,087,505,076	6,451,698,239

**excluding advance rentals, contract liabilities, customers' deposits, reservation payable, output VAT, deferred output VAT and payable to government agencies*

32.2 Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes in the Group's strategies and policies during 2019 and 2018.

The Group monitors capital using a gearing ratio, which is net debt, including long-term loan less cash and cash equivalents, divided by capital. Capital pertains to total equity less non-controlling interest. The gearing ratio as at December 31 is presented below:

	2019	2018
Net debt		
Long-term loan	5,927,961,091	5,983,027,491
Less: cash and cash equivalents	(2,640,088,900)	(2,432,097,332)
	3,287,872,191	3,550,930,159
Capital		
Total equity	41,270,138,878	39,066,359,232
Less: Non-controlling interest	(6,254,206,015)	(6,286,923,473)
	35,015,932,863	32,779,435,759
Gearing ratio	9.39%	10.83%

The Group was able to meet its capital management objectives.

32.3 Fair value measurement

The Group follows the fair value measurement hierarchy to disclose the fair value measurements of its financial instruments. The table below summarizes the fair value measurement hierarchy of the Group's assets and liabilities at December 31:

	Fair value measurement using			
	Quoted prices in active markets (Level I)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
2019				
Assets measured at fair value				
Financial assets at fair value through profit or loss	36,278,844	-	-	36,278,844
Investment properties:				
Land	-	-	15,253,910,599	15,253,910,599
Buildings	-	-	17,649,466,169	17,649,466,169
Financial assets at FVOCI:				
Quoted	33,958,500	-	-	33,958,500
Unquoted	-	-	769,709,996	769,709,996
Assets for which fair values are disclosed				
Financial asset at amortized cost				
Refundable deposits	-	132,838,523	-	132,838,523
Liabilities for which fair values are disclosed				
Installment payable	-	443,917,972	-	443,917,972
Deposits from tenants	-	1,118,744,931	-	1,118,744,931
2018				
Assets measured at fair value				
Financial assets at fair value through profit or loss	41,424,316	-	-	41,424,316
Investment properties:	-	-	-	-
Land	-	-	13,233,022,951	13,233,022,951
Buildings	-	-	19,278,053,097	19,278,053,097
Financial assets at FVOCI:				
Quoted	33,455,000	-	-	33,455,000
Unquoted	-	-	748,940,996	748,940,996
Assets for which fair values are disclosed				
Financial asset at amortized cost				
Refundable deposits	-	76,104,635	-	76,104,635
Liabilities for which fair values are disclosed				
Installment payable	-	541,161,733	-	541,161,733
Deposits from tenants	-	1,093,983,483	-	1,093,983,483

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

There have been no assets and liabilities transferred among Level 1, Level 2 and Level 3 during 2019 and 2018.

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:

(a) Financial assets at fair value through profit or loss

The fair value of financial assets at fair value through profit or loss is based on quoted market prices at the reporting date.

(b) Cash and cash equivalents, trade and other receivables, accounts payable and other current liabilities, accrued employee benefits and dividends payable

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

(c) Installment contracts receivable

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

(d) Refundable deposits and deposits from tenants

The fair value of deposits from tenants was based on the present value of estimated future cash flows using applicable market rates at the reporting date. Discount ranges from 2.45% to 8.26% as at December 31, 2019 (2018 - 1.69% to 7.67%).

(e) Financial assets at FVOCI

Refer to Note 12 for the methods and assumptions used to estimate the fair values of financial assets at FVOCI as at December 31, 2019 and 2018.

(f) Bank loans

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

(g) Investment properties

Refer to Note 10 for the methods and assumptions used to estimate the fair values of investment properties as at December 31, 2019 and 2018.

Note 33 - Significant accounting judgments, estimates and assumptions

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates, assumptions and judgments concerning the future. The resulting accounting estimates will, by definition seldom equal the related actual results. The estimates and assumptions applied by the Group and which may cause adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

33.1 Critical accounting estimates and assumptions

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

- 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;
- 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
- 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 disclosed in Note 10. The fair values, which are also the values of investment properties as at December 31, 2019 and 2018, are disclosed in Note 10.

Fair value gain on investment properties represent significant amounts both in value of property and income. Any +/- 1% change in fair value per square meter increases/decreases total assets and income before tax by P228.95 million (2018 - P297.94 million).

(b) Useful lives of property and equipment

The useful life of each item of the Group's property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimate is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any property and equipment would increase the recorded operating expenses and decrease non-current assets.

In 2019 and 2018, there were no changes in the estimated useful lives of property and equipment. As at December 31, 2019, property and equipment have a carrying value of P12.81 billion (2018 - P13.75 billion) (Note 13).

If the actual useful lives of the property and equipment differ by 10% (assessment threshold used by management), the carrying amount of property and equipment would have been P408.39 million higher or P334.14 million lower (2018 - P285.85 million higher or P233.88 million lower).

(c) Estimation of percentage-of-completion of the Group's projects

Revenue from sale of condominium is recognized over time using the output method in accordance with the guidance set in PIC Q&A 2016-04. Under the output method, revenue is calculated with reference to the POC of the project. POC is determined based on the actual physical completion of the project. Management believes that revenue from condominium sales reported in the statement of total comprehensive income best reflects the POC of the projects as at reporting date.

The Group has the following on-going projects with its percentage of completion as at December 31:

Projects	2019	2018
The Rise Makati	92%	65%
Shang Wack Wack	15%	1%

(d) Determining retirement benefit obligation

The Group maintains a qualified defined benefit retirement plan. The calculations of retirement costs of the Group are dependent upon the use of assumptions, including discount rates, expected return on plan assets, interest cost, future salary increases, benefits earned, mortality rates, the number of employee retirements, the number of employees electing to take lump-sum payments and other factors.

Actual results that differ from assumptions are accumulated and amortized over future periods and, therefore, generally affect recognized expense and the recorded obligation in future periods. While the Group believes that the assumptions used are reasonable, differences in actual experience or changes in assumptions may materially affect the Group's retirement obligation and future expense.

In determining the long-term rates of return, the Group considers the nature of the plans' investments, an expectation for the plans' investment strategies, historical rates of return and current economic forecasts. The Group evaluates the expected long-term rate of return annually and adjusts such rate as necessary. The possible effects of sensitivities surrounding the actuarial assumptions at the reporting date are presented in Note 25.

33. 2 Critical accounting judgments

(a) Distinction between properties held for sale, investment properties, and property and equipment

The Group determines whether a property is to be classified as a property held for sale, 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 Group 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 Group, but are held primarily to earn rental income or capital appreciation; and
- Property and equipment generate cash flows that are attributable not only to them but also to the other assets used in the operations of the Group.

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

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

The carrying values of properties held for sale, investment properties, and property and equipment as at December 31, 2019 and 2018 are disclosed in Notes 6, 10 and 13, respectively.

(b) Revenue recognition

Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on the following, among others:

- Collectability of contract price

  Identification of a "contract" for particular real estate sale transaction in the context of PFRS 15 requires certain judgments based on the collectability of the transaction price. Collectability of the transaction price is demonstrated by the buyer's commitment to pay which, in turn, is supported by substantial initial and continuing investments that gives the buyer a sufficient stake in the property that risk of loss through default motivates the buyer to honor his obligation. Collectability is also assessed by considering factors such as the credit standing of the buyer, age, and location of the property. For condominium sales, in determining whether the contract prices are collectible, the Group considers that initial and continuing investments by the buyer of about 20% would demonstrate the buyer's commitment to pay, based on historical data.

- Stage of completion of the condominium

  Prior to 2018, the Group commences the recognition of revenue from sale of uncompleted condominium where the POC method is used when the construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished).

(c) Estimation of net realizable value of properties held for sale

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

The carrying amount of properties held for sale and other information are shown in Note 6.

(d) Recoverability of investments in an associate and a joint venture

The Group's investments in associates and a joint venture are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable.

As discussed in Note 8, the Group's interest in SLPI was reclassified as investment in subsidiary from investment in an associate as a result of PSI's acquisition of the remaining 50% interest in SLPI in 2018.

(e) Impairment of goodwill

The Group reviews the goodwill annually for impairment and whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Goodwill is monitored by management at SGCPI's business level (lowest level of CGU identified) following its acquisition by Parent Company.

As at December 31, 2019 and 2018, based on management's assessment and judgment, there is no impairment of goodwill since the recoverable amount of the CGU is higher than the carrying value.

As at December 31, 2019 and 2018, the recoverable amount of SGCPI's hotel business was determined based on value in use calculation (using Level 3 inputs) and require the use of certain assumptions. In computing for the value in use, the management has employed the discounted cash flow method in computing for the value in use. The calculations use cash flow projections based on financial forecasts covering a five-year period beginning 2019.

The cash flow forecasts reflect management's expectations of revenue growth, operating costs and margins based on past experience and outlook, consistent with internal measurements and monitoring.

Pre-tax adjusted discount rate applied to the cash flow forecasts is derived using the weighted average cost of capital as at December 31, 2019.

The following are the key assumptions used:

Pre-tax adjusted discount rate	4.13%
Terminal growth rate	3.40%

The Group's impairment review includes an impact assessment of changes in discount rate used for value in use calculations. If the discount rate would increase/decrease by 1%, the estimated fair value of CGU would have been lower/higher by P945.09 million/P984.59 million. Based on this sensitivity analysis, management concluded that no reasonable change in base case assumptions would cause the carrying amount of SGCPI's business to exceed its recoverable amount.

(f) Impairment of non-financial assets

The Group reviews its non-financial assets, such as investments in associates and in a joint venture, real estate development projects, and property and equipment, for any indicator of impairment in value. This includes considering certain factors such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. If indicators of impairment have been identified, the Group determines the recoverable amount of the asset, which is the higher of the asset's fair value less costs to sell and value in use.

Given historical profitable operations and profit projections, the Group has assessed that there are no impairment indicators with respect to the non-financial assets as at December 31, 2019 and 2018.

(g) Classification of leases as operating lease

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

The carrying values of investment properties as at December 31, 2019 and 2018 are disclosed in Note 10.

(h) Income taxes

A certain degree of judgment is required in determining the provision for income taxes, as there are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognizes liabilities for tax audit issues when it is probable. The liabilities are based on estimates whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Further, the Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces them to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized. The Group expects to generate sufficient future taxable profits to allow all of its recognized deferred tax assets to be utilized. Deferred tax assets recognized as at December 31, 2019 and 2018 are disclosed in Note 26.

(i) Contingencies

The Parent Company and SLPC are currently involved in various legal proceedings. The estimates of the probable costs for the resolution of these claims have been developed in consultation with the outside legal counsel handling the defense in these matters and are based upon analyses of potential reports. Based on management's assessment, these proceedings will not have a material effect on the Group's financial position and performance (Note 29).

(j) Low value leases

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the profit or loss. Management considered lease agreements with third parties as low value leases.

Note 34 - Summary of significant accounting and financial reporting policies

34.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by SEC.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, investment properties and financial assets at FVOCI.

The preparation of consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 33.

34.2 Changes in accounting policy and disclosures

(a) New standards, amendments and interpretations adopted by the Group

- PFRS 16, 'Leases' (effective January 1, 2019). PFRS 16, 'Leases', affects primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

  In applying PFRS 16 for the first time, the Group applied the modified retrospective method and used the practical expedient permitted by the standard on accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases.

  The adoption of the standard did not have a significant impact on the Group's financial statements. Its existing leases with third parties were classified as low-value leases, in accordance with the standard's exemption.

- Philippine Interpretation IFRIC 23 - *Uncertainty over Income Tax Treatments* (effective January 1, 2019). The interpretation explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

  - how to determine the appropriate unit of account;
  - that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored;
  - that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;
  - that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and;
  - that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

  The adoption of the interpretation above had no material impact on the consolidated financial statements of the Group.

- Amendments to PAS 19 - *Plan Amendment, Curtailment or Settlement* (effective January 1, 2019). The amendments to IAS 19 Employee Benefits clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must:

  - calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change.
  - recognise any reduction in a surplus immediately in profit or loss, either as part of past service cost or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling.
  - separately recognise any changes in the asset ceiling through other comprehensive income.

  The adoption of the interpretation above had no material impact on the consolidated financial statements of the Group.

- *IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost)*

  In March 2019, the IFRIC in its agenda decision concluded that the principles and requirements in International Accounting Standard (IAS) 23, Borrowing Costs, provide an adequate basis for an entity to determine whether to capitalize borrowing costs incurred related to the construction of a residential multi-unit real estate development with the intention of selling the individual units in the building to customers in which the entity intends to enter into contracts with customers for the unsold units as soon as it finds suitable customers.

