

## COVER SHEET

SEC Registration Number

(Company's Full Name)

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

(Contact Person)

(Company Telephone Number)

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3	1
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*Month*      *Day*  
 (Calendar Year)

(Form Type)

<i>Month</i>	<i>Day</i>
(Annual Meeting)	

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

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Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

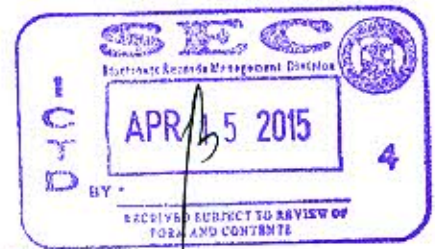
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## SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-A

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

1. For the fiscal year ended: 31 December 2014
2. SEC Identification Number: 145490 3. BIR Tax Identification No. 000-144-386
4. Exact name of Issuer as specified in its charter: SHANG PROPERTIES, INC.
5. Philippines 6. (SEC Use Only)  
Province, Country or other jurisdiction of Industry Classification Code:  
incorporation or organization
7. Level 5, Shangri-La Plaza Mall  
EDSA cor. Shaw Boulevard, Mandaluyong City 1550  
Address of principal office Postal Code
8. (632) 370-2700  
Issuer's telephone number, including area code
9. N/A  
Former name, former address, and former fiscal year, if changed since last report.

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
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Common Stock	4,764,056,287 common shares (* not included are the Issuer's 2,695 treasury shares)
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11. Are any or all of these securities listed on a Stock Exchange.

Yes ☒ No ☐

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange Common Shares

12. Check whether the Issuer:

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

Yes ☒ No ☐

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

Yes ☒ No ☐

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

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

The aggregate market value of the voting stock held by non-affiliates of the Issuer as of 31 March 2015:  
4,345,110,257.36.

Assumptions:

(a)	Total no. of shares held by non-affiliates as of 31 March 2015	:	1,324,728,737
(b)	Closing price of the Issuer's shares on the Exchange on 31 March 2015	:	P3.28
(c)	Aggregate market price of (a) as of 31 March 2015	:	4,345,110,257.36

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

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

Yes ☐

No ☐

**DOCUMENTS INCORPORATED BY REFERENCE**

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

- (a) Any annual report to security holders;
- (b) Any information statement filed pursuant to SRC Rule 20;
- (c) Any prospectus filed pursuant to SRC Rule 8.1.

None of the above documents are incorporated herein by reference.

**PART I - BUSINESS AND GENERAL INFORMATION**

**Item 1. Business**

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

(a) Description of Business

(1) Business Development

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



In the three (3) years prior to its 2014 Annual Report, the significant developments in Issuer's business are as follows:

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

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

SFBHI	-	40%
OGL	-	40%
AC	-	20%
		<u>100%</u>

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

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

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

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

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

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



## Business of Issuer

### (A) Description of Issuer

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

- Shangri-La Plaza Corporation (100% owned by Issuer);
- SPI Parking Services, Inc. (formerly EDSA Parking Services, Inc.) (100 % owned by Issuer); and
- Shang Properties Realty Corporation (formerly, The Shang Grand Tower Corporation (100 % owned by Issuer)
- EPHI Logistics Holdings, Inc. (80% owned by Issuer)
- Shang Global City Holdings, Inc. (100% owned by Issuer)
- Shang Fort Bonifacio Holdings, Inc. (100% owned by Issuer)
- Shang Property Management Services Corporation (formerly EPHI Project Management Services Corporation) (100% owned by Issuer)
- KSA Realty Corporation (52.90% owned by Issuer)
- Shang Property Developers, Inc. ( 100% owned by Issuer)
- Shang Global City Properties, Inc. (59.4% owned through the Issuer's wholly owned subsidiary Shang Global City Holdings, Inc.)
- The Rise Development Company, Inc. (100% owned through Issuer's wholly owned subsidiary KPPI Realty Corporation)

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

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

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

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

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

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

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

KSA Realty Corporation was incorporated on 03 August 1990 as a realty development company. It owns The Enterprise Center, one of the most modern and luxurious office buildings in the country which is located at the heart of the Makati Central Business District.

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

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

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

- (ii) Issuer's subsidiary, Shang Properties Realty Corporation (formerly, The Shang Grand Tower Corporation) and Shang Property Developers, Inc. sold units of the condominium development The St. Francis –Shangri-La Place to non-resident Filipinos and foreigners, but not exceeding 40% of the total no. of units. It has been selling units of the One Shangri-La Place, its latest condominium development, but subject to the limitation that not more than 40% of the total number of units shall be sold to foreigners. Issuer's subsidiary Shang Property Developers Inc. has also started selling units to its residential condominium development, Shang Salcedo Place, sales for which are also subject to the 40% alien ownership limitation.
- (iii) This is not applicable to the Issuer. It is primarily a holding company and therefore has no direct distribution methods of products and services.
- (iv) Neither the Issuer nor its subsidiaries have new products or services which may be described as requested in this particular section.
- (v) Insofar as the Issuer's competitors are concerned, the Issuer's competitors are upper middle to high end real estate companies who are involved in property development such as Ayala Land and Megaworld. Issuer can and will be able to compete in the property development industry because of its strong financial position, international expertise and strong brand position. For the Shangri-La Plaza Corporation, its competitors are entities operating similar upscale malls such as Rockwell, Podium, and Greenbelt 3. The Shangri-La Plaza Corporation is not threatened by competition where it is the only truly upscale commercial complex in its geographic location, and where it is continuously upgrading its facilities in order to cater to its upscale market. SPSI's competitors are those entities who are into carpark management and operation. SPSI is in a healthy financial position and has the expertise to efficiently and viably operate its carpark facilities.
- (vi) This section on raw materials and suppliers is not applicable to the Issuer nor to its subsidiaries by reason of the nature of their businesses as herein described.
- (vii) Neither the Issuer nor its subsidiaries operations and businesses are dependent on a single customer, the loss of which would have a material adverse effect on the Issuer and its subsidiaries taken as a whole, by reason of the nature of their businesses as described herein.
- (viii) On transactions with and/or dependence on related parties:

**With Issuer's subsidiaries:**

**a. With Shangri-La Plaza Corporation (SLPC)**

- i) A portion of the Issuer's land where the Shangri-La Plaza Mall is located is being leased to SLPC. The lease is for a period of twenty five (25) years from 6 January 1993. Rental income is calculated at 10% of SLPC's annual rental income from mall operations plus a certain percentage of the carpark's net income.



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

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

On 16 January 2002, the Issuer entered into an agreement with SLPC and SPSI. Under the terms and conditions of the agreement, SPSI will be granted limited usufructuary rights over the Issuer's parking spaces for a consideration equivalent to a certain percentage of SPSI's gross income less direct and indirect expenses. The agreement is effective until 31 December 2002 and shall be renewed automatically for another year unless a notice of non-renewal is served by the Issuer or SPSI.

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

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

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

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

**With Issuer's affiliates:**

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

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

b. With other affiliates:

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

**Between Issuer's Affiliates:**

- a. Shang Property Management Services Corporation entered into a Memorandum of Agreement with KSA Realty Corporation, pursuant to which the former shall assist the latter in managing and administering the leasing operations of The Enterprise Center.
  - b. Shang Property Management Services Corporation entered into a Memorandum of Agreement with The Enterprise Center Condominium Corporation pursuant to which the former shall assist the latter in managing and administering the condominium development known as The Enterprise Center, specifically with respect to the common areas thereof.
  - c. Shang Property Management Services Corporation entered into a Memorandum of Agreement with The St. Francis Shangri-La Place Condominium Corporation pursuant to which the former shall assist the latter in managing and administering the condominium development known as The Enterprise Center, specifically with respect to the common areas thereof.
- (ix) Neither the Issuer's or any of its subsidiaries' businesses are dependent upon or expected to depend upon any patent, trademark, copyright, license, franchise, concession, or royalty agreement.
- (x) Neither the Issuer or any of its subsidiaries have products or services requiring governmental approval.
- (xi) There are no existing governmental regulations which affect or may affect significantly or adversely the Issuer's or any of its subsidiaries' businesses or operations.
- (xii) Neither the Issuer or any of its subsidiaries have allotted any significant amount or portion of their revenues for research and development activities where the same are not highly necessary given the nature of their businesses.
- (xiii) The Issuer, as with the SPI Parking Services, Inc., by the nature of their businesses have no direct obligation to comply with environmental laws. As for the Shangri-La Plaza Corporation, Shang Properties Realty Corporation, and Shang Property Developers, Inc. (for its developments, The Shang Grand Tower, The St. Francis-Shangri-La Place, One Shangri-La Place, and Shang Salcedo Place) the costs of its compliance with environmental laws is not significant given the overall operational costs.
- (xiv) The Issuer has 85 employees to date and does not anticipate adding to said number significantly in the next 12 months. The breakdown as to type is as follows:
- a. Rank and file - 20
  - b. Supervisory - 20
  - c. Managerial - 20
  - d. Executive - 8
  - e. Project based - 16
  - f. Consultancy based - 1

SPI Parking Services, Inc. (formerly Edsa Parking Services, Inc.) has 19 employees. The breakdown as to type is as follows:

- a. Rank and file - 11
- b. Supervisory - 6
- c. Managerial - 2

Shangri-La Plaza Corporation has 93 employees. The breakdown as to type is as follows:



- a. Rank and file - 29
- b. Supervisory - 46
- c. Managerial - 17
- d. Executive - 1

The Shang Properties Realty Corporation (formerly, The Shang Grand Tower Corporation) has 86 employees. The breakdown as to type is as follows:

- a. Rank and file - 21
- b. Supervisory - 9
- c. Managerial - 15
- d. Project based - 26
- e. Consultancy based - 15

Shang Property Management Services Corporation has 48 employees. The breakdown as to type is as follows:

- a. Rank and file - 5
- b. Supervisory - 5
- c. Managerial - 19
- e. Project based - 19

The Shang Property Developers, Inc. has 30 employees. The breakdown as to type is as follows:

- a. Managerial - 2
- d. Project based - 14
- e. Consultancy based - 14

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

- a. Rank and file - 3

The Rise Development Company, Inc., has 177 employees. The breakdown as to type is as follows:

- a. Rank and file - 9
- b. Supervisory - 67
- c. Managerial - 16
- d. Project based - 13
- e. Consultancy based - 72

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

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

- a. Mall operations (of SLPC)

