Endless POSSIBILITIES

2013 ANNUAL REPORT

SHANG
PROPERTIES®

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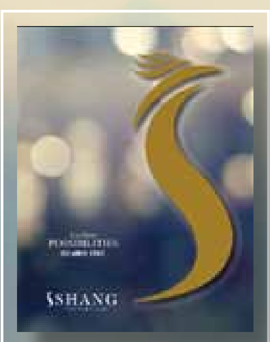


OUR COVER

The symbol of Shang Properties, Inc. is the phoenix, a mythical bird that never dies. It represents high virtue and grace, power and prosperity. Just like the phoenix, the company's vision and commitment to excellence defines a brand of prestige, quality and integrity.

Our Vision

Shang Properties is committed to be the leading developer and manager of prime properties in the Philippines.

Our Mission

- Leading through product innovation
- Delighting with excellent service
- Fostering fair treatment and mutual respect
- Empowering people to attain their full potential
- Upholding good corporate citizenship

Message to Stockholders

The robust growth of the Philippine economy in 2013 further reinforced Shang Properties' confidence in the local real estate market.

Shang Properties' prospects continued to shine bright as its net income increased to Php2.01 billion, a growth of 22% from the Php1.62 billion income of the previous year, driven by higher revenues from the sales of our condominium units and improved rental income from our mall and office divisions.

Construction of our projects proceeded at full speed. One Shangri-La Place at the Ortigas Center, our largest project to date, topped off in September 2013. By the end of 2013, 86% of its net saleable area of 111,957 sq. m. for both the North and South Towers was sold. Out of 1,304 units, 1,102 have been taken, bringing in sales of approximately Php10.8 billion. Turn-over of the units to buyers is targeted to begin in the 2nd quarter of 2014.

Construction of the Shangri-La Hotel at the Fort and Shang Salcedo Place in Makati City carried on at a steady pace. Shangri-La Hotel at the Fort, our 62-storey luxury hotel and residential development at the Bonifacio Global City achieved 62% structure completion in 2013, and remains on track for the scheduled topping off in the 2nd quarter of 2014. Construction is expected to be completed in the 2nd quarter of 2015.

Our second residential project in Makati City, the 67-storey Shang Salcedo Place in Salcedo Village, was launched in 2012 and has since sold 32% or 245 out of 763 units. This is equivalent to 13,870 sq. m. out of the available 45,512 sq. m. for sale.

On top of the development of these prime properties, higher rental income was also realized from our mall and office leasing operations.

Shangri-La Plaza enjoyed a banner year, posting a growth of 34% or Php656.6 million against the previous year's net income of Php489.6 million. The growth was due to the additional revenue from the East Wing which officially opened in March 2013, and the steady performance of the Main Wing which maintained an occupancy rate of 98% despite on-going construction and expansion work. The East Wing added a significant 23,912 sq. m. of net leasable space, 89% of which was already occupied by the end of 2013. Last year, the mall's Main Wing also started a major renovation and redevelopment program aimed at maintaining the prestige of Shangri-La Plaza, as well as creating additional sources of revenue and growth. These on-going improvements and enhancements are expected to be completed in 2015.

Despite stiff competition from newer office buildings, The Enterprise Center achieved a 97% average occupancy rate versus 86% last year. The average rental yield also increased from Php791 per sq. m. to Php856 per sq. m., while operating costs decreased by 30%. As a result, net income grew 26% to Php628 million in 2013. The Enterprise Center will embark on a renovation program in 2014, which aims to maintain its stature as the premier office building in the Makati Central Business District with the improvement and upgrading of its facilities.

The Group remains bullish about the Philippines and launched its 3rd Makati residential project in May 2014. Located in a 10,000 sq. m. lot in Malugay Street, the new development is called The Rise and is composed of 2,822 units located above a two-level mall. The units and world-class amenities are designed to fit the lifestyle of a younger and more dynamic target market.

Shang Properties' success in 2013 is evident with our gross revenues increasing by 38% to Php6.33 billion from Php4.6 billion the year before. Shareholders' equity was up 7.5% from Php20.2 billion to Php21.7 billion. This resulted in higher earnings per share, which increased by 22.1% to Php0.422 from Php0.346 in 2012, and enabled Shang Properties to declare a higher dividend per share of Php0.11 from Php0.082 or a gain of 34.1%.

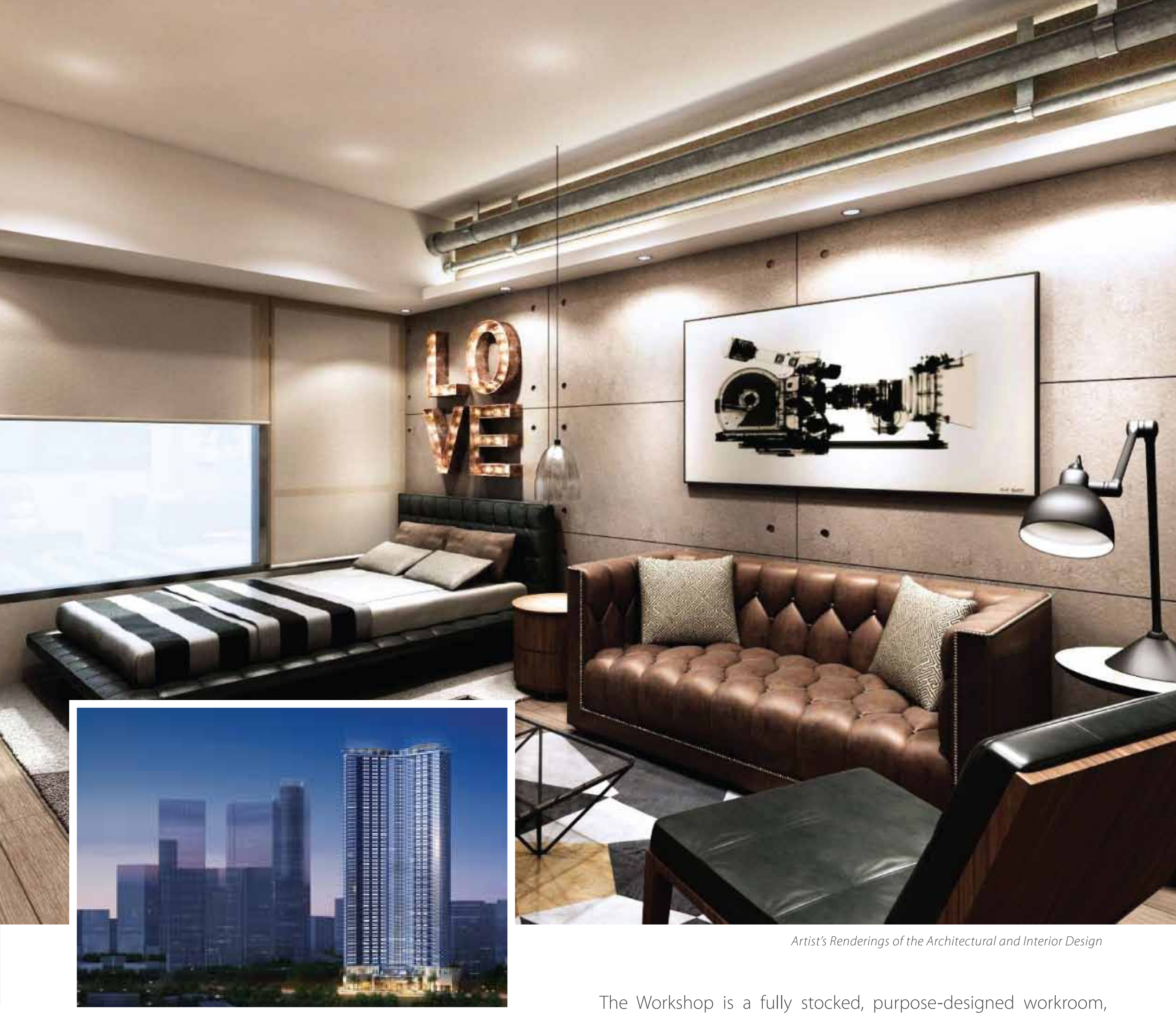
Despite our achievements and our healthy financial results, we continue to keep a keen eye on more opportunities, including increasing our land bank, improving our bottom lines, as well as enhancing our viability in this intensely competitive industry.

Your Board is confident that, with the solid and steadfast support of our shareholders, we will be able to accomplish our business objectives in accordance with our vision to remain the leading developer and manager of prime properties in the Philippines.

I thank our Board of Directors, management team, and all the officers and staff for their contributions in making 2013 a successful year. I would also like to thank our business partners, stakeholders, and customers, for their unwavering trust in Shang Properties.

EDWARD KUOK KHOON LOONG
Chairman

RESIDENTIAL



Artist's Renderings of the Architectural and Interior Design

THE RISE MAKATI

The Rise is the company's newest residential offering located just north of Ayala Avenue along Malugay St., Makati City. The North Makati area or NoMa is known for its unique mix of galleries, delicatessens and bistros, indie music venues, and one-of-a-kind retail experiences.

With its exceptional approach to space, architecture and design, The Rise's 63 storeys and 2,822 units presents a new living concept and best-in-class amenities with Spaces at The Rise and is designed to let its residents decide how they want to play, relax, and work.

The Hangout is a 300 square meter space of open lounge area perfect for entertaining friends and family, whether it's a special occasion or just to catch up over a cup of coffee.

The Workshop is a fully stocked, purpose-designed workroom, which features an I.T. bar, a library, a reading room, and meeting rooms and spaces perfect for studying, brainstorming, or meeting.

The Nest is a relaxation and wellness zone that provides a refuge from the fast-paced city life and an opportunity to curl up on a swinging hammock, lounge around in the garden terraces, or to just get lost in a good book.

The Rise also boasts of a 28-meter tropical pool and kids' pool, a 380-meter private jogging path set in lush green landscaping, a 280 square meter children's play space, a barbecue patio, and a two-storey world-class gym packed with premier training and exercise equipment designed for young professionals and families who work hard and play hard.

The 2-level boutique retail mall located right below the residences, will offer over 50 retailers and service providers from cafes and bars, to banks and convenience stores.

SHANG SALCEDO PLACE

The 67-storey Shang Salcedo Place in Salcedo Village is Shang Properties' second residential project in Makati City. Since its launch in 2012, it has since sold 32% or 245 out of 763 units, equivalent to 13,870 sq. m. of the available 45,512 sq. m. for sale.

The project is in the heart of the Makati Central Business District and, upon completion, will be among a handful of truly luxurious residential developments in the area. Amenities include adult- and kid-sized swimming pools, gym and exercise rooms, a children's play area and an outdoor podium garden.

Completion is targeted for the second half of 2015.

Sales total as of end-2013 was almost Php1.7 billion.

Artist's Renderings of the Architectural and Interior Design

ONE SHANGRI-LA PLACE

One Shangri-La Place at the Ortigas Center is Shang Properties' largest project to date, being built at a total cost of Php11 billion. It topped off in September 2013, and turnover of units is slated to start in the 2nd quarter of 2014.

The 64-storey twin-tower condominium, which sits atop the Shangri-La Plaza East Wing expansion, has a net saleable area of 111,957 sq. m. from both its North and South Towers. By the end of 2013, 1,102 of the total 1,304 units on offer have been sold or 86% of the saleable area.

The North Tower was launched in March 2010 and is 99% sold, with only six out of the 664 units left, while the South Tower which was introduced in October 2011 is 69% sold, or 444 units of the 640 on offer.

Sales revenues as of end-2013 stood at Php10.8 billion.

SHANGRI-LA AT THE FORT

The Shangri-La Hotel at the Fort is the Company's 62-storey luxury hotel and residential development located at the corner of 5th Avenue and 30th Street, at the Bonifacio Global City. Comprising 576 hotel guestrooms, 97 hotel residences and 98 exclusive Horizon Homes, the building is destined to become a Manila landmark. It also features an extensive sports club including swimming pools, indoor sports hall, boxing and basketball facilities and several tennis courts spread over two large floors as well as a children's Adventure Zone and a Spa and will offer local membership programmes.

Work on the main structure reached 62% completion in 2013 and remained on track for the scheduled topping off in the 2nd quarter of 2014, with project construction expected to be finished by the 2nd quarter of 2015. The Shangri-La at the Fort has a total gross floor area of 137,453 sq. m. and a construction cost estimated at nearly Php18 billion.

Artist's Renderings of the Architectural and Interior Design

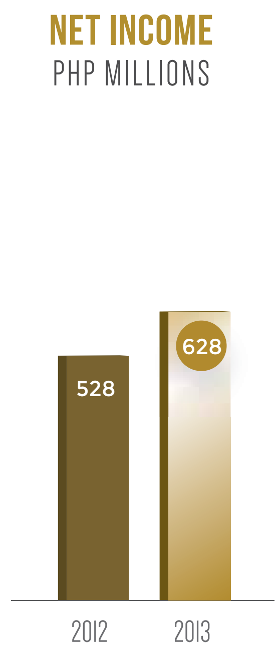
OFFICE LEASING

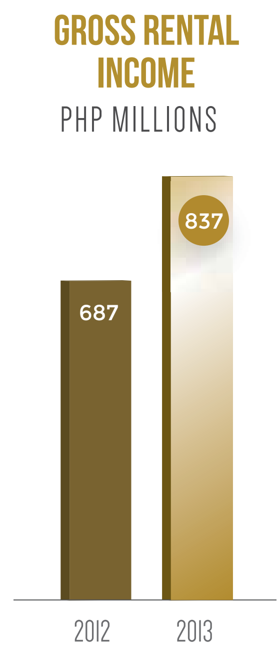
THE ENTERPRISE CENTER

The Enterprise Center increased its average occupancy rate in 2013 to 97% from 86% during the previous year, boosting its net income by 26% to Php628 million.

Despite stiffer competition from new entrants in the office buildings segment, The Enterprise Center also increased its average rental yield from Php791 per sq. m. to Php856 per sq. m., while operating costs decreased by 30%.

The Enterprise Center will embark on a renovation program in 2014 to improve and upgrade facilities and thus maintain its stature as the premier office building in the Makati Central Business District.





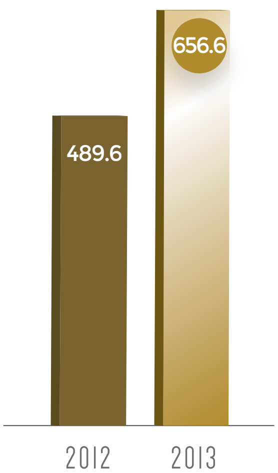
MALL & RETAIL

SHANGRI-LA PLAZA

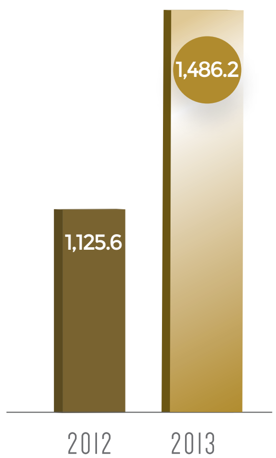
The Shangri-La Plaza mall enjoyed a banner year in 2013, posting a net income growth of 34% to Php656.6 million from the previous year's Php489.6 million.

Revenues were boosted by the opening of the East Wing in March 2013 and the steady performance of the Main Wing which maintained an occupancy rate of 98% despite on-going construction and expansion work.

SLPC NET INCOME
PHP MILLIONS



SLPC REVENUE
PHP MILLIONS



The East Wing added a significant 23,912 sq. m. of net leasable space, of which 89% was already occupied by the end of 2013.

The mall's Main Wing also started a major renovation and redevelopment program aimed at maintaining the prestige of Shangri-La Plaza and at the same time creating additional sources of revenue and growth.

The on-going improvements and enhancements should be completed in 2015 and continue to give Shangri-La Plaza's loyal mall guests endless pleasures through its superior product and merchandise offerings complemented by a strong brand of customer service.

Board of
DIRECTORS

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 Masters degree in Economics from the University of Wales in the United Kingdom.

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

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

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

Manuel M. Cosico
is a Partner of Romulo, Mabanta, Buenaventura, Sayoc & de los Angeles Law Firm. He is Chairman of the Construction Industry Arbitration Commission (CIAC) since 2011 and was a former Arbitrator of CIAC from 2001 to 2011. He was previously the Presiding Judge of Branch 136 of the Regional Trial Court of Makati from 1986 to 1991 and a Special Criminal Court Judge from 1986 to 1991. He was formerly a Professor of Evidence, Civil Procedure, Special Proceedings and Trial Techniques at the Ateneo de Manila University.

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

Danila Regina I. Fojas
is the Executive Vice President and General Manager of Shangri-La Plaza Corporation. She is also a Director of KSA Realty Corporation and The Enterprise Center Condominium Corporation. She is the first female to graduate with honors from the Asian Institute of Management. She completed her Masters in Business Management with Distinction in 1978 and participated in the one-year advanced top management course in economics and business development at the University of Asia and the Pacific in 1993.

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

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

Wilkie Lee
is a Project Director of Kerry Properties Ltd. He obtained his Bachelor's Degree in Civil Engineering from the University of Saskatchewan, Canada and a Masters Degree in Business Administration from the University of Notre Dame, USA and the London Business School.

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

Kinsun Andrew Ng
is the Group Financial Controller of the Company. He also serves as Director of the various boards of Shang Properties affiliates and subsidiaries. He is an associate member of the Hong Kong Society of Accountants and a fellow member of the Association of Chartered Certified Accountants in the U.K. He graduated from the Hong Kong Shue Yan University with a degree in Accounting.

Federico G. Noel, Jr.
is the General Counsel of the Company. He is also the Corporate Secretary and Legal Counsel for 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.

Benjamin I. Ramos
is the President of Powerbooks since 2009 and is the Special Assistant to the Vice President at National Book Store. He has an MBA from the Stanford Graduate School of Business.

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 and 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.

Corporate GOVERNANCE

Shang Properties, Inc. and its Board of Directors have always recognized and effected the globally accepted three (3) basic principles of corporate governance: fairness, transparency, and accountability to all its stakeholders. Shang Properties adopted its Corporate Governance Manual and submitted this to the Securities and Exchange Commission in 2002.

The following sections demonstrate the Company's compliance with these principles as detailed in the Manual during the financial year ending December 31, 2013.

THE BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic directions and financial performance. It sets and provides the role modeling for the Company's values and standards ensuring further that its obligations to the Company's shareholders are understood and met. To this end, it assumes responsibility for strategy formulation, corporate governance, and performance monitoring. The management is delegated the authority and responsibility for the administration of the Company within the control and authority framework set by the Board. In addition, the Board has also delegated various responsibilities to the Executive Committee, the Audit Committee and the Nomination Committee. Further details of these committees are set out in this annual report.

The number of meetings held and the attendance record of the Board members at these meetings for the last three (3) years are as follows:

	2014*	2013	2012
Number of Board Meetings	2	5	5
Attendance			
Executive	93%	94%	91%
Independent Non-Executive	69%	75%	80%
Average	80%	84%	85%

*Meetings are held in the year-to-date

Board minutes kept by the Corporate Secretary, are sent to the Directors for records, and are open for inspection.

Board Composition

The Board is currently composed of six (6) Executive Directors and nine (9) Non-Executive Directors of which three (3) are Independent Directors.

The Executive Directors are Messrs. Edward Kuok Khoon Loong, Wilfred Shan Chen Woo, Federico G. Noel Jr., Kinsun Andrew Ng, Koay Kean Choon and Ms. Danila Regina I. Fojas. The Non-Executive Directors are Alfredo C. Ramos, Maximo G. Licauco III, Antonio O. Cojuangco, Benjamin I. Ramos, Cynthia Roxas del Castillo, Manuel M. Cosico, Ho Shut Kan, Johnny O. Cobankiat, and Wilkie Lee. Mssrs. Cobankiat, Cojuangco and Cosico were elected Independent Directors. The biographies of the Directors are set out on page 12 and 13 of this annual report, which demonstrate a diversity of skills, expertise, experience and qualifications.

Division of Responsibilities

The Board has appointed a Chairman who has executive responsibilities and who provides leadership in establishing policies and business directions. The Chairman ensures that the Board works effectively, discharges its responsibilities, and discusses all key and appropriate issues in a timely manner.

The Executive Directors are tasked with the day-to-day running of the Company and are responsible for the different aspects of Shang Properties' businesses.

Non-Executive Directors bring strong independent judgment, knowledge and experience to the Board's deliberations. Apart from their appointments, the Non-Executive Directors do not have any form of service contract with the Company or any of its subsidiaries.

The Independent Directors take an active role in Board meetings, participate in Board Committees, contribute to the development of strategies and policies, and take the lead when potential conflicts of interest arise.

Directors' Re-election and Removal

The Directors of the Company are elected during the annual general meeting and hold office for one (1) year and until their successors are elected and deemed qualified.

Access to Information

All Directors are continually updated with legal and regulatory developments, regularly receive comprehensive information about business activities, financial highlights and operations review of the Company's business and market changes, and developments so that they are up-to-date and are well-informed during Board meetings and to facilitate in discharging their responsibilities. The Board members are provided with Board papers and relevant materials prior to the intended meeting date, including business and financial reports covering the Group's principal business activities and are at liberty to contact management for enquiries and to obtain further information, when required. All Directors have unrestricted access to the advice and services of the Corporate Secretary, who ensures that they receive appropriate and timely information for their decision-making and that Board procedures are being followed. The Directors can obtain independent professional advice at the Company's expense.

DELEGATION BY THE BOARD

Executive Committee

The Executive Committee consists of four (4) members of the Board. It meets regularly and operates as a general management committee chaired by Wilfred Shan Chen Woo, an Executive Director and Executive Assistant to the Chairman. The Executive Committee meets to discuss the corporate and development strategies of the Company.