  The terms and relevant facts and circumstances of the contracts with customers are such that, applying International Financial Reporting Standard (IFRS) 15, Revenue from Contracts with Customers, par. 35(c), the entity transfers control of each unit over time and therefore, recognizes revenue over time.

  The IFRIC concluded that any inventory (work-in-progress) for unsold units under construction that the entity recognizes is not a qualifying asset, as the asset is ready for its intended sale in its current condition - i.e., the developer intends to sell the partially constructed units as soon as it finds suitable customers and, on signing a contract with a customer, will transfer control of any work-in-progress relating to that unit to the customer. Accordingly, no borrowing costs can be capitalized on such unsold real estate inventories.

  The SEC, in its Memorandum Circular No. 4-2020, provided for the relief to the Real Estate Industry by deferring the implementation of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) until December 31, 2020. Effective January 1, 2021, real estate companies in the Philippines shall adopt the IFRIC interpretations and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. The Group opted to avail of this relief for the current period. The accounting policies applied for borrowing costs are disclosed in Note 34.16. If the Group adopted the IFRIC agenda decision, the Group would recognize capitalized borrowing costs as expense in the period it was incurred.

(b) New standards, amendments and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations to existing standards are effective for annual periods after January 1, 2019, and have not been early adopted nor applied by the Group in preparing these financial statements. None of these standards are expected to have significant effect on the consolidated financial statements of the Group.

34.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2019 and 2018. The subsidiaries' financial statements are prepared for the same reporting year as the Parent Company. The Group uses uniform accounting policies, any difference between subsidiaries and the Parent Company are adjusted properly.

The Group is composed of the subsidiaries listed below:

Nature and name of entity	Ownership % 2019	2018	2017
Property development:			
Shang Properties Realty Corporation (SPRC)	100	100	100
Shang Property Developers, Inc. (SPDI)	100	100	100
The Rise Development Corporation, Inc. (TRDCI)	100	100	100
Shang Wack Wack Properties, Inc. (SWWPI	100	100	100
Hotel operation:			
Shang Global City Properties, Inc. (SGCPI)	60	60	60
Leasing:			
SPI Parking Services, Inc. (SPSI)	100	100	100
Shangri-la Plaza Corporation (SLPC)	100	100	100
KSA Realty Corporation (KSA)	70.04	70.04	70.04
Real estate:			
Ivory Post Properties, Inc. (IPPI)	100	100	100
KPPI Realty Corporation (KRC)	100	100	100
Martin B Properties, Inc. (MBPI)	100	100	100
New Contour Realty, Inc. (NCRI)	100	100	100
Perfect Sites, Inc. (PSI)	100	100	100
Shang Fort Bonifacio Holdings, Inc. (SFBHI)	100	100	100
Shang Global City Holdings, Inc. (SGCHI)	100	100	100
Sky Leisure Properties, Inc. (SLPI)	100	100	-
Property management:			
KPPI Management Services Corporation (KMSC)	100	100	100
Shang Property Management Services, Inc. (SPMSI)	100	100	100
Other supplementary business:			
Gipsey, Ltd. (Gipsey)	100	100	100
Silver Hero Investments Limited (SHIL)	100	100	100
EPHI Logistics Holdings, Inc. (ELHI)	60	60	60

Except for Gipsey and SHIL, which were incorporated in the British Virgin Islands (BVI) and use Hong Kong dollars (HK$) as their functional currency, all the other subsidiaries were incorporated and registered in the Philippines which use Philippine Peso as their functional currency.

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the Parent Company do not differ from the proportion of ordinary shares held.

The summarized financial information of subsidiaries with significant non-controlling interest as at and for the years ended December 31, 2019 and 2018 are disclosed in Note 9.

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. These are deconsolidated from the date that control ceases.

The Group also assesses the existence of control where it does not have more than 50% of the voting power by virtue of de facto control. De facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group control over the investee.

Whenever the Group obtains control of one or more other entities, it assesses whether the acquired group of net assets constitutes a business. In assessing whether a transaction is an acquisition of a business or assets, the Group identifies the elements in the acquired group, assesses the capability of the acquired group to produce outputs, and assesses the capability of a market participant to produce outputs if missing elements exist. If the assets acquired are not a business, the Group accounts for the transaction or other event as an asset acquisition.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is not accounted for within equity.

If the excess of the consideration is transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration is transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(d) Associates and joint ventures

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

Interests in joint ventures are accounted for using the equity method, after initially being recognized at cost in the consolidated statement of financial position.

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

When the Group increases its stake in an existing associate and gains control in that investment, the investment becomes a subsidiary. When the entity obtains control of the investment (an investor controls an investee when it 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) that was previously accounted for under equity method, the carrying amount of the investment in associate is derecognized and the assets and liabilities acquired are recognized in the Group's consolidated financial statements at acquisition date.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

If the ownership interest in an associate or a joint venture is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

The Group determines at each reporting date whether there is any objective evidence that the investments is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investments and its carrying value and recognizes the amount adjacent to 'share in net earnings of associates' in the consolidated statement of total comprehensive income. The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 34.13.

Dilution gains and losses arising in investments are recognized in profit or loss. Investment in subsidiaries and associates are derecognized upon disposal. Gains and losses on disposals of these investments are determined by comparing the proceeds with the carrying amount and are included in profit or loss.

34.4 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.

34.5 Financial instruments

34.5.1 Classification of financial assets

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value either through other comprehensive income ("OCI") or through profit or loss, and
- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

34.5.2 Measurement of financial assets

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other income, net, together with foreign exchange gains and losses. Impairment losses are presented in other general and administrative expenses in the consolidated statement of total comprehensive income.

  The Group's financial assets at amortized cost consist of cash and cash equivalents (Note 3), trade and other receivables (Note 5), refundable deposits under prepaid taxes and other current assets (Note 7) and other non-current assets (Note 15) in the consolidated statement of financial position.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other income, net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income, net, and impairment expenses are presented in other general and administrative expenses in the consolidated statement of total comprehensive income.

  The Group does not have debt instruments at FVOCI as at December 31, 2019.

- FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented within other income, net, in the period in which it arises.

  The Group does not have debt instruments at FVTPL as at December 31, 2019.

Equity instruments

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

The Group's financial assets measured at FVOCI represent unquoted shares of stock of related parties and quoted investments in various golf club shares and stocks. These are separately shown in the consolidated statement of financial position (Note 12).

Dividends are recognized when the Group's right to receive payment is established, it is probable the economic benefits will flow to the entity and the amount can be measured reliably. Dividends are recognized in profit and loss unless they clearly represent recovery of a part of the cost of the investment, in which case they are included in other comprehensive income. Changes in fair value are recognized in other comprehensive income and are never recycled to profit and loss, even if the asset is sold or impaired.

34.5.3 Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of counterparties over a period of 36 months before January 1, 2018 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has assessed that the impact of forward-looking information on the loss rates applied is immaterial.

Impairment losses on receivables are presented in other general and administrative expenses consolidated statement of total comprehensive income. Subsequent recoveries are credited to other income.

34.5.4 Classification and measurement of financial liabilities

Financial liabilities are classified in the following categories: financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that designated at fair value); and financial liabilities at amortized cost. The Group did not measure its financial liabilities at fair value through profit or loss as at December 31, 2019.

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortized cost.

The Group's accounts payable and other current liabilities (excluding advanced rental, contract liabilities, customers' deposits, reservation payable, output VAT, deferred output VAT and payable to government agencies) (Note 16), installment payable (Note 6), deposits from tenants (Note 18), dividends payable (Note 20), accrued employee benefits (excluding retirement benefits) (Note 25) and bank loans (Note 17) are classified under financial liabilities at amortized cost.

34.5.5 Initial recognition

Regular purchases and sales of financial assets are recognized on the trade date (the date on which the Group commits to purchase or sell the asset).

Financial assets and liabilities not carried at fair value through profit or loss are initially recognized at fair value plus transaction costs. Financial assets and liabilities carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are recognized as expense in profit or loss.

The Group recognizes a financial liability in the consolidated statement of financial position when the Group becomes a party to the contractual provision of the instrument.

34.5.6 Day 1 difference

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

34.5.7 Derecognition

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognized when the obligation is discharged or is 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 modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

34.5.8 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty. There are no offsetting arrangements as at December 31, 2019 and 2018.

34.6 Trade and other receivables

Trade receivables arising from regular sales with credit term of 30 to 60 days and other receivables are recognized initially at fair value and subsequently measured at cost using the effective interest method, less any provision for impairment.

The Group applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized within operating expenses in the consolidated statement of total comprehensive income. When a receivable remains uncollectible after the Group has exerted all legal remedies, it is written-off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written-off are credited against other general and administrative expenses in the consolidated statement of total comprehensive income.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before January 1, 2018 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Refer to Note 34.5 for other relevant accounting policies on trade and other receivables.

34.7 Properties held for sale

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

Cost of condominium units held for sale represents 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.

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

Properties held for sale are derecognized when they are sold or there are no future benefits to the Group. The carrying amount of those properties held for sale is recognized as an expense, reported as cost and expenses in the period in which the related revenue is recognized.

34.8 Prepaid taxes and other assets

Input VAT, which represents taxes arising from purchases of goods and services, are carried at face amount or at nominal amount less allowance for impairment loss. This is derecognized when applied against output tax, when written off or when actual refund is received. When input VAT is derecognized, its cost and accumulated impairment losses, if any, are eliminated from the account.

Creditable withholding taxes are carried at face amount or at nominal amount. Creditable withholding taxes are included in current assets, except when these are expected to be utilized more than twelve months after the end of the reporting period, in which case these are classified as non-current assets. Creditable withholding taxes are derecognized when utilized or applied against income tax due.

Prepayments are expenses paid in cash and recorded as assets before they are used or consumed, as the service or benefit will be received in the future. Prepayments expire and are recognized as expense either with the passage of time or through use or consumption.

Other current assets include assets that are realized as part of the normal operating cycle and are expected to be realized within 12 months after the reporting period.

Deposit for a future project represents cash deposit with a third party for a purchase of a property. Deposit for a future project is derecognized upon full payment to the third party. The Group then determines whether the property is to be classified as property held for sale, an investment property, or property and equipment depending on the usage of the property.

34.9 Investment properties

Investment property is defined as property held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both, rather than for: (a) use in the production of supply of goods or services or for administrative purposes; or (b) sale in the common course of business.

The Group's investment property, principally comprising of properties in Mandaluyong and Makati City are held for capital appreciation and is not occupied by the Group. The Group has adopted the fair value model for its investment properties (Note 10).

After initial recognition, investment property is carried at fair value as determined by an independent firm of appraisers. Fair value is based on direct income capitalization approach and market comparison approach, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by the independent appraiser. 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.

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

Changes in fair values are recognized in the consolidated statement of total comprehensive income under gain on fair value adjustment of investment properties.

An investment property is derecognized from the consolidated statement of financial position on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Removal of an item within investment property is triggered by a change in use, by sale or disposal. If an investment property becomes owner-occupied, it is reclassified as property and equipment (Note 34.11), and its fair value at the date of reclassification becomes its cost for accounting purposes. Gain or loss arising from disposal is determined as the difference between the net disposal proceeds and the carrying amount of the asset. Gain or loss on disposal is recognized in profit or loss in the period of the disposal.

Property that is being constructed or developed for future use as investment property is classified as investment property.

Impairment of investment properties is discussed in Note 34.13.

34.10 Real estate development projects

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

34.11 Property and equipment

Property and equipment, except land rights, are stated at historical cost less depreciation and amortization, and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items, which comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of total comprehensive income within other general and administrative expenses during the financial period in which they are incurred.

Land rights are not depreciated. Depreciation and amortization of property and equipment are calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives (in years), as follows:

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

Major renovations are depreciated over the remaining useful life of the related asset.

The assets' residual values and estimated useful lives are reviewed periodically, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 34.13).

The carrying amount of an item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its disposal at which time the cost and related accumulated depreciation and amortization are removed from the accounts. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized under other income or expense in the consolidated statement of total comprehensive income.

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.

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 the consolidated statement of total comprehensive income.

34.12 Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any NCI in the acquired company and the acquisition-date fair value of any previously-held interest in the acquired company over the fair value of the identifiable net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the entity sold.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

34.13 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that have definite useful lives are subject to amortization and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use requires the Group to make estimates of future cash flows to be derived from the particular asset, and to discount them using a pre-tax market rate that reflect current assessments of the time value of money and the risks specific to the asset. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash generating units (CGUs).

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but the increase should not exceed the carrying amount that would have been determined had not the impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized as income immediately.

34.14 Accounts payable and other current liabilities

Accounts payable and other current liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable and financial liabilities at amortized cost are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, these are presented as non-current liabilities.