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

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

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

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

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

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

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

e. Residential Condominium Sales

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

**Item 2. Properties**

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

*On properties owned by Issuer:*

- (a) An 71,101.00 sqms. property at the heart of Ortigas Center, portions of which are being leased out to the Edsa Shangri-La Hotel and the Shangri-La Plaza Corporation for the operation of the Shangri-La Plaza Mall, while some portions are being utilized as carpark areas.
- (i) Shangri-La Plaza Corporation's lease of the land on which the Shangri-La Plaza Mall stands is for a period of 25 years. Rental therefore is an amount equivalent to 10% of Shangri-La Plaza Corporation's gross rental income. Shangri-La Plaza Corporation has no option to renew the lease.
- (ii) The Edsa Shangri-La Hotel's lease of the land on which it stands is for a period of 25 years. Rental arrangement is as follows:
- from hotel operations: 3% of room sales revenue
  - from retail/restaurant and other hotel operations: 5% of sales revenue from food and beverage; 3% of sales revenue from dry goods/ services
  - from subleasing operations: 5% of sales revenue from food and beverage; 3% of sales revenue from dry goods/ services

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

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

*On Properties owned by Issuer's subsidiaries:*

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



- (i) Shangri-La Plaza Mall, an upscale shopping center at EDSA cor. Shaw Blvd., Mandaluyong City, with a gross floor area of approximately 136,552 sqm.
- (b) Properties owned by the SPI Parking Services, Inc.
  - (i) None. It only manages and operates the carpark facilities described above to be owned by the Issuer.
- (c) Properties owned by Shang Properties Realty Corporation (formerly, The Shang Grand Tower Corporation)
  - (i) The St. Francis – a Shangri-La Place, a two-tower high rise residential condominium located along St. Francis Road cor. Internal Road, Shangri-La Complex, Mandaluyong City which was completed in late 2009. About 98% of the units of said development have been sold to date.
  - (ii) 9,852 sqms of land located at EDSA cor. Shaw Blvd., Mandaluyong City, on which the development One Shangri-La Place has been constructed.
- (d) Properties owned by EPHI Logistics Holdings, Inc.
  - None.
- (e) Properties owned by Shang Global City Holdings, Inc.
  - Shang Global City Holdings, Inc., does not directly own any property. However, Shang Global City Properties, Inc., which is 100% owned by Shang Global City Holdings, Inc., has purchased from Fort Bonifacio Development Corporation ("FBDC"), a 15,120 sqm. parcel of land within the development in Taguig City, Philippines, known as the Bonifacio Global City.
- (f) Properties owned by Shang Fort Bonifacio Holdings, Inc.
  - None.
- (g) Properties owned by KSA Realty Corporation
  - The Enterprise Center, an office condominium along Ayala Avenue, Makati City.
- (h) Properties owned by Shang Property Developers, Inc.
  - (i) The residential condominium known as Asian Plaza I and the parcel of land on which it stands located at the corner of Gil Puyat Ave., Tordesillas St. and H. V. de la Costa St., Salcedo Village, Makati City.

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

### **Item 3. Legal Proceedings**

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

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

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

There are none.

#### **Item 4. Submission of Matters to a Vote of Security Holders**

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

- (a) The date of the meeting and whether it was an annual or special meeting.
- (b) If the meeting involved the election of directors, the name of each director elected at the meeting and the name of each other director whose term of office as a director continued after the meeting. Note whether such director was elected as an "independent director" under Section 38 of the Code and SRC Rule 38 thereunder.
- (c) A brief description of each matter voted upon at the meeting and state the number of votes cast for, against or withheld, as well as the number of abstentions as to each such matter, including a separate tabulation with respect to each nominee for office.

During the Annual Meeting of the Stockholders of the Issuer held on **24 June 2014**, the stockholders approved and ratified the following:

1. Minutes of the Annual Stockholders Meeting held on **26 June 2013**;
2. Annual Report of the Company as of **31 December 2013**, together with its audited financial statements and accompanying explanatory notes;
3. The acts of the Board of Directors and the Management disclosed in the corporate records since the **26 June 2013** Annual Stockholders Meeting to the date of the Annual Stockholders Meeting on **24 June 2014**;
4. Election of the following members of the Board of Directors for the period **2014-2015**:
  - 1) Edward Kuok Khoon Loong
  - 2) Danila Regina I. Fojas
  - 3) Alfredo C. Ramos



- 4) Benjamin I. Ramos
- 5) Cynthia R. Del Castillo
- 6) Ho Shut Kan
- 7) Maximo G. Licaucó III
- 8) Johnny O. Cobankial – Independent director
- 9) Antonio O. Cojuangco - Independent director
- 10) Manuel M. Cosico
- 11) Wilkie Lee
- 12) Koay Kean Choon
- 13) Kin Sun Andrew Ng
- 14) Federico G. Noel, Jr.
- 15) Wilfred Shan Chen Woo

5. Appointment of **Sycip Gorres Velayo & Co.** as the Issuer's external auditors for FY 2014-2015.
6. The Issuer's shareholders representing at least 2/2 of the issued and outstanding capital stock entitled to vote, passed and approved resolutions to amend ARTICLE THIRD of the ARTICLES OF INCORPORATION to change the principal address from "METRO MANILA" to "ADMINISTRATION OFFICES, SHANGRI-LA PLAZA MALL, EDSA COR. SHAW BLVD., MANDALUYONG CITY" in compliance with SEC Memorandum No. 6, Series of 2014.

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

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

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

- (e) If the issuer has published a report containing all of the information called for by this item, the item may be answered by a reference to the information contained in such report.

The Issuer has not published any such report.

#### Instructions to Item 4

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

## PART II - OPERATIONAL AND FINANCIAL INFORMATION

### Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

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

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

##### (1) Market Information

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

Year	High	Low
<b>2014</b>		
First Quarter	P3.29	P3.05
Second Quarter	3.60	3.08
Third Quarter	3.47	3.20
Fourth Quarter	3.60	3.18
<b>2013</b>		
First Quarter	3.87	3.00
Second Quarter	3.95	2.71
Third Quarter	3.69	3.00
Fourth Quarter	3.95	2.71

The high and low of Issuer's shares for the period 01 January 2015 to 31 March 2015 are as follows:

High: P3.34

Low: P3.10

The closing price for the Issuer's shares on 31 March 2015 is P3.28.

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

(2) Holders

- (a) Issuer has common shares only. As of 31 March 2015, the Issuer has 5,442 stockholders. Common shares outstanding as of said date is 4,764,056,287.

The top 20 stockholders of the Issuer as of 31 March 2015 are:

Name of Stockholders	Number of Shares Held	Percent to Total Outstanding
1. PCD Nominee Corporation (Filipino)	2,658,258,250	55.80%
2. Travel Aim Investment B.V.	1,648,869,372	34.61%
3. PCD Nominee Corporation (NF)	62,341,530	1.31%
4. KGMP Holdings, Incorporated	52,925,445	1.11%
5. CCS Holdings, Incorporated	47,633,492	1.00%
6. Pecanola Company Limited	43,175,495	0.91%
7. Kuok Foundation Overseas Limited	37,023,839	0.78%
8. Kuok Brother SDN	37,023,839	0.78%
9. GGC Holdings, Incorporated	26,224,322	0.55%
10. Kerry Holdings Limited	26,090,624	0.55%
11. Kuok (Singapore) Limited	24,848,214	0.52%
12. Kerry (1989) Limited	12,424,107	0.26%
13. Kuok Traders (Hong Kong) Ltd.	11,407,363	0.24%
14. Federal Homes, Inc.	4,808,478	0.10%
15. Luxhart Assets, Ltd.	3,975,714	0.08%
16. Yan Lucio W. Yan & /or Clara	3,142,857	0.07%
17. Antonio D. Cojuangco	3,026,964	0.06%
18. Sysmart Corporation	1,671,231	0.04%
19. Exchange Equity Corporation	1,570,000	0.03%
20. Egan, Victoria Z.	1,099,000	0.02%
	<b>4,707,540,136</b>	<b>98.81%</b>



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

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

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

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

(3) Dividends

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

Cash dividends

2015

- During the regular meeting of the Issuer's Board held on 27 March 2015, the Board approved the declaration of P0.08500 per share cash dividend to all shareholders of record as of 15 April 2015, to be taken from the unrestricted retained earnings as reflected in the audited financial statements of the Issuer as of 31 December 2014, to be paid on or before 20 April 2015.

2014

- During the regular meeting of the Issuer's Board held on 19 February 2014, the Board approved the declaration of P.07000 per share cash dividend to all shareholders of record as of 7 March 2014, to be taken from the unrestricted retained earnings as reflected in the audited financial statements of the Issuer as of 31 December 2013, to be paid on or before 14 March 2014.
- During the regular meeting of the Issuer's Board held on 14 August 2014, the Board approved the declaration of P0.06500 per share cash dividend to all shareholders of record as of 29 August 2014, to be taken from the unrestricted retained earnings as reflected in the audited financial statements of the Issuer as of 30 June 2014, to be paid on or before 10 September 2014.

2013

- During the regular meeting of the Issuer's Board held on 27 February 2013, the Board approved the declaration of P.060 per share cash dividend to all shareholders of record as of 15 March 2013, to be taken from the unrestricted retained earnings as reflected in the audited financial statements of the Issuer as of 31 December 2012, to be paid on or before 25 March 2013.
- During the regular meeting of the Issuer's Board held on 14 August 2013, the Board approved the declaration of P0.05 per share cash dividend to all shareholders of record as of 30 August 2013, to be taken from the unrestricted retained earnings as reflected in the unaudited financial statements of the Issuer as of 30 June 2013, to be paid on or before 6 September 2013.

Stock dividends

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

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

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

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

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

- (A) Management's Discussion and Analysis (MD&A) or Plan of Operation
- (1) Plan of Operation – N/A (SPI has revenue in each of the last two fiscal years)
  - (2) Management's Discussion and Analysis
    - (a) Full Fiscal Years
- Key Performance Indicators

		31-Dec		%
		2014	2013	Change
Turnover	(Php M)	7,612	6,909	10.2%
Profit Attributable to shareholders	(Php M)	2,735	2,011	36.0%
Earnings per share	(Php Ctv)	0.574	0.422	36.0%
Net Asset Value per share	(Php)	5.001	4.562	9.6%
Price Earnings Ratio	(Times)	5.747	7.742	(25.8%)

- Turnover consists of sales from Residential Condominium, Rental Revenue, Interest Income and Other Income. Shang Properties' total revenues increase by P703.7M to P7.6B for fiscal year 2014 from P6.9B total revenues for fiscal year 2013. Sales from residential condominium units accounted for P3.8B or 49% of the total revenues. Revenue from leasing operations amounted to P2.6B, higher by P285.9M from last year's P2.3B. Interest income and other income increased by P588.7M.
- Profit attributable to shareholders represents net income from operations after tax of the Group. It went up by P724.1M or 36% compared with last year.
- Earnings per share of P0.574 were higher by 36% from last year's P0.422.
- Net Asset value per share is calculated by dividing the total net asset of the company (Total asset – Total liabilities) by the number of shares outstanding.
- Net asset value per share increased by 9.6% mainly due to higher income generated during the year.
- Price Earnings ratio is a valuation of the company's current share price compared to per share earnings and calculated by dividing the market value per share by the earnings per share. Price earnings ratio is lower by



25.8% to 5.747 this year from 7.742 last year. The Group' year-end share price in 2014 is P3.30 from P3.27 in 2013.