Nomination Committee

Pursuant to its Corporate Governance Manual, the Board created a Nomination Committee in August 2005 composed of three (3) Directors with at least one (1) Independent Director of the Company. The committee acts in an advisory capacity and makes recommendations to the Board. It promulgates the guidelines or criteria to govern the conduct of the nominations of the Directors. The same is properly disclosed in the Company's information statement or as well as any reports that are submitted to the Securities and Exchange Commission.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible for the preparation of the financial statements, which adopt generally accepted accounting standards in the Philippines, ensuring appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made. The auditing and reporting on the financial statements are the primary responsibility of the external auditor whose "Auditor's Report" to the shareholders is included in this annual report.

Towards the end of the year, the Board reviews the financial projections of the group for the financial year ending 31 December on any given year. The Board has continued to adopt going concern basis in preparing the financial statements to ensure that any material uncertainties relating to events or conditions that may affect the Company's ability to manage effectively are met.

Internal Controls

The Board is responsible for maintaining an adequate system of internal controls and reviewing their effectiveness. The system of internal control is designed to facilitate effective and efficient operations, safeguard its assets, and ensure that the quality of internal and external reporting comply with applicable laws and regulations. In establishing internal controls, the Company has taken into consideration the nature and extent of the Company's business, operational and financial risks, the likelihood of crystallization of such risks, and the costs of implementing the relevant internal controls. These internal controls are designed to manage, but not eliminate, the risk of failure to achieve business objectives and provide reasonable, but not absolute, assurance against the risks of material misstatement, fraud or losses.

During the year ended 31 December 2013, the Board, through the Audit Committee, reviewed the risks and evaluated the internal control framework that operates within the Company and considered that the system of internal controls in operation is effective.

More details on the Company's internal control framework and the Board's process to evaluate its system of internal controls is set out in the section headed internal controls on page 16 of this annual report.

Audit Committee

Pursuant to its Corporate Governance Manual, the Board created an Audit Committee in August 2002 currently composed of Independent Non-Executive Directors. Each member is required to have at least an adequate understanding of or competence on most of the Company's financial management systems and environment.

The major responsibilities of the Audit Committee are:

- To check that all financial reports comply with pertinent accounting standards, including regulatory requirements;
- To perform oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Company, and crisis management;
- To perform direct interface functions with the internal and external auditors;
- To elevate to international standards the accounting and auditing processes, practices and methodologies, and to develop, among others, a timetable within which the accounting system of the Company will be 100% compliant with International Accounting Standards.
- To develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Company through a step-by-step procedures and policies handbook that will be used by the entire organization.

The number of meetings held and the attendance record of the Committee members at these meetings for the last three (3) years are as follows:

	2014*	2013	2012
Number of Committee Meetings	2	5	5
Attendance	80%	76%	80%

*Meetings are held in the year-to-date

Auditor's Remuneration

During the financial year ended 31 December 2013, the fees paid / payable to the auditor in respect of the audit and non-audit services provided by the external auditor to the Company amounted to Php2.7 million.

INTERNAL CONTROLS

The Board is responsible for maintaining and reviewing the effectiveness of the Company's system of internal controls. The internal controls are designed to meet the Group's particular needs, minimize the risks to which the Company is exposed, manage rather than eliminate the risks to achieve business objectives, and provide reasonable but not absolute assurance against misstatements or losses. The Company's internal control framework covers (i) the setting of objectives, budgets, and targets; (ii) the establishment of regular reporting of financial information, in particular, the tracking of deviations between actual performances and budgets/targets; (iii) the delegation of authority; and (iv) the establishment of clear lines of accountability.

Strategies and objectives of the Company as a whole are determined by the Board. Budgets are prepared annually and reviewed by the Board. In implementing these strategies and achieving these objectives, each Executive Director has specific responsibilities for monitoring the conduct and operations of individual business units within the Company. This includes the review and approval of business strategies and plans, the setting of business-related performance targets as well as the design and implementation of internal controls.

Periodic financial information is provided to the Executive Directors. Variance analysis between actual performances and targets are prepared and documented for discussion at Board meetings, with explanations noted for any material variances and deviations between actual performances and budgets / targets. This helps the Board and the Company's Management to monitor the Group's business operations and to plan on a prudent and timely basis. Other regular and ad hoc reports are prepared for the Board and its various committees, to ensure that the Directors are provided with all the requested information in a timely and appropriate manner.

To allow for delegation of authority as well as to enhance segregation of duties and accountability, a clear organizational structure exists detailing different levels of authority and control responsibilities within each business unit of the Company. Certain specific matters are reserved for the Board's decision and cannot be delegated. These include, among others, the approval of annual and interim results, annual budgets, capital structure, declaration of dividends, material acquisitions, disposals and capital expenditures, Board structure and its composition and succession.

In addition, the Board also monitors its internal controls through a program of internal audits. The internal audit team reviews the major operational, financial and risk management controls of the Company on a continuing basis, and aims to cover all its major operations on a rotational basis. The scope of review and the audit program of the internal audit team, formulated and based on a risk assessment approach, with focus on areas with relatively higher perceived risks, are approved by the Audit Committee at the end of the preceding financial year in conjunction with the Company's senior management. During its visits, the internal audit team also ensures that appropriate controls are in place and deficiencies or irregularities (if any) are rectified.

The internal audit function reports directly to the Audit Committee. Accordingly, regular internal audit reports are circulated to the Audit Committee members, the Chief Financial Officer, and the external auditors for review in accordance with the approved internal audit program.

COMMUNICATION WITH SHAREHOLDERS

Investor Relations

Communication Channels

In order to develop and maintain a continuing investor's relationship program with its shareholders, the Company has established various channels of communication:

i) Shareholders can raise any comments on the performance and future directions of the Company with the Directors at the annual general meeting.

ii) The Company distributes the annual results to shareholders.

iii) The Company's website www.shangproperties.com contains important corporate information, biographical details of Directors and senior management, organizational structure, annual and interim reports, major historical developments with comprehensive and user-friendly information about the Company, as well as announcements and circulars issued by the Company in order to enable the Company's shareholders and the investor community to have timely access to updated information.

iv) Shareholders and members of the investor community are welcome to raise enquiries through the Legal Department, whose contact details are available in the Company's website www.shangproperties.com

General Meetings

1. The general meeting provides a forum for the Board to communicate with the shareholders of the Company.

2. To facilitate enforcement of shareholders' rights, significant issues are dealt with under separate resolutions at general meetings.

3. The 2012 Annual Stockholders' Meeting of the Company was held on 26 June 2013 at the Garden Ballroom, Edsa Shangri-La, Ortigas Center, Mandaluyong City. The following resolutions were passed during the meeting:

    1. To adopt the audited financial statements and the report of the directors and the auditors for the financial year ended 31 December 2012.

    2. To ratify the acts of the Board of Directors and the Management since the annual meeting of stockholders held on 19 June 2012.

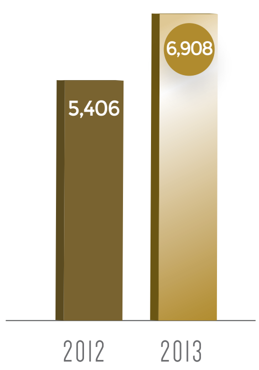
    3. To elect the members of the Board of Directors for the year 2013-2014, namely: Edward Kuok Khoon Loong, Alfredo C. Ramos, Wilfred Shan Chen Woo, Federico G. Noel Jr., Kinsun Andrew Ng, Koay Kean Choon, Danila Regina I. Fojas, Alexandra S. Ramos-Padilla, Antonio O. Cojuangco, Benjamin I. Ramos, Cynthia Roxas del Castillo, Manuel M. Cosico, Ho Shut Kan, Johnny O. Cobankiat, and Wilkie Lee.

    4. To re-appoint SGV as external auditors for the year 2013-2014.

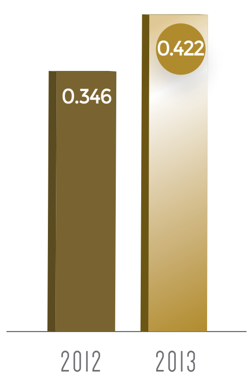
Financial
HIGHLIGHTS

		2013	2012	CHANGE
TURNOVER	(Php M)	6,908	5,406	27.8%
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	(Php M)	2,011	1,646	22.1%
SHAREHOLDERS' EQUITY	(Php M)	21,734	20,223	7.5%
EARNINGS PER SHARE	(Php Ctv)	0.422	0.346	22.1%
NET ASSET VALUE PER SHARE	(Php)	4.564	4.252	7.3%
SHARE PRICE AT YEAR END	(Php)	3.270	3.040	7.6%
PRICE EARNINGS RATIO AT YEAR END	(Ratio)	7.742	8.792	-11.9%
MARKET CAPITALIZATION AT YEAR END	(Php M)	15,578	14,483	7.6%
DIVIDEND PER SHARE	(Php Ctv)	0.11	0.082	34.1%
DIVIDEND PAYOUT RATIO	(%)	26.0%	23.7%	9.6%
DIVIDEND YIELD AT YEAR END	(%)	3.4%	2.7%	26.1%
OPERATING MARGIN	(%)	47.0%	47.6%	-1.3%
RETURN ON EQUITY	(%)	9.3%	8.1%	14.4%
RETURN ON TOTAL FINANCING	(%)	8.0%	7.1%	12.0%
INTEREST COVER	(Ratio)	17.514	15.114	15.9%
GROSS INTEREST AS A % OF TOTAL BORROWINGS	(%)	3.7%	3.8%	-3.4%
CURRENT RATIO	(Ratio)	2.1	2.1	-
NET GEARING RATIO	(%)	14.0%	14.3%	-0.3%

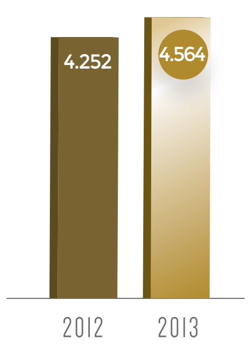
TURNOVER
PHP MILLION



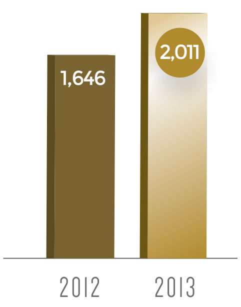
EARNINGS PER SHARE
PHP



NET ASSET VALUE PER SHARE
PHP



PROFIT ATTRIBUTABLE TO SHAREHOLDERS
PHP MILLION



STOCK BEHAVIOR: QUARTERLY SHARE PRICE

For the past three (3) years, the Company's share prices have traded as follows:

2013	HIGH (in Php)	LOW (in Php)
First Quarter	3.87	3.00
Second Quarter	3.95	2.71
Third Quarter	3.69	3.00
Fourth Quarter	3.29	2.90

2012	HIGH (in Php)	LOW (in Php)
First Quarter	2.70	1.96
Second Quarter	2.60	2.40
Third Quarter	2.85	2.50
Fourth Quarter	3.10	2.69

2011	HIGH (in Php)	LOW (in Php)
First Quarter	2.13	1.10
Second Quarter	2.00	1.70
Third Quarter	2.00	1.80
Fourth Quarter	2.19	1.86

STOCK PERFORMANCE AND SHAREHOLDER MATTERS

Dividends

For the year 2013, the Board of Directors declared total cash dividends of Php524 Million (2012: Php390 Million)

Shareholder Profile

As of 31 December 2013, the Company had 5,563 stockholders. Common shares outstanding as of said date are 4,764,058,982. The Company's stockholders owning at least 5% or more of the common shares outstanding as of 31 December 2013 are:

RANK	SHAREHOLDERS	NO. OF SHARES	PERCENTAGE %
1	TRAVEL AIM INVESTMENT B.V.*	1,648,869,372	34.61
2	PCD NOMINEE CORPORATION (FILIPINO)	2,652,520,270	55.68

* This company is a wholly-owned subsidiary of Kerry Properties Limited

TEN YEAR FINANCIAL SUMMARY

	2013	2012 as restated	2011
PROFIT AND LOSS ACCOUNT	Php '000	Php '000	Php '000
TURNOVER	6,908,465	5,406,229	3,589,163
OPERATING PROFIT	3,244,166	2,574,363	2,070,157
INTEREST EXPENSE & BANK CHARGES	(184,962)	(172,280)	(213,337)
SHARE IN PROFIT (LOSS) OF ASSOCIATED COMPANIES	(4,674)	29,491	19,967
PROFIT BEFORE TAXATION	3,054,530	2,431,575	1,876,787
TAXATION	(751,430)	(536,193)	(514,785)
PROFIT AFTER TAXATION	2,303,100	1,895,382	1,362,002
MINORITY INTERESTS	(291,827)	(248,905)	(305,286)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	2,011,273	1,646,477	1,056,716
ASSETS AND LIABILITIES			
FIXED ASSETS	27,295,207	25,506,150	24,961,947
ASSOCIATED COMPANY	2,441,310	2,514,446	2,480,863
OTHER ASSETS	37,286	42,956	29,575
NET CURRENT ASSETS/(LIABILITIES)	5,257,295	4,563,719	4,061,180
	35,031,099	32,627,270	31,533,564
LONG TERM LIABILITIES	(10,240,307)	(9,474,933)	(9,743,185)
TOTAL EQUITY	24,790,791	23,152,338	21,790,379

	2010	2009	2008	2007 as restated	2006	2005	2004
	Php '000	Php '000	Php '000	Php '000	Php '000	Php '000	Php'000
	2,797,513	4,030,408	3,781,157	3,108,922	1,587,373	1,669,145	813,114
	1,865,515	2,137,487	1,905,348	1,220,915	474,036	569,277	497,335
	(261,892)	(313,261)	(298,744)	(54,125)	(50,542)	(58,285)	(35,679)
	84,238	(2,724)	4,672	127,695	62,370	77,740	43,638
	1,687,860	1,821,502	1,611,276	1,294,485	485,864	588,733	505,294
	(402,266)	(319,475)	(509,645)	(306,520)	152,753	206,760	(71,777)
	1,285,594	1,502,027	1,101,631	987,965	638,617	795,493	433,518
	(284,891)	(330,539)	(221,831)	(43,369)	(30,675)	(23,964)	(22,082)
	1,000,703	1,171,489	879,801	944,596	607,942	771,529	411,436
	24,217,513	24,068,278	24,500,533	16,677,884	14,757,807	14,813,853	15,381,806
	1,834,046	1,742,446	1,736,745	1,537,670	1,335,602	1,567,231	2,260,531
	417,677	418,724	403,873	36,804	9,073	7,458	7,855
	4,897,750	4,171,218	3,376,368	3,268,579	2,889,756	2,367,893	876,380
	31,366,986	30,400,666	30,017,520	21,520,938	18,992,237	18,756,435	18,526,572
	(9,915,737)	(9,683,477)	(10,353,073)	(4,760,440)	(4,294,957)	(4,499,252)	(4,884,561)
	21,451,248	20,717,189	19,664,446	16,760,498	14,697,280	14,257,183	13,642,011

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

February 19, 2014

To the Securities and Exchange Commission
SEC Building, EDSA, Greenhills
City of Mandaluyong, Metro Manila

The management of **Shang Properties, Inc.** is responsible for the preparation and fair presentation of the **consolidated** financial statements for the years ended December 31, 2013 and 2012, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the **consolidated** financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the company in accordance with the Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

Signed under oath by the following:

EDWARD KUOK KHOON LOONG
Chairman of the Board

WILFRED SHAN CHEN WOO
Executive Assistant to the Chairman

KINSUN ANDREW NG
Vice-President — Group Financial Controller/Acting Chief Finance Officer

AUDIT COMMITTEE REPORT

The Audit Committee of The Board has been established since 2002 is composed of three (3) Directors, one (1) Executive and two (2) Non-executive Directors, of whom 2 (two) are independent directors and with audit experience. The chair of the Audit Committee is an independent director.

The Audit Committee operates pursuant to the approved Audit Committee Charter. In general, the Audit Committee is responsible for assisting the Board in its responsibilities in monitoring the integrity of the Group's financial reporting process, the financial statements and reports of the Company, the compliance with legal and regulatory requirements, the external auditor's qualifications and independence, and the performance of the Group's internal audit function and external auditor.

In discharging its responsibilities, set out below is a summary of the work performed by the Audit Committee during the financial year ended 31 December 2013.

(i) The Audit Committee reviewed the draft annual and interim financial statements and the draft results announcements of the Company, focusing on main areas of judgment, consistency of and changes in accounting policies and adequacy of information disclosure prior to recommending them to the Board for approval.

(ii) The Audit Committee reviewed, in conjunction with the external auditor, the developments of accounting standards and assessed their potential impacts on the Group's financial statements.

(iii) The Audit Committee assessed the independence of the Company's external auditor, prior to formally engaging the external auditor to carry out the audit for the Company's financial statements for the year ended 31 December 2013.

(iv) Prior to the actual commencement of the audit, the Audit Committee discussed the proposed scope of work and approach of the audit with the external auditor. Upon completion of the audit, the Audit Committee reviewed the results of the external audit, and discussed with the external auditor on any significant findings and audit issues.

(v) The Audit Committee recommended to the Board regarding the appointment and remuneration of the external auditor.

(vi) The Audit Committee reviewed and approved the internal audit program, reviewed the internal audit reports and discussed any significant issues with the internal audit team and the Group's senior management.

(vii) The Audit Committee reviewed the independence of the internal audit function and the level of support and co-operation given by the Group's management to the internal audit team, as well as the resources of the internal audit team when undertaking its duties and responsibilities,

(viii) The Audit Committee reviewed the adequacy and effectiveness of the Group's systems of internal controls, through a review if the work undertaken by the Group's internal and external auditor, written representations by the senior management of each of the Group's business divisions and discussions with the Board.

During the financial year ended 31 December 2013, the Audit Committee met four times and the Audit Committee also conducted meetings with the Group's senior management, the external auditor and the internal audit team from time to time. Minutes of the Audit Committee Meetings are documented and circulated to the Board for information. The Audit Committee also reports and presents its findings and makes recommendations for consideration and discussion at Board meetings.

The Audit Committee reviewed the financial statements of the Group for the year ended 31 December 2013 prior to recommending them to the Board for approval.

Members of the Audit Committee:

MR. JOHNNY I. COBANKIAT
Chairman

MR. ALFREDO C. RAMOS
Member

MR. MANUEL M. COSICO
Member

SGV
Building a better working world

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

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

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
Shang Properties, Inc.

We have audited the accompanying consolidated financial statements of Shang Properties, Inc. and its Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, 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.

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Shang Properties, Inc. and its Subsidiaries as at December 31, 2013 and 2012, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Arnel F. De Jesus
Partner
CPA Certificate No. 43285
SEC Accreditation No. 0075-AR-3 (Group A),
February 14, 2013, valid until February 13, 2016
Tax Identification No. 152-884-385
BIR Accreditation No. 08-001998-15-2012,
June 19, 2012, valid until June 18, 2015
PTR No. 4225163, January 2, 2014, Makati City

February 19, 2014

SHANG PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2013	2012 (As restated, Note 2)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱1,891,446,943**	₱1,600,953,309
Financial assets at fair value through profit or loss (Note 7)	**30,348,704**	32,275,696
Receivables (Notes 8 and 30)	**3,534,271,525**	1,357,200,705
Properties held for sale (Note 9):		
Condominium units held for sale	**119,518,437**	210,446,366
Construction in progress	**2,323,991,358**	3,139,517,781
Prepayments and other current assets (Note 10)	**497,659,236**	659,300,300
Total Current Assets	**8,397,236,203**	6,999,694,157
Noncurrent Assets		
Investments in associates (Note 11)	**2,441,310,290**	2,514,445,602
Investment properties (Note 12)	**26,743,225,950**	25,153,790,359
Real estate development project (Note 13)	**484,885,587**	281,040,423
Available-for-sale financial assets (Note 14)	**502,322,842**	502,022,842
Property and equipment (Note 15)	**67,095,620**	71,318,828
Refundable deposits	**37,286,169**	42,955,708
Deferred income tax assets (Note 28)	**371,956,483**	414,202,849
Total Noncurrent Assets	**30,648,082,941**	28,979,776,611
TOTAL ASSETS	**₱39,045,319,144**	₱35,979,470,768
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 17 and 30)	**₱2,651,001,467**	₱1,752,258,364
Current portion of:		
Bank loans (Note 18)	**647,619,048**	952,980,952
Deposits from tenants (Note 19)	**616,747,724**	551,484,457
Deferred lease income (Note 19)	**28,628,512**	35,996,990
Dividends payable (Note 21)	**20,844,007**	17,955,099
Income tax payable	**49,379,716**	41,524,854
Total Current Liabilities	**4,014,220,474**	3,352,200,716
Noncurrent Liabilities		
Accrued employee benefits (Note 26)	**40,255,076**	73,698,132
Bank loans - net of current portion (Note 18)	**4,295,833,333**	3,543,452,381
Deferred income tax liabilities (Note 28)	**5,500,560,988**	5,598,041,640
Deposits from tenants - net of current portion (Note 19)	**338,066,025**	218,016,170
Deferred lease income - net of current portion (Note 19)	**65,591,879**	41,724,184
Total Noncurrent Liabilities	**10,240,307,301**	9,474,932,507
Total Liabilities	**14,254,527,775**	12,827,133,223

(Forward)

	December 31	
	2013	2012 (As restated, Note 2)
EQUITY		
Equity attributable to equity holders of the Parent Company:		
Capital stock (Note 20)	**₱4,764,058,982**	₱4,764,058,982
Additional paid-in capital (Notes 1 and 20)	**834,439,607**	834,439,607
Treasury shares (Note 20)	**(6,850,064)**	(6,850,064)
Other components of equity (Notes 14 and 26)	**342,764**	(23,672,365)
Retained earnings (Notes 20 and 21)	**16,142,418,632**	14,654,957,228
	21,734,409,921	20,222,933,388
Equity attributable to non-controlling interests (Notes 1 and 5)	**3,056,381,448**	2,929,404,157
Total Equity	**24,790,791,369**	23,152,337,545
TOTAL LIABILITIES AND EQUITY	**₱39,045,319,144**	₱35,979,470,768

See accompanying Notes to Consolidated Financial Statements.