Accounts payable and other current liabilities are measured at the original invoice amount as the effect of discounting is immaterial.

Relevant accounting policies for classification, recognition, measurement and derecognition of accounts payable and other current liabilities and financial liabilities at amortized cost are presented in Note 34.5.

34.15 Deposits from tenants

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

34.16 Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised within interest expense and bank charges in the consolidated statement of total comprehensive income.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. All other borrowing costs are recognized and charged to profit or loss in the year in which they are incurred. The Group decided to avail relief issued by the SEC per Memorandum Circular No. 4-2020. The SEC provided for the relief to the real estate industry by deferring the implementation of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) until December 31, 2020.

34.17 Fair value measurement

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 of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry company, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. The financial assets at fair value through profit or loss and listed financial assets at FVOCI financial assets are classified under Level 1 category.

The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2. If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3. The Group's unlisted financial assets at FVOCI financial assets, refundable deposits, installment payable and deposits from tenants are included in Level 3.

The Group uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.
- Income approach - Valuation techniques that convert future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The investment properties of the Group are classified under Level 3 category.

34.18 Current and deferred income tax

The tax expense comprises current and deferred income taxes. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized. The Group reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

Deferred income tax liabilities are recognized in full for all taxable temporary differences, except to the extent that the deferred income tax liability arises from the initial recognition of goodwill. Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place can the Group control the reversal of the temporary difference that was not recognized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority where there is an intention to settle the balances on a net basis.

Deferred income tax assets and liabilities are derecognized when relevant temporary differences have been realized and settled, respectively. The Group reassesses at each reporting date the need to recognize previously unrecognized deferred income tax asset.

34.19 Provisions

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses. Provisions are derecognized when the obligation is paid, cancelled or has expired.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the reversal is recognized in the consolidated statement of total comprehensive income within the same line item in which the original provision was charged.

34.20 Equity

(a) Share capital

Share capital consists of common shares, which are stated at par value, that are classified as equity.

Share premium is recognized for the excess proceeds and subscriptions over the par value of the shares issued.

(b) Treasury shares

Where any member of the Group purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Parent Company's shareholders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Parent Company's shareholders.

(c) Retained earnings

Retained earnings includes current and prior years' results of operations, net of transactions with shareholders and dividends declared, if any.

(d) Dividend distribution

Dividend distribution to Parent Company's shareholder is recognized as a liability in its financial statements in the period in which the dividends are approved by the Board of Directors.

34.21 Earnings per share

Basic earnings per share is calculated by dividing net income by the weighted average number of common shares in issue during the year.

Diluted earnings per share is computed in the same manner as basic earnings per share, however, profit attributable to common shareholders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares.

34.22 Employee benefits

(a) Retirement benefits

The Group maintains a defined benefit retirement plan determined by periodic actuarial calculations. This defined benefit retirement plan is funded through payments to a trustee-administered fund and determined by periodic actuarial calculations. A defined benefit plan is a retirement plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the consolidated statement of financial position in respect of defined benefit retirement plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. In cases when the amount determined results in a surplus (being an excess of the fair value of the plan assets over the present value of the defined benefit obligation), the Group measures the resulting asset at the lower of: (a) such amount determined; and (b) the present value of any economic benefits available to the Group in the form of refunds or reductions in future contributions to the plan. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest of government bonds converted into zero coupon rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity which approximate the terms of the related retirement liability.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in profit or loss.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting date are discounted to present value.

(c) Short-term employee benefits

The Group recognizes a liability and an expense for short-term employee benefits which include salaries, paid sick and vacation leaves and bonuses. Bonuses are based on a formula that takes into consideration the resulting qualified profits. The Group recognizes a provision when contractually obliged or when there is a past practice that has created a constructive obligation.

Liabilities for employee benefits are derecognized when the obligation is settled, cancelled or has expired.

34.23 Revenue and expense recognition

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or as an agent. The Group has concluded that it is acting as the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has inventory risk and pricing latitude.

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

(a) Condominium sales

Revenue from condominium sales

The Group develops and sells condominium units. Under a contract to sell a condominium unit, the object is the property itself, which is the normal output of a real estate business. In addition, this contract contains information such as the contracting parties' rights and payment terms, which are essential elements for a valid revenue contract. The Group assesses that contract must be signed by the contracting parties to make it enforceable prior to revenue recognition. Also, the developer assesses the commercial substance of the contract and the probability that it will collect the consideration. 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.

Contracts to sell condominium units are written on a lump sum payment basis or installment basis which include 10-20% reservation, down payments with installment terms ranging from 1-3 years, and either bank or in-house financing for the remaining balance.

The Group satisfies its performance obligation as it develops the property. In accordance with Philippine Interpretations Committee (PIC) 2016-04, the Group considers that the Group's performance does not create the asset with an alternative use to the Group and it has an enforceable right to payment for performance completed to date. Therefore, revenue is recognized over time, i.e. as the related obligations are fulfilled, measured principally using the output method on the basis of the estimated completion of a physical proportion of the contract work. Land and materials delivered on site, such as steels, rebars and elevators, which are yet to be installed/attached to the main structure, are excluded from the percentage-of-completion.

Revenue is measured at the transaction price agreed under the contract, except for contracts where the timing difference between the construction period and payment by the customer exceeds one year. In such contracts, the Group assessed that it is necessary to adjust the transaction price for the effects of a significant financing component as required by PIC Q&A 2018-12, but the Group decided not to adjust the transaction price and availed the relief issued by the SEC per Memorandum Circular No. 3-2019 dated February 8, 2019. The SEC provided relief to the real estate industry by deferring the application of the provisions of PIC Q&A 2018-12 for a period of three (3) years until January 1, 2021. For completed projects, revenue from condominium sales are recognized in full (ie. point in time) once the Group assessed that the contract meets all criteria for revenue recognition.

Under the sales contract, customers are required to pay the transaction price (in the form of progress billings) over a certain period of time. Any excess (deficit) of collections over the recognized revenue are recognized as contract liabilities under accounts payable and other current liabilities (installment contracts receivable under Trade and other receivables, net) as shown in the consolidated statement of financial position.

Payments received from potential buyer to provide exclusive rights to buy a specific condominium unit under certain conditions and up to specified period are treated initially as a liability and are recognized as part of "customers' deposits" under accounts payable and other liabilities. These deposits are applied as payment of the transaction price as soon as the revenue recognition criteria are met.

Cost of condominium sales include upfront costs such as land costs and connection fees, which are accounted for as fulfillment costs, and development costs which contribute to the construction progress of the development project. Fulfillment costs are recognized as contract assets arising from fulfillment costs to the extent that such costs give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered. These costs are included in properties held for sale in the consolidated statement of financial position. Such contract assets are amortized as cost of condominium sales consistent with the revenue recognition method applied, subject to impairment up to the extent that the carrying amount of the asset exceeds (a) the remaining amount of consideration that the Group expects to receive; less (b) direct costs that have not been recognized as expenses. Development costs are recognized as expense as the work to which they relate is performed.

Incremental costs of obtaining a contract to sell condominium units include commissions paid to sales or marketing agents. Fixed monthly living allowance, transportation allowance provided to real estate agents and commissions paid prior to signing of contracts to sell are expensed outright. Commissions paid after signing of contracts are recognized as contract assets arising from costs to obtain a contract presented as 'prepaid commission' under prepaid expenses and other current assets in the consolidated statement of financial position. These are amortized as cost of condominium sales consistent with the revenue recognition method applied.

The cost of inventory recognized in profit or loss on disposal (cost of condominium sales) is determined with reference to the specific and allocated costs incurred on the sold property taking into account the POC. The cost of condominium sales also includes the estimated development costs to complete the condominium, as determined by the Group's in-house technical staff, and taking into account the POC. The accrued development costs account is presented under "accounts payable and other current liabilities" in the consolidated statement of financial position.

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

Condominium units arising from cancellation of contracts to sell are initially measured by the Group based on its original carrying amount at the time it was sold. The Group decided to avail the relief issued by the SEC per Memorandum Circular No. 3-2019 dated February 8, 2019 deferring the application of the provisions of PIC Q&A 2018-14 for a period of three (3) years until January 1, 2021.

(b) Rental

Rental income from operating leases (the Group is the lessor) is recognized as income on a straight-line basis over the lease term or based on a certain percentage of gross revenue of the lessees, whichever is applicable. When the Group provides incentives to its lessees, the cost of incentives are recognized over the lease term, on a straight-line basis, as a reduction of rental income.

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

(c) Hotel operation

Hotel revenue from room rentals, food and beverage sales, and other ancillary services are recognized when the services are rendered. Revenue from other ancillary services include, among others, business center and car rental, laundry service, telephone service and health club services. The services rendered are distinct performance obligations, for which prices invoiced to the guests are representative of their stand-alone selling prices. These obligations are fulfilled over time when they relate to room rentals, that is over the stay within the hotel, at a point in time for other goods or services, when they have been delivered or rendered.

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

(d) Interest income and expense

Interest income and expense are recognized in profit or loss for all interest-bearing financial instruments using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Once a financial asset or a Group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the original effective interest rate.

Interest income on bank deposits is recognized when earned, net of final withholding tax.

(e) Dividend income

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

(f) Other income

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

(g) Cost and expenses

Cost and expenses are recognized when these are incurred.

CUSA charges to mall tenants are presented as a reduction to costs and expenses in the consolidated statement of total comprehensive income. The Group decided to avail the relief issued by the SEC per Memorandum Circular No. 3-2019 dated February 8, 2019. The SEC provided relief to the real estate industry by deferring the application of the provisions of PIC Q&A 2018-12-H for a period of three (3) years until January 1, 2021.

Accounting policies applied until December 31, 2017

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

(a) Condominium sales

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

(b) Rental

Rental income from operating leases (the Group is the lessor) is recognized as income on a straight-line basis over the lease term or based on a certain percentage of gross revenue of the lessees, whichever is applicable. When the Group provides incentives to its lessees, the cost of incentives are recognized over the lease term, on a straight-line basis, as a reduction of rental income.

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

(c) Hotel operation (PAS 18 and PFRS 15)

Hotel revenue from room rentals, food and beverage sales, and other ancillary services are recognized when the services are rendered. Revenue from other ancillary services include, among others, business center and car rental, laundry service, telephone service and health club services. The services rendered are distinct performance obligations, for which prices invoiced to the guests are representative of their stand-alone selling prices. These obligations are fulfilled over time when they relate to room rentals, that is over the stay within the hotel, at a point in time for other goods or services, when they have been delivered or rendered.

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

(d) Interest income and expense

Interest income and expense are recognized in profit or loss for all interest-bearing financial instruments using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Once a financial asset or a Group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the original effective interest rate.

Interest income on bank deposits is recognized when earned, net of final withholding tax.

(e) Dividend income

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

(e) Other income

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

(g) Cost and expenses

Cost and expenses are recognized when these are incurred.

34.24 Leases

(a) Group is the lessor

Rental income from operating lease is recognized on a straight-line basis over the term of the relevant lease or based on a certain percentage of gross revenue of the lessees, whichever is applicable. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term. Assets under these arrangements are classified as investment property in the consolidated statement of financial position (Note 34.9).

(b) Group is the lessee

The Group has adopted PFRS 16 Leases using the modified retrospective approach from January 1, 2019, as permitted under the specific transition provisions in the standard (Note 34.2).

Aside from exemptions in the standard for short-term and low-value leases which are recognized as operating leases under the provisions of PAS 17, lease payments are discounted using the interest rate implicit in the lease. Payments for leases of properties and office equipment are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Accounting policies applied until December 31, 2018

Leases, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is apportioned between the liability and finance charges using the effective interest method. Finance charges are reflected in the consolidated statement of total comprehensive income through profit or loss. Rental obligations, net of finance charges, are included in liabilities in the consolidated statement of financial position. The property and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Leases, in which substantially all the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged in the consolidated statement of total comprehensive income through profit or loss on a straight-line basis over the period of the lease.

34.25 Foreign currency transactions and translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the functional currency). The consolidated financial statements are presented in Philippine Peso, which is the functional and presentation currency of the Group.

(b) Transactions and balances

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the date of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

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

34.26 Related party relationships and transactions

Related party relationship exists when one party has the ability to control the other party, directly or indirectly through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors, or its shareholder. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

34.27 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. These operating segments are the basis upon which the Group reports its segment information presented in Note 2 to the consolidated financial statements.

The accounting policies used to recognize and measure the segment's assets, liabilities and profit or loss is consistent with those of the consolidated financial statements.