### **Results of Operations**

Shang Properties, Inc.' consolidated net income attributable to shareholders for the year ended December 31, 2014 amounted to P2.7B, P724.1M higher than the P2B posted in the same period last year.

#### ***Calendar Year 2014 Compared to Calendar Year 2013***

The Group' gross revenue increased by P703.7M or 10.2% to P7.6B in 2014 from P6.9B in 2013, mainly due to higher revenue from the mall and office leasing operations and other income derive from remeasurement arising from business combination.

1. Residential condominium projects revenue of P3.8B is lower by P170.9M from last year's P3.9B mainly due to the fewer saleable units for One Shangri-La Place this year as most of the units have been sold.
2. Shangri-La Plaza's growth of P196.6M was mainly due to the revenue of new east wing mall and rental escalation of the existing mall.
3. The office leasing operations at The Enterprise Center grew by P72.1M to P875.8M mainly due to higher average occupancy rate to 98% in 2014 from 97% in 2013.
4. The increased in rental revenue of Edsa Shangri-La Hotel by P7M was mainly due to improved occupancy.
5. Interest and other income increase by P588.7M mainly due to the gain on remeasurement arising from the acquisition of additional 20% equity interest in Shang Global City Properties and Fort Bonifacio Shangri-La Hotel from a Third Party.

Total Expenses of the Group amounted to P3.5B, P361.5M lower compared with last year's P3.8B mainly due to the following:

1. Decrease in cost of condominium sales due lower sales during the year.
2. General and administrative expenses increase by P90.5M primarily due to increase in staff cost for additional workload.
3. Interest expense and bank charges increase by P42.1M mainly due to loan availment.
4. Increase in taxes and licenses by P60.4M mainly due to real property taxes paid for the New East Wing Mall and higher business permits due to higher revenues.
5. Unreimbursed share in common expenses decrease by P10.1M mainly due to the improved occupancy of the East Wing Mall, which resulted to higher tenants reimbursement.
6. Increase in depreciation expense by P2.2M mainly due to the capitalized office improvements and the purchase of transportation equipment.
7. Insurance expense increase by P1.9M particularly due to premiums paid for the East Wing Mall.

#### ***Calendar Year 2013 Compared to Calendar Year 2012***

The Group' gross revenue increased by 27.8% to P6.9B in 2013 from P5.4B in 2012, mainly due to higher revenue from the sale of condominium units and higher rental income from mall and office leasing operations.

1. Residential condominium projects revenue of P3.9B is higher by P1.2B from last year's P2.7B due to higher sales recognized from One Shangri-La Place and Shang Salcedo Place projects.
2. Shangri-La Plaza's growth of P343M was mainly due to the revenue generated by the newly opened East Wing Mall and rental escalation of the existing mall.

3. The office leasing operations at The Enterprise Center grew by P141.2M to P803.8M mainly due to improved average occupancy rate to 97% in 2013 from 86% in 2012.
4. Interest and other Income decrease by P225.1M mainly due to higher fair value adjustments of investment properties recognized in 2012 while in 2013 no adjustments was recognized as the Group assessed that the fair value adjustment is insignificant.

Total Expenses of the Group amounted to P3.8B, P845.1M higher compared with last year's P3B mainly due to the following:

Increase in cost of condominium sales due to more units sold in 2013.

1. General and administrative expenses decrease by P24.7M mainly due to lower marketing and advertising and condominium dues expenses this year compared with last year.
2. Unreimbursed share in common expenses increase by P85M mainly due to unrecovered actual cost of utilities, janitorial and security expenses of the newly opened East Wing Mall that are borne by the Group.
3. Increase in depreciation expense by P1.6M mainly due to capitalized office improvements and purchase of transportation equipment.
4. Insurance expense increase by P3.9M due to higher premiums paid during the period.
5. Interest expense and bank charges increase by P12.7M mainly due to loan availment during the year.

#### ***Calendar Year 2012 Compared to Calendar Year 2011***

Shang Properties consolidated net income attributable to equity holders for the year ended December 31, 2012 amounted to P1.6B, P589.8M higher from P1.1B recorded in 2011.

The Group' consolidated revenues for the year totaled to P5.4B, P1.8B higher than the revenues posted in 2011. This was mainly due to higher revenue performance of residential condominium projects, lease of retail and office spaces.

1. Residential condominium projects realized revenue of P2.7B is higher by P2.1B from P623.6M last year mainly due to higher sales bookings of One Shangri-la Place.
2. The Shangri-La Plaza Mall reported rental revenues of P1.0B compared to P962.8M over the same period last year. The P59M or 6.0% increase was mainly due to rental escalations and sustained growth in tenants' sales on percentage rental structure.
3. The office leasing operation of KSA Realty Corporation realized revenues of P662.5M is slightly lower by P3.9M from P666.5M last year due to lower occupancy rate of 86% in 2012 against 88% in 2011.
4. Other Income decrease by P305M or 26.2% from P1.2B last year mainly due to the decrease in interest income due to lower level of money market placements and decrease in gain on fair value adjustment of investment properties.

The Group's total cost and expenses went up by P1.7B to P3.0B in 2012. This was mainly due to the following:

1. Increase in cost of condominium sales of One Shangri-La Place as a result of higher revenues generated in 2012.
2. Increase in general and administrative expenses by P66.6M or 18.7% mainly due to higher advertising and promotions and other operating cost due to increase in business activities.
3. Increase in depreciation by P1.3M or 8.7% due to capitalized office improvements and purchase of company vehicles.
4. Increase in taxes and licenses by P9.2M due to payment of documentary stamps on new bank loans.



## Financial Condition

### *Calendar Year 2014 Compared to Calendar Year 2013*

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

Total assets of the Company amounted to P54.7B, a growth of P15.6B from total assets of P39B in December 31, 2013. The following are significant movements in the assets:

Increase in cash and cash equivalents by P1B mainly due to collection from sales of condominium projects and proceeds from bank loans.

Increase in financial assets at fair value through profit or loss by P2.7M to P33M due to the fair value adjustment on marketable securities recognized during the year.

Receivables increase by P628M mainly due to higher installment receivables from the sale of condominiums from various projects.

Properties held for sale increased by P3.3 billion mainly due to on-going construction of the condominium projects at Shangri-La at the Fort and The Rise in Makati.

Increase in prepayments and other current assets by P1.3B mainly due to higher prepaid VAT of Shang Global City Properties, Inc.

Decrease in investment in associates was mainly due to the acquisition of additional 20% equity interest in Shang Global City Properties (SGCPI) and Fort Bonifacio Shangri-La Hotel (FBSHI) wherein the group obtained control over the two companies. The amount of investment in associates reclassified to investment in subsidiary amounted to P2B.

Real estate development project amounting to P11.2B pertains to the construction cost of the hotel portion of the Shangri-La at the Fort project.

The group recognized Goodwill as a result of the business combination during the year. The excess of the acquisition cost over the fair value of the identifiable assets and liabilities assumed amounted to P269.9M.

Refundable deposits increased by P31M mainly due to deposits paid for utilities by One Shangri-La Place and deposit to contractors of Shangri-La at the Fort project.

Increase in accounts payable and other current liabilities by P2.2B due to higher payable to contractors for the construction of various projects.

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

Increase in dividends payable by P83.5M due to declaration of cash dividends amounting to P309.4M on August 14, 2014 and P333.5M on February 19, 2014.

Increase in income tax payable by P78.2M due to higher taxable income generated during the year.

Increase in accrued employee benefits by P28.2M was mainly due to the increased defined benefit obligation of the Group for employee retirement, leaves and other related benefits.

Deposit for future stock subscription refers to deposit to Shang Global City Properties, Inc. which will be converted into equity.

Increase in deferred liabilities by P1.1B was mainly due to the unrealized increase in fair value of Shangri-La at the Fort.

### ***Calendar Year 2013 Compared to Calendar Year 2012***

Total assets of the Company amounted to P39B, a growth of P3B from total assets of P36B in December 31, 2012. The following are significant movements in the assets:

Increase in cash and cash equivalents by P290.5M due to collection from sales of condominium projects and proceeds from bank loans.

Decrease in financial assets at fair value through profit or loss by P1.9M to P30.3M due to the decrease in fair value adjustment recognized on stock market investment.

Receivables increased by P2.2B due to higher installment receivables from the sale of condominium units from various projects.

Decrease in condominium units held for sale by P90.9M to P119.5M mainly due to the sale of residential condominium units at St. Francis Shangri-La Place.

Decrease in construction in progress by P815.5M was mainly due to the completion of East Wing Mall and reclassified under Investment Properties.

Decrease in prepayments and other current assets by P161.6M mainly due to the decrease in creditable withholding taxes used in payment of income taxes due for the year.

Decrease in investment in associates by P73.1M due to the sale shares in Exchange Properties Resources Corporation.

Increase in investment properties by P1.6B mainly due to reclassification of completed cost of East Wing Mall from Construction in progress.

Increase in real estate development project by P203.8M mainly due to the development cost of The Rise and reversal of accumulated impairment loss.

Decrease in property and equipment by P4.2M mainly due to depreciation.

Decrease in refundable deposits by P5.7M due to refund from suppliers.

Decrease in deferred income tax assets by P42.2M mainly due to the reversal of accumulated impairment loss on real estate development project.

Increase in accounts payable and other current liabilities by P898.7M due to higher payables to contractors for the construction of various projects.

Increase in bank loans primarily due to availments during the year.

Increase in deposit from tenants and deferred lease income by P201.8M mainly due to higher deposits from new tenants of the East Wing Mall of Shangri-La Plaza.

Increase in dividends payable by P2.9M due to declaration of cash dividends amounting to P238.2M on August 14, 2013.

Increase in income tax payable by P7.9M due to higher taxable income generated during the year.

Decrease in accrued employee benefits by P33.4M was mainly due to the effect of adoption of the Revised PAS 19. The changes in accounting policies have been applied retrospectively which resulted to the increase in 2012 accrued employee benefits by P36.1M (to P73.7M from previously reported P37.2M).