SHANG PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2013	2012 (As restated, Note 2)	2011
REVENUES			
Condominium sales (Note 8)	**₱3,935,170,304**	₱2,698,045,454	₱623,571,891
Rental (Notes 12, 30 and 32)	**2,338,990,151**	1,848,769,513	1,801,157,392
Cinema	**56,448,809**	53,090,582	52,709,249
	6,330,609,264	4,599,905,549	2,477,438,532
COSTS AND EXPENSES			
Cost of condominium sales (Notes 9 and 23)	**2,991,014,104**	2,224,877,909	603,537,998
Staff costs (Notes 25, 26 and 30)	**241,336,108**	221,058,539	203,595,171
General and administrative (Notes 24 and 30)	**156,933,328**	201,934,178	152,804,665
Taxes and licenses (Note 24)	**145,063,414**	144,573,177	135,397,702
Unreimbursed share in common expenses (Note 27)	**96,092,860**	11,051,866	–
Depreciation and amortization (Note 15)	**18,177,996**	16,589,501	15,264,728
Insurance	**15,681,448**	11,780,537	13,479,388
Provision for impairment loss on goodwill (Note 16)	**–**	–	394,926,466
	3,664,299,258	2,831,865,707	1,519,006,118
OTHER INCOME (LOSS)			
Interest (Notes 6, 8 and 22)	**279,426,867**	284,513,613	328,491,416
Gain on:			
Reversal of impairment loss on real estate development project (Note 13)	**181,954,697**	–	–
Fair value adjustment of investment properties (Note 12)	**–**	400,126,054	676,325,722
Foreign exchange gains (losses) - net	**4,081,797**	(2,871,943)	56,343
Others (Notes 22 and 30)	**112,392,231**	124,555,744	106,851,255
	577,855,592	806,323,468	1,111,724,736
SHARE IN NET PROFITS (LOSSES) OF ASSOCIATES (Note 11)	**(4,674,079)**	29,490,674	19,966,558
INTEREST EXPENSE AND BANK CHARGES (Notes 18, 19 and 22)	**184,961,863**	172,279,478	213,336,507
INCOME BEFORE INCOME TAX	**3,054,529,656**	2,431,574,506	1,876,787,201
PROVISION FOR INCOME TAX (Note 28)	**751,429,724**	536,192,511	514,784,787
NET INCOME	**2,303,099,932**	1,895,381,995	1,362,002,414
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may be reclassified to profit or loss:			
Change in fair value of available-for-sale financial assets, net of tax effect (Note 14)	**210,000**	777,000	2,485,000
Translation adjustments	**556,540**	(415,850)	(346,588)
Items that will not be reclassified to profit or loss:			
Remeasurement gains (losses) on defined benefit liability, net of tax effect (Note 26)	**23,248,589**	(25,557,602)	–
	24,015,129	(25,196,452)	2,138,412
TOTAL COMPREHENSIVE INCOME	**₱2,327,115,061**	₱1,870,185,543	₱1,364,140,826

	Years Ended December 31		
	2013	2012 (As restated, Note 2)	2011
Net income attributable to:			
Equity holders of the Parent Company	**₱2,011,272,641**	₱1,646,477,037	₱1,056,716,268
Non-controlling interests	**291,827,291**	248,904,958	305,286,146
	₱2,303,099,932	₱1,895,381,995	₱1,362,002,414
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**₱2,035,287,770**	₱1,621,280,585	₱1,058,854,680
Non-controlling interests	**291,827,291**	248,904,958	305,286,146
	₱2,327,115,061	₱1,870,185,543	₱1,364,140,826
BASIC AND DILUTED EARNINGS PER SHARE (Note 29)			
Based on net income	**₱0.422**	₱0.346	₱0.222
Based on total comprehensive income	**₱0.427**	₱0.340	₱0.222

See accompanying Notes to Consolidated Financial Statements.

SHANG PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

	Equity Holders of the Parent Company										
				Other Components of Equity							
				Items that may be Reclassified to Profit or Loss		Items that will Not be Reclassified to Profit or Loss					
	Capital Stock (Note 20)	Additional Paid-in Capital	Treasury Shares (Note 20)	Cumulative Changes in Fair Value of Available-for-Sale Financial Assets (Note 14)	Cumulative Translation Adjustments	Remeasurement Gains (Losses) on Defined Benefit Liability (Note 26)	Subtotal	Retained Earnings (Notes 11, 20 and 21)	Total	Non-controlling Interests (Note 5)	Total
BALANCES AT DECEMBER 31, 2012											
As previously reported	₱4,764,058,982	₱834,439,607	(₱6,850,064)	₱2,852,500	(₱967,263)	₱–	₱1,885,237	₱14,654,957,228	₱20,248,490,990	₱2,929,404,157	₱23,177,895,147
Change in accounting policy (Note 2)	–	–	–	–	–	(25,557,602)	–	–	(25,557,602)	–	(25,557,602)
As restated*	4,764,058,982	834,439,607	(6,850,064)	2,852,500	(967,263)	(25,557,602)	(23,672,365)	14,654,957,228	20,222,933,388	2,929,404,157	23,152,337,545
Total comprehensive income recognized for the year	–	–	–	210,000	556,540	23,248,589	24,015,129	2,011,272,641	2,035,287,770	291,827,291	2,327,115,061
Cash dividends (Note 21)	–	–	–	–	–	–	–	(523,811,257)	(523,811,257)	(164,850,000)	(688,661,257)
BALANCES AT DECEMBER 31, 2013	**₱4,764,058,982**	**₱834,439,607**	**(₱6,850,064)**	**₱3,062,500**	**(₱410,723)**	**(₱2,309,013)**	**₱542,764**	**₱16,142,418,612**	**₱21,734,409,901**	**₱3,056,381,448**	**₱24,790,791,349**

Certain amounts shown here do not correspond to the 2012 consolidated financial statements and reflect adjustments made, refer to Note 2.

	Equity Holders of the Parent Company										
				Other Components of Equity							
				Items that may be Reclassified to Profit or Loss		Item that will Not be Reclassified to Profit or Loss					
	Capital Stock (Note 20)	Additional Paid-in Capital	Treasury Shares (Note 20)	Cumulative Changes in Fair Value of Available-for-Sale Financial Assets (Note 14)	Cumulative Translation Adjustments	Remeasurement Gains (Losses) on Defined Benefit Liability (Note 26)	Subtotal	Retained Earnings (Notes 11, 20 and 21)	Total	Non-controlling Interests (NCI) (Note 5)	Total
BALANCES AT DECEMBER 31, 2010	**₱4,764,058,982**	**₱1,210,073,869**	**(₱6,850,064)**	**(₱409,500)**	**(₱204,825)**	**₱–**	**(₱614,325)**	**₱12,692,337,368**	**₱18,659,005,830**	**₱2,792,242,334**	**₱21,451,248,164**
Total comprehensive income (loss) recognized for the year	–	–	–	2,485,000	(346,588)	–	2,138,412	1,056,716,268	1,058,854,680	305,286,146	1,364,140,826
Acquisition of NCI (Note 1)	–	(375,634,262)	–	–	–	–	–	–	(375,634,262)	(74,365,738)	(450,000,000)
Cash dividends (Note 21)	–	–	–	–	–	–	–	(350,096,199)	(350,096,199)	(224,913,543)	(575,009,742)
BALANCES AT DECEMBER 31, 2011	**4,764,058,982**	**834,439,607**	**(6,850,064)**	**2,075,500**	**(551,413)**	**–**	**1,524,087**	**13,398,957,437**	**18,992,130,049**	**2,798,249,199**	**21,790,379,248**
Total comprehensive income (loss) recognized for the year	–	–	–	777,000	(415,850)	(25,557,602)	(25,196,452)	1,646,477,037	1,621,280,585	248,904,958	1,870,185,543
Cash dividends (Note 21)	–	–	–	–	–	–	–	(390,477,246)	(390,477,246)	(117,750,000)	(508,227,246)
BALANCES AT DECEMBER 31, 2012	**₱4,764,058,982**	**₱834,439,607**	**(₱6,850,064)**	**₱2,852,500**	**(₱967,263)**	**(₱25,557,602)**	**(₱23,672,365)**	**₱14,654,957,228**	**₱20,222,933,388**	**₱2,929,404,157**	**₱23,152,337,545**

See accompanying Notes to Consolidated Financial Statements.

SHANG PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱3,054,529,656**	₱2,431,574,506	₱1,876,787,201
Adjustments for:			
Interest income (Notes 6, 8 and 22)	**(279,426,867)**	(284,513,613)	(328,491,416)
Interest expense (Notes 18, 19 and 22)	**184,388,327**	164,926,575	209,143,700
Loss (gain) on:			
Reversal of impairment loss on real estate development projects (Note 13)	**(181,954,697)**	–	–
Disposal of investment in associate (Notes 11 and 22)	**(17,438,767)**	–	–
Sale of property and equipment (Note 22)	**(216,983)**	(163,535)	(1,700,840)
Fair value adjustment of investment properties (Note 12)	**–**	(400,126,054)	(676,325,722)
Derecognition of long-outstanding liabilities (Notes 17 and 22)	**–**	(8,836,466)	(22,597,644)
Dividend income (Note 22)	**(18,823,456)**	(54,695,511)	(23,341,370)
Depreciation and amortization (Note 15)	**18,177,996**	16,589,501	15,264,728
Share in net losses (profits) of associates (Note 11)	**4,674,079**	(29,490,674)	(19,966,558)
Unrealized foreign exchange losses (gains) - net	**(3,525,257)**	2,272,111	(543,847)
Adjustment of financial assets at fair value through profit or loss (Notes 7 and 22)	**1,926,992**	(4,936,110)	287,530
Provision for impairment loss on goodwill (Note 16)	**–**	–	394,926,466
Operating income before working capital changes	**2,762,311,023**	1,832,600,730	1,423,442,228
Decrease (increase) in:			
Receivables	**(1,949,033,659)**	327,187,010	(603,079,342)
Properties held for sale:			
Condominium units held for sale	**90,927,929**	(203,246,366)	–
Construction in progress	**815,987,697**	(636,447,000)	(1,040,891,033)
Memorial lots held for sale	**–**	26,140	440,000
Prepayments and other current assets	**(40,082,817)**	42,048,224	(289,670,908)
Real estate development projects	**(21,890,467)**	–	–
Increase (decrease) in:			
Accounts payable and other current liabilities	**898,743,103**	(359,704,790)	558,753,506
Deferred lease income	**16,499,217**	10,852,673	(20,877,021)
Accrued employee benefits	**(230,786)**	4,989,791	(3,754,126)
Cash generated from operations	**2,573,231,240**	1,018,306,412	24,363,304
Income taxes paid	**(607,138,948)**	(456,279,640)	(375,801,969)
Interest received	**51,389,706**	47,843,192	119,331,662
Net cash provided by (used in) operating activities	**2,017,481,998**	609,869,964	(232,107,003)

(Forward)

	Years Ended December 31		
	2013	**2012**	2011
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investment properties (Note12)	**(₱1,589,435,591)**	(₱133,590,170)	(₱39,672,534)
Property and equipment (Note 15)	**(14,766,250)**	(27,787,692)	(44,442,389)
Investment in associates (Note 11)	**(6,100,000)**	(4,092,223)	(626,850,435)
Proceeds from sale of:			
Investment in associate (Note 11)	**92,000,000**	–	–
Property and equipment	**567,171**	259,606	–
Available-for-sale financial assets	**–**	–	350,000
Dividends received	**18,823,456**	54,695,511	23,341,370
Decrease (increase) in refundable deposits	**5,669,539**	(13,380,985)	(6,824,055)
Net cash used in investing activities	**(1,493,241,675)**	(123,895,953)	(694,098,043)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loan availments (Note 18)	**1,400,000,000**	1,000,000,000	–
Payments of:			
Loan principal (Note 18)	**(952,980,952)**	(806,985,711)	(369,485,716)
Interest (Note 18)	**(182,181,047)**	(164,423,225)	(203,857,053)
Cash dividends paid to:			
Stockholders	**(520,922,329)**	(388,259,760)	(351,671,339)
Non-controlling shareholders of subsidiaries	**(164,850,000)**	(117,750,000)	(224,913,543)
Increase (decrease) in deposits from tenants	**183,105,842**	158,338,213	(6,927,855)
Acquisition of non-controlling interests (Note 1)	**–**	–	(450,000,000)
Net cash used in financing activities	**(237,828,486)**	(319,080,483)	(1,606,855,506)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS (Note 6)	**4,081,797**	(2,687,961)	197,259
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**290,493,634**	164,205,567	(2,532,863,293)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,600,953,309**	1,436,747,742	3,969,611,035
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱1,891,446,943**	₱1,600,953,309	₱1,436,747,742

See accompanying Notes to Consolidated Financial Statements.

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

Corporate Information

Shang Properties, Inc. (the Parent Company), a corporation duly organized and existing in the Philippines, was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on October 21, 1987 to acquire, own, develop, subdivide, sell, mortgage, exchange, lease or hold for investment, real estate of all kinds.

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

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

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

The Parent Company's registered office address, which is also its principal place of business, is Level 5 Shangri-La Plaza Mall, EDSA corner Shaw Boulevard, Mandaluyong City.

Acquisition of Non-controlling Interests (NCI) of Shangri-La Plaza Corporation (SLPC)

On June 27, 2011, the Parent Company acquired the 21.28% NCI of SLPC for a total consideration of ₱450,000,000, making SLPC a wholly owned subsidiary. This transaction resulted to decrease in additional paid-in capital (APIC) amounting to ₱375,634,262.

Authorization for Issue of the Consolidated Financial Statements

The consolidated financial statements have been approved and authorized for issue in accordance with a resolution of the Board of Directors (the Board) on February 19, 2014.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

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

The consolidated financial statements provide comparative information in respect of the previous year. In addition, the Group presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in consolidated financial statements. The adoption of new and amended accounting standards with retrospective application is assessed by management to have an immaterial impact to the comparative information in respect of the previous year, thus, no restatement was made in the January 1, 2012 balances, the beginning balances of the earliest period presented, refer to the "Changes in Accounting Policies" section below.

Statement of Compliance

The consolidated financial statements, which are prepared for submission to the SEC, have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) as issued by the Financial Reporting Standards Council (FRSC).

Changes in Accounting Policies

The Group applied, for the first time, certain standards and amendments that require restatement of the previous consolidated financial statements. These include Philippine Accounting Standard (PAS) 19, *Employee Benefits* (Revised 2011), and amendments to PAS 1, *Presentation of Financial Statements*. In addition, the application of PFRS 12, *Disclosure of Interests in Other Entities*, and PFRS 13, *Fair Value Measurement*, resulted in additional disclosures in the consolidated financial statements.

Several new and amended accounting standards and Philippine Interpretation of the International Financial Reporting Interpretation Committee's (IFRIC) interpretation apply for the first time in 2013. However, they do not impact the consolidated financial statements of the Group.

The nature and the impact of each new standard and amendment are described below:

- PFRS 7, *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set-off in accordance with PAS 32, *Financial Instruments: Presentation*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

  a. The gross amounts of those recognized financial assets and recognized financial liabilities;
  b. The amounts that are set-off in accordance with the criteria in PAS 32 when determining the net amounts presented in the consolidated statement of financial position;
  c. The net amounts presented in the consolidated statement of financial position;
  d. The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32, and
     ii. Amounts related to financial collateral (including cash collateral); and
  e. The net amount after deducting the amounts in (d) from the amounts in (c) above.

  The Group has not offset any financial assets and financial liabilities.

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the

requirements that were in PAS 27. The standard has no impact on the consolidated financial statements of the Group as the entities to which the Parent Company has control and did not have any control did not change.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The standard has no impact on the consolidated financial statements.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). The Group has a subsidiary with material NCI, but there are no unconsolidated structured entities. PFRS 12 disclosures are provided in Note 5.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

  As a result of the guidance in PFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Group has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 33.

- PAS 1, *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income* (Amendments)
  The amendments to PAS 1 introduced a grouping of items presented in other comprehensive income (OCI). Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group's financial position or performance.

- PAS 19, *Employee Benefits* (Revised)
  The Revised PAS 19 requires all actuarial gains and losses to be recognized in OCI and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

  Prior to adoption of the Revised PAS 19, the Group recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the Revised PAS 19, the Group changed its accounting policy to recognize all actuarial gains and losses in OCI and all past service costs in profit or loss in the period they occur.

The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact to the Group's financial position and financial performance.

The changes in accounting policies have been applied retrospectively. The effects of the adoption of the Revised PAS 19 on the consolidated financial statements are as follows:

	December 31	
	2013	2012
Increase (decrease) in:		
Consolidated Statements of Financial Position		
Accrued employee benefits	**(₱1,650,586)**	₱36,510,860
Deferred income tax assets	**(495,176)**	10,953,258
Other components of equity	**23,248,589**	(25,557,602)
Retained earnings	**163,158**	–

	Years Ended December 31	
	2013	2012
Increase (decrease) in:		
Consolidated Statements of Comprehensive Income		
Staff costs	**(₱233,083)**	₱–
Income before income tax	**233,083**	–
Provision for income tax	**69,925**	–
Net income and total comprehensive income	**₱163,158**	₱–
Net income and total comprehensive income attributable to equity holders of the Parent Company	**₱163,158**	₱–

The adoption did not have an impact on consolidated statements of cash flows. Moreover, the adoption of this revised standard with retrospective application is assessed by management to have an immaterial impact to the January 1, 2012 balances, the beginning balances of the earliest period presented, and as such, no third consolidated statement of financial position was presented.

There were no changes in the presentation of net benefit cost.

- PAS 27, *Separate Financial Statements* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 did not have a significant impact on the separate financial statements of the entities in the Group.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
  As a consequence of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28, *Investments in Associates*, has been renamed PAS 28, *Investments in Associates and Joint Ventures*, which requires the application of the equity method to investments in joint ventures in addition to associates.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of a mine. The interpretation addresses the accounting for the benefit from the stripping activity. This new interpretation is not relevant to the Group.

- PFRS 1, *First-time Adoption of PFRS — Government Loans* (Amendments)
  The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39, *Financial Instruments: Recognition and Measurement*, and PAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans. These amendments are not relevant to the Group.

<u>Annual Improvements to PFRSs (2009-2011 cycle)</u>
The *Annual Improvements to PFRS* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Group adopted the amendments for the current year.

- PFRS 1, *First-time Adoption of PFRS — Borrowing Costs*
  The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening consolidated statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.

- PAS 1, *Presentation of Financial Statements — Clarification of the Requirements for Comparative Information*
  The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the consolidated financial statements. An entity must include comparative information in the related notes to the consolidated financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of consolidated financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the consolidated financial statements) are not required. The amendments have no impact on the Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment — Classification of Servicing Equipment*
  The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment has no significant impact on the Group's financial position or performance.

- PAS 32, *Financial Instruments: Presentation — Tax Effects of Distributions to Holders of Equity Instruments*
  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. This amendment has no impact on the Group's financial position or performance.

- PAS 34, *Interim Financial Reporting — Interim Financial Reporting and Segment Information for Total Assets and Liabilities*
  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

Future Changes in Accounting Policies
New standards issued but not yet effective as at the date of issuance of the consolidated financial statements are listed below. This is a listing of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective.

- PAS 36, *Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
  These provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at FVPL. It is not expected that this amendment would be relevant to the Group since none of the entities in the Group would qualify to be an investment entity under PFRS 10. These amendments are effective for annual periods beginning on or after January 1, 2014.

- Philippine Interpretation IFRIC 21, *Levies*
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that IFRIC 21 will have material financial impact in future consolidated financial statements.

- PAS 19, *Employee Benefits — Defined Benefit Plans: Employee Contributions* (Amendments)
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The Group does not expect the adoption of these amendments to have significant impact in future consolidated financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Group does not expect that these amendments will be relevant as it did not engage in hedge transactions in the current year and in the past, and does not expect to do so in the future.

- PAS 32, *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities* (Amendments)
  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at FVPL. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at FVPL. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities. PFRS 9 is effective for annual periods beginning on or after January 1, 2015.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The management is still assessing the impact of the interpretation to the consolidated financial statements of the Group.

<u>Annual Improvements to PFRSs (2010-2012 cycle)</u>
The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment — Definition of Vesting Condition*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Group as it has no share-based payment.

- PFRS 3, *Business Combinations — Accounting for Contingent Consideration in a Business Combination*
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as an equity in accordance with PAS 32. Contingent consideration that is not classified as an equity is subsequently measured at FVPL whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments — Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The Group has not aggregated any of its reportable segments, thus, this improvement has no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement — Short-term Receivables and Payables*
  The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. This amendment has no impact in the consolidated financial statements.

- PAS 16, *Property, Plant and Equipment — Revaluation Method — Proportionate Restatement of Accumulated Depreciation*
  The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

  b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance as its property and equipment are carried using the cost model.

- PAS 24, *Related Party Disclosures — Key Management Personnel*
  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 38, *Intangible Assets — Revaluation Method — Proportionate Restatement of Accumulated Amortization*
  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

  b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of PFRS — Meaning of 'Effective PFRSs'*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first consolidated PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations — Scope Exceptions for Joint Arrangements*
  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The Group shall consider this improvement for future joint arrangements.

- PFRS 13, *Fair Value Measurement — Portfolio Exception*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

- PAS 40, *Investment Property*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013.

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

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

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

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

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

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

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

Profit or loss and each component of OCI are attributed to the equity holders of the Parent of the Group and to the NCI, even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation (see Notes 4 and 30).