34.28 Contingencies

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

34.29 Events after the reporting period

Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

34.30 Reclassification

Advances to contractors and suppliers account, which is now presented as part of prepaid taxes and other current assets account, was reported as part of trade and other receivables account in the consolidated statement of financial position until December 31, 2017.

<u>Note 35 - Event after the reporting period</u>

In March 2020, the Philippine Government declared a community quarantine within Metro Manila to mitigate the spread of the COVID-19 virus. The ongoing quarantine measures not only require people to stay at home but has caused domestic and international travel bans and closure of practically all business establishments. Consequently, the Group suspended its mall operations while occupancy rates for its hotel businesses significantly went down due to cancellations and limited guest check-ins. Likewise, the selling of condominium units has slowed down and therefore, will affect the performance of the Group's real estate segment. While the Group has already seen some adverse effects of the community quarantine on the financial results, the full impact of the global pandemic however, is yet to be established.

REPUBLIC OF THE PHILIPPINES)
)S.S.

QUEZON CITY

TREASURER'S CERTIFICATION

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

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

QUEZON CITY

WITNESS MY HAND on JUN 0 9 2020 of June 2020 at Mandaluyong City.

Karlo Marco P. Estavillo
Treasurer/Chief Finance Officer
and Chief Operating Officer

JUN 0 9 2020

SUBSCRIBED AND SWORN to before me on this ___day of __________ at ______________________, Affiant exhibited to me his Passport Number P3455986B issued on 07 October 2019 and will expire on 06 October 2029.

Doc. No. 241 :
Page No. 18 :
Book No. 33 :
Series of 2020.

ATTY. CONCEPCION P. VILLARENA
Notary Public for Quezon City
Until December 31, 2021
PTR No. 9296041 – 1-2-2020/ QC
IBP No. 093586 – 10-22-2019/ QC
Roll No. 30457 – 05-09-80
MCLE VI – 0030379
Adm. Matter No. NP-001(2020-2021)
TIN No. 131-942-754

Control No.:
Form Type: PHFS1

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

NAME OF CORPORATION: SHANG PROPERTIES INC.

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

TEL. NO.: 370-2700 **FAX NO.:** 370-2699

COMPANY TYPE : DEVELOPER **PSIC:** 7012

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

Table 1. Balance Sheet

FINANCIAL DATA	2019 (In P'000)	2018 (in P'000)
A. ASSETS (A.1 + A.2 + A.3 + A.4 + A.5 + A.6 + A.7 + A.8 + A.9 + A.10)	34,023,986	30,395,635
A.1 Current Assets (A.1.1 + A.1.2 + A.1.3 + A.1.4 + A.1.5)	2,028,324	2,045,880
A.1.1 Cash and cash equivalents (A.1.1.1 + A.1.1.2 + A.1.1.3)	280,739	176,871
A.1.1.1 On hand	133	155
A.1.1.2 In domestic banks/entities	280,606	176,715
A.1.1.3 In foreign banks/entities		
A.1.2 Trade and Other Receivables (A.1.2.1 + A.1.2.2)	1,468,712	1,461,245
A.1.2.1 Due from domestic entities (A.1.2.1.1 + A.1.2.1.2 + A.1.2.1.3 + A.1.2.1.4)	1,468,712	1,461,245
A.1.2.1.1 Due from customers (trade)	57,661	66,069
A.1.2.1.2 Due from related parties	1,404,274	1,385,315
A.1.2.1.3 Others, specify (A.1.2.1.3.1 + A.1.2.1.3.2)	8,909	11,993
A.1.2.1.3.1 Installment receivable	0	0
A.1.2.1.3.2 Others	8,909	11,993
A.1.2.1.4 Allowance for doubtful accounts (negative entry)	(2,132)	(2,132)
A.1.2.2 Due from foreign entities, specify (A.1.2.2.1 + A.1.2.2.2 + A.1.2.2.3 + A.1.2.2.4)	0	0
A.1.2.2.1		
A.1.2.2.2		
A.1.2.2.3		
A.1.2.2.4 Allowance for doubtful accounts (negative entry)		
A.1.3 Inventories (A.1.3.1 + A.1.3.2 + A.1.3.3 + A.1.3.4 + A.1.3.5 + A.1.3.6)	0	0
A.1.3.1 Raw materials and supplies		
A.1.3.2 Goods in process (including unfinished goods, growing crops, unfinished seeds)		
A.1.3.3 Finished goods		
A.1.3.4 Merchandise/Goods in transit		
A.1.3.5 Unbilled Services (in case of service providers)		
A.1.3.6 Others, specify (A.1.3.6.1 + A.1.3.6.2)	0	0
A.1.3.6.1		
A.1.3.6.2		
A.1.4 Financial Assets other than Cash/Receivables/Equity investments (A.1.4.1 + A.1.4.2 + A.1.4.3 + A.1.4.4 + A.1.4.5 + A.1.4.6)	2,451	2,274
A.1.4.1 Financial Assets at Fair Value through Profit or Loss - issued by domestic entities: (A.1.4.1.1 + A.1.4.1.2 + A.1.4.1.3 + A.1.4.1.4 + A.1.4.1.5)	2,451	2,274
A.1.4.1.1 National Government		
A.1.4.1.2 Public Financial Institutions		
A.1.4.1.3 Public Non-Financial Institutions		
A.1.4.1.4 Private Financial Institutions		
A.1.4.1.5 Private Non-Financial Institutions	2,451	2,274
A.1.4.2 Held to Maturity Investments - issued by domestic entities: (A.1.4.2.1 + A.1.4.2.2 + A.1.4.2.3 + A.1.4.2.4 + A.1.4.2.5)	0	0
A.1.4.2.1 National Government		
A.1.4.2.2 Public Financial Institutions		
A.1.4.2.3 Public Non-Financial Institutions		
A.1.4.2.4 Private Financial Institutions		
A.1.4.2.5 Private Non-Financial Institutions		

NOTE:

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

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

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

Control No.:
Form Type: PHFS1

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

NAME OF CORPORATION: SHANG PROPERTIES INC.

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

TEL. NO.: 370-2700 FAX NO.: 370-2699

COMPANY TYPE : DEVELOPER PSIC: 7012

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

Table 1. Balance Sheet

FINANCIAL DATA	2019 (in P'000)	2018 (in P'000)
A.1.4.3 Loans and Receivables - issued by domestic entities: (A.1.4.3.1 + A.1.4.3.2 + A.1.4.3.3 + A.1.4.3.4 + A.1.4.3.5)		
A.1.4.3.1 National Government		
A.1.4.3.2 Public Financial Institutions		
A.1.4.3.3 Public Non-Financial Institutions		
A.1.4.3.4 Private Financial Institutions		
A.1.4.3.5 Private Non-Financial Institutions		
A.1.4.4 Available-for-sale financial assets - issued by domestic entities: (A.1.4.4.1 + A.1.4.4.2 + A.1.4.4.3 + A.1.4.4.4 + A.1.4.4.5)		
A.1.4.4.1 National Government		
A.1.4.4.2 Public Financial Institutions		
A.1.4.4.3 Public Non-Financial Institutions		
A.1.4.4.4 Private Financial Institutions		
A.1.4.4.5 Private Non-Financial Institutions		
A.1.4.5 Financial Assets issued by foreign entities: (A.1.4.5.1+A.1.4.5.2+A.1.4.5.3+A.1.4.5.4)		
A.1.4.5.1 Financial Assets at fair value through profit or loss		
A.1.4.5.2 Held-to-maturity investments		
A.1.4.5.3 Loans and Receivables		
A.1.4.5.4 Available-for-sale financial assets		
A.1.4.6 Allowance for decline in market value (negative entry)		
A.1.5 Other Current Assets (state separately material items) (A.1.5.1 + A.1.5.2 + A.1.5.3)	276,422	405,490
A.1.5.1 Properties held for sale	13,395	15,863
A.1.5.2 Prepayment and other current assets	263,027	389,628
A.1.5.3		
A.2 Property, plant, and equipment (A.2.1 + A.2.2 + A.2.3 + A.2.4 + A.2.5 + A.2.6 + A.2.7+ A.2.8)	82,702	83,574
A.2.1 Land		
A.2.2 Building and improvements including leasehold improvement	110,210	100,941
A.2.3 Machinery and equipment (on hand and in transit)		
A.2.4 Transportation/motor vehicles, automotive equipment, autos and trucks, and delivery equipment	42,564	40,973
A.2.5 Others, specify (A.2.5.1 + A.2.5.2 + A.2.5.3 + A.2.5.4 + A.2.5.5)	40,321	37,660
A..2.5.1 Property, or equipment used for education purposes		
A..2.5.2 Construction in progress		
A..2.5.3 Furnitures, fixtures and other equipment	40,321	37,660
A..2.5.4		
A..2.5.5		
A.2.6 Appraisal increase, specify (A.2.6.1 + A.2.6.2 + A.2.6.3 + A.2.6.4 + A.2.6.5)	0	0
A..2.6.1		
A..2.6.2		
A..2.6.3		
A..2.6.4		
A..2.6.5		
A.2.7 Accumulated Depreciation (negative entry)	(110,394)	(95,999)
A.2.8 Impairment Loss or Reversal (if loss, negative entry)		
A.3 Investments accounted for using the equity method (A.3.1 + A.3.2 + A.3.3 + A.3.4)	17,013,799	16,029,431
A.3.1 Equity in domestic subsidiaries/affiliates	17,013,799	16,029,431
A.3.2 Equity in foreign branches/subsidiaries/affiliates		
A.3.3 Others, specify (A.3.3.1 + A.3.3.2 + A.3.3.3 + A.3.3.4 + A.3.3.5)	0	0
A.3.3.1		
A.3.3.2		
A.3.3.3		
A.3.3.4		
A.3.3.5		
A.4 Investment Property	14,228,883	11,811,689
A.5 Biological Assets		
A.6 Intangible Assets	0	0
A.6.1 Major item/s, specify (A.6.1.1 + A.6.1.2)	0	0
A.6.1.1		
A.6.1.2		
A.6.2 Others, specify (A.6.2.1 + A.6.2.2)	0	0
A.6.2.1		
A.6.2.2		
A.7 Assets Classified as Held for Sale		
A.8 Assets included in Disposal Groups Classified as Held for Sale		

Control No.:
Form Type: PHFS1

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

NAME OF CORPORATION: SHANG PROPERTIES INC.

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

TEL. NO.: 370-2700 FAX NO.: 370-2699

COMPANY TYPE : DEVELOPER PSIC: 7012

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

Table 1. Balance Sheet

FINANCIAL DATA	2019 (in P'000)	2018 (in P'000)
A.9 Long-term receivables (net of current portion) (A.9.1 + A.9.2 + A.9.3)	0	0
A.9.1 From domestic entities, specify (A.9.1.1 + A.9.1.2 + A.9.1.3)	0	0
A.9.1.1		
A.9.1.2		
A.9.1.3		
A.9.2 From foreign entities, specify (A.9.2.1 + A.9.2.2 + A.9.2.3)	0	0
A.9.2.1		
A.9.2.2		
A.9.2.3		
A.9.3 Allowance for doubtful accounts, net of current portion (negative entry)		
A.10 Other Assets (A.10.1 + A.10.2 + A.10.3 + A.10.4 + A.10.5)	670,279	425,061
A.10.1 Deferred charges - net of amortization		
A.10.2 Advance/Miscellaneous deposits	0	0
A.10.3		
A.10.4 Others, specify (A.10.4.1 + A.10.4.2 + A.10.4.3 + A.10.4.4+A.10.4.5)	670,279	425,061
A.10.4.1 Available-for-sale financial assets	193,184	171,561
A.10.4.2 Financial assets at fair valur through other comprehensive income	0	0
A.10.4.3 Retirement benefit asset	6,128	2,219
A.10.4.4 Refundable deposit	986	986
A.10.4.5 Deposit for a future project/Down payment to property developer	469,981	250,295
A.10.5 Allowance for write-down of deferred charges/bad accounts (negative entry)		
B. LIABILITIES (B.1 + B.2 + B.3 + B.4 + B.5)	**10,528,364**	**8,804,035**
B.1 Current Liabilities (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5 + B.1.6 + B.1.7)	5,659,399	3,763,252
B.1.1 Trade and Other Payables to Domestic Entities (B.1.1.1 + B.1.1.2 + B.1.1.3 + B.1.1.4 + B.1.1.5 + B.1.1.6)	5,611,855	3,720,568
B.1.1.1 Loans/Notes Payables	3,553,333	1,833,333
B.1.1.2 Trade Payables	57,784	66,405
B.1.1.3 Payables to Related Parties	1,901,188	1,727,132
B.1.1.4 Advances from Directors, Officers, Employees and Principal Stockholders		
B.1.1.5 Accruals, specify material items (B.1.1.5.1 + B.1.1.5.2 + B.1.1.5.3)	67,042	70,509
B.1.1.5.1 Accrued expenses	67,042	70,509
B.1.1.5.2		
B.1.1.5.3		
B.1.1.6 Others, specify (B.1.1.6.1 + B.1.1.6.2 + B.1.1.6.3)	32,507	23,189
B.1.1.6.1 Withholding and other taxes payable	11,812	7,703
B.1.1.6.2 Output tax payable	5,973	1,378
B.1.1.6.3 Others	14,722	14,108
B.1.2 Trade and Other Payables to Foreign Entities (specify) (B.1.2.1 + B.1.2.2 + B.1.2.3)	0	0
B.1.2.1		
B.1.2.2		
B.1.2.3		
B.1.3 Provisions		
B.1.4 Financial Liabilities (excluding Trade and Other Payables and Provisions) (B.1.4.1 + B.1.4.2 + B.1.4.3 + B.1.4.4 + B.1.4.5)	0	0
B.1.4.1		
B.1.4.2		
B.1.4.3		
B.1.4.4		
B.1.4.5		
B.1.5 Liabilities for Current Tax	0	0
B.1.6 Deferred Tax Liabilities		
B.1.7 Others, specify (If material, state separately; indicate if the item is payable to public/private or financial/non-financial institutions) (B.1.7.1 + B.1.7.2 + B.1.7.3 + B.1.7.4 + B.1.7.5 + B.1.7.6)	47,545	42,684
B.1.7.1 Dividends declared and not paid at balance sheet date	47,545	42,684
B.1.7.2 Acceptances Payable		
B.1.7.3 Liabilities under Trust Receipts		
B.1.7.4 Portion of Long-term Debt Due within one year		
B.1.7.5 Deferred Income		
B.1.7.6 Any other current liability in excess of 5% of Total Current Liabilities, specify:	0	0
B.1.7.6.1		
B.1.7.6.2		
B.1.7.6.3		