### ***Calendar Year 2012 Compared to Calendar Year 2011***

Total assets of the Company amounted to P36B, a growth of P1.6B from total assets of P34.4B in 2011.



Cash and cash equivalents increased by P164.2M mainly due to collection from sales of One Shangri-La Place condominium units.

Financial assets at fair value through profit or loss increased by P4.9M to P32.3M due fair value adjustment recognize during the year on marketable securities.

Receivables decreased by P100.9M due to collection of installment receivables and liquidation of advances to contractors and suppliers for the completion of projects.

Condominium units held for sale increased by P203.2M mainly represents remaining condominium units at The St. Francis Shangri-La Place.

Construction in progress increased by P637.1M due to cost incurred for new and ongoing projects.

Prepayments and other current assets decreased by P42M. The cash in escrow in 2011 in compliance with the MOAs entered by SPDI with Sigma and GF & P was capitalized to construction cost in Shang Salcedo Place project.

Property and equipment increased by P10.5M due to office building improvements and purchase of company vehicles.

Refundable deposits increased by P13.4M due to deposits paid to contractors.

Increase in deferred income tax assets by P65.9M due to the difference in profit recognized from installment method versus percentage of completion.

Decrease in accounts payable and other current liabilities by P368.5M due to payment to contractors and suppliers.

The increase in bank loans was due to availment of P1.0B.

Increase in deposit from tenants and deferred lease income by P169.7M was mainly due to the deposit from new tenants at the East Wing Mall of Shangri-La Plaza.

Dividends payable increased by P2.2M due to higher dividend per share declared in 2012 amounting to P390.5M from P350.1M in 2011.

Income tax payable increase by P2.0M due to higher income generated during the year.

Increase in accrued employee benefits by P5.0M was mainly due to accrual of retirement benefits.

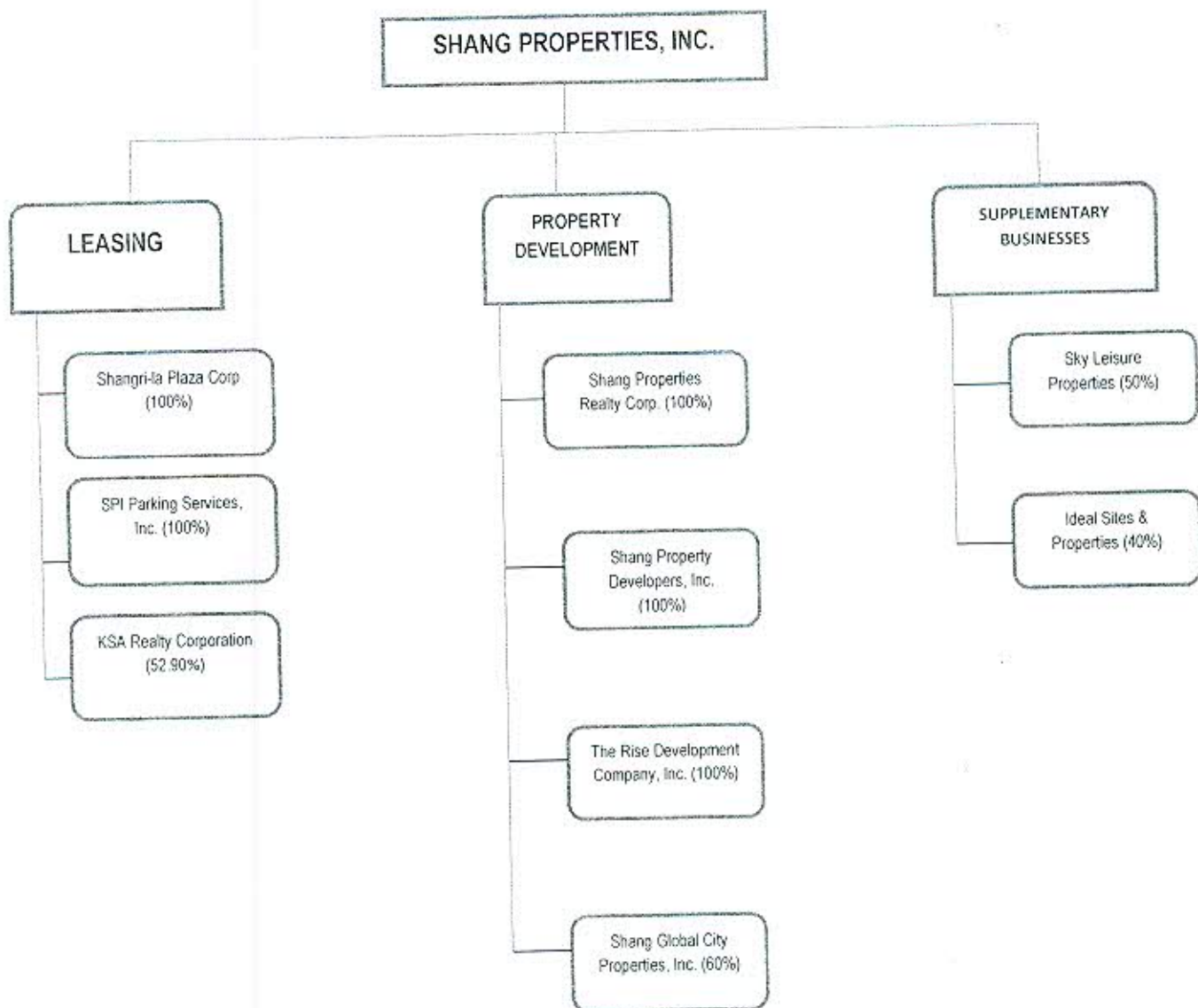
#### **Changes in Financial Condition**

Net Cash provided by operating activities in 2014 amounted to P604.6M. The Cash inflows in 2014 includes collection of revenues from condominium projects and rental revenue from mall operation of the Shangri-La Plaza and office leasing of The Enterprise Center. Net Cash provided by operating activities in 2013 amounted to P2.1B. The Cash inflows in 2013 includes collection of revenues from condominium units of One Shangri-La and Shang Salcedo projects, higher rental from East Wing and Main Mall of the Shangri-La Plaza and office leasing of The Enterprise Center. In 2012, Net Cash provided by operating activities amounted to P609.9M generated mainly from the sales of One Shangri-La Place project and rental from Shangri-La Plaza Mall and office leasing of The Enterprise Center.

Net cash used in investing activities in 2014 amounted to P1.6B used mainly for the acquisition of the Shangri-La at the Fort. Net cash used in investing activities in 2013 amounted to P1.5B used mainly for the completion of the East Wing Mall. In 2012, net cash used in investing activities amounted to P123.9M for the construction of various projects

Net cash provided by financing activities in 2014 amounted to P2B mainly from loan availment. Net cash used in financing activities in 2013 amounted to P237.8M used in repayment of loan principal and interests and cash dividends to shareholders. In 2012, cash used in financing activities of P319.1M in repayment of loan principal and interests and cash dividends to shareho

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





## SCHEDULE OF THE EFFECTIVE STANDARDS AND INTERPRETATIONS

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of December 31, 2014				
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and qualitative characteristics				
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of December 31, 2014				
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	Not early Adopted		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early Adopted		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	Not early Adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early Adopted		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of December 31, 2014				
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Date	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of December 31, 2014				
	Government Assistance			
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28	Investments in Associates	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	Not early Adopted		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of December 31, 2014				
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			
	Amendment to PAS 39: Eligible Hedged Items	✓		
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of December 31, 2014				
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>	✓		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Effective as of December 31, 2014				
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

**Item 4. Reconciliation of retained earnings available for dividend declaration:**

	December 31	
	2014	2013
Unappropriated Parent Company retained earnings, beginning	P1,606,207,424	P1,298,262,823
Add (deduct):		
Net income attributable to equity holders of the		
Parent Company closed to retained earnings	2,735,375,946	2,011,272,641
Share in net profits of:		
Subsidiaries	(1,813,078,446)	(1,754,529,791)
Associates	9,692,903	4,674,079
Dividends received by the Parent Company from its subsidiaries	1,234,919,334	791,671,796
Gain on fair value adjustment of investment properties	--	(27,440,564)

Gain on remeasurement of previously held interest	(577,101,799)	
Income from accretion of interest	(236,879,642)	(228,037,161)
Recognition of deferred income tax liabilities (assets)	(102,172,886)	31,293,108
Fair value adjustment of financial assets at FVPL	(2,663,820)	2,851,730
	1,248,091,590	831,755,838
Dividend declaration during the period	(642,859,246)	(523,811,237)
Total Parent Company retained earnings available for dividend declaration, end	P2,211,439,768	P1,606,207,424

Item 5. Financial soundness indicators in two comparative periods:

Financial Ratios

Fiscal Year Ended

Fiscal Year Ended

December 31, 2014

December 31, 2013

Liquidity Analysis Ratios:

Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	2.37	2.09
Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	2.08	1.97
Solvency Ratio	Total Assets / Total Liabilities	2.03	2.74

Financial Leverage Ratios

Debt Ratio	Total Debt/Total Assets	0.49	0.37
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Debt-to-Equity Ratio	Total Debt/Total Stockholders' Equity	0.97	0.57
Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	19.12	17.51
Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	1.97	1.57
Profitability Ratios			
Gross Profit Margin	Sales - Cost of Goods Sold or Cost of Service / Sales	0.62	0.53
Net Profit Margin	Net Profit / Sales	0.49	0.36
Return on Assets	Net Income / Total Assets	0.06	0.06
Return on Equity	Net Income / Total Stockholders' Equity	0.11	0.09
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	5.747	7.742

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

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

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

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

Not Applicable

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

Not Applicable

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

Not Applicable

**Item 7. Information of Independent Accountant and other related matters**

**a. External Audit Fees and Services**

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

	2014	2013
Audit Fees	3,531,921	2,694,303
Tax Consultancy Fees	456,065	0
	3,987,986	2,694,303

No other service was provided by external auditors to the Company for the fiscal years 2014 and 2013.

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

None

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

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

The Issuer has had no disagreements with its Accountants SGV & Co. The Issuer is compliant with the SRC rule 68, as amended, par 3(b)(iv), and has observed the rotation of signing partners for its Independent Public Accountants, SGV. With respect to SGV, the signing partner starting FY 2011 is Arnel de Jesus. SGV is a SEC-accredited external auditing for the period 14 February 2013, valid until 13 February 2016.