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

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

	Effective Percentages of Ownership	
	2013	2012
Property Development:		
SPRC	**100.00%**	100.00%
SPDI	**100.00%**	100.00%
Leasing:		
SPI Parking Services, Inc. (SPSI)	**100.00%**	100.00%
SLPC	**100.00%**	100.00%
KSA Realty Corporation (KSA)	**52.90%**	52.90%

	Effective Percentages of Ownership	
	2013	2012
Real Estate:		
Ivory Post Properties, Inc. (IPPI)	**100.00%**	100.00%
KPPI Realty Corporation (KRC)	**100.00%**	100.00%
Martin B. Properties, Inc. (MBPI)	**100.00%**	100.00%
New Contour Realty, Inc. (NCRI)	**100.00%**	100.00%
Perfect Sites, Inc. (PSI)	**100.00%**	100.00%
Shang Fort Bonifacio Holdings, Inc. (SFBHI)	**100.00%**	100.00%
Shang Global City Holdings, Inc. (SGCHI)	**100.00%**	100.00%
Property Management:		
KPPI Management Services Corporation (KMSC)	**100.00%**	100.00%
Shang Property Management Services, Inc. (SPMSI)	**100.00%**	100.00%
Others:		
Gipsey (BVI Company)	**100.00%**	100.00%
Silver Hero Investments Limited (SHIL) (BVI Company)*	**100.00%**	100.00%
EPHI Logistics Holdings, Inc. (ELHI)	**60.00%**	60.00%

** On February 22, 2011, SHIL was incorporated in the British Virgin Islands (BVI) as a BVI Business Company. SHIL is a wholly owned subsidiary of the Parent Company through Gipsey, Ltd. (Gipsey), a subsidiary of the Parent Company.*

Except for Gipsey and SHIL, which were incorporated in the British Virgin Islands, all the other subsidiaries were incorporated in the Philippines.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the Group elects whether to measure the NCI in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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

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

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

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

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

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

Current versus Noncurrent Classification

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

An asset as current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle,
- held primarily for the purpose of trading,
- expected to be realized within twelve months after the reporting period, or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

Fair Value Measurement

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

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

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

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

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

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

Cash and Cash Equivalents

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

Financial Instruments

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

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

Classification
Financial assets are classified as financial assets at FVPL, loans and receivables, held to maturity (HTM) financial assets, and AFS financial assets as appropriate. Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities. The Group determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates the designation at each reporting date.

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

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

Financial instruments may be designated at initial recognition as financial assets or liabilities at FVPL when any of the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing the gains or losses on them on a different basis; (ii) the assets or liabilities are part of a group of financial instruments which are managed and their performances are evaluated on fair value basis, in accordance with a documented risk management strategy; or (iii) the financial instrument contains an embedded derivative that would need to be separately recorded.

As of December 31, 2013 and 2012, the Group has investments in shares of stock of various publicly listed companies which are classified as held for trading financial assets. As of December 31, 2013 and 2012, the Group has no financial liabilities at FVPL.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate (EIR) method, less any allowance for impairment. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Amortized cost is calculated taking into account any discount or premium on acquisition, and includes fees that are an integral part of the EIR. The EIR amortization is included in interest income in the profit or loss. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized, impaired or amortized.

As of December 31, 2013 and 2012, the Group's loans and receivables consist of cash in banks, cash equivalents, cash in escrow, receivables and refundable deposits.

HTM Financial Assets

HTM financial assets are non-derivative financial assets which carry fixed or determinable payments and fixed maturities, and which the Group has the positive intention and ability to hold to maturity. After initial measurement, HTM financial assets are measured at amortized cost. This cost is computed as the amount initially recognized less principal repayments, plus or minus the cumulative amortization using the EIR method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. The EIR amortization is included in interest income in the profit or loss. The losses arising from impairment are recognized in profit or loss.

As of December 31, 2013 and 2012, the Group has no HTM financial assets.

AFS Financial Assets

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

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

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

As of December 31, 2013 and 2012, the Group's investment in proprietary club shares, and listed and unlisted shares of stock are classified as AFS financial assets.

Other Financial Liabilities

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

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

As of December 31, 2013 and 2012, the Group's other financial liabilities include accounts payable and other current liabilities (except for customers' deposits, reservation payables, output value-added tax (VAT), deferred output VAT and withholding taxes), bank loans, deposits from tenants and accrued employee benefits (excluding defined benefit liability).

Financial Guarantee

Financial guarantees are not recognized in the consolidated financial statements until an obligation to pay the liability of another party to the arrangement is established. Such liability is classified as other financial liability. It is only disclosed as part of liquidity risk of the Group.

Determination of Fair Value

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

Day 1 Difference

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

Offsetting

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

Impairment of Financial Assets

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

a. *Financial Assets Carried at Amortized Cost*

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

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

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

b. *AFS Financial Assets*

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

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

c. *Financial Assets Carried at Cost*

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

Derecognition

a. *Financial Assets*

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

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

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

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

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

Condominium Units Held for Sale
Cost of condominium units held for sale 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, professional and consultancy fees, and project management costs, which are allocated to the unsold units.

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

Prepayments and Other Current Assets

Input VAT
Input VAT is recognized when the Group purchased goods or services. Input VAT can be claimed as credit against the Group's VAT liabilities.

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

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

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

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries, and are generally accompanying a shareholding between 20% to 50% of the voting rights.

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

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

The aggregate of the Group's share in net profit or loss of an associate is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and NCI in the subsidiaries of the associate.

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

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognizes the loss as 'Share in net profit (loss) of an associate' in the profit or loss.

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

Investment Properties

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

Investment properties are measured initially at their costs, including related transaction costs. Transaction costs include transfer taxes, professional fees and other costs necessary to bring the investment properties to the condition necessary for them to be capable of being used.

After initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are recorded in profit or loss in the year in which they arise. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The fair value of each of the Group's investment property is determined whenever there are significant changes in the assumptions used in determining the fair value. An investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

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

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

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

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

Real Estate Development Project

The real estate development project undertaken by a subsidiary is carried at cost less any impairment in value. Cost primarily consists of acquisition cost of the air rights and expenditures for the development and construction of the real estate project.

Property and Equipment

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

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

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

Category	Useful Lives in Years
Building and building improvements	45
Transportation equipment	2 to 5
Furniture, fixtures and other equipment	2 to 4

Depreciation or amortization ceases at the earlier of the date when the asset is classified as either investment property or property held for sale and the date the asset is derecognized.

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

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

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

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that the nonfinancial assets consist of investments in associates, real estate development project, property and equipment and goodwill may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses, if any, are recognized in profit or loss in those expense categories consistent with the function of the impaired assets.

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

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

Investments in Associates

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

Goodwill

Impairment testing for goodwill is performed annually and when circumstances indicate that its carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. Where the recoverable amount of the

CGU or group of CGUs to which goodwill has been allocated is less than its carrying amount, an impairment loss is recognized in the profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress, and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are ready for their intended use. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provision is determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in provision due to passage of time is recognized as interest expense. When the Company expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in profit or loss, net of any reimbursement.

Equity

Capital Stock and APIC

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

Treasury Shares

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

Other Components of Equity

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

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

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

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

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

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

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

Condominium Sales
For completed projects, condominium sales and the related cost are accounted for using the full accrual method. In accordance with Philippine Interpretations Committee Q&A No. 2006-01, the percentage of completion (POC) method is used to recognize revenue from condominium sales where the Group has material obligations under the sales contract to complete the condominium units after they are sold. Under this method, revenue and cost are recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of the physical proportion of the contract work, and by reference to the actual costs incurred to date over the total estimated project costs, net of related commission. Any excess collections received over the recognized receivables are recognized as "Customers' deposits" under "Accounts payable and other current liabilities" account in the consolidated statement of financial position.

If the revenue recognition criteria under the full accrual or POC method are not met, the deposit method is applied until all the conditions for recognizing a sale are met. Until revenue from condominium sales is recognized, cash received from customers are recognized also as part of "Customers' deposits."

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

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

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

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

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

Commission Expense
Commissions paid to sales and marketing agents on the sale of pre-completed units are deferred when recoveries are reasonably expected and are charged to expense in the period in which the related revenues are recognized as earned. Accordingly, when the POC method is used, commissions are likewise charged to expense in the period the related revenues are recognized.

Costs and Expenses
Cost of condominium sales is recognized in profit or loss consistent with the revenue recognition method applied. Cost of condominium sales before the completion of the development is the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's in-house technical staff.

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

General and administrative expenses are recognized as incurred.

<u>Leases</u>
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

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

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

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

Employee Benefits

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

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

Defined benefit costs comprise the following:

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

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

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

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

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

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

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

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

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

Foreign Currencies
The Group's consolidated financial statements are presented in Peso, which is also the Parent Company's functional currency. For each entity, the Group determines their functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and has elected to recycle the gains or losses that arise from using this method.

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

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

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

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

Income Tax

Current Income Tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted, at the reporting date.

In the sale of condominium units resulting to recognition of installment contracts 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
Deferred income tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits, tax losses [net operating loss carryover (NOLCO)], minimum corporate income tax (MCIT), and excess MCIT over regular corporate income tax (RCIT) to the extent that it is probable that sufficient future taxable profits will be available against which all or part of the deductible temporary differences, carryforward benefits of unused tax credits, tax losses, MCIT and excess MCIT over RCIT can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or loss.

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

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

Deferred income tax assets and liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same entity and the same taxation authority.

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

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

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

Segment Reporting

An operating segment is a component of an entity:

a. that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);

b. with operating results regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance; and

c. for which discrete financial information is available.

Contingencies

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

Events after the Reporting Date

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

Judgments

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

Determination of the Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Parent Company, management determined its functional currency to be the Peso. It is the currency that mainly influences the revenues, and costs and expenses of the Group.

Classification of Financial Instruments
The Group classifies a financial instrument, or its component, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of financial asset, financial liability and equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position.

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

The carrying values of financial instruments as of December 31, 2013 and 2012 are disclosed in Note 34.

Distinction between Properties Held for Sale and Investment Properties
The Group determines whether a property is to be classified as a property held for sale or an investment property through the following:

- Properties held for sale comprise properties that are held for sale in the ordinary course of business. These are condominium units that the Group developed or is developing and intends to sell.

- Investment properties comprise land and buildings which are not occupied, substantially for use 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 and capital appreciation.

The carrying values of properties held for sale and investment properties amounted to ₱2,443,509,795 and ₱26,743,225,950, respectively, as of December 31, 2013 and ₱3,349,964,147 and ₱25,153,790,359, respectively, as of December 31, 2012 (see Notes 9 and 12).

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

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

The carrying values of investment properties, and property and equipment amounted to ₱26,743,225,950 and ₱67,095,620, respectively, as of December 31, 2013 and ₱25,153,790,359 and ₱71,318,828, respectively, as of December 31, 2012 (see Notes 12 and 15).

Valuation of Investment Properties
The Group's financial controller and the managers of each property determine the policies and procedures for the fair value measurement of the investment properties. External valuers are involved in the valuation of investment properties as decided annually by the Group. The selection criteria for the external valuers include market knowledge, reputation, independence and whether professional standards are maintained. The Group, decides the valuation techniques and inputs to use for each case.

At each reporting date, the Group analyzes the movements in the values of investment properties which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs by agreeing the information in the valuation computation to contracts and other relevant documents.

Based on the analysis performed by management, the Group has concluded that the fair value adjustment in 2013 is insignificant (see Note 12).

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

The carrying values of AFS equity financial assets amounted to ₱502,322,842 and ₱502,022,842 as of December 31, 2013 and 2012, respectively (see Note 14). Based on management's assessment, there has been no significant or prolonged decline in the fair value of AFS equity financial assets, thus, no impairment loss was recognized in 2013, 2012 and 2011.

Revenue Recognition
When a contract of sale of a property upon completion of construction is judged to be a construction contract, revenue is recognized using the POC method as construction progresses. The POC is based on proportion of contract costs incurred to date and the estimated costs to complete and by reference to the estimated completion of a physical proportion of the contract work.

Condominium sales recognized amounted to ₱3,935,170,304, ₱2,698,045,454 and ₱623,571,891 in 2013, 2012 and 2011, respectively.

Contingencies
The Group is currently involved in various legal proceedings. The estimates of the probable costs for the resolution of these claims have been developed in consultation with the outside legal counsel handling the defense in these matters and are based upon analyses of potential reports. Based on management's assessment, these proceedings will not have a material effect on the Group's financial position and performance (see Note 31).

Classification of Leases as Operating Lease
The Group has entered into commercial property leases on its investment property portfolio where it has determined that it retains the significant risks and rewards related to the ownership of the said investment properties (see Notes 12, 30 and 32).

The carrying values of investment properties as of December 31, 2013 and 2012 amounted to ₱26,743,225,950 and ₱25,153,790,359, respectively (see Note 12).

Estimates and Assumptions

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

Valuation of Financial Instruments

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

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

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

The carrying amounts and fair values of the Group's financial instruments as of December 31, 2013 and 2012 are disclosed in Note 34. The fair value measurement hierarchy of the Group's financial instruments is disclosed in Note 33.

Estimation of Allowance for Impairment of Receivables

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

Bad debts recognized in 2013, 2012 and 2011 amounted to nil, ₱11,426,470 and ₱885,532, respectively (see Note 24). Allowance for impairment of receivables amounted to ₱7,074,077 as of December 31, 2013 and 2012. The carrying values of the Group's receivables amounted to ₱3,534,271,525 and ₱1,357,200,705 as of December 31, 2013 and 2012, respectively (see Note 8).

Estimation of POC of the Projects

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

As of December 31, 2013 and 2012, TSFSP is 100.00% complete. OSP is 72.12% and 42.00% complete as of December 31, 2013 and 2012, respectively. SSP is 12.81% and 3.86% complete as of December 31, 2013 and 2012, respectively.

Estimation of NRV
Properties held for sale are carried at the lower of cost and NRV.

NRV for completed condominium units is the estimated selling price of condominium unit less estimated costs necessary to make the sale.

NRV in respect of condominium units under construction is the estimated selling price of a condominium unit less estimated costs to complete the construction, less estimated time value of money to the date of completion and less estimated costs necessary to make the sale.

As of December 31, 2013 and 2012, properties held for sale amounted to ₱2,443,509,795 and ₱3,349,964,147, respectively (see Note 9).

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

a. current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

b. recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

c. DCF projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using pre-tax discount rates that reflect current market assessments of the uncertainty in the amounts and timing of the cash flows.

The significant methods and assumptions used by the valuers in estimating fair values of investment properties are set out in Note 12. As of December 31, 2013 and 2012, the fair values, which are also the carrying values of investment properties, amounted to ₱26,743,225,950 and ₱25,153,790,359, respectively (see Note 12).

EUL of Property and Equipment
The Group estimates the EUL of property and equipment based on the internal technical evaluation and experience with similar assets. EUL of property and equipment are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of property and equipment. As of December 31, 2013 and 2012, the carrying values of property and equipment amounted to ₱67,095,620 and ₱71,318,828, respectively (see Note 15).

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

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

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

If any such indication exists or in case of nonfinancial assets with indefinite life, the recoverable amount of the asset is estimated. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Recoverable amount is estimated for an individual asset or, if it is not possible, for the CGU to which the asset belongs. The details of the Group's nonfinancial assets are disclosed in Notes 9, 10, 11, 13, 15 and 16.

In 2011, the Group recognized provision for impairment loss amounting to ₱394,926,466 on its goodwill (see Note 16).

In 2013, the Group made a reassessment of the recoverable amount of the real estate development project of KRC due to the approval by its Board of its redevelopment. Accordingly, gain on the reversal of impairment loss on this project recognized in profit or loss in 2013 amounted to ₱181,954,697 (see Note 13).

As of December 31, 2013 and 2012, based on management's assessment, there are no indications of impairment for the rest of the Group's nonfinancial assets composed of properties held for sale, prepayments and other current assets, investment in associates, real estate development projects, and property and equipment.

Estimation of Retirement Benefit Costs
The cost of defined benefit plan as well as the present value of defined benefit obligation is determined using actuarial valuations. Actuarial valuations involve making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future retirement increases. Due to the complexity of the valuations, the underlying assumptions and the long-term nature, defined benefit obligation is highly sensitive to changes in the assumptions. All assumptions are reviewed at each reporting date. The net defined benefit liability as of December 31, 2013 and 2012 are ₱29,602,931 and ₱58,679,964, respectively (see Note 26).

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

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

Further details about the assumptions used are provided in Note 26.

Realizability of Deferred Income Tax Assets
The Group reviews the carrying amounts of deferred income 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 income tax assets to be utilized. The Group expects to generate sufficient future taxable profits to allow its recognized deferred income tax assets to be utilized. Deferred income tax assets recognized as of December 31, 2013 and 2012 amounted to ₱371,956,483 and ₱414,202,849, respectively (see Note 28). The unrecognized deferred income tax assets of the Group are disclosed in Note 28.

4. Segment Information

The Group's operating businesses are organized and managed according to the nature of the products and services marketed, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group has operations only in the Philippines.

The Group derives revenues from two main segments as follows:

Property Development
This business segment pertains to the sale of condominium units from the Projects.

Leasing
This business segment pertains to the leasing operations of the Shangri-La Plaza Mall (Shangri-La), The Enterprise Center (TEC) and their related carpark operations. It also includes leasing of a portion of the Parent Company's land to EDSA Shangri-La Hotel and Resort, Inc. (ESHRI), an affiliate through interlocking directors (see Note 30).

Others
Other business segments pertain to property management services and the results of operations of real estate entities and BVI companies.

Except for the rental revenue from ESHRI, revenues come from transactions with third parties. There is no transaction with a single external customer that amount to 10% or more of the Group's aggregate revenues.

The segment assets, liabilities and results of operations of the reportable segments of the Group as of and for the year ended December 31, 2013 are as follows:

	Property Development	Leasing	Others	Total Segments	Eliminations	Consolidated
Revenues:						
Condominium sales	₱3,935,170,304	₱–	₱–	₱3,935,170,304	₱–	₱3,935,170,304
Rental	–	2,545,947,448	–	2,545,947,448	(206,957,297)	2,338,990,151
Cinema	–	56,448,809	–	56,448,809	–	56,448,809
Cost of condominium sales	(2,991,014,104)	–	–	(2,991,014,104)	–	(2,991,014,104)
Gross profit or revenues	944,156,200	2,602,396,257	–	3,546,552,457	(206,957,297)	3,339,595,160
Gain on fair value adjustment of investment properties	–	(317,379,436)	–	(317,379,436)	317,379,436	–
Other income	17,082,931	660,350,121	226,158,282	903,591,334	(791,199,103)	112,392,231
Staff costs	(60,238,037)	(175,664,382)	(7,982,792)	(243,885,211)	2,549,103	(241,336,108)
General and administrative expenses	(46,703,519)	(310,203,499)	(6,983,607)	(363,890,625)	206,957,297	(156,933,328)
Taxes and licenses	(17,850,490)	(126,481,041)	(731,883)	(145,063,414)	–	(145,063,414)
Unreimbursed share in common expenses	–	(96,092,860)	–	(96,092,860)	–	(96,092,860)
Depreciation and amortization	(1,493,164)	(16,583,461)	(101,371)	(18,177,996)	–	(18,177,996)
Insurance	(150,055)	(15,514,061)	(17,332)	(15,681,448)	–	(15,681,448)
Segment results	834,803,866	2,204,827,638	210,341,297	3,249,972,801	(471,270,564)	2,778,702,237
Interest income	244,513,058	34,661,209	252,600	279,426,867	–	279,426,867
Gain on reversal of impairment loss on real estate development project	–	–	181,954,697	181,954,697	–	181,954,697
Foreign exchange gains - net	2,418,763	1,650,275	12,759	4,081,797	–	4,081,797
Share in net losses of associates	–	–	(4,674,079)	(4,674,079)	–	(4,674,079)
Interest expense and bank charges	(539,675)	(184,386,995)	(35,193)	(184,961,863)	–	(184,961,863)
Provision for income tax	(448,239,506)	(252,262,230)	(50,927,988)	(751,429,724)	–	(751,429,724)
Net income for the year	₱632,956,506	₱1,804,489,897	₱336,924,093	₱2,774,370,496	(₱471,270,564)	₱2,303,099,932
Segment assets	₱9,711,851,940	₱27,514,160,619	₱4,099,459,524	₱41,325,472,083	(₱4,721,463,228)	₱36,604,008,855
Associate companies	–	1,959,387,171	481,923,118	2,441,310,289	–	2,441,310,289
Total assets	₱9,711,851,940	₱29,473,547,790	₱4,581,382,642	₱43,766,782,372	(₱4,721,463,228)	₱39,045,319,144
Segment liabilities	₱6,496,411,518	₱9,144,810,490	₱3,334,768,995	₱18,975,991,003	(₱4,721,463,228)	₱14,254,527,775
Capital expenditures for the year	₱1,090,432,467	₱513,510,669	₱258,705	₱1,604,201,841	₱–	₱1,604,201,841

The segment assets, liabilities and results of operations of the reportable segments of the Group as of and for the year ended December 31, 2012 are as follows:

	Property Development	Leasing	Others	Total Segments	Eliminations	Consolidated
Revenues:						
Condominium sales	₱2,698,045,454	₱–	₱–	₱2,698,045,454	₱–	₱2,698,045,454
Rental	–	2,012,253,556	–	2,012,253,556	(163,484,043)	1,848,769,513
Cinema	–	53,090,582	–	53,090,582	–	53,090,582
Cost of condominium sales	(2,224,877,909)	–	–	(2,224,877,909)	–	(2,224,877,909)
Gross profit or revenues	473,167,545	2,065,344,138	–	2,538,511,683	(163,484,043)	2,375,027,640
Gain on fair value adjustment of investment properties	–	386,646,054	13,480,000	400,126,054	–	400,126,054
Other income	22,887,316	868,495,330	74,240,464	965,623,110	(841,067,366)	124,555,744
Staff costs	(63,656,499)	(150,864,616)	(8,854,790)	(223,375,905)	2,317,366	(221,058,539)
General and administrative expenses	(76,143,754)	(286,558,459)	(2,716,008)	(365,418,221)	163,484,043	(201,934,178)
Taxes and licenses	(24,864,649)	(119,346,780)	(361,748)	(144,573,177)	–	(144,573,177)
Unreimbursed share in common expenses	–	(11,051,866)	–	(11,051,866)	–	(11,051,866)
Depreciation and amortization	(918,816)	(15,609,567)	(61,118)	(16,589,501)	–	(16,589,501)
Insurance	(128,640)	(11,648,150)	(3,747)	(11,780,537)	–	(11,780,537)
Segment results	330,342,503	2,725,406,084	75,723,053	3,131,471,640	(838,750,000)	2,292,721,640
Interest income	244,767,711	39,027,195	718,707	284,513,613	–	284,513,613
Foreign exchange losses - net	(2,133,165)	(714,910)	(23,868)	(2,871,943)	–	(2,871,943)
Share in net profits of associates	–	–	29,490,674	29,490,674	–	29,490,674
Interest expense and bank charges	(742,409)	(171,534,589)	(2,480)	(172,279,478)	–	(172,279,478)
Provision for income tax	(141,886,938)	(388,212,809)	(6,092,764)	(536,192,511)	–	(536,192,511)
Net income for the year	₱430,347,702	₱2,203,970,971	₱99,813,322	₱2,734,131,995	(₱838,750,000)	₱1,895,381,995
Segment assets	₱6,074,183,653	₱27,274,503,219	₱3,930,273,750	₱37,278,960,622	(₱3,813,935,456)	₱33,465,025,166
Associate companies	–	2,033,948,404	480,497,198	2,514,445,602	–	2,514,445,602
Total assets	₱6,074,183,653	₱29,308,451,623	₱4,410,770,948	₱39,793,406,224	(₱3,813,935,456)	₱35,979,470,768
Segment liabilities	₱3,901,063,378	₱9,387,591,703	₱3,352,413,598	₱16,641,068,679	(₱3,813,935,456)	₱12,827,133,223
Capital expenditures for the year	₱2,939,643	₱158,222,519	₱215,700	₱161,377,862	₱–	₱161,377,862

The segment assets, liabilities and results of operations of the reportable segments of the Group as of and for the year ended December 31, 2011 are as follows:

	Property Development	Leasing	Others	Total Segments	Eliminations	Consolidated
Revenues:						
Condominium sales	₱623,571,891	₱–	₱–	₱623,571,891	₱–	₱623,571,891
Rental	–	1,964,144,130	–	1,964,144,130	(162,986,738)	1,801,157,392
Cinema	–	52,709,249	–	52,709,249	–	52,709,249
Cost of condominium sales	(603,537,998)	–	–	(603,537,998)	–	(603,537,998)
Gross profit or revenues	20,033,893	2,016,853,379	–	2,036,887,272	(162,986,738)	1,873,900,534
Gain on fair value adjustment of investment properties	–	584,707,502	91,618,220	676,325,722	–	676,325,722
Other income	9,131,702	1,014,013,932	37,145,197	1,060,290,831	(953,439,576)	106,851,255
Staff costs	(36,837,616)	(160,353,457)	(8,510,794)	(205,701,867)	2,106,696	(203,595,171)
General and administrative expenses	(50,016,860)	(260,219,111)	(5,555,432)	(315,791,403)	162,986,738	(152,804,665)
Taxes and licenses	(13,493,805)	(121,702,431)	(201,466)	(135,397,702)	–	(135,397,702)
Depreciation and amortization	(560,084)	(14,539,927)	(164,717)	(15,264,728)	–	(15,264,728)
Insurance	(101,431)	(13,375,776)	(2,181)	(13,479,388)	–	(13,479,388)
Segment results	(71,844,201)	3,045,384,111	114,328,827	3,087,868,737	(951,332,880)	2,136,535,857
Interest income	249,644,183	40,239,736	38,607,497	328,491,416	–	328,491,416
Foreign exchange gains (losses) - net	(219,931)	276,274	–	56,343	–	56,343
Share in net profits of associates	–	–	19,966,558	19,966,558	–	19,966,558
Provision for impairment loss on goodwill	–	(394,926,466)	–	(394,926,466)	–	(394,926,466)
Interest expense and bank charges	(245,964)	(209,453,143)	(3,637,400)	(213,336,507)	–	(213,336,507)
Provision for income tax	(255,249,752)	(265,370,677)	5,835,642	(514,784,787)	–	(514,784,787)
Net income (loss) for the year	(₱77,915,665)	₱2,216,149,835	₱175,101,124	₱2,313,335,294	(₱951,332,880)	₱1,362,002,414
Segment assets	₱6,007,540,686	₱26,482,374,396	₱3,375,458,336	₱35,865,373,418	(₱3,902,382,177)	₱31,962,991,241
Associate companies	–	1,418,973,010	1,061,889,695	2,480,862,705	–	2,480,862,705
Total assets	₱6,007,540,686	₱27,901,347,406	₱4,437,348,031	₱38,346,236,123	(₱3,902,382,177)	₱34,443,853,946
Segment liabilities	₱4,826,502,010	₱8,308,140,620	₱3,421,214,245	₱16,555,856,875	(₱3,902,382,177)	₱12,653,474,698
Capital expenditures for the year	₱2,107,660	₱81,823,924	₱183,339	₱84,114,923	₱–	₱84,114,923

Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

5. **Material Partly-Owned Subsidiary**

The financial information of KSA, a subsidiary with NCI that are deemed material to the Group, is as follows:

	2013	2012
Proportion of equity interest held by NCI	**47.1%**	47.1%
Accumulated balance of NCI	**₱2,942,272,719**	₱2,811,118,431
Profit allocated to NCI	**291,827,719**	248,904,261

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

	2013	2012
Statements of Comprehensive Income		
Rental revenue	**₱836,652,466**	₱686,559,036
Fair value adjustment on investment properties	–	65,801,054
General and administrative expenses	**(64,206,912)**	(91,546,739)
Finance cost - net	**(5,906,763)**	(11,046,774)
Other income (expense)	**3,796,880**	23,489,251
Income before income tax	**770,335,671**	673,255,828
Provision for income tax	**(150,743,910)**	(144,796,675)
Net income and total comprehensive income	**₱619,591,761**	₱528,459,153
Net income and total comprehensive income attributable to:		
Equity holders of the Parent Company	**₱327,764,042**	₱279,554,892
NCI	**291,827,719**	248,904,261
	₱619,591,761	₱528,459,153
Dividends paid to NCI	**(₱164,850,000)**	(₱117,750,000)
Summarized Statements of Financial Position		
Current assets	**₱409,146,406**	₱318,680,259
Noncurrent assets	**8,130,403,519**	8,129,367,947
Current liabilities	**(282,405,076)**	(549,306,002)
Noncurrent liabilities	**(1,740,689,622)**	(1,651,878,738)
Equity	**₱6,516,455,227**	₱6,246,863,466
Equity attributable to:		
Equity holders of the Parent Company	**₱3,447,227,352**	₱3,304,590,774
NCI	**3,069,270,478**	2,942,272,692
	₱6,516,497,830	₱6,246,863,466
Summarized Statements of Cash Flows		
Operating activities	**₱668,247,235**	₱581,586,289
Investing activities	**(1,377,852)**	(1,649,398)
Financing activities	**(586,372,512)**	(495,747,996)
Effect of exchange rate changes on cash and cash equivalents	**26,490**	(28,114)
Net increase in cash and cash equivalents	**₱80,523,361**	₱84,160,781

The principal place of business of KSA is at 5th Floor, Tower 2, The Enterprise Center, 6766 Ayala Avenue corner Paseo de Roxas, Makati City.

6. Cash and Cash Equivalents

	2013	2012
Cash on hand and in banks	**₱143,428,962**	₱108,519,076
Cash equivalents	**1,748,017,981**	1,492,434,233
	₱1,891,446,943	₱1,600,953,309

Cash in banks earns interest at the prevailing bank deposit rates. The effective annual interest rates on cash equivalents, which have an average maturity of 30 days, range from 1.00% to 1.88% in 2013 and 3.40% to 3.53% in 2012. Total interest income from cash in banks and cash equivalents in 2013, 2012 and 2011 amounted to ₱44,451,855, ₱53,284,973 and ₱135,644,243, respectively (see Note 22).

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

	2013	2012
US$ value	**$1,153,264**	$979,495
Peso equivalent	**₱51,199,142**	₱40,208,263

The closing exchange rates used as at December 31, 2013 and 2012 were ₱44.39 and ₱41.05, respectively, to US$1.00.

As of December 31, the Group's cash and cash equivalents include HK$ deposits with local banks as follows:

	2013	2012
HK$ value	**$371,802**	$840,553
Peso equivalent	**₱2,129,349**	₱4,467,034

The closing exchange rates used as at December 31, 2013 and 2012 were ₱5.73 and ₱5.31, respectively, to HK$1.00.

Unrealized foreign exchange gains charged to profit or loss amounted to ₱4,081,797 in 2013 and ₱197,259 in 2012. Unrealized foreign exchange losses charged to profit or loss in 2012 amounted to ₱2,687,961.

7. Financial Assets at FVPL

	2013	2012
Beginning balance	**₱32,275,696**	₱27,339,586
Fair value adjustment (Note 22)	**(1,926,992)**	4,936,110
Ending balance	**₱30,348,704**	₱32,275,696

The movement in the accumulated fair value adjustments follows:

	2013	2012	2011
Beginning balance	**₱8,448,319**	₱3,512,209	₱3,799,739
Fair value adjustment (Note 22)	**(1,926,992)**	4,936,110	(287,530)
Ending balance	**₱6,521,327**	₱8,448,319	₱3,512,209

As of December 31, 2013 and 2012, financial assets at FVPL represent shares of stock of various publicly listed companies.

8. Receivables

	2013	2012
Trade:		
Installment contracts receivable	**₱2,229,966,071**	₱397,091,493
Rent (Note 30)	**139,562,396**	95,230,392
Nontrade:		
Advances to:		
Contractors and suppliers	**1,133,149,175**	777,550,038
Officers and employees	**1,373,381**	2,008,535
Related parties (Note 30)	**23,761,686**	20,512,634
Interest	**1,164,094**	1,138,118
Others	**12,368,799**	70,743,572
	3,541,345,602	1,364,274,782
Less allowance for impairment loss	**7,074,077**	7,074,077
	₱3,534,271,525	₱1,357,200,705

Installment contracts receivable represent non-interest bearing receivables from sale of condominium units with average term ranging from one to five years. Installment contracts receivable are discounted using prevailing interest rates at the dates of transactions. The differences between the present values and face values of the receivables are amortized using the EIR method over the term of the respective contracts. Interest income from accretion of installment contracts receivable amounted to ₱228,037,161, ₱226,248,576 and ₱180,734,248 in 2013, 2012 and 2011, respectively (see Note 22).

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

Advances to contractors and suppliers represent downpayments to them and are liquidated through progress billings.

The terms, balances and transactions with related parties which were and were not eliminated during consolidation are disclosed in Note 30.

Other receivables are noninterest-bearing and are composed of banner, non-tenant related and other receivables.

The allowance for impairment loss pertains to other nontrade receivables which are doubtful of collections and its movements are as follows:

	2013	2012
Beginning balance	**₱7,074,077**	₱5,727,607
Bad debts (Note 24)	**–**	11,426,470
Write-off	**–**	(10,080,000)
Ending balance	**₱7,074,077**	₱7,074,077

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

	2013	2012
Expected cash flows in:		
2013	**₱–**	₱1,529,622,655
2014	**2,587,692,128**	2,363,007,733
2015	**2,619,058,049**	773,081,994
2016	**395,512,957**	69,887,530
2017	**30,175,441**	–
	5,632,438,575	4,735,599,912
Less unamortized discount and unearned income	**3,402,472,504**	4,338,508,419
	₱2,229,966,071	₱397,091,493

As of December 31, 2013 and 2012, excess collections from condominium unit buyers were included in the "Customers' deposits" account amounting to ₱200,656,899 and ₱78,892,407, respectively (see Note 17).

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

	2013	2012
Beginning balance	**₱4,338,508,419**	₱4,332,495,736
Additions	**3,227,171,550**	2,930,306,713
Recognized sales and interest income	**(4,163,207,465)**	(2,924,294,030)
Ending balance	**₱3,402,472,504**	₱4,338,508,419

9. Properties Held for Sale

	2013	2012
Condominium units held for sale	**₱119,518,437**	₱210,446,366
Construction in progress	**2,323,991,358**	3,139,517,781
	₱2,443,509,795	₱3,349,964,147

A summary of the movements in properties held for sale is set out below:

	2013	2012
Beginning balance	**₱3,349,964,147**	₱2,509,681,667
Construction or development costs incurred	**2,084,559,752**	3,065,160,389
Recognized cost of condominium sales (Note 23)	**(2,991,014,104)**	(2,224,877,909)
Ending balance	**₱2,443,509,795**	₱3,349,964,147

Construction in progress consists of:

	2013	2012
Construction costs	**₱1,070,010,267**	₱1,759,725,430
Land	**825,295,950**	746,303,478
Project management	**265,603,229**	339,759,365
Professional and consultancy fees	**163,081,912**	293,729,508
	₱2,323,991,358	₱3,139,517,781

On May 27, 2011, SPDI entered into memorandum of agreements (MOAs) with Sigma Investment Corporation (Sigma) and GF&P Corporation (GF&P), corporations duly organized and existing under the virtue of the laws of the Philippines, for the purchase of Sigma's and GF&P's Development Rights pertaining to 6,642 square meters and 5,538 square meters, respectively, unused gross floor area (GFA) in the parcels of land located beside Asian Plaza for total considerations of ₱74,486,240, inclusive of VAT, and ₱66,456,000, exclusive of VAT, respectively. In 2012, the Deeds of Absolute Sale were executed upon approval by the Makati City Government of the sale of the Development Rights. Thus, the amounts were recognized as construction in progress of the SSP.

The Group has no unusual purchase commitments as of December 31, 2013 and 2012.

10. Prepayments and Other Current Assets

	2013	2012
Input VAT	**₱169,812,148**	₱87,966,577
Prepaid commission	**143,394,878**	177,729,055
CWT	**127,938,208**	329,662,089
Prepaid expenses	**55,761,442**	7,770,115
Cash in escrow	**–**	55,066,771
Others	**752,560**	1,105,693
	₱497,659,236	₱659,300,300

Cash in escrow as of December 31, 2012 pertains to the cash deposited in a local bank in compliance with the escrow agreement between SPDI, a local bank and the Housing and Land Use Regulatory Board (HLURB). The cash in escrow shall be released upon written notice of the HLURB to an escrow agent upon submission by SPDI of certain requirements. Pursuant to the escrow agreement, the HLURB issued a temporary license to sell to SPDI.

11. Investments in Associates

All of the Group's associates are considered to be immaterial individually. The aggregated financial information of the associates is as follows:

	2013	2012
Acquisition costs:		
Beginning balance	**₱2,358,849,343**	₱2,354,757,120
Additions to investment	**6,100,000**	4,092,223
Disposal of investment	**(74,561,233)**	–
Ending balance	**2,290,388,110**	2,358,849,343

(Forward)

	2013	2012
Accumulated share in net profits:		
Beginning balance	**₱155,596,259**	₱126,105,585
Share in net profits (losses) of associates	**(4,674,079)**	29,490,674
Ending balance	**150,922,180**	155,596,259
	₱2,441,310,290	₱2,514,445,602

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

The Group's associates are as follows:

	Effective Percentages of Ownership	
	2013	2012
Sky Leisure Properties, Inc. (SLPI)	**50.00%**	50.00%
Ideal Sites and Properties, Inc. (ISPI)	**40.00%**	40.00%
Shang Global City Properties, Inc. (SGCPI)*	**40.00%**	40.00%
Fort Bonifacio Shangri-la Hotel, Inc. (FBSHI)**	**40.00%**	40.00%
Exchange Properties Resources Corporation (EPRC)	**–**	35.00%

** Owned through SGCHI.*
*** Owned through SFBHI.*

In 2013, the Group sold 623,800 common shares representing 35% interest in EPRC for a total consideration of ₱92,000,000. Gain on the disposal of EPRC shares recognized in the profit or loss amounted to ₱17,438,767 (see Note 22).

12. Investment Properties

		2013	
	Land	**Buildings**	**Total**
Beginning balances	**₱12,606,825,739**	**₱12,546,964,620**	**₱25,153,790,359**
Additions through:			
Acquisition	**821,574,531**	**15,634,281**	**837,208,812**
Subsequent expenditures	**–**	**752,226,779**	**752,226,779**
Ending balances	**₱13,428,400,270**	**₱13,314,825,680**	**₱26,743,225,950**

		2012	
	Land	Buildings	Total
Beginning balances	₱12,214,089,432	₱12,405,984,703	₱24,620,074,135
Additions through subsequent expenditures	–	133,590,170	133,590,170
Gain on fair value adjustment	392,736,307	7,389,747	400,126,054
Ending balances	₱12,606,825,739	₱12,546,964,620	₱25,153,790,359

The Group's investment properties consist of six commercial properties in Mandaluyong City and Makati City under office, retail and land classes of assets, and a parcel of land in Cavite. These classes of assets are based on the nature, characteristics and risks of each property.

The fair values of the properties are based on valuations performed by Royal Asia Appraisal Corporation, an accredited independent appraiser, dated December 31, 2012. The valuation models are in accordance with that recommended by the International Valuation Standards Council. The Group has assessed that the fair value adjustment in 2013 is insignificant.

The fair value measurements for investment properties have been categorized as Level 2 for parcels land and Level 3 for office and retail properties. The current use of these properties is their highest and best use.

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

The table below presents the valuation techniques and unobservable inputs used by management in assessing the fair value of the Group's investment properties categorized as Level 3. Management believes that this information is beneficial in evaluating the fair values of the investment properties.

Class of Property	Fair Value as of December 31, 2013	Valuation Technique	Unobservable Inputs	Range of Unobservable Inputs (probability - weighted average)	Relationship of Unobservable Inputs to Fair Value
TEC (Office)	₱8,128,941,641	DCF	Rental value	₱589 to ₱2,100 per square meter	The higher the rental value, the higher the fair value
			Rent growth per annum	5%-7%	The higher the rent growth, the higher the fair value
			Average long-term occupancy rate	98%	The higher the occupancy rate, the higher the fair value
			Inflation rate	5%	The higher the inflation rate, the lower the fair value
			Discount rate	7.5%	The higher the discount rate, the lower the fair value

Class of Property	Fair Value as of December 31, 2013	Valuation Technique	Unobservable Inputs	Range of Unobservable Inputs (probability - weighted average)	Relationship of Unobservable Inputs to Fair Value
Main Wing and East Wing of Shangri-La (Retail)	₱9,255,367,664	DCF	Rental value	₱385 to ₱2,800 per square meter	The higher the rental value, the higher the fair value
			Rent growth per annum	5%-7%	The higher the rent growth, the higher the fair value
			Average long-term occupancy rate	99%	The higher the occupancy rate, the higher the fair value
			Inflation rate	5%	The higher the inflation rate, the lower the fair value
			Discount rate	7.5%	The higher the discount rate, the lower the fair value

Under the DCF method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's useful life including an exit or terminal value. As an accepted method within the income approach to valuation, the DCF method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the income stream associated with the real property.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related lease up periods, re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behavior that is a characteristic of the class of real property. In the case of investment properties, periodic cash flows are typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating incomes, along with an estimate of the terminal value anticipated at the end of the projection period, are then discounted.

The following are the significant unobservable inputs:

- *Future Rental Cash Inflows*
  Based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts and external evidence such as current market rents from similar properties;

- *Discount Rates*
  Reflecting current market assessments of the uncertainty in the amount and timing of cash flows;

- *Estimated Vacancy Rates*
  Based on current and expected future market conditions after expiry of any current lease;

- *Maintenance Costs*
  Including necessary investments to maintain functionality of the property for its expected useful life; and

- *Terminal Value*
  Taking into account assumptions regarding maintenance costs, vacancy rates and market rents.

There are inter-relationships between unobservable inputs. Expected occupancy rate may impact the yield with higher occupancy rate resulting to lower yields. An increase in future rental income may be linked with higher costs. If the remaining lease term increases, the yield may decrease.

There are no changes to the valuation techniques during the year.

As of December 31, 2012, investment properties of KSA in TEC amounting to ₱8,127,804,235 are mortgaged to secure the loan from a local bank (see Note 18). In 2013, KSA has fully paid the loan and the said mortgage has been released.

Rental revenue recognized for investment properties and direct operating expenses incurred for the leasing operations in 2013, 2012 and 2011 are as follows:

	2013	2012	2011
Rental revenue	**₱2,338,990,151**	₱1,848,769,513	₱1,801,157,392
Direct operating expenses	**419,425,983**	406,578,013	391,721,492
Profit arising from investment properties carried at fair value	**₱1,919,564,168**	₱1,442,191,500	₱1,409,435,900

13. Real Estate Development Project

Real estate development project pertains to the project of KRC that had undergone initial development activities. Costs incurred for this project include initial construction costs, architect and professional fees, project management costs and borrowing costs.

KRC has joint venture agreements with certain owners of parcels of land for the development of a medium-rise residential and commercial condominium building. Under the terms of each individual agreement with the respective landowners, KRC will provide the funds for the construction of the project as well as the technical expertise in the management of the same, while the landowners will contribute the land. The agreements further provide for the sharing of the saleable areas of the project based on the sharing ratios agreed upon by the parties, with each party taking ownership and possession of its allocated areas with full power and discretion on the disposition of the same, subject to the pertinent conditions contained in the agreements.

In 2008, there was uncertainty on the planned development, thus, an allowance for impairment loss amounting to ₱181,954,697 was provided due to suspension of the project.