Control No.:
Form Type: PHFS1

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES
NAME OF CORPORATION: SHANG PROPERTIES INC.
CURRENT ADDRESS: 5TH FLOOR SHANGRI-LA PLAZA MALL, MANDALUYONG CITY
TEL. NO.: 370-2700 FAX NO.: 370-2699
COMPANY TYPE : DEVELOPER PSIC: 7012
If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Balance Sheet

FINANCIAL DATA		2019 (In P'000)	2018 (In P'000)
B.2 Long-term Debt - Non-current Interest-bearing Liabilities (B.2.1 + B.2.2 + B.2.3 + B.2.4 + B.2.5)		933,333	1,466,667
B.2.1 Domestic Public Financial Institutions			
B.2.2 Domestic Public Non-Financial Institutions			
B.2.3 Domestic Private Financial Institutions		933,333	1,466,667
B.2.4 Domestic Private Non-Financial Institutions			
B.2.5 Foreign Financial Institutions			
B.3 Indebtedness to Affiliates and Related Parties (Non-Current)			
B.4 Liabilities Included in the Disposal Groups Classified as Held for Sale			
B.5 Other Liabilities (B.5.1 + B.5.2)		3,935,632	3,574,117
B.5.1 Deferred income tax liabilities - net		3,934,363	3,572,847
B.5.2 Others, specify (B.5.2.1 + B.5.2.2 + B.5.2.3 + B.5.2.4 + B.5.2.5)		1,269	1,269
B.5.2.1 Deposits from tenants		1,269	1,269
B.5.2.2			
B.5.2.3			
B.5.2.4			
B.5.2.5			
C. EQUITY (C.3 + C.4 + C.5 + C.6 + C.7 + C.8 + C.9+C.10)		**23,495,622**	**21,591,600**
C.1 Authorized Capital Stock (no. of shares, par value and total value; show details) (C.1.1+C.1.2+C.1.3)		8,000,000	8,000,000
C.1.1 Common shares	8,000,000,000 shares at P1 par value per share in 2018 and 2017	8,000,000	8,000,000
C.1.2 Preferred Shares			
C.1.3 Others			
C.2 Subscribed Capital Stock (no. of shares, par value and total value) (C.2.1 + C.2.2 + C.2.3)		4,764,059	4,764,059
C.2.1 Common shares	4,764,058,982 shares at P1 par value per share in 2018 and 2017	4,764,059	4,764,059
C.2.2 Preferred Shares			
C.2.3 Others			
C.3 Paid-up Capital Stock (C.3.1 + C.3.2)		4,764,059	4,764,059
C.3.1 Common shares		4,764,059	4,764,059
C.3.2 Preferred Shares			
C.4 Additional Paid-in Capital / Capital in excess of par value / Paid-in Surplus		1,210,074	1,210,074
C.5 Minority Interest			
C.6 Others, specify (C.6.1 + C.6.2 + C.6.3)		60,517	40,183
C.6.1 Treasury shares		(6,850)	(6,850)
C.6.2 Other Comprehensive Income (Loss)		67,367	47,033
C.6.3			
C.7 Appraisal Surplus/Revaluation Increment in Property/Revaluation Surplus			
C.8 Retained Earnings (C.8.1 + C.8.2)		17,460,972	15,577,284
C.8.1 Appropriated			
C.8.2 Unappropriated		17,460,972	15,577,284
C.9 Head / Home Office Account (for Foreign Branches only)			
C.10 Cost of Stocks Held in Treasury (negative entry)			
TOTAL LIABILITIES AND EQUITY (B + C)		**34,023,986**	**30,395,635**

Control No.:
Form Type: PHFS1

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

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

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

Table 2. Income Statement

FINANCIAL DATA	2019 (in P'000)	2018 (in P'000)	2017 (in P'000)
A. REVENUE / INCOME (A.1 + A.2 + A.3)	3,706,410	2,639,665	3,647,863
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining,utilities, trade, services, etc.) (from Primary Activity)			
A.2 Share in the Profit or Loss of Associates and Joint Ventures accounted for			
A.3 Other Revenue (A.3.1 + A.3.2 + A.3.3 + A.3.4 + A.3.5)	251,591	313,631	239,205
A.3.1 Rental Income from Land and Buildings	249,930	236,574	234,385
A.3.2 Receipts from Sale of Merchandise (trading) (from Secondary Activity)			
A.3.3 Sale of Real Estate or other Property and Equipment	1,661	77,058	4,820
A.3.4 Royalties, Franchise Fees, Copyrights (books, films, records, etc.)			
A.3.5 Others, specify (A.3.5.1 + A.3.5.2 + A.3.5.3 + A.3.5.4 + A.3.5.5 + A.3.5.6 + A.3.5.7 + A.3.5.8)	0	0	0
A.3.5.1			
A.3.5.2			
A.3.5.3			
A.3.5.4			
A.3.5.5			
A.3.5.6			
A.3.5.7			
A.3.5.8			
A.4 Other Income (non-operating) (A.4.1 + A.4.2 + A.4.3 + A.4.4)	3,454,820	2,326,034	3,408,658
A.4.1 Interest Income	3,923	2,722	7,509
A.4.2 Dividend Income	1,781,554	1,394,482	1,808,904
A.4.3 Gain / (Loss) from selling of Assets, specify (A.4.3.1 + A.4.3.2 + A.4.3.3 + A.4.3.4)	0	0	0
A.4.3.1			
A.4.3.2			
A.4.3.3			
A.4.3.4			
A.4.4 Others, specify (A.4.4.1 + A.4.4.2 + A.4.4.3 + A.4.4.4)	1,669,343	928,830	1,592,245
A.4.4.1 Increase in fair value of investment property	1,445,899	814,449	1,473,390
A.4.4.2 Share in net income from a joint venture	101,237	0	0
A.4.4.3 Others	122,207	114,381	118,854
A.4.4.4			
B. COST OF GOODS SOLD (B.1 + B.2 + B.3)	0	0	0
B.1 Cost of Goods Manufactured (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5)			
B.1.1 Direct Material Used			
B.1.2 Direct Labor			
B.1.3 Other Manufacturing Cost / Overhead			
B.1.4 Goods in Process, Beginning			
B.1.5 Goods in Process, End (negative entry)			
B.2 Finished Goods, Beginning			
B.3 Finished Goods, End (negative entry)			
C. COST OF SALES (C.1 + C.2 + C.3)	2,468	32,741	3,525
C.1 Purchases	2,468	32,741	3,525
C.2 Merchandise Inventory, Beginning			
C.3 Merchandise Inventory, End (negative entry)			
D. GROSS PROFIT (A - B - C)	3,703,943	2,606,924	3,644,338

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

Control No.:
Form Type: *PHFS1*

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

NAME OF CORPORATION: SHANG PROPERTIES INC.
CURRENT ADDRESS: LEVEL 5 SHANGRI-LA PLAZA MALL, MANDALUYONG CITY
TEL. NO.: 370-2700 FAX NO.: 370-2699
COMPANY TYPE : DEVELOPER PSIC: 7012
If these are based on consolidated financial statements, please so indicate in the caption.

Table 2. Income Statement

FINANCIAL DATA	2019 (in P'000)	2018 (in P'000)	2017 (in P'000)
E. OPERATING EXPENSES (E.1 + E.2 + E.3 + E.4)	**514,105**	**445,799**	**365,849**
E.1 Selling or Marketing Expenses			
E.2 Administrative Expenses	445,938	409,915	330,518
E.3 General Expenses	68,167	35,885	35,331
E.4 Other Expenses, specify (E.4.1 + E.4.2 + E.4.3 + E.4.4 + E.4.5 + E.4.6 + E.4.7 + E.4.8 + E.4.9 + E.4.10)	0	0	0
E.4.1			
E.4.2			
E.4.3			
E.4.4			
E.4.5			
E.4.6			
E.4.7			
E.4.8			
E.4.9			
E.4.10			
F. FINANCE COSTS (F.1 + F.2 + F.3 + F.4 + F.5)	**105,514**	**135,742**	**114,949**
F.1 Interest on Short-Term Promissory Notes			
F.2 Interest on Long-Term Promissory Notes	104,994	135,309	114,662
F.3 Interest on bonds, mortgages and other long-term loans			
F.4 Amortization			
F.5 Other interests, specify (F.5.1 + F.5.2 + F.5.3 + F.5.4 + F.5.5)	520	433	287
F.5.1 Bank charges	520	433	287
F.5.2			
F.5.3			
F.5.4			
F.5.5			
G. NET INCOME (LOSS) BEFORE TAX (D - E - F)	**3,084,324**	**2,025,382**	**3,163,540**
H. INCOME TAX EXPENSE (negative entry)	**(364,920)**	**(251,546)**	**(464,052)**
I. INCOME(LOSS) AFTER TAX	**2,719,404**	**1,773,836**	**2,699,488**
J. Amount of (i) Post-Tax Profit or Loss of Discontinued Operations; and (ii) Post-Tax Gain or Loss Recognized on theMeasurement of Fair Value less Cost to Sell or on the Disposal of the Assets or Disposal Group(s) constituting the Discontinued Operation (if any)			
J.1			
J.2			
K. PROFIT OR LOSS ATTRIBUTABLE TO MINORITY INTEREST			
L PROFIT OR LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**2,719,404**	**1,773,836**	**2,699,488**
M. EARNINGS (LOSS) PER SHARE			
M.1 Basic	0.571	0.372	0.567
M.2 Diluted			