**PART III - CONTROL AND COMPENSATION INFORMATION**

**Item 9. Directors and Executive Officers of the Issuer**

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



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

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

The Directors, Independent Directors and Executive Officers of the Issuer are as follows (as of 31 March 2015):

Name	Citizenship	Director/ No. of Years	Age	Office Held	Directorship in other reporting (Listed) Companies
Edward Kuok Khoon Loong	Malaysian	Yes /23 yrs.	61	Chairman	None
Alfredo C. Ramos	Filipino	Yes /26yrs. & 7 mos.	70	Vice Chairman	Anglo Philippine Holdings Corp., The Philodrill Corp., Vulcan and Industrial Mining and Development Corp., Penta Capital Holdings Corp., Philippine Seven Corp.
Cynthia R. Del Castillo	Filipino	Yes /13yrs & 9 mos.	61		Sanitary Wares & Mfg. Corp.
Benjamin I. Ramos	Filipino	Yes /4 yrs. & 7 mos.	46		None
Wilfred Shan Chen Woo	Canadian	Yes/3 yrs. & 7 mos.	56		None
Danila Regina I. Fojas	Filipino	Yes/12 yrs. & 9 mos.	60		None
Kin Sun Andrew Ng	British Hong Kong	Yes/9 yrs. & 9 mos.	57	Group Financial Controller	None
Federico G. Noel, Jr.	Filipino	Yes /15 yrs & 4 mos.	52	Corporate Secretary	None
Ma. Myla Rae M. Santos- Orden	Filipino	(No)	48	Asst. Corp. Secretary	None
Wilkie Lee		Yes /6 yrs & 9 mos.	57		None
Johnny O. Cobankiat***	Filipino	Yes /7 yrs. & 9 mos.	63		None
Antonio O. Cojuangco***	Filipino	Yes /7 yrs. & 7 mos.	62		None
Ho Shut Kan	New Zealand	Yes /4 yrs & 9 mos.	65		None
Manuel M. Cosico	Filipino	Yes/1 yr & 9 mos.	72		None
Koay Kean Choon	Malaysian	Yes/1 yr & 9 mos.	59	Senior Project Director	None
Maximo G. Licaucio III	Filipino	Yes/1 yr. & 4 mos.	65		None

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

**Alfredo C. Ramos** is the Vice Chairman of the Company. He is the Chairman of the Board of Anglo Philippine Holdings, Inc., Anvil Publishing, Inc., Carmen Copper Corporation, NBS Express, Inc. and Vulcan Materials Corporation. He is the Chairman and President of Atlas Consolidated Mining & Development Corporation, The Philodrill Corporation, National Book Store, Inc., Vulcan Industrial & Mining Corporation and United Paragon Mining Corporation. He is also the President of Abacus Book & Card Corporation, Crossings Department Store

Corp., Power Books, Inc., and MRT Holdings Inc. He is Vice Chairman of Shangri-La Plaza Corporation, MRT Development Corporation, Metro Rail Transit Corporation and LR Publications, Inc.

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

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

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

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

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

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

**Wilkie Lee** is a Project Director of Kerry Properties Ltd. with extensive experience in the real estate business in Australia and Hong Kong. He obtained his Bachelor's Degree in Civil Engineering from the University of Saskatchewan, Canada and a Master's Degree in Business Administration from the University of Notre Dame, USA and the London Business School.

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

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

**Federico G. Noel, Jr.** is the General Counsel 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.



**Manuel M. Cosico** is a Partner of Romulo Mabanta Buenaventura, Sayoc & de los Angeles Law Firm. He is Chairman of 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 a former Professor of Evidence, Civil Procedure, Special Proceedings and Trial Techniques at Ateneo de Manila University.

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

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

**Ma. Myla Rae M. Santos – Orden** is Assistant Corporate Secretary and has been the Assistant General Counsel of the Company for the past 15 years.

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

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

(2) Significant Employees

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

(3) Family Relationships

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

(4) Involvement in Certain Legal Proceedings

- (A) None of the directors or executive officers of the Issuer has had any bankruptcy petition filed by or against any business of which such director or executive officer was a general partner or executive officer either at the time of bankruptcy or within two years to that time;
- (B) None of the directors or executive officers of the Issuer has had any conviction by final judgment in a criminal proceedings, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- (C) None of the directors or executive officers of the Issuer has been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities;
- (D) None of the directors or executive officers of the Issuer has been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, to have violated a securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

**Item 10. Executive Compensation**

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

The following is a summary of the aggregate compensation paid or accrued during the last two (2) fiscal years, i.e. 2013 and 2014 and to be paid in the ensuing fiscal year 2015 to the Company's Chief Executive Officer and four (4) other most highly compensated executive officers who are individually named, and to all other officers and directors of the Company as a group:

OFFICERS/DIRECTORS	FISCAL YEAR	AGGREGATE COMPENSATION (in P)		
		Basic	Bonus	Total
<b>2015</b>				
Kin Sun Andrew Ng, Group Financial Controller		37,338,106.00	15,249,265.07	52,587,391.07
Federico G. Noel, Jr., Corporate Legal Counsel				
Eden Lin, Project Manager				
Danila Regina I. Fojas, Executive Vice President				
<b>2014</b>	2014	35,601,280.00	13,477,112.43	49,078,392.43
Kin Sun Andrew Ng, Group Financial Controller				
Vicente P. Formoso, Vice President, Chief Financial Officer/Treasurer				
Federico G. Noel, Jr., Corporate Legal Counsel				
Eden Lin, Project Manager				
Danila Regina I. Fojas, Executive Vice President				
<b>*VICENTE P. FORMOSO RESIGNED FROM THE ISSUER EFFECTIVE JANUARY 2013</b>				
<b>2013</b>	2013	34,763,536.00	13,530,877.43	48,294,413.43
Kin Sun Andrew Ng, Group Financial Controller				
Vicente P. Formoso, Vice President, Chief Financial Officer/Treasurer				
Federico G. Noel, Jr., Corporate Legal Counsel				
Eden Lin, Project Manager				
Danila Regina I. Fojas, Executive Vice President				

#### Compensation of Directors

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

#### Other arrangements with Directors

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

#### Warrants and options

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

#### Item 11. Security Ownership of Certain Beneficial Owners and Management

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

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

Following are the stockholders who are known to the Issuer to be directly or indirectly the record and/or beneficial owner of more than 5% of any class of the Issuer's voting shares as of 31 March 2015.



Title of Class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	PCD Nominee Corporation (Filipino) G/F, MSE Building 6767 Ayala Avenue Makati City	R	Filipino	1,192,642,624	25.03%
Common	Travel Aim Investment B. V. 25/F Kerry Centre 683 King's Road Quarry Bay, HK	R	Foreign	1,648,869,372	34.61%
Common	Ideal Sites & Properties, Inc.	R	Filipino	1,465,615,626	30.76%

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

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

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

(2) Security Ownership of Management (as of 31 March 2015)

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

As of the reporting of SEC Form 17-A for 2014, the aggregate ownership of all directors and officers as a group unnamed is 4,814,028 shares or 0.001% of the outstanding shares of Issuer.

(3) Voting trust holders of 5% or more

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

(4) Changes in Control

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

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

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

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

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

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

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

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

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

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

In compliance with PSE Memorandum No. 2010-0505 which requires the disclosure of the level of public ownership of the Issuer, as of **31 March 2015**, is **65.29%** of the Issuer's total issued and outstanding shares is publicly owned in accordance with the PSE's guidelines for the computation of public ownership.

**PART IV — EXHIBITS AND SCHEDULES**

**Item 14. Exhibits and Reports on SEC Form 17-C**

(a) Exhibits

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

	Description	12-1	17-C	17-Q	17-A
1	Publication of Notice re: Filing	x			
2	Underwriting Agreement	x	x		
3	Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	x	x	x	n/a
4	(A) Articles of Incorporation (B) By-laws	x	x		



5	Instruments Defining the Rights of Security Holders, Including Indentures	x	x	x	n/a
6	Opinion re: Legality	x			
7	Opinion re: Tax Matters	x			
8	Voting Trust Agreement	x	x		n/a
9	Material Contracts	x	x		
10	Annual Report to Security Holders, FORM 17-Q or Quarterly Report to Security Holders—n1	x			n/a
11	Material Foreign Patents	x			
12	Letter re: Unaudited Interim Financial Information	x		x	
13	Letter re: Change in Certifying Accountant—n2	x	x		n/a
14	Letter re: Director Resignation		x		
15	Letter re: Change in Accounting Principles				n/a
16	Report Furnished to Security Holders			x	n/a
17	Other Documents or Statements to Security Holders			x	
18	Subsidiaries of the Issuer	x			x
19	Published Report Regarding Matters Submitted to Vote of Security Holders	x			n/a
20	Consents of Experts and Independent Counsel	x	x-n3	x-n3	x-n3
21	(a) Power of Attorney (b) Power of Attorney—Foreign Issuer	x	x	x	n/a
22	Statement of Eligibility of Trustee	x			
23	Exhibits To Be Filed With Commercial Papers/Bond Issues	x			
24	Exhibits To Be Filed With Stock Options Issues	x			
25	Exhibits To Be Filed By Investment Companies	x			
26	Notarized Curriculum Vitae and Photographs of Officers and Members of the Board of Directors	x			
27	Copy of the BOI Certificate for BOI Registered Companies	x			
28	Authorization re: Issuer's Bank Accounts.	x			
29	Additional Exhibits	x	x	x	n/a
30	Copy of Board Resolution approving the securities offering and authorizing the filing of the Registration Statement	x			
31	Duly verified resolution of the issuer's Board of Directors approving the disclosures contained in the registration statement and assuming liability for the information contained therein	x			
32	Secretary's Certificate as to adoption by the Board of certain corporate governance principles	x			
33	Exhibits to be filed for proprietary or non-proprietary shares issues	x			
34	Exhibits to be filed for Warrants Issues	x			

(b) Reports on SEC Form 17-C

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

Following are the reports, in SEC Form 17-C, which were filed during the fiscal year ended 31 December 2014:

1. 19 February 2014 – Reports that during the regular meeting of the Issuer's Board of Directors held on 19 February 2014, the Board approved the following:
  - i) The declaration of P.060 per share cash dividend to all shareholders of record as of 07 March 2014, to be taken from the unrestricted retained earnings as reflected in the audited financial statements of the Issuer as of 31 December 2013, to be Paid on or before 14 March 2014;
  - ii) Passed resolutions to approve the audited financial statements of the Issuer for the period ended 31 December 2013.
2. 30 April 2014 – Reports that the Issuer's subsidiaries, Shang global City Holdings, Inc. and Shang Fort Bonifacio Holdings, Inc., have agreed to acquire Alphaland Development, Inc.'s 20% equity in Shang Global City Properties, Inc., and Fort Bonifacio Shangri-La Hotel, Inc.
3. 13 may 2014 – Reports that the Issuer will hold its Annual Stockholders' Meeting on 24 June 2014 at 10:00 am at the Palawan Ballroom, Edsa Shangri-La Hotel, Manila, No. 1 Garden Way, Ortigas Center, Mandaluyong City. Record date is set on 04 June 2014.
4. 24 June 2014- Reports that during the Issuer's Annual Stockholders' Meeting held on 24 June 2014, the following matters were taken up:

#### Election of Directors

The following were elected to serve as members of the Board of Directors for the year 2014-2015, namely:

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

#### Issuer's Certifying Accountant

Sycip Gorres Velayo & Co. was reappointed as external auditors for the year 2014-2015.