In 2013, the Board of KRC approved the redevelopment of this real estate project. Thus, the Group reversed the accumulated impairment losses amounting to ₱181,954,697. The recoverable amount of the real estate project is determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a four-year period. The cash flows have been prepared to reflect the market selling price of a condominium unit per square meter and the expected costs of its construction per square meter. The pre-tax discount rate applied to the cash flow projections is 21%.

The calculation of value in use is most sensitive to the following assumptions:

- *Condominium Sales*
  Condominium sales is based on the expected total sealable square meters with selling prices equivalent to comparable condominium units.

- *Cost of Condominium Sales*
  Estimates are based on past actual construction costs with consideration of price inflation. The inflation is based on the published indices for the countries from which the construction materials are sourced, as well as data relating to specific commodities.

- *Discount Rate*
  Discount rate represents the current market assessment of the risks specific to this CGU, taking into consideration the time value of money and individual risks of this underlying asset that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the property development segment of the Group and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service.

14. AFS Financial Assets

	2013	2012
At cost - unquoted (Note 30)	**₱488,826,327**	₱488,826,327
At fair value - quoted		
Acquisition cost	**9,121,515**	9,121,515
Cumulative changes in fair value	**4,375,000**	4,075,000
	13,496,515	13,196,515
	₱502,322,842	₱502,022,842

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

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

Management intends to dispose the quoted and unquoted equity shares through sale, as the need arises.

The following table presents the movement in the carrying amount of AFS financial assets:

	December 31, 2011	Change in Fair Value	December 31, 2012	Change in Fair Value	**December 31, 2013**
At cost - unquoted	₱488,826,327	₱–	₱488,826,327	₱–	**₱488,826,327**
At fair value - quoted	12,086,515	1,110,000	13,196,515	300,000	**13,496,515**
	₱500,912,842	₱1,110,000	₱502,022,842	₱300,000	**₱502,322,842**

The movement in the cumulative changes in fair value of AFS financial assets is as follows:

	2013	2012	2011
Beginning balance	**₱4,075,000**	₱2,965,000	(₱585,000)
Increase in fair value	**300,000**	1,110,000	3,550,000
Ending balance	**₱4,375,000**	₱4,075,000	₱2,965,000

15. **Property and Equipment**

	2013			
	Building and Building Improvements	**Transportation Equipment**	**Furniture, Fixtures and Other Equipment**	**Total**
Cost				
Beginning balances	**₱81,447,881**	**₱34,649,130**	**₱80,071,871**	**₱196,168,882**
Additions	**4,220,952**	**302,934**	**10,242,364**	**14,766,250**
Disposals	**(667,394)**	**(2,139,286)**	**(3,974,559)**	**(6,781,239)**
Ending balances	**85,001,439**	**32,812,778**	**86,339,676**	**204,153,893**
Accumulated Depreciation and Amortization				
Beginning balances	**45,294,668**	**18,041,944**	**61,513,442**	**124,850,054**
Depreciation and amortization	**2,235,805**	**6,418,455**	**9,985,010**	**18,639,270**
Disposals	**(667,384)**	**(1,789,137)**	**(3,974,530)**	**(6,431,051)**
Ending balances	**46,863,089**	**22,671,262**	**67,523,922**	**137,058,273**
Net Book Values	**₱38,138,350**	**₱10,141,516**	**₱18,815,754**	**₱67,095,620**

	2012			
	Building and Building Improvements	Transportation Equipment	Furniture, Fixtures and Other Equipment	Total
Cost				
Beginning balances	₱76,201,571	₱31,317,633	₱66,611,730	₱174,130,934
Additions	8,042,642	4,052,406	15,692,644	27,787,692
Disposals	(2,796,332)	(720,909)	(2,232,503)	(5,749,744)
Ending balances	81,447,881	34,649,130	80,071,871	196,168,882
Accumulated Depreciation and Amortization				
Beginning balances	45,854,891	12,441,564	55,002,517	113,298,972
Depreciation and amortization	2,181,121	6,321,289	8,702,345	17,204,755
Disposals	(2,741,344)	(720,909)	(2,191,420)	(5,653,673)
Ending balances	45,294,668	18,041,944	61,513,442	124,850,054
Net Book Values	₱36,153,213	₱16,607,186	₱18,558,429	₱71,318,828

Total depreciation and amortization amounting to ₱461,274 in 2013 and ₱615,254 in 2012 were capitalized as part of construction in progress.

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

16. Goodwill

On January 14, 2008, the Parent Company purchased additional equity interest in KSA resulting to control. On July 25, 2007, the Parent Company acquired Kuok Philippine Properties, Inc. through a merger where the former is the surviving entity. The aggregate amount of goodwill from both transactions was ₱394,926,466.

The recoverable amount of the goodwill arising from the acquisition of KSA was estimated based on the value-in-use computation using cash flow projections approved by management covering a five year period. Goodwill is identifiable with KSA's investment property, the CGU. The discount rate applied in 2011 to the cash flow projections was based on the Group's WACC.

In 2011, the recoverable amount of the CGU to which goodwill is allocated approximates the carrying amount of the CGU because of the increase in the discount rate to 18.37% in 2011. This resulted to recognition of full provision for impairment loss amounting to ₱394,926,466.

17. Accounts Payable and Other Current Liabilities

	2013	2012
Trade:		
Accounts payable	**₱122,557,039**	₱204,334,485
Accrued expenses:		
Construction	**627,788,369**	210,409,080
Commission	**53,253,126**	57,298,253
Interest	**21,973,153**	18,830,197
Outside services	**21,403,875**	20,595,611
Repairs and maintenance	**11,844,967**	8,150,293
Administrative	**11,305,119**	7,348,440
Professional fees	**6,257,637**	20,220,381
Others	**185,656,147**	81,469,609
Retention payables	**569,919,038**	333,524,660
Reservation payables	**215,404,069**	111,121,422
Customers' deposits (Note 8)	**205,446,877**	82,932,252
Advances from condominium unit buyers	**74,437,107**	115,456,675
Construction bonds	**53,150,619**	40,625,711
Payable to contractors and suppliers	**44,097,825**	57,867,669
Nontrade:		
Deferred output VAT	**84,267,893**	99,687,841
Output VAT	**46,648,783**	35,468,567
Payable to related parties (Note 30)	**43,131,010**	43,219,527
Withholding taxes	**21,946,411**	23,583,083
Other current liabilities	**230,512,403**	180,114,608
	₱2,651,001,467	₱1,752,258,364

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

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

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

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 downpayment on the units purchased upon execution of the contracts.

Customers' deposits represent downpayments made by condominium unit buyers with executed contracts which are to be applied against the receivables upon recognition of revenue (see Note 7).

Advances from condominium unit buyers pertain to the amounts received in advance from the condominium unit buyers of TSFSP for utilities, maintenance, repairs of common areas and titling fees. They will be paid to The St. Francis Shangri-la Place Condominium Corporation (TSFSPCC) when demanded. TSFSPCC is an affiliate through interlocking directors.

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

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

The terms, balances and the volume of related party transactions which were and were not eliminated during consolidation are disclosed in Note 30.

Other current liabilities pertain to various immaterial account balances.

In 2013, 2012 and 2011, long-outstanding liabilities amounting to nil, ₱8,836,466 and ₱22,597,644, respectively, were derecognized (see Note 22).

18. Bank Loans

On November 28, 2006 and November 30, 2006, KSA obtained interest-bearing loan facilities from a local bank amounting to ₱1,100,000,000 and ₱600,000,000, respectively. These loans are payable in 28 equal quarterly installments. The principals are payable starting first quarter of 2007 with interest at a fixed rate of 7.22% which approximates the EIR. The repayment of the loans as to principals and interest, and all sums due hereunder as penalties, indemnities or the reimbursement of costs or expenses are secured by the mortgage or other security executed and delivered by KSA over the parcels of land with improvements thereon more commonly known as TEC located at the corner of Ayala Avenue and Paseo de Roxas, Makati City, and include the building, and all machineries, equipment and other improvements now existing thereon, covered by and more particularly described in the various titles derived from Transfer Certificates of Title (TCT) No. 175468, with an area of 3,125 square meters, more or less; 175469, with an area of 1,317 square meters, more or less; and 175470, with an area of 1,680 square meters, more or less (see Note 12).

On August 5, 2011, KSA and the local bank agreed to change the applicable interest rate structure of the loan from a fixed rate of 7.22% to a floating rate equal to the aggregate of the three-month Philippine Dealing System Treasury Fixing (PDST-F) rate and a margin of 1.75%, but not less than the overnight borrowing rate of the Bangko Sentral ng Pilipinas (BSP).

On June 25, 2007, SLPC obtained an unsecured seven-year term loan from a local bank amounting to ₱900,000,000 for permanent working capital and refinancing of SLPC's existing loans with interest based on the higher between the PDST-F rate plus 0.75% per annum and the BSP overnight borrowing rate. The loan is payable in 28 equal quarterly installments commencing at the initial drawdown dates, and is subject to, which was complied by SLPC, a certain debt-to-equity ratio.

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

On July 30, 2012, the Parent Company obtained another ten-year loan facility from a local bank amounting to ₱5,000,000,000 with interest based on the higher between the three-month Treasury Bill rate as published in the PDST-F plus a spread of 0.75% per annum and the BSP overnight borrowing rate. The Company has a one-time option to convert from a floating rate into a fixed rate. The loan is payable in 24 equal quarterly installments commencing on the 17th quarter from the initial borrowing date. It is secured by a 'negative pledge' on all present and future assets of the Parent Company and is subject to a debt service coverage ratio. As of December 31, 2013, total drawdown from the facility amounted to ₱2,300,000,000.

On November 5, 2012, SLPC obtained an unsecured ten-year term loan facility from a local bank amounting to ₱1,400,000,000 to partially finance its mall redevelopment program with interest based on the higher between the PDST-F rate plus 0.75% per annum and the BSP overnight borrowing rate. The loan is payable in 24 equal quarterly installments commencing on the 17th quarter from the initial borrowing date and is subject to, which was complied by SLPC, a certain debt-to-equity ratio.

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

	2013	2012
Beginning principal balance	**₱4,496,433,333**	₱4,303,419,044
Proceeds from loan availment	**1,400,000,000**	1,000,000,000
Principal payments during the year	**(952,980,952)**	(806,985,711)
Ending principal balance	**4,943,452,381**	4,496,433,333
Less current portion	**647,619,048**	952,980,952
Noncurrent portion	**₱4,295,833,333**	₱3,543,452,381

Interest expense arising from the above loans charged to profit or loss in 2013, 2012 and 2011 amounted to ₱182,181,047, ₱164,423,225 and ₱203,857,053, respectively (see Note 22).

19. **Deposits from Tenants**

This account represents noninterest-bearing rental deposits from tenants equivalent to six months' rent which have been discounted using MART 1 rates and are carried at amortized cost. The difference between the discounted and face values of the deposits was recognized as deferred lease income. Deferred lease income is amortized on a straight-line basis over the lease term and is recognized in profit or loss as additional rent income. Interest is accreted on the deposits from tenants using the EIR method and is recognized as additional interest expense in profit or loss.

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

	2013	2012
Beginning balance	**₱26,160,141**	₱26,241,283
Additions	**9,314,747**	422,208
Amortization of discount (Note 22)	**(2,207,280)**	(503,350)
Ending balance	**₱33,267,608**	₱26,160,141

20. **Equity**

The details of the Parent Company's capital stock as of December 31, 2013 and 2012 are as follows:

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

The Parent Company has its primary listing on the PSE. It was registered on June 13, 1991 with total listed shares of 4,764,058,982 which was initially issued at ₱1.18 per share. As at December 31, 2013, 2012 and 2011, the Parent Company has 5,553, 5,899 and 5,768 stockholders, respectively. The details of the Parent Company's stockholders are disclosed in the annual report.

There are 2,140,645 shares that are in the treasury amounting to ₱6,850,064 as of December 31, 2013 and 2012. There are no movements in the Group's treasury shares in 2013 and 2012.

As of December 31, 2013 and 2012, retained earnings include accumulated fair value adjustments of investment properties not available for dividend declaration amounting to ₱12,322,614,883 and ₱12,544,780,488, respectively.

21. **Dividends**

The details of cash dividends approved by the Board are as follows:

	2013	2012	2011
Aggregate amount	**₱523,811,237**	₱390,477,246	₱350,096,199
Per share	**₱0.110**	₱0.082	₱0.074

As of December 31, 2013 and 2012, unpaid dividends amounted to ₱20,844,007 and ₱17,955,099, respectively.

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

Date of Declaration	Total	Per Share
2013		
February 27	**₱285,843,539**	**₱0.060**
August 14	**237,967,698**	**0.050**
	₱523,811,237	**₱0.110**
2012		
February 17	₱200,090,477	₱0.042
August 23	190,386,769	0.040
	₱390,477,246	₱0.082
2011		
February 23	₱183,429,067	₱0.039
August 23	166,667,132	0.035
	₱350,096,199	₱0.074

On February 27, 2013, the Board approved the declaration of ₱285,843,539 cash dividends or ₱0.060 per share to all stockholders of record as of March 15, 2013 to be taken up from the unrestricted retained earnings of the Parent Company as of December 31, 2012.

On August 14, 2013, the Board approved the declaration of ₱237,967,698 cash dividends or ₱0.050 per share to all stockholders of record as of August 30, 2013 to be taken up from the unrestricted retained earnings of the Parent Company as of June 30, 2013.

On February 17, 2012, the Board approved the declaration of ₱200,090,477 cash dividends or ₱0.042 per share to all stockholders of record as of March 5, 2012 to be taken up from the unrestricted retained earnings of the Company as of December 31, 2011.

On August 23, 2012, the Board approved the declaration of ₱190,386,769 cash dividends or ₱0.040 per share to all stockholders of record as of September 15, 2012 to be taken up from the unrestricted retained earnings of the Parent Company as of June 30, 2012.

On February 23, 2011, the Board approved the declaration of ₱183,429,067 cash dividends or ₱0.039 per share to all stockholders of record as of March 15, 2011 to be taken up from the unrestricted retained earnings of the Parent Company as of December 31, 2010.

On August 23, 2011, the Board approved the declaration of ₱166,667,132 cash dividends or ₱0.035 per share to all stockholders of record as of September 15, 2011 to be taken up from the unrestricted retained earnings of the Parent Company as of June 30, 2011.

22. Interest Income, Other Income (Loss), and Interest Expense and Bank Charges

Interest Income

	2013	2012	2011
Interest on:			
Accretion of installment contracts receivable (Note 8)	**₱228,037,161**	₱226,248,576	₱180,734,248
Cash in banks and cash equivalents (Note 6)	**44,451,855**	53,284,973	135,644,243
Overdue accounts from tenants	**6,937,851**	4,980,064	12,112,925
	₱279,426,867	₱284,513,613	₱328,491,416

Other Income (Loss)

	2013	2012	2011
Dividend income	**₱18,823,456**	₱54,695,511	₱23,341,370
Gain on:			
Disposal of investment in associate (Note 11)	**17,438,767**	–	–
Sale of property and equipment	**216,983**	163,535	1,700,840
Derecognition of long-outstanding liabilities (Note 17)	**–**	8,836,466	22,597,644
Administration and management fee (Note 30)	**11,642,137**	10,673,047	8,525,821
Customer lounge fee	**8,267,732**	6,573,821	7,052,902
Miscellaneous rental income	**4,285,714**	5,000,000	16,842,449
Income from back out buyers	**3,181,975**	2,620,075	2,976,448
Revenue from ancillary services	**3,063,401**	5,534,096	5,785,329
Banner income	**2,675,584**	3,043,607	5,822,786
Adjustment in fair value of financial assets at FVPL (Note 7)	**(1,926,992)**	4,936,110	(287,530)
Forfeited security deposits	**1,425,085**	17,866,901	–
Service revenue	**1,257,919**	319,270	780,282
Rebates from tax payments	**42,026**	38,823	140,688
Sale of memorial lots held for sale	**–**	44,839	849,343
Others (Note 30)	**41,998,444**	4,209,643	10,722,883
	₱112,392,231	₱124,555,744	₱106,851,255

Interest Expense and Bank Charges

	2013	2012	2011
Interest on bank loans and bank charges (Note 18)	**₱182,754,583**	₱171,776,128	₱208,049,860
Accretion of deposits from tenants (Note 19)	**2,207,280**	503,350	5,286,647
	₱184,961,863	₱172,279,478	₱213,336,507

23. Cost of Condominium Sales

	2013	2012	2011
SPRC	**₱2,977,571,160**	₱2,159,862,224	₱584,910,436
Parent Company	**13,442,944**	65,015,685	18,627,562
	₱2,991,014,104	₱2,224,877,909	₱603,537,998

24. General and Administrative Expenses, and Taxes and Licenses

General and Administrative Expenses

	2013	2012	2011
Professional fees and outside services	**₱40,199,442**	₱31,948,297	₱32,215,921
Janitorial, security and other services	**29,982,384**	25,497,461	25,676,360
Advertising and promotions	**24,566,910**	45,812,309	16,399,107
Utilities	**13,923,603**	17,266,737	17,666,172
Donation	**5,790,843**	720,214	12,070
Telephone and communication	**5,724,174**	6,152,743	5,773,533
Supplies	**5,678,659**	5,255,568	5,093,826
Condominium dues (Note 30)	**4,452,176**	21,233,778	27,578,853
Repairs and maintenance	**4,037,200**	3,009,479	2,174,646
Commission	**3,586,279**	6,266,241	6,275,540
Transportation and travel	**2,945,008**	2,524,495	2,908,425
Membership fees and dues	**2,670,149**	2,551,674	2,255,010
Systems license and maintenance	**1,936,271**	2,436,643	1,786,999
Gas and oil	**1,693,901**	1,405,820	1,418,632
Entertainment, amusement and representation	**1,617,455**	2,097,206	2,267,449
Reproduction charges	**857,053**	729,909	1,279,993
Subscriptions, books and manuals	**106,791**	95,801	252,268
Bad debts (Note 8)	**–**	11,426,470	885,532
Others	**7,165,030**	15,503,333	884,329
	₱156,933,328	₱201,934,178	₱152,804,665

Taxes and Licenses

Taxes and licenses pertain to payment for business taxes, permits, real property taxes and other taxes incurred by the Group.

25. **Staff Costs**

	2013	2012 (As restated, Note 2)	2011
Salaries and wages	**₱192,447,590**	₱183,704,560	₱168,681,131
Retirement benefit costs (Note 26)	**22,090,972**	12,371,261	9,294,264
Employee benefits	**20,788,573**	20,604,848	20,311,206
Others	**6,008,973**	4,377,870	5,308,570
	₱241,336,108	₱221,058,539	₱203,595,171

26. **Retirement Benefits**

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

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

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

Changes in the funded net defined benefit liability in 2013 are as follows:

	January 1, 2013	Net Benefit Cost in Consolidated Statement of Comprehensive Income			Benefits Paid	Remeasurements in Other Comprehensive Income					Contribution by Employer	December 31, 2013
		Current Service Cost	Net Interest	Subtotal		Return on Plan Assets (Excluding Amount Included in Net Interest)	Changes in the Effect of Asset Ceiling	Actuarial Changes Arising from Changes in Financial Assumptions	Actuarial Changes Arising from Experience Adjustments	Subtotal		
Present value of defined benefit obligation	₱144,505,052	₱16,110,440	₱7,293,091	₱23,403,531	(₱10,907,935)	₱–	₱–	(₱1,093,354)	(₱28,013,799)	(₱29,107,153)	₱–	₱127,893,495
Fair value of plan assets	(85,825,088)	–	(1,312,559)	(1,312,559)	–	(7,123,218)	–	–	–	(7,123,218)	(7,047,800)	(101,308,665)
	58,679,964	16,110,440	5,980,532	22,090,972	(10,907,935)	(7,123,218)	–	(1,093,354)	(28,013,799)	(36,230,371)	(7,047,800)	26,584,830
Restrictions on asset recognized	–	–	–	–	–	–	3,018,101	–	–	3,018,101	–	3,018,101
Net defined benefit liability (asset)	₱58,679,964	₱16,110,440	₱5,980,532	₱22,090,972	(₱10,907,935)	(₱7,123,218)	₱3,018,101	(₱1,093,354)	(₱28,013,799)	(₱33,212,270)	(₱7,047,800)	₱29,602,931

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

Changes in the funded net defined benefit liability (as restated, see Note 2), in 2012 are as follows:

	January 1, 2012	Net Benefit Cost in Consolidated Statement of Comprehensive Income			Benefits Paid	Remeasurements in Other Comprehensive Income					Contribution by Employer	December 31, 2012
		Current Service Cost	Net Interest	Subtotal		Return on Plan Assets (Excluding Amount Included in Net Interest)	Actuarial Changes Arising from Changes in Demographic Assumptions	Actuarial Changes Arising from Changes in Financial Assumptions	Actuarial Changes Arising from Experience Adjustments	Subtotal		
Present value of defined benefit obligation	₱88,511,185	₱9,902,400	₱5,611,419	₱15,513,819	(₱142,057)	₱–	₱333,362	₱15,250,700	₱25,038,043	₱40,622,105	₱–	₱144,505,052
Fair value of plan assets	(72,081,985)	–	(3,142,558)	(3,142,558)	–	(4,111,245)	–	–	–	(4,111,245)	(6,489,300)	(85,825,088)
Net defined benefit liability (asset)	₱16,429,200	₱9,902,400	₱2,468,861	₱12,371,261	(₱142,057)	(₱4,111,245)	₱333,362	₱15,250,700	₱25,038,043	₱36,510,860	(₱6,489,300)	₱58,679,964

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

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

	2013	2012	2011
Investments in debt instruments:			
Treasury notes and bonds	**₱60,819,698**	₱51,524,280	₱43,273,737
Corporate notes and bonds	**5,014,949**	4,248,485	3,568,179
Cash in banks	**35,474,018**	30,052,323	25,240,069
	₱101,308,665	₱85,825,088	₱72,081,985

The effect of the asset ceiling is as follows:

	2013	2012
(1) Net assets*	**₱4,912,247**	₱18,953
(2) Present value of available refund	**1,894,146**	18,953
(3) Asset limit to be recognized in the financial position [lower of (1) and (2)]	**1,894,146**	18,953
Unrecognized asset due to asset limit	**3,018,101**	–
Liability to be recognized in the financial position	**₱1,894,146**	₱18,953

** Net assets presented represent only those companies under the Group for which the fair value of plan assets is greater than the present value of obligation.*

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

The principal actuarial assumptions used are as follows:

	2013	2012	2011
Future salary increase rate	**4.00%**	5.00%	5.00%
Discount rate	**4.25% to 5.89%**	5.11% to 6.34%	6.47% to 7.69%
Turnover rate	**A scale of 10% at age 20 decreasing to 0% at age 45**	A scale of 10% at age 20 decreasing to 0% at age 45	A scale of 10% at age 20 decreasing to 0% at age 45

Mortality rate is based on the 1994 Group Annuity Mortality Table for both 2013 and 2012.