Control No.:
Form Type: PHFS1

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

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

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

Table 3. Cash Flow Statements

FINANCIAL DATA	2019 (in P'000)	2018 (in P'000)	2017 (in P'000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income (Loss) Before Tax and Extraordinary Items	3,084,324	2,025,382	3,163,540
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities			
Depreciation	20,063	11,792	8,591
Amortization, specify:			
Others, specify: Interest expenses	104,994	135,309	114,662
Retirement Benefit Expense	9,794	7,766	7,557
Gain on fair value of investment properties	(1,445,899)	(814,449)	(1,473,390)
Dividend Income	(1,781,554)	(1,394,482)	(1,808,904)
Gain on sale of property and equipment	(1,051)	(2)	(811)
Interest Income	(3,923)	(2,722)	1,005
Share in Net Income from a Joint Venture	(101,237)	0	0
Others	3,182	5,673	(4,829)
Write-down of Property, Plant, and Equipment			
Changes in Assets and Liabilities:			
Decrease (Increase) in:			
Receivables	9,793	(213,256)	(1,067,345)
Properties held for sale	252,763	29,847	3,525
Prepayments and Other Current Assets	119,461	(171,332)	(53,502)
Others, specify: Other Non-current Asset	(47,981)	0	0
Increase (Decrease) in:			
Accounts Payable and Other Current Liabilities	172,225	1,438,037	(4,143)
Income and Other Taxes Payable	-	-	-
Others, specify: Contribution to Retirement Plan	(12,873)	(4,788)	(25,856)
Interest Received	3,762	2,722	7,782
Deposits from tenants	0	0	0
Retirement Benefits paid directly by the Company		(7,486)	(4,925)
A. Net Cash Provided by (Used in) Operating Activities (sum of above rows)	**385,844**	**1,048,011**	**(1,137,043)**
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase) Decrease in Long-Term Receivables			
(Increase) Decrease in Investment	137,944	(869,110)	117,983
Reductions/(Additions) to Property, Plant, and Equipment	(19,191)	(53,367)	(13,840)
Others, specify Dividends Received	1,764,454	1,394,482	1,808,904
Investment in and advances to a joint venture	(1,021,075)	(1,000,000)	0
Deposit for future project	(422,000)	(250,295)	0
Others	(970,177)	(49,627)	26,070
B. Net Cash Provided by (Used in) Investing Activities (sum of above rows)	**(530,045)**	**(827,917)**	**1,939,117**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Loans	3,145,000	1,300,000	0
Long-term Debt			
Issuance of Securities			
Others, specify: Interest paid	(105,933)	(130,236)	(131,376)
Payments of:			
(Loans)	(1,958,333)	(533,333)	(533,333)
(Long-term Debt)			
(Stock Subscriptions)			
Others, specify (negative entry):			
Cash dividends paid to shareholders	(830,856)	(925,518)	(781,237)
Effect of exchange rate changes	(1,809)	(4,731)	(681)
C. Net Cash Provided by (Used in) Financing Activities (sum of above rows)	**248,069**	**(293,818)**	**(1,446,627)**
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)	103,868	(73,724)	(644,553)
Cash and Cash Equivalents			
Beginning of year	176,871	250,595	895,148
End of year	280,739	176,871	250,595

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

Control No.:
Form Type: PHFS1

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

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

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

Table 4. Statement of Changes in Equity

FINANCIAL DATA	Capital Stock	Additional Paid-in Capital	Treasury Shares	Cummulative Comprehensive Income (Loss)	Retained Earnings	TOTAL
	(Amount in P'000)					
A. Balance, January 01, 2018	4,764,059	1,210,074	(6,850)	45,803	14,734,135	20,747,221
A.1 Correction of Error(s)						0
A.2 Changes in Accounting Policy						0
B. Restated Balance	4,764,059	1,210,074	(6,850)	45,803	14,734,135	20,747,221
C. Surplus						0
C.1 Surplus (Deficit) on Revaluation of Properties						0
C.2 Surplus (Deficit) on Revaluation of Investments				7,761		7,761
C.3 Currency Translation Differences						0
C.4 Other Surplus (specify)						0
C.4.1 Remeasurement loss on retirement benefit obligation				(6,531)		(6,531)
C.4.2						0
C.4.3						0
C.4.4						0
C.4.5						0
D. Net Income (Loss) for the Period					1,773,836	1,773,836
E. Dividends (negative entry)					(930,687)	(930,687)
F. Appropriation for (specify)						0
F.1						0
F.2						0
F.3						0
F.4						0
F.5						0
G. Issuance of Capital Stock						0
G.1 Common Stock						0
G.2 Preferred Stock						0
G.3 Others						0
H. Balance, 2018	4,764,059	1,210,074	(6,850)	47,033	15,577,284	21,591,600
H.1 Correction of Error (s)						0
H.2 Changes in Accounting Policy						0
I. Restated Balance						0
J. Surplus						0
J.1 Surplus (Deficit) on Revaluation of Properties						0
J.2 Surplus (Deficit) on Revaluation of Investments				18,674		18,674
J.3 Currency Translation Differences						0
J.4 Other Surplus (specify)						0
J.4.1 Remeasurement gain on retirement obligation				581		581
J.4.2 Derecognition of fair value of equity investment written-				1,080		1,080
J.4.3						0
J.4.4						0
J.4.5						0
K. Net Income (Loss) for the Period					2,719,404	2,719,404
L. Dividends (negative entry)					(835,717)	(835,717)
M. Appropriation for (specify)						0
M.1						0
M.2						0
M.3						0
M.4						0
M.5						0
N. Issuance of Capital Stock						0
N.1 Common Stock						0
N.2 Preferred Stock						0
N.3 Others						0
O. Balance, 2019	4,764,059	1,210,074	(6,850)	67,367	17,460,972	23,495,622

Control No.:
Form Type: PHFS2

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

NAME OF CORPORATION: SHANG PROPERTIES INC. AND SUBSIDIARIES
CURRENT ADDRESS: 5TH FLOOR SHANGRI-LA PLAZA MALL, MANDALUYONG CITY
TEL. NO.: 370-2700 FAX NO.: 370-2697
COMPANY TYPE : DEVELOPER PSIC: 7012

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

Table 1. Balance Sheet

FINANCIAL DATA	2019 (in P'000)	2018 (in P'000)
A. ASSETS (A.1 + A.2 + A.3 + A.4 + A.5 + A.6 + A.7 + A.8 + A.9 + A.10)	**63,353,513**	**60,255,885**
A.1 Current Assets (A.1.1 + A.1.2 + A.1.3 + A.1.4 + A.1.5)	12,085,928	10,950,622
A.1.1 Cash and cash equivalents (A.1.1.1 + A.1.1.2 + A.1.1.3)	2,640,089	2,432,097
A.1.1.1 On hand	22,899	14,680
A.1.1.2 In domestic banks/entities	2,617,190	2,417,418
A.1.1.3 In foreign banks/entities		
A.1.2 Trade and Other Receivables (A.1.2.1 + A.1.2.2)	5,219,296	3,284,011
A.1.2.1 Due from domestic entities (A.1.2.1.1 + A.1.2.1.2 + A.1.2.1.3 + A.1.2.1.4)	5,219,296	3,284,011
A.1.2.1.1 Due from customers (trade)	3,696,370	1,869,429
A.1.2.1.2 Due from related parties	1,464,226	1,347,190
A.1.2.1.3 Others, specify (A.1.2.1.3.1 + A.1.2.1.3.2+A.1.2.1.3.3+A.1.2.1.3.4)	73,199	82,935
A.1.2.1.3.1 Advances to officers and employees	4,000	15,677
A.1.2.1.3.2 Interest	2,900	3,825
A.1.2.1.3.3 Others	66,298	63,433
A.1.2.1.4 Allowance for doubtful accounts (negative entry)	(14,498)	(15,542)
A.1.2.2 Due from foreign entities, specify (A.1.2.2.1 + A.1.2.2.2 + A.1.2.2.3 + A.1.2.2.4)	0	0
A.1.2.2.1		
A.1.2.2.2		
A.1.2.2.3		
A.1.2.2.4 Allowance for doubtful accounts (negative entry)		
A.1.3 Inventories (A.1.3.1 + A.1.3.2 + A.1.3.3 + A.1.3.4 + A.1.3.5 + A.1.3.6)	2,876,245	3,677,577
A.1.3.1 Raw materials and supplies		
A.1.3.2 Goods in process (including unfinished goods, growing crops, unfinished seeds)		
A.1.3.3 Finished goods		
A.1.3.4 Merchandise/Goods in transit		
A.1.3.5 Unbilled Services (in case of service providers)		
A.1.3.6 Others, specify (A.1.3.6.1 + A.1.3.6.2 + A.1.3.6.3)	2,876,245	3,677,577
A.1.3.6.1 Construction in Progress	2,390,077	3,101,471
A.1.3.6.2 Condominium units held for sale	486,168	576,107
A.1.3.6.3 Real estate properties held for sale	0	0
A.1.4 Financial Assets other than Cash/Receivables/Equity investments (A.1.4.1 + A.1.4.2 + A.1.4.3 + A.1.4.4 + A.1.4.5 + A.1.4.6)	36,279	41,424
A.1.4.1 Financial Assets at Fair Value through Profit or Loss - issued by domestic entities: (A.1.4.1.1 + A.1.4.1.2 + A.1.4.1.3 + A.1.4.1.4 + A.1.4.1.5)	36,279	41,424
A.1.4.1.1 National Government		
A.1.4.1.2 Public Financial Institutions		
A.1.4.1.3 Public Non-Financial Institutions	36,279	41,424
A.1.4.1.4 Private Financial Institutions		
A.1.4.1.5 Private Non-Financial Institutions		
A.1.4.2 Held to Maturity Investments - issued by domestic entities: (A.1.4.2.1 + A.1.4.2.2 + A.1.4.2.3 + A.1.4.2.4 + A.1.4.2.5)	0	0
A.1.4.2.1 National Government		
A.1.4.2.2 Public Financial Institutions		
A.1.4.2.3 Public Non-Financial Institutions		
A.1.4.2.4 Private Financial Institutions		
A.1.4.2.5 Private Non-Financial Institutions		

NOTE:

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

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

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

Control No.:
Form Type: PHFS2

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

NAME OF CORPORATION: SHANG PROPERTIES INC. AND SUBSIDIARIES

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

TEL. NO.: 370-2700 FAX NO.: 370-2697

COMPANY TYPE : DEVELOPER PSIC: 7012

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

Table 1. Balance Sheet

FINANCIAL DATA	2019 (in P'000)	2018 (in P'000)
A.1.4.3 Loans and Receivables - issued by domestic entities: (A.1.4.3.1 + A.1.4.3.2 + A.1.4.3.3 + A.1.4.3.4 + A.1.4.3.5)		
A.1.4.3.1 National Government		
A.1.4.3.2 Public Financial Institutions		
A.1.4.3.3 Public Non-Financial Institutions		
A.1.4.3.4 Private Financial Institutions		
A.1.4.3.5 Private Non-Financial Institutions		
A.1.4.4 Available-for-sale financial assets - issued by domestic entities: (A.1.4.4.1 + A.1.4.4.2 + A.1.4.4.3 + A.1.4.4.4 + A.1.4.4.5)		
A.1.4.4.1 National Government		
A.1.4.4.2 Public Financial Institutions		
A.1.4.4.3 Public Non-Financial Institutions		
A.1.4.4.4 Private Financial Institutions		
A.1.4.4.5 Private Non-Financial Institutions		
A.1.4.5 Financial Assets issued by foreign entities: (A.1.4.5.1+A.1.4.5.2+A.1.4.5.3+A.1.4.5.4)		
A.1.4.5.1 Financial Assets at fair value through profit or loss		
A.1.4.5.2 Held-to-maturity investments		
A.1.4.5.3 Loans and Receivables		
A.1.4.5.4 Available-for-sale financial assets		
A.1.4.6 Allowance for decline in market value (negative entry)		
A.1.5 Other Current Assets (state separately material items) (A.1.5.1 + A.1.5.2 + A.1.5.3)	1,314,019	1,515,512
A.1.5.1 Creditable withholding tax	398,878	352,985
A.1.5.2 Input value added tax	102,029	165,546
A.1.5.3 Others	813,112	996,981
A.2 Property, plant, and equipment (A.2.1 + A.2.2 + A.2.3 + A.2.4 + A.2.5 + A.2.6 + A.2.7+ A.2.8)	12,811,490	13,754,741
A.2.1 Land		
A.2.2 Building and improvements including leasehold improvement	9,455,443	9,424,596
A.2.3 Machinery and equipment (on hand and in transit)		
A.2.4 Transportation/motor vehicles, automotive equipment, autos and trucks, and delivery equipment	54,142	50,989
A.2.5 Others, specify (A.2.5.1 + A.2.5.2 + A.2.5.3 + A.2.5.4 + A.2.5.5)	6,978,260	6,851,792
A..2.5.1 Property, or equipment used for education purposes		
A..2.5.2 Furnitures and fixtures	6,978,260	6,851,792
A..2.5.3		
A..2.5.4		
A..2.5.5		
A.2.6 Appraisal increase, specify (A.2.6.1 + A.2.6.2 + A.2.6.3 + A.2.6.4 + A.2.6.5)	0	0
A..2.6.1		
A..2.6.2		
A..2.6.3		
A..2.6.4		
A..2.6.5		
A.2.7 Accumulated Depreciation (negative entry)	(3,676,355)	(2,572,635)
A.2.8 Impairment Loss or Reversal (if loss, negative entry)		
A.3 Investments accounted for using the equity method (A.3.1 + A.3.2 + A.3.3 + A.3.4)	2,121,615	1,000,389
A.3.1 Equity in domestic subsidiaries/affiliates	2,121,615	1,000,389
A.3.2 Equity in foreign branches/subsidiaries/affiliates		
A.3.3 Others, specify (A.3.3.1 + A.3.3.2 + A.3.3.3 + A.3.3.4 + A.3.3.5)	0	0
A.3.3.1		
A.3.3.2		
A.3.3.3		
A.3.3.4		
A.3.3.5		
A.4 Investment Property	32,903,377	32,511,076
A.5 Biological Assets		
A.6 Intangible Assets	0	0
A.6.1 Major item/s, specify (A.6.1.1 + A.6.1.2)	0	0
A.6.1.1 Goodwill	0	0
A.6.1.2		
A.6.2 Others, specify (A.6.2.1 + A.6.2.2)	0	0
A.6.2.1		
A.6.2.2		
A.7 Assets Classified as Held for Sale	0	0
A.8 Assets included in Disposal Groups Classified as Held for Sale		