#### Amendment of Issuer's Articles of Incorporation with respect to Principal Place of Business

The Issuer's shareholders representing at least 2/2 of the issued and outstanding capital stock entitled to vote, passed and approved resolutions to amend ARTICLE THIRD of the ARTICLES OF INCORPORATION to change the principal address from "METRO MANILA" to 'ADMINISTRATION OFFICES, SHANGRI-LA PLAZA MALL, EDSA COR. SHAW BLVD., MANDALUYONG CITY' in compliance with SEC Memorandum No. 6, Series of 2014.

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

#### Election of Officers

- 1) Edward Kuok Khoo Loong - Chairman



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

**Executive Committee**

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

**Audit Committee:**

- |    |                     |   |             |
|----|---------------------|---|-------------|
| 1) | Johnny O. Cobankiat | - | Chairman    |
| 2) | Alfredo C. Ramos    | - | Co-Chairman |
| 3) | Manuel M. Cosico    | - | Member      |
| 4) | Josephine Logrono   | - | Secretary   |

**Nomination Committee**

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

5. 01 August 2014 – Reports the approval by the SEC of the amendment of the Issuer's Articles of Incorporation regarding the change of its principal address from "Metro Manila" to "Administration Offices, Shangri-La Plaza Mall, Edsa cor. Shaw Blvd., Mandaluyong City. The amendment was made in compliance with SEC Memorandum No. 6, Series of 2014.
6. 14 August 2014 – Reports that during the regular meeting of the Issuer's Board of Directors held on 14 August 2014, the Board approved the following:
  - i) Cash Dividends – The declaration of P0.08500 per share cash dividend to all shareholders of records as of 29 August 2014 to be taken from the unrestricted retained earnings as reflected in the unaudited financial statements of the Issuer as of 30 June 2014 to be paid on or before 10 September 2014.
7. 25 November 2014 – Reports that During the regular meeting of the Issuer's Board of Directors held on 25 November 2014, the Board approved the adoption of a Whistleblowing Policy.


Following are the reports, in SEC Form 17-C, which were filed in 2014 as of 31 March 2015:

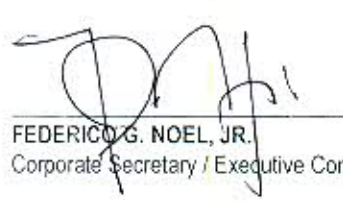
1. 27 March 2015– Reports that during the regular meeting of the Issuer's Board of Directors held on 27 March 2015, the Board approved the following:
  - i) The declaration of P0.08500 per share cash dividend to all shareholders of record as of 15 April 2015, to be taken from the unrestricted retained earnings as reflected in the audited financial statements of the Issuer as of 31 December 2014, to be paid on or before 20 April 2015;
  - ii) Passed resolutions to approve the audited financial statements of the Issuer for the period ended 31 December 2014.

## SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the Issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong on this 14<sup>th</sup> day of April 2015.

By:

  
KIN SUN ANDREW NG  
Group Financial Controller / Executive Committee Member

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

## ACKNOWLEDGEMENT

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

SUBSCRIBED AND SWORN to before me in the City of Mandaluyong this 14 day of April 2015 by:

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

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

The foregoing **SEC 17-A Report of Shang Properties, Inc.** consists of forty one (41) pages including the page on which this acknowledgment is written.

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

Doc No. 168  
Page No. 35  
Book No. 66  
Series of 2015

**JOVEN G. SILLANO**  
NOTARY PUBLIC  
COMMISSION NO. 0265-15 UNTIL **DECEMBER 31, 2016**  
ROLL NO. 53970  
JEP LIFETIME REG. 011302 RIZAL  
PTR NO. 2774111; 1-5-13; MANDALUYONG  
MCLE COM. JAMES JOY IV - 0014590 - 23 APRIL 2013  
METRO PARK COMPLEX, MANDALUYONG CITY



## SEC Registration Number

Company Name

Principal Office (No./Street/Barangay/City/Town/Province)

Form Type

Department requiring the report

Secondary License Type, If Applicable

## COMPANY INFORMATION

Company's Email Address

Company's Telephone Number/s

Mobile Number

No. of Stockholders

Annual Meeting  
Month/Day

Fiscal Year  
Month/Day

## CONTACT PERSON INFORMATION

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

Name of Contact Person

Email Address

Telephone Number/s

Mobile Number

Contact Person's Address

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



## INDEPENDENT AUDITORS' REPORT

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

### Report on the Parent Company Financial Statements

We have audited the accompanying parent company financial statements of Shang Properties, Inc., which comprise the parent company statements of financial position as of December 31, 2014 and 2013, and the parent company statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Parent Company Financial Statements*

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

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these parent company 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 parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the parent company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the parent company 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 parent company 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 financial statements.

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





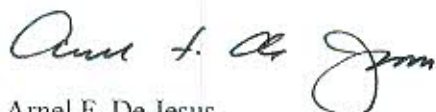
*Opinion*

In our opinion, the parent company financial statements present fairly, in all material respects, the financial position of Shang Properties, Inc. as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

**Report on the Supplementary Information Required under Revenue Regulations 15-2010**

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

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

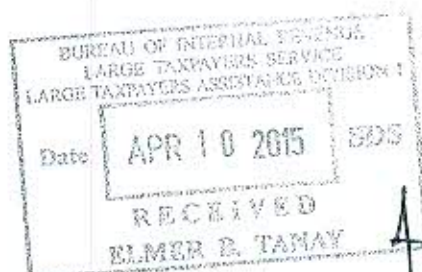
Tax Identification No. 152-884-385

BIR Accreditation No. 08-001998-15-2012,

June 19, 2012, valid until June 18, 2015

PTR No. 4751272, January 5, 2015, Makati City

March 27, 2015



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR  
FINANCIAL STATEMENTS

March 27, 2015

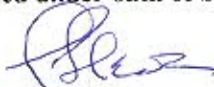
To the Securities and Exchange Commission  
SEC Building, EDSA, Greenhills  
City of Mandaluyong, Metro Manila

The management of **Shang Properties, Inc.** is responsible for the preparation and fair presentation of the financial statements as of December 31, 2014 and 2013, 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 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 financial statements and submits the same to the stockholders.

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

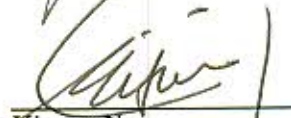
Signed under oath of by the following:



**Edward Kuok**  
Chairman of the Board



**Wilfred Woo**  
Executive Assistant to the Chairman



**Kinsun Ng**  
Vice-President – Group Financial Controller/Acting Chief Finance Officer





Acknowledgement

REPUBLIC OF THE PHILIPPINES )  
IN THE CITY OF **QUEZON CITY**) S. S.

**QUEZON CITY**

**APR 10 2015**

Before Me, a Notary Public for and in \_\_\_\_\_, this \_\_\_\_ day of \_\_\_\_\_ 2015, the following personally appeared:

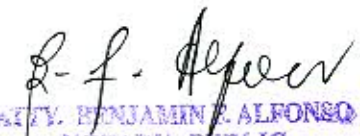
Name	Passport No.	Date/Place of Issuance
Edward Kuok Khoon Loong	A10771987	August 23, 2006, Kuala Lumpur
Wilfred Woo	BA654012	January 10, 2010, Hongkong
Kinsun Ng	501133959	November 22, 2012, Hongkong

known to me and to me known to be the same persons who executed the foregoing and they acknowledged to me that the same are their true and voluntary act and deed.

The foregoing consists of two (2) pages, including this page wherein the acknowledgement is written and signed hereto and their instrumental witnesses on each and every page hereof.

WITNESS MY HAND AND SEAL on the date and place above-stated

Doc. No. 89;  
Page No. 18;  
Book No. 57;  
Series of 2015.

  
**ATTY. BENJAMIN E. ALFONSO**  
**NOTARY PUBLIC**  
UNTIL December 31, 2016  
PTR NO. 0682987 - C - 1-20-15  
IBP NO. 975680 - 12-11-2014  
ROLL NO. 13296  
ADM. MATTER NO. N.P -144 (2015-2016)  
TIN NO. 177967619  
MCLE EXEMPTED

# SHANG PROPERTIES, INC.

## PARENT COMPANY STATEMENTS OF FINANCIAL POSITION



	December 31	
	2014	2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	P425,679,878	P495,538,104
Financial assets at fair value through profit or loss (Note 5)	3,426,453	1,356,419
Receivables (Note 6)	956,263,833	1,838,294,352
Properties held for sale (Note 7)	78,157,835	78,385,335
Prepayments and other current assets (Note 8)	116,115,379	109,537,198
<b>Total Current Assets</b>	<b>1,579,643,378</b>	<b>2,523,111,408</b>
<b>Noncurrent Assets</b>		
Investments and advances (Note 9)	12,486,939,811	10,740,556,011
Investment properties (Note 10)	8,486,270,219	8,478,350,426
Available-for-sale financial assets (Note 11)	93,270,867	92,770,867
Property and equipment (Note 12)	40,578,030	44,825,269
Retirement benefit asset (Note 18)	—	1,883,107
Refundable Deposit	425,424	357,424
<b>Total Noncurrent Assets</b>	<b>21,107,484,351</b>	<b>19,358,743,104</b>
<b>TOTAL ASSETS</b>	<b>P22,687,127,729</b>	<b>P21,881,854,512</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and other current liabilities (Note 13)	P668,495,456	P637,638,434
Current portion of long-term loan (Note 14)	583,333,333	583,333,333
Dividends payable (Note 16)	24,294,914	20,844,008
<b>Total Current Liabilities</b>	<b>1,276,123,703</b>	<b>1,241,815,775</b>
<b>Noncurrent Liabilities</b>		
Long-term loan - net of current portion (Note 14)	4,512,500,000	4,195,833,334
Accrued retirement benefits (Note 18)	10,197,701	—
Deposits from tenants	999,039	999,039
Deferred income tax liabilities - net (Note 21)	2,579,931,091	2,590,531,194
<b>Total Noncurrent Liabilities</b>	<b>7,103,627,831</b>	<b>6,787,363,567</b>
<b>Total Liabilities</b>	<b>P8,379,751,534</b>	<b>P8,029,179,342</b>
<b>Equity</b>		
Capital stock - P 1.00 par value		
Authorized - 8,000,000,000 shares,		
Issued and outstanding - 4,764,058,982 shares	4,764,058,982	4,764,058,982
Additional paid-in capital	1,210,073,869	1,210,073,869
Treasury shares - at cost (Note 15)	(6,850,064)	(6,850,064)
Other components of equity (Notes 11 and 18)	(7,600,866)	(1,557,176)
Retained earnings (Note 16)	8,347,694,274	7,886,949,559
<b>Total Equity</b>	<b>14,307,376,195</b>	<b>13,852,675,170</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P22,687,127,729</b>	<b>P21,881,854,512</b>