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

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

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

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

Significant Assumptions	Defined Benefit Obligation
Discount rate	
Increase of 1%	(₱1,445,051)
Decrease of 1%	1,445,051
Future salary increase rate	
Increase of 1%	99,024
Decrease of 1%	(99,024)

The management performed an Asset-Liability Matching Study (ALM) annually. The overall investment policy and strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay retirement benefits as they fall due while also mitigating the various risk of the plans. The Group's current strategic investment strategy consists of 60% treasury investments, 5% corporate investments and 35% cash.

The Group expects to contribute ₱9,859,177 to the defined benefit plan in 2014.

The average duration of the defined benefit obligation as of December 31, 2013 and 2012 ranges from 13 to 31 years and 14 to 20 years, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments:

	Expected Benefit Payments		
Plan Year	Normal Retirement	Other than Normal Retirement	Total
Less than one year	₱13,107,743	₱1,417,944	₱14,525,687
More than one year to five years	51,014,937	8,684,499	59,699,436
More than five years to 10 years	64,792,710	11,097,740	75,890,450
More than 10 years to 15 years	101,378,258	10,632,869	112,011,127
More than 15 years to 20 years	97,552,923	8,948,215	106,501,138
More than 20 years to 25 years	77,977,429	7,530,214	85,507,643
More than 25 years	140,594,032	7,194,818	147,788,850

27. Unreimbursed Share in Common Expenses

SLPC collects reimbursements from tenants, based on either a fixed amount or a percentage of sales, for the tenants' share in the costs of utilities, janitorial, security and other expenses on common areas shared by SLPC and the tenants. SLPC also collects reimbursements from the tenants for the actual costs of utilities, repairs and maintenance used by the tenants in their leased areas. All unreimbursed expenses are borne by SLPC and accordingly reported as operating costs. Any excess of reimbursement over the share in common expenses is reported as part of "Others" under "Other income (loss)" account in the profit or loss.

The details of the account for the years ended December 31 follow:

	2013	2012	2011
Light, power and water	**₱363,579,398**	₱266,587,817	₱255,405,243
Janitorial, security and other services	**89,919,906**	60,371,499	55,810,482
Repairs and maintenance	**47,428,098**	43,214,758	39,731,609
Advertising and promotions	**41,546,349**	26,207,449	24,119,605
Tenants' reimbursements	**(446,380,891)**	(385,329,657)	(375,066,939)
	₱96,092,860	₱11,051,866	₱–

28. **Income Taxes**

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

	2013	2012	2011
Current:			
RCIT	**₱804,552,294**	₱458,301,717	₱375,741,690
Final tax on interest income	**8,890,371**	10,655,427	27,809,583
Excess of MCIT over RCIT	**3,285,026**	–	4,453,008
	816,727,691	468,957,144	408,004,281
Deferred	**(65,297,967)**	67,235,367	106,780,506
	₱751,429,724	₱536,192,511	₱514,784,787

b. The details of the recognized deferred income tax assets at December 31 follow:

	2013	2012 (As restated, Note 2)
Difference in profit, installment method versus POC method	**₱269,896,657**	₱254,415,053
Advance rental	**55,167,644**	44,118,765
Accrued construction costs	**16,485,382**	23,606,929
Accrued employee benefits	**12,076,523**	27,559,362
Accrued expenses	**7,258,455**	2,684,153
Unamortized funded past service cost	**3,238,002**	3,622,029
Accumulated impairment losses	–	55,226,022
Others	**7,833,820**	2,970,536
	₱371,956,483	₱414,202,849

c. The details of the recognized deferred income tax liabilities at December 31 follow:

	2013	2012
Unrealized increase in fair value of investment properties	**₱5,488,715,753**	₱5,583,929,584
Rent receivable not yet subjected to tax	**9,626,201**	10,772,183
Prepaid rent	**2,107,464**	2,117,373
Others	**111,570**	1,222,500
	₱5,500,560,988	₱5,598,041,640

d. The reconciliations of provision for income taxes using the statutory income tax rate and the actual provision for income tax for the years ended December 31 follow:

	2013	2012	2011
Provision for income tax at the statutory income tax rate	**₱916,358,897**	₱729,472,352	₱563,036,160
Tax effects of:			
Difference between itemized and optional standard deductions (OSD)	**(148,121,393)**	(101,627,479)	(97,095,825)
Movements in unrecognized deferred income tax assets	**(48,713,148)**	780,452	(7,908,646)
Other non-taxable income, net of non-deductible expenses	**34,948,330**	(80,886,988)	(42,170,451)
Interest income subjected to final tax	**(4,445,186)**	(5,329,656)	(13,564,424)
Share in losses (profits) of associates	**1,402,224**	(6,216,170)	(5,989,967)
Provision for impairment of goodwill	**–**	–	118,477,940
Provision for income tax	**₱751,429,724**	₱536,192,511	₱514,784,787

e. The Group did not recognize the following deferred income tax assets as of December 31, 2013 and 2012 since management believes that the Group may not have sufficient future taxable profits available to allow all or part of them to be utilized in the future or prior to expiration:

	2013	2012
NOLCO	**₱15,915,878**	₱9,010,487
Accumulated impairment losses	**–**	58,903,565
Others	**3,991,596**	706,570

f. The Group's NOLCO which is available for deduction against future taxable income follows:

Year Incurred	Beginning	Incurred	Ending	Available Until
2013	₱–	₱6,905,391	₱6,905,391	2016
2012	2,999,835	–	2,999,835	2015
2011	6,010,652	–	6,010,652	2014
	₱9,010,487	₱6,905,391	₱15,915,878	

g. The Group's MCIT which can be applied against future tax due which was incurred in 2013 and will expire in 2016 amounted to ₱3,285,026.

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

	2013	2012	2011
Change in fair value of AFS financial assets	**₱90,000**	₱333,000	₱1,065,000
Remeasurement gains (losses) on defined benefit liability	**9,963,681**	(10,953,258)	–
	₱10,053,681	(₱10,620,258)	₱1,065,000

i. RA No. 9504, effective on July 7, 2008, allows availment of OSD. Corporations, except for nonresident foreign corporations, may elect to claim OSD in an amount not exceeding 40% of their gross income. In 2013, 2012 and 2011, KSA and SLPC availed of the OSD for the computation of their taxable income.

29. Earnings Per Share

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

The computations of earnings per share for the years ended December 31 follow:

Based on Net Income

	2013	2012	2011
Net income attributable to equity holders of the Parent Company	**₱2,011,272,641**	₱1,646,477,037	₱1,056,716,268
Weighted average number of shares (Note 20)	**4,761,918,337**	4,761,918,337	4,761,918,337
Earnings per share	**₱0.422**	₱0.346	₱0.222

Based on Total Comprehensive Income

	2013	2012 (As restated, Note2)	2011
Total comprehensive income attributable to equity holders of the Parent Company	**₱2,035,287,770**	₱1,621,280,585	₱1,058,854,680
Weighted average number of shares (Note 20)	**4,761,918,337**	4,761,918,337	4,761,918,337
Earnings per share	**₱0.427**	₱0.340	₱0.222

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

30. **Related Party Transactions and Balances**

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

The following are the transactions with related parties:

<u>Related Party Transactions and Balances which were Not Eliminated During Consolidation</u>
The terms, conditions, balances and the volume of related party transactions which were not eliminated during consolidation are as follows:

Transactions with companies with interlocking directors

- A portion of the Parent Company's land is being leased by ESHRI, where the latter's EDSA Shangri-La Manila Hotel (the Hotel) is located. The lease is for a period of 25 years commencing on August 28, 1992, renewable for another 25 years at the option of ESHRI, computed based on a fixed percentage of the Hotel's room, food and beverage, dry goods and other service revenue.

- SPMSI provides management services for TEC of The Enterprise Center Condominium Corporation (TECCC), for TSFSP of TSFSPCC, and for TSGT of The Shang Grand Tower Condominium Corporation (TSGTCC) for a minimum period of five years starting January 7, 2009, April 1, 2010 and January 7, 2007, respectively. As consideration, SPMSI shall receive from TSGTCC, TECCC and TSFSSPCC management fees of ₱400,000, ₱100,000 and ₱100,000, respectively, per month, inclusive of VAT, with an escalation rate of 10% per annum. TECCC, TSFSPCC and TSGTCC are affiliates through interlocking directors.

- Reimbursement of expenses paid for by SLPC for ESHRI.

- Condominium dues charged by TSFSPCC and TECCC.

- SPSI operates and manages the parking facilities of ESHRI for fixed monthly concession fee of ₱27,500 from January 1, 2008 to December 31, 2009 and ₱30,800 starting January 1, 2010. This fee is included in the "Others" under "Other Income" (see Note 22).

- Sharing of expenses with affiliates.

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

	Amount/Volume			Outstanding Balance			
	2013	2012	2011	**2013**	2012	Terms	Conditions
Rental (see Note 8)							
ESHRI	**₱78,171,706**	₱81,454,884	₱80,228,905	**₱24,164,831**	₱26,036,496	60-day; noninterest-bearing	Unsecured, no impairment

	Amount/Volume			Outstanding Balance			
	2013	2012	2011	**2013**	2012	Terms	Conditions
Management Services (see Note 22)							
TECCC	**₱6,797,607**	₱6,179,643	₱5,617,857	**₱1,288,408**	₱1,171,280	30-day; noninterest-bearing	Unsecured, no impairment
TSFSPCC	**2,946,429**	2,767,857	1,160,714	**1,066,964**	691,964	30-day; noninterest-bearing	Unsecured, no impairment
TSGTCC	**1,898,101**	1,725,547	1,747,250	**2,705,657**	1,288,408	30-day; noninterest-bearing	Unsecured, no impairment
	₱11,642,137	₱10,673,047	₱8,525,821	**₱5,061,029**	₱3,151,652		
Condominium dues (see Note 24)							
KSA	**₱2,186,422**	₱12,681,514	₱8,183,973	**₱–**	₱–	30-day; noninterest-bearing	Unsecured, no impairment
Parent Company	**1,597,067**	2,956,997	3,029,430	**812,730**	–	30-day; noninterest-bearing	Unsecured, no impairment
SPDI	**454,435**	348,057	–	**–**	–	30-day; noninterest-bearing	Unsecured, no impairment
SPRC	**214,252**	5,179,791	16,035,450	**320**	246,153	30-day; noninterest-bearing	Unsecured, no impairment
SPSI	**–**	67,419	330,000	**–**	–	30-day; noninterest-bearing	Unsecured, no impairment
	₱4,452,176	₱21,233,778	₱27,578,853	**₱813,050**	₱246,153		
Reimbursed expenses							
ESHRI	**₱12,553,754**	₱13,326,206	₱13,447,006	**₱3,532,985**	₱2,300,056	30-day; noninterest-bearing	Unsecured, no impairment
Concession fee (see Note 22)							
ESHRI	**₱–**	₱77,000	₱369,600	**₱–**	₱–	30-day; noninterest-bearing	Unsecured, no impairment
Affiliates' share in Group's expenses (see Note 8)							
TECCC	**₱41,952,583**	₱13,116,835	₱–	**₱1,961,401**	₱2,130,975	30-day; noninterest-bearing	Unsecured, no impairment
ESHRI	**13,823,434**	14,671,405	–	**403,534**	299,109	30-day; noninterest-bearing	Unsecured, no impairment
TSFSPCC	**6,758,066**	6,525,480	–	**2,520,036**	2,766,175	30-day; noninterest-bearing	Unsecured, no impairment
TSGTCC	**5,047,806**	3,693,842	–	**4,349,564**	2,226,904	30-day; noninterest-bearing	Unsecured, no impairment
Makati Shangri-La Hotel	**714,718**	756,333	–	**191,524**	153,810	30-day; noninterest-bearing	Unsecured, no impairment
Mactan Shangri-La Hotel	**598,533**	813,259	–	**273,532**	164,541	30-day; noninterest-bearing	Unsecured, no impairment
Clavall Properties, Inc.	**4,555**	801,706	–	**12,665**	12,250	30-day; noninterest-bearing	Unsecured, no impairment
Mactan Beachfront Resources, Inc.	**3,927**	1,087	–	**30**	–	30-day; noninterest-bearing	Unsecured, no impairment
Shangri-La Fijisian Resort	**–**	–	–	**626,952**	626,952	Payable on demand; noninterest-bearing	Unsecured, no impairment
Others	**11,541,095**	696,933	–	**537,082**	1,965,079	30-day; noninterest-bearing	Unsecured, no impairment
	₱80,444,717	₱41,076,880	₱–	**₱10,876,320**	₱10,345,795		

	Amount/Volume			Outstanding Balance			
	2013	2012	2011	**2013**	2012	Terms	Conditions
Group's share in affiliates' expenses (see Note 17)							
TECCC	**₱576,027**	₱14,787,584	₱–	**₱–**	₱–	30-day; noninterest-bearing	Unsecured, no impairment
TSFSPCC	**214,679**	1,662,215	–	**15,793**	16,643	30-day; noninterest-bearing	Unsecured, no impairment
TSGTCC	–	–	–	**–**	790,068	Payable on demand; noninterest-bearing	Unsecured, no impairment
Others	**470,906**	149,137	–	**143,467**	7,963	30-day; noninterest-bearing	Unsecured, no impairment
	₱1,261,612	₱16,598,936	₱–	**₱159,260**	₱814,674		

Transactions with associates

- On February 17, 2012, the Board of the Parent Company passed and approved a resolution wherein it will act as a surety to the loan of FBSHI. FBSHI has secured a ₱10,000,000,000 long-term loan facility with a local bank to finance the completion of its project. Under the continuing suretyship agreement executed between the Parent Company and the local bank on May 23, 2012, the Parent Company agreed to be solidarily liable to the extent of 50% of any and all amounts due under the loan agreement between FBSHI and the local bank. The local bank is entitled under current jurisprudence to demand directly from the Parent Company any and all amounts due. Should demand be made, the Parent Company will recognize a liability in its consolidated financial statements (see Note 35).

- Sharing of expenses with associates.

	Amount/Volume			Outstanding Balance			
	2013	2012	2011	**2013**	2012	**Terms**	**Conditions**
Associates' share in Group's expenses (see Note 8)							
FBSHI	**₱11,220,668**	₱5,282,230	₱–	**₱1,388,329**	₱2,414,991	30-day; noninterest-bearing	Unsecured, no impairment
ISPI	**604,466**	601,161	–	**2,903,023**	2,300,140	30-day; noninterest-bearing	Unsecured, no impairment
	₱11,825,134	₱5,883,391	₱–	**₱4,291,352**	₱4,715,131		
Group's share in an associate's expenses (see Note 17)							
SLPI	**₱–**	₱–	₱–	**₱42,158,700**	₱42,158,700	Payable on demand; noninterest-bearing	Unsecured, no impairment

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

	2013	2012
Receivables:		
Affiliates*:		
Share in expenses	**₱10,876,320**	₱10,345,795
Management services	**5,061,029**	3,151,652
Reimbursed expenses	**3,532,985**	2,300,056
Associates	**4,291,352**	4,715,131
	₱23,761,686	₱20,512,634
Accounts payable and other current liabilities:		
Associate	**₱42,158,700**	₱42,158,700
Affiliates*:		
Condominium dues	**813,050**	246,153
Share in expenses	**159,260**	814,674
	₱43,131,010	₱43,219,527

* *Affiliates through interlocking directors.*

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

	2013	2012	2011
Salaries and other short-term employee benefits	**₱36,457,991**	₱44,003,067	₱41,389,827
Post-employment benefits	**2,451,986**	2,765,177	2,974,282
	₱38,909,977	₱46,768,244	₱44,364,109

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

Related Party Transactions and Balances Eliminated During Consolidation

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

a. Lease of Parent Company's land and the East Wing of the Shangri-La to SLPC

	2013	2012	2011
Rental income	**₱137,860,212**	₱110,049,049	₱106,147,779

A portion of the Parent Company's land where the Shangri-La is located is being leased to SLPC. The lease is for a period of 25 years from January 6, 1993. Rental revenue is calculated at 10% of SLPC's annual rental revenue from mall operations plus a certain percentage of the carpark's net income.

In 2013, the Parent Company also leased to SLPC, the East Wing of the Shangri-La, the mall area of OSP, for a consideration of 12% of SLPC's rental revenue from the mall from January 1, 2013 to September 30, 2013.

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

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

	2013	2012	2011
SLPC	**₱10,043,538**	₱10,545,010	₱16,811,968
Parent Company	**7,461,777**	6,754,155	6,743,462
	₱17,505,315	₱17,299,165	₱23,555,430

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

	2013	2012	2011
Rental income	**₱13,695,318**	₱–	₱–

SPRC and SLPC entered into a memorandum of agreement whereby SLPC will operate the mall establishment and constitute it as the East Wing of the Shangri-La. The lease is for a period of five years from October 1, 2013 and renewable upon mutual agreement by the parties. Rental revenue is calculated at 12% of SLPC's annual rental revenue from that mall.

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

	2013	2012	2011
Rental income and expense	**₱26,512,768**	₱24,036,327	₱22,602,749

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

The Parent Company's lease agreement is for a period of three years starting November 1, 2002. By mutual agreement of the parties, the contract of lease was renewed on May 16, 2010 for another three years which commenced on May 17, 2010 and ended on May 16, 2013. The Parent Company's rental expense is exclusive of VAT and subject to five percent escalation every year.

In 2010, SPRC and SLPC entered into a lease agreement, whereby SPRC shall lease a unit on Level 1 in Shangri-La for the higher of: (a) a minimum guarantee rent, or (b) a certain percentage of gross sales, exclusive of VAT. The lease commenced on May 1, 2010 and will end on April 30, 2014, subject to renewal as may be mutually agreed by the parties.

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

	2013	2012	2011
SPRC	**₱7,316,402**	₱7,898,898	₱7,469,808
Parent Company	**4,067,282**	4,200,604	3,210,972
	₱11,383,684	₱12,099,502	₱10,680,780

The Parent Company's and SPRC's refundable deposits from these transactions amounted to ₱650,000 as of December 31, 2013 and 2012.

f. Management agreement between KSA and SPMSI:

	2013	2012	2011
Management fee	**₱2,549,103**	₱2,317,366	₱2,106,696

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

g. In 2011, SPDI obtained an unsecured, non-interest bearing, payable on or before December 31, 2012 loan from SHIL amounting to ₱2,317,500,000. As of December 31, 2013, this loan was not yet settled.

h. Parent Company's dividend income from declarations of the following subsidiaries:

	2013	2012	2011
SLPC	**₱600,000,000**	₱700,000,000	₱395,882,880
KSA	**185,150,000**	132,250,000	132,250,000
SPSI	**3,500,000**	3,500,000	3,500,000
SPMSI	**–**	3,000,000	1,700,000
SPRC	**–**	–	400,000,000
SPDI	**–**	–	18,000,000
	₱788,650,000	₱838,750,000	₱951,332,880

i. In 2013, the Parent Company and SPRC entered into a Deed of Absolute Sale for a parcel of land owned by the Parent Company with total square meter area of 9,852 located at Internal Road, Shangri-la Place, Mandaluyong City for a total consideration of ₱640,380,000. This resulted to a loss on sale of the land amounting to ₱317,379,436 which was eliminated during consolidation.

j. Reimbursement of expenses paid for by a related party on behalf of a related party and vice-versa.

k. Unsecured, noninterest-bearing receivables and payables between related parties.

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

	2013	2012
Receivables of the Parent Company from:		
SPRC	**₱1,742,415,006**	₱–
SLPC	**23,373,984**	17,413,928
SPMSI	**17,174,662**	16,500,456
SPSI	**4,868,210**	4,853,796
KMSC	**1,011,608**	989,161
SFBHI	**500,494**	500,250
SGCHI	**500,127**	500,450
KSA	**245,801**	89,617
SPDI	**–**	670,257,771
	₱1,790,089,892	₱711,105,429
Payables of the Parent Company to:		
SPDI	**₱519,301,810**	₱770,523,441
SLPC	**2,513,943**	1,546,697
SPRC	**1,261,043**	–
	₱523,076,796	₱772,070,138
Receivables of:		
SHIL from SPDI	**₱2,317,500,000**	₱2,317,500,000
Others	**90,796,540**	13,259,889
	₱2,408,296,540	₱2,330,759,889

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.

31. Commitments and 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 against the Parent Company and the Board for the recovery of the balance of alleged unpaid construction work, compensatory and moral damages, legal fees and litigation costs totaling about ₱122,000,000, exclusive of interest. In the answer *ex abundante ad cautelam*, as a counterclaim, the Parent Company is asking for approximately ₱182,000,000 in overpayment plus ₱7,000,000 in damages and litigation costs. Due to technical reasons, the principal contractor re-filed the case on or about June 23, 1998 with the Construction Industry Arbitration Commission (CIAC).