Control No.:
Form Type: PHFS2

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

NAME OF CORPORATION: SHANG PROPERTIES INC. AND SUBSIDIARIES

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

TEL. NO.: 370-2700 FAX NO.: 370-2697

COMPANY TYPE : DEVELOPER PSIC: 7012

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

Table 1. Balance Sheet

FINANCIAL DATA	2019 (in P'000)	2018 (in P'000)
A.9 Long-term receivables (net of current portion) (A.9.1 + A.9.2 + A.9.3)	0	0
A.9.1 From domestic entities, specify (A.9.1.1 + A.9.1.2 + A.9.1.3)	0	0
A.9.1.1 Installment Contracts Receivables		
A.9.1.2		
A.9.1.3		
A.9.2 From foreign entities, specify (A.9.2.1 + A.9.2.2 + A.9.2.3)	0	0
A.9.2.1		
A.9.2.2		
A.9.2.3		
A.9.3 Allowance for doubtful accounts, net of current portion (negative entry)		
A.10 Other Assets (A.10.1 + A.10.2 + A.10.3 + A.10.4 + A.10.5)	3,431,104	2,039,057
A.10.1 Deferred charges - net of amortization		
A.10.2 Deferred Income Tax	226,922	122,429
A.10.3 Advance/Miscellaneous deposits		
A.10.4 Others, specify (A.10.4.1 + A.10.4.2 + A.10.4.3 + A.10.4.4+A.10.4.5)	3,204,182	1,916,628
A.10.4.1 Real estate development projects	1,487,614	495,950
A.10.4.2 Available-for -sale financial assets	0	0
A.10.4.3 Other noncurrent assets	643,029	368,411
A.10.4.4 Goodwill	269,871	269,871
A.10.4.5 Financial assets at fair value through other comprehensive income	803,668	782,396
A.10.5 Allowance for write-down of deferred charges/bad accounts (negative entry)		
B. LIABILITIES (B.1 + B.2 + B.3 + B.4 + B.5)	**22,083,374**	**21,189,526**
B.1 Current Liabilities (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5 + B.1.6 + B.1.7)	10,902,209	8,357,139
B.1.1 Trade and Other Payables to Domestic Entities	9,722,765	7,225,127
B.1.1.1 Loans/Notes Payables	3,553,333	1,833,333
B.1.1.2 Trade Payables	925,621	777,163
B.1.1.3 Payables to Related Parties	100,489	113,351
B.1.1.4 Advances from Directors, Officers, Employees and Principal Stockholders		
B.1.1.5 Accruals, specify material items (B.1.1.5.1 + B.1.1.5.2 + B.1.1.5.3)	1,637,756	1,147,654
B.1.1.5.1 Various Accruals	1,637,756	1,147,654
B.1.1.5.2	0	0
B.1.1.5.3		
B.1.1.6 Others, specify (B.1.1.6.1 + B.1.1.6.2 + B.1.1.6.3+ B.1.1.6.4+B.1.1.6.5+B.1.1.6.5)	3,505,566	3,353,625
B.1.1.6.1 Contract liabilities	132,447	0
B.1.1.6.2 Customers' deposits	684,788	779,722
B.1.1.6.3 Retention Fees Payable	847,965	929,513
B.1.1.6.4 Advances from Condominium unit buyers	165,052	260,067
B.1.1.6.5 Reservation Payable	819,251	657,103
B.1.1.6.6 Deferred Output Vat	414,695	257,355
B.1.1.6.7 Others	441,367	469,865
B.1.2 Trade and Other Payables to Foreign Entities (specify) (B.1.2.1 + B.1.2.2 + B.1.2.3)	0	0
B.1.2.1		
B.1.2.2		
B.1.2.3		
B.1.3 Provisions		
B.1.4 Financial Liabilities (excluding Trade and Other Payables and Provisions)	0	0
B.1.4.1		
B.1.4.2		
B.1.4.3		
B.1.4.4		
B.1.4.5		
B.1.5 Liabilities for Current Tax	250,763	162,066
B.1.6 Deferred Tax Liabilities		
B.1.7 Others, specify (If material, state separately; indicate if the item is payable to public/private or financial/non-	928,681	969,945
B.1.7.1 Dividends declared and not paid at balance sheet date	47,545	42,684
B.1.7.2 Acceptances Payable		
B.1.7.3 Liabilities under Trust Receipts		
B.1.7.4 Deferred lease income	45,304	33,519
B.1.7.5 Installment Payable	443,918	390,281
B.1.7.6 Any other current liability in excess of 5% of Total Current Liabiilities, specify:	391,914	503,462
B.1.7.6.1 Current portion of deposit from tenants	391,914	503,462
B.1.7.6.2		
B.1.7.6.3		

Control No.:
Form Type: PHFS2

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES
NAME OF CORPORATION: SHANG PROPERTIES INC. AND SUBSIDIARIES
CURRENT ADDRESS: 5TH FLOOR SHANGRI-LA PLAZA MALL, MANDALUYONG CITY
TEL. NO.: 370-2700 FAX NO.: 370-2697
COMPANY TYPE : DEVELOPER PSIC: 7012
If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Balance Sheet

FINANCIAL DATA		2019 (in P'000)	2018 (in P'000)
B.2 Long-term Debt - Non-current Interest-bearing Liabilities (B.2.1 + B.2.2 + B.2.3 + B.2.4 + B.2.5)		2,374,628	4,149,694
B.2.1 Domestic Public Financial Institutions		2,374,628	4,149,694
B.2.2 Domestic Public Non-Financial Institutions			
B.2.3 Domestic Private Financial Institutions			
B.2.4 Domestic Private Non-Financial Institutions			
B.2.5 Foreign Financial Institutions			
B.3 Indebtedness to Affiliates and Related Parties (Non-Current)			
B.4 Liabilities Included in the Disposal Groups Classified as Held for Sale			
B.5 Other Liabilities (B.5.1 + B.5.2)		8,806,538	8,682,693
B.5.1 Deferred Tax		7,865,210	7,655,864
B.5.2 Others, specify (B.5.2.1 + B.5.2.2 + B.5.2.3 + B.5.2.4 + B.5.2.5)		941,328	1,026,829
B.5.2.1 Advance rental - net of current portion		112,001	187,030
B.5.2.2 Deposits from Tenants - net of current portion		726,831	590,521
B.5.2.3 Accrued Employee Benefits		55,145	57,053
B.5.2.4 Deferred lease income - net of current portion		47,351	41,344
B.5.2.5 Installmeny payable - net of current portion		0	150,881
C. EQUITY (C.3 + C.4 + C.5 + C.6 + C.7 + C.8 + C.9+C.10)		**41,270,139**	**39,066,359**
C.1 Authorized Capital Stock (no. of shares, par value and total value; show details) (C.1.1+C.1.2+C.1.3)		8,000,000	8,000,000
C.1.1 Common shares	**8,000,000,000 shares at P1 par value per share in 2018 and 2017**	8,000,000	8,000,000
C.1.2 Preferred Shares			
C.1.3 Others			
C.2 Subscribed Capital Stock (no. of shares, par value and total value) (C.2.1 + C.2.2 + C.2.3)		0	0
C.2.1 Common shares			
C.2.2 Preferred Shares			
C.2.3 Others			
C.3 Paid-up Capital Stock (C.3.1 + C.3.2)		4,764,059	4,764,059
C.3.1 Common shares	**4,764,058,982 shares at P1 par value per share in 2018 and 2017**	4,764,059	4,764,059
C.3.2 Preferred Shares			
C.4 Additional Paid-in Capital / Capital in excess of par value / Paid-in Surplus		834,440	834,440
C.5 Minority Interest		6,254,206	6,286,923
C.6 Others, specify (C.6.1 + C.6.2 + C.6.3)		95,050	78,838
C.6.1 Equity Reserves		(141,133)	(141,133)
C.6.2 Other comprehensive income (loss)		236,183	219,971
C.6.3			
C.7 Appraisal Surplus/Revaluation Increment in Property/Revaluation Surplus			
C.8 Retained Earnings (C.8.1 + C.8.2)		29,329,234	27,108,949
C.8.1 Appropriated			
C.8.2 Unappropriated		29,329,234	27,108,949
C.9 Head / Home Office Account (for Foreign Branches only)			
C.10 Cost of Stocks Held in Treasury (negative entry)		(6,850)	(6,850)
TOTAL LIABILITIES AND EQUITY (B + C)		**63,353,513**	**60,255,885**

Control No.:
Form Type: PHFS2

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES
NAME OF CORPORATION: SHANG PROPERTIES INC. AND SUBSIDIARIES
CURRENT ADDRESS: LEVEL 5 SHANGRI-LA PLAZA MALL, MANDALUYONG CITY
TEL. NO.: 370-2700 FAX NO.: 370-2697
COMPANY TYPE : DEVELOPER PSIC: 7012
If these are based on consolidated financial statements, please so indicate in the caption.

Table 2. Income Statement

FINANCIAL DATA	2019 (in P'000)	2018 (in P'000)	2017 (in P'000)
A. REVENUE / INCOME (A.1 + A.2 + A.3)	12,079,729	12,650,054	14,847,788
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining,utilities, trade, services,	11,361,826	11,180,487	13,770,215
A.2 Share in the Profit or Loss of Associates and Joint Ventures accounted for using the Equity Method	101,237	0	(4,100)
A.3 Other Revenue (A.3.1 + A.3.2 + A.3.3 + A.3.4 + A.3.5)	0	0	0
A.3.1			
A.3.2			
A.3.3			
A.3.4			
A.3.5 Others, specify (A.3.5.1 + A.3.5.2 + A.3.5.3 + A.3.5.4 + A.3.5.5 + A.3.5.6 + A.3.5.7 + A.3.5.8)	0	0	0
A.3.5.1			
A.3.5.2			
A.3.5.3			
A.3.5.4			
A.3.5.5			
A.3.5.6			
A.3.5.7			
A.3.5.8			
A.4 Other Income (non-operating) (A.4.1 + A.4.2 + A.4.3 + A.4.4)	616,665	1,469,566	1,081,673
A.4.1 Interest Income	217,586	190,829	231,052
A.4.2 Dividend Income	55,542	48,440	63,881
A.4.3 Gain / (Loss) from selling of Assets, specify (A.4.3.1 + A.4.3.2 + A.4.3.3 + A.4.3.4)	0	0	0
A.4.3.1			
A.4.3.2			
A.4.3.3			
A.4.3.4			
A.4.4 Others, specify	343,538	1,230,297	786,740
A.4.4.1 Remeasurement arising from business combination	0	0	0
A.4.4.2 Reversal of impairement loss on real estate development project	0	0	0
A.4.4.3 Gain on fair value adjustment of investment properties	276,697	879,994	660,167
A.4.4.4 Gain / (Loss) on Foreign Exchange	(7,757)	24,187	25,130
A.4.4.5 Disposal of investment in associates	0	0	0
A.4.4.6 Others	74,597	326,116	101,443
B. COST OF GOODS SOLD (B.1 + B.2 + B.3)	0	0	0
B.1 Cost of Goods Manufactured (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5)			
B.1.1 Direct Material Used			
B.1.2 Direct Labor			
B.1.3 Other Manufacturing Cost / Overhead			
B.1.4 Goods in Process, Beginning			
B.1.5 Goods in Process, End (negative entry)			
B.2 Finished Goods, Beginning			
B.3 Finished Goods, End (negative entry)			
C. COST OF SALES (C.1 + C.2 + C.3)	6,079,008	6,270,756	7,608,414
C.1 Purchases	6,079,008	6,270,756	7,608,414
C.2 Merchandise Inventory, Beginning			
C.3 Merchandise Inventory, End (negative entry)			
D. GROSS PROFIT (A - B - C)	6,000,721	6,379,298	7,239,375

NOTE: Pursuant to SRC Rule 68.1 (as amended in Nov. 2005), for fiscal years ending December 31, 2005 up to November 30, 2006, a comparative format of only two