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

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

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

On June 5, 2009, the Parent Company filed a Petition for Review on Certiorari to the Supreme Court praying to issue an order or decision: (a) declaring the Parent Company as not liable to the principal contractor for unpaid progress billings based on the original scope of work, (b) ordering the principal contractor to pay the Parent Company ₱7,590,000 as liquidated damages, and (c) setting aside or reversing the Court of Appeal's decision and resolution insofar as they are adverse to the Parent Company. On a Petition for Review on Certiorari dated June 11, 2009, the principal contractor prayed to the Supreme Court to modify the decision and resolution of the Court of Appeals, to award the principal contractor the full amount of its claim. Both petitions are pending resolution by the Supreme Court as of February 19, 2014.

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.

32. Lease Commitments

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

Rental income from percentage of gross revenue of lessee recognized in the profit or loss amounted to ₱124,074,911, ₱80,173,290 and ₱100,122,604 in 2013, 2012 and 2011, respectively.

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

	2013	2012	2011
Within one year	**₱1,918,343,828**	₱1,462,742,004	₱1,318,015,876
After one year but not more than five years	**1,475,431,761**	1,744,146,930	1,423,272,201
More than five years	**234,408,500**	93,283,161	84,802,874
	₱3,628,184,089	₱3,300,172,095	₱2,826,090,951

33. Fair Value Measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as of December 31, 2013:

	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets Measured at Fair Value				
Financial assets at FVPL	**₱30,348,704**	**₱–**	**₱–**	**₱30,348,704**
Investment properties:				
Land	–	**13,428,400,270**	–	**13,428,400,270**
Buildings	–	–	**13,314,825,680**	**13,314,825,680**
	–	**13,428,400,270**	**13,314,825,680**	**26,743,225,950**
	₱30,348,704	**₱13,428,400,270**	**₱13,314,825,680**	**₱26,773,574,654**
Assets for which Fair Values are Disclosed (see Note 34)				
Loans and receivables				
Cash and cash equivalents	**₱–**	**₱1,891,446,943**	**₱–**	**₱1,891,446,943**
Receivables*	–	**2,401,122,350**	–	**2,401,122,350**
Refundable deposits	–	**37,286,169**	–	**37,286,169**
	–	**4,329,855,462**	–	**4,329,855,462**
AFS financial assets:				
Unquoted	–	–	**488,826,327**	**488,826,327**
Quoted	**13,496,515**	–	–	**13,496,515**
	13,496,515	–	**488,826,327**	**502,322,842**
	₱13,496,515	**₱4,329,855,462**	**₱488,826,327**	**₱4,832,178,304**
Liabilities for which Fair Values are Disclosed (see Note 34)				
Accounts payable and other current liabilities**	**₱–**	**₱2,077,287,434**	**₱–**	**₱2,077,287,434**
Bank loans	–	**4,943,452,381**	–	**4,943,452,381**
Deposits from tenants	–	**954,813,749**	–	**954,813,749**
Accrued employee benefits***	–	**10,652,145**	–	**10,652,145**
	₱–	**₱7,986,205,709**	**₱–**	**₱7,986,205,709**

** Net of unamortized discount and unearned income of ₱3,402,472,504 in 2013 and advances to contractors and suppliers of ₱1,133,149,175.*
*** Excluding customers' deposits, reservation payable, output VAT, deferred output VAT and withholding taxes.*
**** Excluding accrued retirement benefits of ₱29,602,931.*

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

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

34. Financial Instruments

The following table sets forth per category the carrying values and estimated fair values of the Group's financial assets and financial liabilities recognized as of December 31:

	2013		2012	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Financial assets at FVPL	**₱30,348,704**	**₱30,348,704**	₱32,275,696	₱32,275,696
Loans and receivables:				
Cash and cash equivalents	**1,891,446,943**	**1,891,446,943**	1,600,953,309	1,600,953,309
Receivables:				
Installment contracts receivable*	**2,229,966,071**	**2,229,966,071**	397,091,493	397,091,493
Rent	**139,562,396**	**139,562,396**	95,230,392	95,230,392
Related parties	**23,761,686**	**23,761,686**	20,512,634	20,512,634
Advances to officers and employees	**1,373,381**	**1,373,381**	2,008,535	2,008,535
Interest	**1,164,094**	**1,164,094**	1,138,118	1,138,118
Others	**5,294,722**	**5,294,722**	63,669,495	63,669,495
Cash in escrow**	–	–	55,066,771	55,066,771
Refundable deposits	**37,286,169**	**37,286,169**	42,955,708	42,955,708
	4,329,855,462	**4,329,855,462**	2,278,626,455	2,278,626,455
AFS financial assets	**502,322,842**	**502,322,842**	502,022,842	502,022,842
	₱4,862,527,008	**₱4,862,527,008**	₱2,812,924,993	₱2,812,924,993
Other Financial Liabilities				
Accounts payable and other current liabilities***	**₱2,077,287,434**	**₱2,077,287,434**	₱1,399,465,199	₱1,399,465,199
Bank loans	**4,943,452,381**	**4,943,452,381**	4,496,433,333	4,496,433,333
Deposits from tenants	**954,813,749**	**954,813,749**	769,500,627	769,500,627
Accrued employee benefits****	**10,652,145**	**10,652,145**	15,018,168	15,018,168
	₱7,986,205,709	**₱7,986,205,709**	₱6,680,417,327	₱6,680,417,327

** Net of unamortized discount and unearned income of ₱3,402,472,504 in 2013 and ₱4,338,508,419 in 2012.*
*** Under prepayments and other current assets.*
**** Excluding customers' deposits, reservation payable, output VAT, deferred output VAT and withholding taxes.*
***** Excluding accrued retirement benefits of ₱29,602,931 in 2013 and ₱58,679,964 in 2012.*

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

Financial Assets at FVPL
The fair value of financial assets at FVPL is based on quoted market prices at the reporting date. The quoted market prices used for financial assets held by the Group were the current bid prices.

Cash and Cash Equivalents, Receivables, Accounts Payable and Other Current Liabilities
Due to the short-term nature of cash and cash equivalents, receivables other than installment contracts receivable, and accounts payable and other current liabilities, their carrying values were assessed to approximate their fair values.

Installment Contracts Receivable
The fair value of installment contracts receivable approximates their carrying value as the interest rates they carry approximate the interest rates on comparable instruments in the market.

Refundable Deposits and Deposits from Tenants
The fair values of deposits from tenants were based on the present value of estimated future cash flows using MART-1 rates at the reporting date. Discount ranges from 0.28% to 5.90% and 1.01% to 5.83% as of December 31, 2013 and 2012, respectively.

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

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

Fair Value Hierarchy
The fair value hierarchy of the financial instruments is disclosed in Note 33.

35. Financial Risk Management Objective and Policies

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

The main risks arising from the use of the financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

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

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

Interest Rate Risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The following tables set out the cash flows, by maturity, of the Group's financial instruments that are exposed to interest rate risk as of December 31:

	2013						
	Within 1 Year	**Over 1 to 2 Years**	**Over 2 to 3 Years**	**Over 3 to 4 Years**	**Over 4 to 5 Years**	**Over 5 Years**	**Total**
Assets							
Cash and cash equivalents*	**₱1,869,706,550**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,869,706,550**
Liabilities							
Bank loans	**₱730,638,969**	**₱645,419,505**	**₱856,526,120**	**₱1,069,859,141**	**₱604,602,708**	**₱1,507,061,250**	**₱5,414,107,693**

	2012						
	Within 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 4 Years	Over 4 to 5 Years	Over 5 Years	Total
Assets							
Cash and cash equivalents*	₱1,573,227,845	₱–	₱–	₱–	₱–	₱–	₱1,573,227,845
Liabilities							
Bank loans	₱1,149,197,156	₱743,790,671	₱652,711,208	₱626,281,542	₱599,851,875	₱1,145,833,333	₱4,917,665,785

** Excludes cash on hand of ₱21,640,393 in 2013 and ₱27,725,464 in 2012.*

Interest rates on all bank loans are based on the higher between the PDST-F rate and the BSP overnight borrowing rate (see Note 18).

The Group's interest rate risk management policy focuses on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing 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 that are not included in the tables above are noninterest-bearing and are therefore not subject to interest rate risk. The Group invests excess funds in short-term placements in order to mitigate any increase in interest rate on borrowings.

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

	Change in Interest Rate	Effect on Income before Income Tax
2013	**Increase by 0.50%**	**(₱24,717,262)**
	Decrease by 0.50%	**24,717,262**
2012	Increase by 1.90%	(85,432,233)
	Decrease by 1.90%	85,432,233

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

Foreign Exchange Risk
Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Group's foreign exchange exposure arises from holding foreign currency denominated cash and cash equivalents and purchases of some materials used in the construction of the Projects billed in foreign currencies. In order to balance this exposure, the Group maintains foreign currency denominated accounts in reputable commercial banks. The Group does not enter into derivatives to hedge the exposure.

The Group has cash and cash equivalents denominated in US$ and HK$. However, the Group's management has assessed that the effect of reasonably possible change in exchange rates of US$ and HK$ are insignificant to the consolidated financial statements.

Credit Risk
Credit risk is the risk that the Group will incur losses because its counterparties failed to discharge their contractual obligations. The Group has no significant concentration on credit risk. Sales of residential condominium units that are on installment basis are supported by post-dated checks from the buyers. Titles to properties sold are not released unless full payment is received. In the case of leasing operation, tenants are subjected to credit evaluation and are required to put up security deposits and pay advance rentals, if necessary.

The table below shows the maximum exposure to credit risk for each component of financial assets in the consolidated statements of financial position as of December 31:

	2013	2012
Financial assets at FVPL	**₱30,348,704**	₱32,275,696
Loans and receivables:		
Cash and cash equivalents*	**1,862,306,550**	1,566,727,845
Receivables:		
Installment contracts receivable**	**2,229,966,071**	397,091,493
Rent	**139,562,396**	95,230,392
Related parties	**23,761,686**	20,512,634
Advances to officers and employees	**1,373,381**	2,008,535
Interest	**1,164,094**	1,138,118
Others	**5,294,722**	63,669,495
Cash in escrow***	**–**	55,066,771
Refundable deposits	**37,286,169**	42,955,708
	4,300,715,069	2,244,400,991
AFS financial assets	**502,322,842**	502,022,842
	₱4,833,386,615	₱2,778,699,529

** Excludes cash on hand of ₱21,640,393 in 2013 and ₱27,725,464 in 2012.*
*** Net of unamortized discount and unearned income of ₱3,402,472,504 in 2013 and ₱4,338,508,419 in 2012.*
**** Under prepayments and other current assets.*

The net maximum exposure to credit risk for cash in banks, after taking into account insurance on bank deposits, amounted to ₱114,188,569 in 2013 and ₱74,293,612 in 2012.

The following tables provide information regarding the credit risk exposure of the Group by classifying its financial assets according to the credit ratings of the debtors as of December 31:

	2013			
	Neither Past Due nor Impaired			
	Non-Investment Grade: Satisfactory	Non-Investment Grade: Unsatisfactory	Past Due and Impaired	Total
Financial assets at FVPL	₱30,348,704	₱–	₱–	₱30,348,704
Loans and receivables:				
Cash and cash equivalents*	1,862,306,550	–	–	1,862,306,550
Receivables:				
Installment contracts receivable**	2,229,966,071	–	–	2,229,966,071
Rent	139,562,396	–	–	139,562,396
Related parties	23,761,686	–	–	23,761,686
Advances to officers and employees	1,373,381	–	–	1,373,381
Interest	1,164,094	–	–	1,164,094
Others	5,294,722	–	7,074,077	12,368,799
Refundable deposits	37,286,169	–	–	37,286,169
	4,300,715,069	–	7,074,077	4,307,789,146
AFS financial assets	502,322,842	–	–	502,322,842
	₱4,833,386,615	₱–	₱7,074,077	₱4,840,460,692

** Excludes cash on hand of ₱21,640,393.*
*** Net of unamortized discount and unearned income of ₱3,402,472,504.*

	2012			
	Neither Past Due nor Impaired			
	Non-Investment Grade: Satisfactory	Non-Investment Grade: Unsatisfactory	Past Due and Impaired	Total
Financial assets at FVPL	₱32,275,696	₱–	₱–	₱32,275,696
Loans and receivables:				
Cash and cash equivalents*	1,566,727,845	–	–	1,566,727,845
Cash in escrow	55,066,771	–	–	55,066,771
Receivables:				
Installment contracts receivable**	397,091,493	–	–	397,091,493
Rent	95,230,392	–	–	95,230,392
Related parties	20,512,634	–	–	20,512,634
Advances to officers and employees	2,008,535	–	–	2,008,535
Interest	1,138,118	–	–	1,138,118
Others	63,669,495	–	7,074,077	70,743,572
Refundable deposits	42,955,708	–	–	42,955,708
	2,244,400,991	–	7,074,077	2,251,475,068
AFS financial assets	502,022,842	–	–	502,022,842
	₱2,778,699,529	₱–	₱7,074,077	₱2,785,773,606

** Excludes cash on hand of ₱27,725,464.*
*** Net of unamortized discount and unearned income of ₱4,338,508,419.*

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

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

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

Receivables which are satisfactory pertains to receivables from existing and active tenants, customers, related parties, counter parties, officers and employees; while unsatisfactory pertains to receivables from tenants, customers, related parties and counter parties that have already ceased their respective operations, and officers and employees that are no longer employed by the Group.

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

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

	2013				
	Within 1 Year	Over 1 to 3 Years	Over 3 to 5 Years	Over 5 Years	Total
Financial Assets					
Financial assets at FVPL	₱30,348,704	₱–	₱–	₱–	₱30,348,704
Loans and receivables:					
Cash and cash equivalents	1,891,446,943	–	–	–	1,891,446,943
Receivables:					
Installment contracts receivable	2,587,692,128	3,014,571,006	30,175,441	–	5,632,438,575
Rent	139,562,396	–	–	–	139,562,396
Related parties	23,761,686	–	–	–	23,761,686
Advances to officers and employees	1,373,381	–	–	–	1,373,381
Interest	1,164,094	–	–	–	1,164,094
Others	5,294,722	–	–	–	5,294,722
Refundable deposits	–	37,286,169	–	–	37,286,169
	4,650,295,350	3,051,857,175	30,175,441	–	7,732,327,966
AFS financial assets	502,322,842	–	–	–	502,322,842
	₱5,182,966,896	₱3,051,857,175	₱30,175,441	₱–	₱8,264,999,512
Other Financial Liabilities					
Accounts payable and other current liabilities*	₱2,077,287,434	₱–	₱–	₱–	₱2,077,287,434
Bank loans	730,638,969	1,501,945,625	1,674,461,849	1,507,061,250	5,414,107,693
Deposits from tenants	581,004,488	362,378,245	44,698,624	–	988,081,357
Financial guarantee (Note 30)	60,095,000	261,230,677	659,313,125	1,057,395,573	2,038,034,375
Accrued employee benefits**	–	–	–	10,652,145	10,652,145
	₱3,449,025,891	₱2,125,554,547	₱2,378,473,598	₱2,575,108,968	₱10,528,163,004

** Excluding customers' deposits, reservation payable, output VAT, deferred output VAT and withholding taxes.*
*** Excluding accrued retirement benefits of ₱29,602,931.*

	2012				
	Within 1 Year	Over 1 to 3 Years	Over 3 to 5 Years	Over 5 Years	Total
Financial Assets					
Financial assets at FVPL	₱32,275,696	₱–	₱–	₱–	₱32,275,696
Loans and receivables:					
Cash and cash equivalents	1,600,953,309	–	–	–	1,600,953,309
Receivables:					
Installment contracts receivable	1,529,622,655	3,136,089,727	69,887,530	–	4,735,599,912
Rent	95,230,392	–	–	–	95,230,392
Related parties	20,512,634	–	–	–	20,512,634
Advances to officers and employees	2,008,535	–	–	–	2,008,535
Interest	1,138,118	–	–	–	1,138,118
Others	63,669,495	–	–	–	63,669,495
Cash in escrow*	55,066,771	–	–	–	55,066,771
Refundable deposits	–	42,955,708	–	–	42,955,708
	3,368,201,909	3,179,045,435	69,887,530	–	6,617,134,874
AFS financial assets	502,022,842	–	–	–	502,022,842
	₱3,902,500,447	₱3,179,045,435	₱69,887,530	₱–	₱7,151,433,412
Other Financial Liabilities					
Accounts payable and other current liabilities**	₱1,399,465,199	₱–	₱–	₱–	₱1,399,465,199
Bank loans	1,149,197,156	1,396,501,879	1,226,133,417	1,145,833,333	4,917,665,785
Deposits from tenants	574,178,338	189,247,380	31,002,455	1,232,595	795,660,768
Financial guarantee (Note 30)	26,512,500	53,025,000	236,382,421	609,725,391	925,645,312
Accrued employee benefits***	–	–	–	15,018,168	15,018,168
	₱3,149,353,193	₱1,638,774,259	₱1,493,518,293	₱1,771,809,487	₱8,053,455,232

** Under prepayments and other current assets.*
*** Excluding customers' deposits, reservation payable, output VAT, deferred output VAT and withholding taxes.*
**** Excluding accrued retirement benefits of ₱58,679,964.*

Investment properties amounting to nil and ₱8,127,804,235 as of December 31, 2013 and 2012, respectively, were used as collaterals for KSA's bank loans (see Note 18).

36. Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2013, 2012 and 2011.

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

	2013	2012
Net Debt		
Bank loans	**₱4,943,452,381**	₱4,496,433,333
Less cash and cash equivalents	**1,891,446,943**	1,600,953,309
	3,052,005,438	2,895,480,024
Capital		
Total equity	**24,790,791,369**	23,152,337,545
Less NCI	**3,056,381,448**	2,929,404,157
	21,734,409,921	20,222,933,388
Gearing Ratio	**14.04%**	14.32%

The Group was able to meet its capital management objective.

37. Acronyms and Abbreviations

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

Acronyms/Abbreviations		Meaning
AFS	–	available-for-sale
ALM	–	Asset-Liability Matching Study
APIC	–	additional paid-in capital
BSDC	–	Brown Swallow Development Corporation
BSP	–	Bangko Sentral ng Pilipinas
BVI	–	British Virgin Islands
CGU	–	cash generating unit
CIAC	–	Construction Industry Arbitration Commission
CWT	–	creditable withholding tax
EIR	–	effective interest rate
ELHI	–	EPHI Logistics Holdings, Inc.
EPRC	–	Exchange Properties Resources Corporation
ESHRI	–	EDSA Shangri-La Hotel and Resort, Inc.
EUL	–	estimated useful lives

Acronyms/Abbreviations		Meaning
FBSHI	–	Fort Bonifacio Shangri-la Hotel, Inc.
FRSC	–	Financial Reporting Standards Council
FVO	–	fair value option
FVPL	–	fair value through profit or loss
GFA	–	gross floor area
HK$	–	Hong Kong Dollar
HLURB	–	Housing and Land Use Regulatory Board
HTM	–	held to maturity
IASB	–	International Accounting Standards Board
IFRIC	–	International Financial Reporting Interpretations Committee
IPPI	–	Ivory Post Properties, Inc.
ISPI	–	Ideal Sites and Properties, Inc.
KMSC	–	KPPI Management Services Corporation
KRC	–	KPPI Realty Corporation
KSA	–	KSA Realty Corporation
MART1	–	the average of the top 60% of bids by tenor for government securities submitted by fixing banks
MBPI	–	Martin B. Properties, Inc.
MCIT	–	minimum corporate income tax
MOA	–	memorandum of agreement
NCI	–	non-controlling interests
NCRI	–	New Contour Realty, Inc.
NOLCO	–	net operating loss carryover
NRV	–	net realizable value
OCI	–	other comprehensive income
OSD	–	optional standard deduction
OSP	–	One Shangri-La Place Project
PAS	–	Philippine Accounting Standard
PDST-F	–	Philippine Dealing System Treasury Fixing
PDST-R2	–	Philippine Dealing System Treasury Reference Rates
PFRS	–	Philippine Financial Reporting Standards
POC	–	percentage of completion
PSE	–	Philippine Stock Exchange
PSI	–	Perfect Sites, Inc.
RA	–	Republic Act
RCIT	–	regular corporate income tax
RTC	–	Regional Trial Court
SEC	–	Securities and Exchange Commission
SFBHI	–	Shang Fort Bonifacio Holdings, Inc.
SGCHI	–	Shang Global City Holdings, Inc.
SGCPI	–	Shang Global City Properties, Inc.
SHIL	–	Silver Hero Investments Limited
SLPC	–	Shangri-La Plaza Corporation
SLPI	–	Sky Leisure Properties, Inc.
SPDI	–	Shang Property Developers, Inc.
SPMSI	–	Shang Property Management Services, Inc.
SPRC	–	Shang Properties Realty Corporation
SPSI	–	SPI Parking Services, Inc.
SSP	–	Shang Salcedo Place Project
TCT	–	transfer certificates of title
TEC	–	The Enterprise Center
TECCC	–	The Enterprise Center Condominium Corporation
TSFSP	–	The St. Francis Shangri-La Place Project
TSFSPCC	–	The St. Francis Shangri-la Place Condominium Corporation
TSGT	–	The Shang Grand Tower Project
TSGTCC	–	The Shang Grand Tower Condominium Corporation
US$	–	United States Dollar
VAT	–	value-added tax
WACC	–	weighted average cost of capital

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Romulo, Mabanta, Buenaventura,
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PROPERTY VALUER
Royal Asia Appraisal Corporation

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KEY DATES
- Regular Board Meeting: Quarterly
- Annual Stockholder's Meeting: Any day in June of each year
- Fiscal Year: 1 January to 31 December

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