Control No.:
Form Type: PHFS2

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

NAME OF CORPORATION: SHANG PROPERTIES INC. AND SUBSIDIARIES

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

TEL. NO.: 370-2700 FAX NO.: 370-2697

COMPANY TYPE : DEVELOPER PSIC: 7012

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

Table 2. Income Statement

FINANCIAL DATA	2019 (in P'000)	2018 (in P'000)	2017 (in P'000)
E. OPERATING EXPENSES (E.1 + E.2 + E.3 + E.4)	**1,251,803**	**1,188,180**	**1,222,801**
E.1 Selling or Marketing Expenses	254,459	303,478	240,698
E.2 Administrative Expenses	736,803	654,924	772,480
E.3 General Expenses	260,541	229,778	209,623
E.4 Other Expenses, specify (E.4.1 + E.4.2 + E.4.3 + E.4.4 + E.4.5 + E.4.6 + E.4.7 + E.4.8 + E.4.9 + E.4.10)	0	0	0
E.4.1 Education-related expenditures	0	0	0
E.4.2 Provision for impairement loss	0	0	0
E.4.3 Unreimbursed share in common expenses	0	0	0
E.4.4			
E.4.5			
E.4.6			
E.4.7			
E.4.8			
E.4.9			
E.4.10			
F. FINANCE COSTS (F.1 + F.2 + F.3 + F.4 + F.5)	**272,339**	**358,742**	**331,963**
F.1 Interest on Short-Term Promissory Notes			
F.2 Interest on Long-Term Promissory Notes			
F.3 Interest on bonds, mortgages and other long-term loans	235,099	328,089	311,827
F.4 Amortization			
F.5 Other interests, specify (F.5.1 + F.5.2 + F.5.3 + F.5.4 + F.5.5)	37,240	30,653	20,136
F.5.1 Accretion of deposits from tenants	36,299	29,810	19,160
F.5.2 Bank charges	940	842	976
F.5.3			
F.5.4			
F.5.5			
G. NET INCOME (LOSS) BEFORE TAX (D - E - F)	**4,476,579**	**4,832,376**	**5,684,611**
H. INCOME TAX EXPENSE (negative entry)	**(1,054,810)**	**(1,271,762)**	**(1,464,529)**
I. INCOME(LOSS) AFTER TAX	**3,421,769**	**3,560,614**	**4,220,082**
J. Amount of (i) Post-Tax Profit or Loss of Discontinued Operations; and (ii) Post-Tax Gain or Loss Recognized on theMeasurement of Fair Value less Cost to Sell or on the Disposal of the Assets or Disposal Group(s) constituting the Discontinued Operation (if any)			
J.1			
J.2			
K. PROFIT OR LOSS ATTRIBUTABLE TO MINORITY INTEREST	(365,767)	**(548,286)**	**(873,916)**
L PROFIT OR LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**3,056,002**	**3,012,328**	**3,346,166**
M. EARNINGS (LOSS) PER SHARE			
M.1 Basic	0.64	0.63	0.70
M.2 Diluted	0.64	0.63	0.70

Control No.: ______
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SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES
NAME OF CORPORATION: SHANG PROPERTIES INC. AND SUBSIDIARIES
CURRENT ADDRESS: LEVEL 5 SHANGRI-LA PLAZA MALL, MANDALUYONG CITY
TEL. NO.: 370-2700 FAX NO.: 370-2697
COMPANY TYPE : DEVELOPER PSIC: 7012
If these are based on consolidated financial statements, please so indicate in the caption.

Table 3. Cash Flow Statements

FINANCIAL DATA	2019 (in P'000)	2018 (in P'000)	2017 (in P'000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income (Loss) Before Tax and Extraordinary Items	4,476,579	4,832,376	5,684,611
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities			
Depreciation	1,115,108	1,041,599	898,033
Retirement benefit expense	37,765	38,161	50,604
Amortization, specify: Amortization of deferred lease income	(37,687)	(30,435)	(33,788)
Others, specify: Share in net (gains) of associates and a joint venture	(101,237)	0	4,100
Interest expense	271,398	357,899	330,986
Dividend Income	(55,542)	(48,440)	(63,881)
(Gain) loss on fair value adjustment of financial assets at fair value through profit or loss	5,145	4,545	(14,248)
Unrealized foreign exchange gain (loss)	4,959	(16,420)	(2,197)
Interest income	(217,586)	(190,829)	(231,052)
Others	(881)	(198,176)	9,041
Gain on fair value adjustment of investment properties	(276,697)	(879,994)	(660,167)
Changes in Assets and Liabilities:			
Decrease (Increase) in:			
Trade and other receivables	(1,937,313)	(52,263)	(616,593)
Properties held for sale	800,401	2,557,996	4,424,894
Prepaid taxes and other current assets	60,991	(272,776)	658,487
Others, specify: Real estate development projects	(45,181)	(3,096,727)	(2,317,743)
Other non current assets	(90,603)	21,642	15,528
Increase (Decrease) in:			
Account payable & other current liabilities	516,712	(752,635)	(96,161)
Accrued employee benefits	51	0	(12,935)
Others, specify: Installment payable	(97,244)	(95,349)	(133,759)
Advance rentals	217,340	19,540	52,456
Deposit from tenants	32,157	10,855	35,007
Income tax paid	(722,632)	(440,320)	(719,461)
Interest received	218,511	53,446	68,985
Contributions paid to retirement plan	(52,653)	(8,409)	(20,717)
Retirement benefits paid directly by the Group	(3,617)	(20,216)	(37,530)
A. Net Cash Provided by Operating Activities (sum of above rows)	**4,118,245**	**2,835,071**	**7,272,499**
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Financial assets at fair value through other comprehensive income	1,967	0	0
Available-for-sale financial assets	0	0	(300)
Investment in associates and advances to a joint venture	(1,019,989)	(1,000,000)	(10,400)
Investment properties	(1,109,209)	(489,887)	(467,303)
Reductions/(Additions) to Property, Plant, and Equipment	(125,092)	(75,081)	(42,308)
Others, specify: Proceeds from sale of property and equipment	2,341	269,640	780
Deposit for a future project	(171,705)	(250,295)	0
Dividends Received	55,542	48,440	63,881
B. Net Cash Used in Investing Activities (sum of above rows)	**(2,366,147)**	**(1,497,182)**	**(455,650)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Loan availment, net of debt issue costs	3,145,000	1,300,000	0
Long-term Debt	0	0	0
Issuance of Securities	0	0	0
Others, specify:	0	0	0
Payments of:			
(Loan principal)	(3,208,333)	(3,687,083)	(4,689,583)
(Long-term Debt)			
(Stock Subscriptions)	0	0	0
Others, specify (negative entry):			
Cash dividends paid to shareholders & minority shareholders of subsidiary	(1,229,324)	(1,243,094)	(1,020,917)
Payment of interest	(246,491)	(322,791)	
			(318,920)
C. Net Cash Used in Financing Activities (sum of above rows)	**(1,539,148)**	**(3,952,968)**	**(6,029,420)**
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)	212,950	(2,615,080)	787,430
Cash and Cash Equivalents			
Beginning of year	2,432,097	5,030,757	4,241,131
Effects of exchange rate changes on cash and cash equivalents	(4,959)	16,420	2,197
End of year	2,640,089	2,432,097	5,030,757

0	(0)	0

Control No.:
Form Type: PHFS2

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES
NAME OF CORPORATION: SHANG PROPERTIES INC. AND SUBSIDIARIES
CURRENT ADDRESS: 5TH LEVEL SHANGR-LA PLAZA MALL, MANDALUYONG CITY
TEL. NO.: 370-2700 FAX NO.: 370-2697
COMPANY TYPE : DEVELOPER PSIC: 7012
If these are based on consolidated financial statements, please so indicate in the caption.

Table 4. Statement of Changes in Equity

	(Amount in P'000)									
FINANCIAL DATA	Share capital	Share premium	Treasury shares	Cumulative changes in fair value of financial assets at FVOCI	Cumulative translation adjustments	Remeasurement loss on defined benefit plan	Equity reserves	Non-controlling interests	Retained Earnings	TOTAL
A Balance, January 1, 2017	4,764,059	834,440	(6,850)	10,345	(215)	(11,013)	(141,133)	5,421,977	22,466,858	33,338,468
B. Surplus										0
B.1 Surplus (Deficit) on Revaluation of Properties										0
B.2 Surplus (Deficit) on Revaluation of Investments										0
B.3 Currency Translation Differences										0
B.4 Other Surplus (specify)										0
B.4.1										0
C. Net Income (Loss) for the Period								873,916	3,346,166	4,220,082
D. Dividends (negative entry)								(239,680)	(785,717)	(1,025,397)
E. Appropriation for (specify)										0
E.1 Other comprehensive income				4,620	(57)	(13,475)				(8,912)
E.2										0
F. Issuance of Capital Stock										0
F.1 Common Stock										0
F.2 Preferred Stock - redemption										0
F.3 Others										0
G. Balance, December 31, 2017	4,764,059	834,440	(6,850)	14,965	(272)	(24,488)	(141,133)	6,056,213	25,027,307	36,524,241
G.1 Correction of Error (s)										0
G.2 Changes in Accounting Policy				220,501						220,501
H. Restated Balance January 1, 2018	4,764,059	834,440	(6,850)	235,466	(272)	(24,488)	(141,133)	6,056,213	25,027,307	36,744,742
I. Surplus										0
I.1 Surplus (Deficit) on Revaluation of Properties										0
I.2 Surplus (Deficit) on Revaluation of Investments										0
I.3 Currency Translation Differences										0
I.4 Other Surplus (specify)										0
I.4.1										0
J. Net Income (Loss) for the Period								548,286	3,012,328	3,560,614
K. Dividends (negative entry)								(317,576)	(930,687)	(1,248,263)
L. Appropriation for (specify)										0
L.1 Other comprehensive income				7,761	(340)	1,845				9,266
M. Issuance of Capital Stock										0
M.1 Common Stock										0
M.2 Preferred Stock-redemption										0
M.3 Others										0
N. Balance, December 31, 2018	4,764,059	834,440	(6,850)	243,226	(612)	(22,643)	(141,133)	6,286,923	27,108,949	39,066,359
O. Surplus										0
O.1 Surplus (Deficit) on Revaluation of Properties										0
O.2 Surplus (Deficit) on Revaluation of Investments										0
O.3 Currency Translation Differences										0
O.4 Other Surplus (specify)										0
O.4.1										0
P. Net Income (Loss) for the Period								365,767	3,056,002	3,421,769
Q. Dividends (negative entry)								-398,468	-835,717	-1,234,185
R. Appropriation for (specify)										0
R.1 Other comprehensive income				19,944	-933	-2,799		-16		16,196
R.2										0
G. Issuance of Capital Stock										0
G.1 Common Stock										0
G.2 Preferred Stock - redemption										0
G.3 Others										0
H. Balance, December 31, 2019	4,764,059	834,440	-6,850	263,170	-1,545	-25,442	-141,133	6,254,206	29,329,234	41,270,139

CERTIFICATION

I, FEDERICO G. NOEL, JR., Corporate Secretary of **Shang Properties, Inc.**, with SEC Registration No. 145490, with principal office address at 5th Floor, Shangri-La Plaza, EDSA corner Shaw Boulevard, Mandaluyong City, on oath state:

1) That on behalf of **Shang Properties, Inc.**, I have caused this SEC Form 17-A to be prepared;

2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;

3) That **Shang Properties, Inc.** will comply with the requirements set forth in SEC Notice dated 24 June 2020 for a complete and official submission of reports and/or documents through electronic mail; and

4) That I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of filing fee.

JUN 29 2020

IN WITNESS WHEREOF, I have hereunto set my hand this 26th day of June 2020 in Mandaluyong City.

FEDERICO G. NOEL, JR.
Corporate Secretary

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

SUBSCRIBED AND SWORN to before me in the City of Mandaluyong this JUN 29 2020 day of June 2020 by **FEDERICO G. NOEL JR.**, who has satisfactorily proven to me his identity through his Passport with Numbers P6098076A, issued by the DFA Manila on 20 February 2018 and valid until 19 February 2028.

Doc. No. 209;
Page No. 43;
Book No. 16;
Series of 2020.

NOTARY PUBLIC

JOVEN G. SEVILLANO
NOTARY PUBLIC FOR CITY OF MANDALUYONG
COMMISSION NO. 0285-19
UNTIL DECEMBER 31, 2020
ROLL NO. 53970
IBP LIFETIME NO. 011302; 12-28-12; RIZAL
PTR NO. 4331540; 1-3-2020; MANDALUYONG
MCLE COMPLIANCE NO. VI 0017960 14 APRIL 2022
METRO MART COMPLEX, MANDALUYONG CITY