See accompanying Notes to Parent





**SHANG PROPERTIES, INC.**
**PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31	
	2014	2013
<b>REVENUES</b>		
Rental (Notes 10 and 24)	P211,185,918	P227,088,111
Sale of Condominium units	660,246	33,004,344
	<b>211,846,164</b>	<b>260,092,455</b>
<b>COSTS AND EXPENSES</b>		
Staff costs (Note 17)	65,067,030	64,934,059
General and administrative (Note 19)	52,331,415	53,859,318
Taxes and licenses (Note 19)	38,598,714	27,044,227
Depreciation and amortization (Note 12)	9,616,556	8,960,089
Costs of Condominium units sold (Note 7)	227,500	13,442,944
	<b>165,841,215</b>	<b>168,240,637</b>
<b>OTHER INCOME (LOSS)</b>		
Dividend income (Note 22)	1,234,919,334	796,672,146
Interest expense (Note 14)	(186,162,235)	(169,697,752)
Interest income (Note 4)	2,706,786	12,530,713
Gain (loss) on fair value adjustments of financial assets at fair value through profit or loss (Note 5)	2,070,034	(1,624,485)
Foreign exchange gain (Note 4)	486,151	1,580,270
Bank charges	(98,068)	(157,488)
Loss on sale of land (Note 10)	-	(344,820,000)
Other income (Note 20)	258,110	5,129,902
	<b>1,054,180,112</b>	<b>299,613,306</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>1,100,185,061</b>	<b>391,465,124</b>
<b>BENEFIT FROM INCOME TAX</b> (Note 21)	<b>(3,418,900)</b>	<b>(98,121,028)</b>
<b>NET INCOME</b>	<b>1,103,603,961</b>	<b>489,586,152</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Items that may be reclassified to profit or loss:		
Change in fair value of available-for-sale financial assets, net of tax effect (Note 11)	350,000	210,000
Items that will not be reclassified to profit or loss:		
Remeasurement gains (losses) on defined benefit liability, net of tax effect (Note 18)	(6,393,690)	1,415,062
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>P1,097,560,271</b>	<b>P491,211,214</b>

*See accompanying Notes to Parent Company Financial Statements.*



**SHANG PROPERTIES, INC.**

**PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	Other Components of Equity						
	Capital Stock	Additional Paid-in Capital	Treasury Shares (Note 15)	Cumulative Changes in			Retained Earnings (Note 16)
				Fair Value of Available-for-Sale Financial Assets (Note 11)	Remeasurement Gains (Losses) on Defined Benefit Liability (Note 18)	Subtotal	
BALANCES AT DECEMBER 31, 2013	₱4,764,058,982	₱1,210,073,869	(₱6,850,064)	₱3,062,500	(₱4,619,676)	₱7,886,949,559	₱13,852,675,170
Total comprehensive income (loss)	—	—	—	350,000	(6,393,690)	1,103,603,961	1,097,560,271
Cash dividends (Note 16)	—	—	—	—	—	(642,859,246)	(642,859,246)
BALANCES AT DECEMBER 31, 2014	₱4,764,058,982	₱1,210,073,869	(₱6,850,064)	₱3,412,500	(₱11,013,366)	₱8,347,694,274	₱14,307,376,195
BALANCES AT DECEMBER 31, 2012	₱4,764,058,982	₱1,210,073,869	(₱6,850,064)	₱2,852,500	(₱6,034,738)	₱7,921,174,644	₱13,885,275,193
Total comprehensive income	—	—	—	210,000	1,415,062	489,586,152	491,211,214
Cash dividends (Note 16)	—	—	—	—	—	(523,811,237)	(523,811,237)
BALANCES AT DECEMBER 31, 2013	₱4,764,058,982	₱1,210,073,869	(₱6,850,064)	₱3,062,500	(₱4,619,676)	₱7,886,949,559	₱13,852,675,170

See accompanying Notes to Parent Company Financial Statements.





**SHANG PROPERTIES, INC.**
**PARENT COMPANY STATEMENTS OF CASH FLOWS**

	Years Ended December 31	
	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	P1,100,185,061	P391,465,124
Adjustments for:		
Dividend income (Note 22)	(1,234,919,334)	(796,672,146)
Interest expense (Note 14)	186,162,235	169,697,752
Depreciation and amortization (Note 12)	9,616,556	8,960,089
Interest income (Note 4)	(2,706,786)	(12,530,713)
Loss (gain) on fair value adjustments of financial assets at fair value through profit or loss (Note 5)	(2,070,034)	1,624,485
Foreign exchange gain (Note 4)	(486,151)	(1,580,270)
Loss on sale of land (Note 10)	—	344,820,000
Gain on sale of property and equipment (Note 20)	—	(216,983)
Operating income before working capital changes	55,781,547	105,567,338
Decrease (increase) in:		
Receivables	881,638,325	(1,093,973,082)
Properties held for sale	227,500	754,444,839
Prepayments and other current assets	(6,578,181)	(12,875,476)
Increase (decrease) in:		
Accounts payable and other current liabilities	25,828,015	(130,866,702)
Accrued retirement benefits	2,946,965	(9,985,176)
Net cash generated from (used for) operations	959,844,171	(387,688,259)
Income taxes paid	(4,591,050)	(58,401,486)
Interest received	2,798,980	12,261,070
Net cash provided by (used in) operating activities	958,052,101	(433,828,675)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received	1,235,219,334	796,672,146
Decrease (increase) in investments and advances	(1,746,383,800)	94,785,485
Additions to:		
Investment properties (Note 10)	(7,919,793)	(38,679,908)
Property and equipment (Note 12)	(5,369,317)	(3,909,644)
Refundable deposits	(68,000)	—
Proceeds from sale of property and equipment	—	264,197
Net cash provided by (used in) investing activities	(524,521,576)	849,132,276



	Years Ended December 31	
	2014	2013
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loan availment	P900,000,000	P1,300,000,000
Payments of:		
Loan principal	(583,333,334)	(583,333,333)
Cash dividends	(639,408,340)	(520,922,328)
Interest	(181,133,228)	(180,943,857)
Net cash generated from (used in) financing activities	(503,874,902)	14,800,482
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	486,151	1,580,270
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(69,858,226)	431,684,353
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	495,538,104	63,853,751
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)</b>	<b>P425,679,878</b>	<b>P495,538,104</b>

See accompanying Notes to Parent Company Financial Statements.





## SHANG PROPERTIES, INC.

### NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

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

##### Corporate Information

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

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

The Company has its primary listing on the Philippine Stock Exchange (PSE). It was registered on June 13, 1991 with total listed shares of 4,764,058,982, which was initially issued at ₱1.18 per share. As of December 31, 2014 and 2013, the Company has 5,457 and 5,553 stockholders, respectively. The details of the Company's stockholders are disclosed in the annual report.

##### Authorization for Issue of the Parent Company Financial Statements

The parent company financial statements have been approved and authorized for issue in accordance with a resolution of the Board of Directors (the Board) on March 27, 2015.

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

##### Basis of Preparation

The parent company 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 parent company financial statements are presented in Philippine Peso (Peso), which is the Company's functional and presentation currency, with amounts rounded to the nearest Peso.

##### Statement of Compliance

The parent company financial statements 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 accounting policies adopted are consistent with those of the previous financial year, except for the following new, amended and improvements to PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) which the Company has adopted during the year. However, they do not impact the parent company financial statements, unless otherwise stated below:

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)  
These amendments 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 fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief.

- PAS 32, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (Amendments)*  
These amendments clarify the meaning of ‘currently has a legally enforceable right to offset’ and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively.
- 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 and retrospective application is required.
- PAS 36, *Impairment of Assets – Recoverable Amount Disclosure for Non-Financial Assets (amendments)*  
These amendments remove the unintended consequences of PFRS 13, Fair Value Measurement, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.
- 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. Retrospective application is required for IFRIC 21.
- Annual Improvements to PFRSs (2010-2012 cycle) (PFRS 13, *Fair Value Measurement*)  
In the 2010 – 2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.
- Annual Improvements to PFRSs (2011-2013 cycle) (PFRS 1, *First-time Adoption of PFRS*)  
In the 2011 – 2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards—First-time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity’s first PFRS financial statements.





#### Future Changes in Accounting Policies

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

- PFRS 9, *Financial Instruments* – Classification and Measurement (2010 version)  
PFRS 9 (2010 version) 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*. 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 fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. 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 Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

- 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 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 adoption of this interpretation will result to a change in the revenue and cost recognition from percentage of completion method to completed contract method. The Company has made an assessment and is continuously monitoring the impact of this new interpretation to its parent company financial statements.

The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval by BOA.





*Effective January 1, 2015*

- PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments)  
PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Company, since the Company do not have defined benefit plans with contributions from employees or third parties.
- Annual Improvements to PFRSs (2010-2012 cycle)  
The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Company. They include:
  - PFRS 2, *Share-based Payment – Definition of Vesting Condition*;
  - PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*;
  - PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*;
  - PFRS 13, *Fair Value Measurement – Short-term Receivables and Payables*;
  - PAS 16, *Property, Plant and Equipment – Revaluation Method – Proportionate Restatement of Accumulated Depreciation*;
  - PAS 24, *Related Party Disclosures – Key Management Personnel*; and
  - PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Amortization*.
- Annual Improvements to PFRSs (2011-2013 cycle)  
The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Company. They include:
  - PFRS 1, *First-time Adoption of PFRS – Meaning of 'Effective PFRSs'*;
  - PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*;
  - PFRS 13, *Fair Value Measurement – Portfolio Exception*; and
  - PAS 40, *Investment Property*.

*Effective January 1, 2016*

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*  
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.





- PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (Amendments)

The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company.

- PFRS 14, *Regulatory Deferral Accounts*

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Company is an existing PFRS preparer, this standard would not apply.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture – Bearer Plants* (Amendments)

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company as the Company does not have any bearer plants.





▪ PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements* (Amendments)

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Company's parent company financial statements.

Current versus Noncurrent Classification

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

An asset is current when it is:

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

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

Fair Value Measurement

The Company measures financial instruments, such as financial assets at FVPL, AFS financial assets, and non-financial assets, such as investment properties, at fair value at each reporting date. Additional fair value related disclosures including fair values of financial instruments measured at amortized cost are disclosed in Note 26.

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

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





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

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

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

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

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

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

For assets and liabilities that are recognized in the parent company financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by 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 Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### Cash and Cash Equivalents

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

#### Financial Instruments

##### *Initial Recognition and Measurement*

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

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





### *Classification*

Financial assets are classified as financial assets at FVPL, loans and receivables, held to maturity (HTM) financial assets, and AFS financial assets as appropriate. Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities. The Company determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates the designation at each reporting date. As of December 31, 2014 and 2013, the Company has no HTM financial assets and liabilities at FVPL.

### *Financial Assets at FVPL*

Financial assets at FVPL are those 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, 2014 and 2013, the Company has investment in shares of stock of various publicly listed companies which are classified as financial assets at FVPL.

### *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate (EIR) method, less any allowance for impairment. 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 the profit or loss when the loans and receivables are derecognized, impaired or amortized.

As of December 31, 2014 and 2013, the Company's loans and receivables consist of cash in banks, cash equivalents, rental receivables, installment contracts receivable, receivable from related parties, refundable deposits, advances to officers and employees, interest receivable and other receivables.

### *AFS Financial Assets*

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





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

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

As of December 31, 2014 and 2013, the Company's investment in proprietary club shares and listed and unlisted shares of stock are classified as AFS financial assets.

#### *Other Financial Liabilities*

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

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

As of December 31, 2014 and 2013, the Company's other financial liabilities include accounts payable and other current liabilities (except for output value-added tax (VAT) and withholding taxes), long-term loan and deposits from tenants.

#### *Financial Guarantee*

Financial guarantees are not recognized in the parent company 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 Company.

#### *Determination of Fair Value*

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

#### *Day 1 Difference*

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





### *Offsetting*

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

### *Impairment of Financial Assets*

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

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

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

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

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

#### *b. AFS Financial Assets*

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

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against





the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss, is removed from OCI and recognized in the profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

*c. Financial Assets Carried at Cost*

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

*Derecognition*

*a. Financial Assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

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

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

*b. Financial Liabilities*

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

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 the cost of the unsold units of The St. Francis Shangri-La Place (TSFSP) Project. Cost includes the cost of land contributed by the Company for the TSFSP Project.

#### Prepayments and Other Current Assets

##### *Prepaid Expenses*

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

##### *Creditable Withholding Tax (CWT)*

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

#### Investments in Subsidiaries and Associates

##### *Subsidiaries*

Subsidiaries are entities over which the Company has control. Control is achieved by the 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 Company controls the subsidiary if and only if the 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 Company has less than a majority of the voting or similar rights of an investee, the Company 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 Company's voting rights and potential voting rights.

The Company 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.

##### *Associates*

An associate is an entity over which the Company 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.





Investments in subsidiaries and associates are accounted for using the cost method, less accumulated impairment, if any. Under this method, an investment is recognized at cost and income from investment is recognized in profit or loss only to the extent that the investor receives distribution from accumulated profits of the investee arising after the acquisition date. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

#### Investment Properties

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

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

After initial recognition, investment properties are carried at fair value. 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 Company obtains an updated appraisal report when management believes there are significant changes in the fair values of the investment properties. The fair values of investment properties are determined by independent valuers. The fair value of each of the Company'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 Company and the cost of the item can be reliably measured. Repair and maintenance costs are recognized in profit or loss in the period in which they are incurred.

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

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

When the Company completes the construction or development of a self-constructed investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognized in profit or loss. If a land or building and building improvement classified as "Property and equipment" becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and





equipment up to the date of change in use. For transfer from investment property carried at fair value to property and equipment or construction in progress, the investment property's deemed cost shall be its fair value at the date of change in use.

#### Property and Equipment

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

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

Depreciation and amortization commence once the assets are available for use and 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 improvements	25
Transportation equipment	2 to 5
Furniture, fixtures and other equipment	2 to 4

Leasehold improvements are amortized over their estimated useful lives (EUL) of two to three years.

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

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

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

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

#### Impairment of Nonfinancial Assets

The Company assesses at each reporting date whether there is an indication that the nonfinancial assets consist of investments in subsidiaries and associates and property and equipment may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable





amount is the higher of an asset's or 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:

#### *Investment in Subsidiaries and Associates*

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

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





## Equity

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

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

### *Treasury Shares*

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

### *Other Components of Equity*

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

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

### *Retained Earnings*

Retained earnings include cumulative profits and are reduced by dividends. Retained earnings also include effect of changes in accounting policies as may be required by the standards' transitional provisions.

### *Dividend Distribution*

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

## Revenue and Expense Recognition

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

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

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

### *Sale of Condominium Units*

Sale of condominium units is recognized when 20% or more of the selling price has been collected.





#### *Rental*

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

#### *Interest Income*

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

#### *Dividend Income*

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

#### *Costs and Expenses*

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

General and administrative expenses are recognized as incurred.

#### Leases

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

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

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

#### *Company as a Lessee*

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

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

#### *Company as a Lessor*

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the rental receivables 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 the net defined benefit liability or asset.

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

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

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

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

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

### *Termination Benefits*

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





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

#### *Employee Leave Entitlement*

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

#### Foreign Currency-denominated Transactions and Balances

The Company's financial statements are presented in Peso. Transactions in foreign currencies are initially recorded by the Company using the functional currency spot rates at the date the transactions first qualify for recognition.

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

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

#### Income Tax

##### *Current 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 receivables full recognition for income tax purposes is applied when more than 25% of the selling price has been collected in the year of sale. Otherwise, the installment method is applied.

##### *Deferred Income Tax*

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

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





- in respect of taxable temporary differences associated with investments in subsidiaries and associates and interest in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates and interest in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

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

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

Deferred tax relating to items recognized outside the statements of comprehensive income is recognized outside the statements of comprehensive income. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

#### *VAT*

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

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

The net amount of VAT recoverable from, or payable to, the tax authority is included as part of "Prepayments and other current assets" or "Accounts payable and other current liabilities" accounts, respectively, in the parent company statement of financial position.





#### Contingencies

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

#### Events after the Reporting Date

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

#### Segment Reporting

For management purposes, an operating segment is a component of an entity:

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

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

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

#### Judgments

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

##### *Determination of the Functional Currency*

Based on the economic substance of the underlying circumstances relevant to the 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 Company.

##### *Assessing Significant Influence over Associates*

Significant influence is presumed when there is a holding of 20% or more of the voting power of the investee (held directly or indirectly, through subsidiaries). Management assessed that the Company has significant influence over all its associates by virtue of the Company's holding more than 20% voting power in the investee, representation on the board of directors, and participation in policy-making processes of the associates.





#### *Classification of Financial Instruments*

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

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

The carrying values of the Company's financial instruments as of December 31, 2014 and 2013 are disclosed in Note 26.

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

The Company determines whether a property is to be classified as a property held for sale 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 or capital appreciation.

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

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

The carrying values of properties held for sale, investment properties, and property and equipment as of December 31, 2014 and 2013 amounted to P78,157,835, P8,486,270,219, P40,578,030 and P78,385,335, P8,478,350,426, P44,825,269 respectively (see Notes 7, 10 and 12).

#### *Valuation of Investment Properties*

The Company'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 Company. The selection criteria for the external valuers include market knowledge, reputation, independence and whether professional standards are maintained.





At each reporting date, the Company analyzes the movements in the values of investment properties which are required to be re-measured or re-assessed in accordance with the Company's accounting policies. For this analysis, the Company 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 Company has concluded that the fair value adjustment in 2014 and 2013 is insignificant (see Note 10).

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

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

The carrying values of AFS equity financial assets amounted to P93,270,867 and P92,770,867 as of December 31, 2014 and 2013, respectively (see Note 11). Based on management's assessment, there has been no significant or prolonged decline in fair value of AFS financial assets, thus, no impairment loss was recognized in 2014 and 2013.

#### *Contingencies*

The Company is currently involved in various legal proceedings. The estimates of the probable costs for the resolution of these claims have been developed in consultation with the outside legal counsel handling the defense in these matters and are based upon analyses of potential reports. Based on management's assessment, these proceedings will not have a material effect on the Company's financial position and performance (see Note 23).

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

##### *a. Company as a Lessor*

The Company owns parcels of land and a building located in Mandaluyong City which are leased out to its subsidiaries, an affiliate, and third parties. The carrying values of such properties are disclosed in Note 10. The Company has determined that it retains the significant risks and rewards of ownership of these properties. As such, the lease agreements are accounted for as operating lease.

##### *b. Company as a Lessee*

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

#### Estimates and Assumptions

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

#### *Valuation of Financial Instruments*

Financial instruments carried at fair value require the use of accounting estimates. While significant components of fair value measurement are determined using verifiable objective evidence, it would differ if the Company will utilize a different valuation methodology. Any changes in the fair value of financial instruments will affect profit or loss or 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 in an arm's length basis.

The fair values of the Company'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 are the current bid prices. 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 Company at the reporting date for similar financial instruments.

The fair values, which approximate the carrying values of the Company's financial instruments as of December 31, 2014 and 2013 are disclosed in Note 26. The fair value measurement hierarchy of the Company's financial instruments is disclosed in Note 25.

*Estimation of Allowance for Impairment of Receivables*

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

Provision for bad debts recognized in 2014 and 2013 amounted to ₱982,362 and nil, respectively. Allowance for impairment of receivables amounted to ₱3,114,405 and ₱2,132,043 as of December 31, 2014 and 2013, respectively (see Note 6).

The carrying values of the Company's receivables amounted to ₱956,263,833 and ₱1,838,294,352 as of December 31, 2014 and 2013, respectively (see Note 6).

*Estimation of NRV*

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

There were no provision for inventory write-down in 2014 and 2013. As of December 31, 2014 and 2013, properties held for sale amounted to ₱78,157,835 and ₱78,385,335, respectively (see Note 7).

*Determination of Fair Values of Investment Properties*

The fair values of investment properties are determined by independent real estate valuation experts using recognized valuation techniques. In some cases, fair values are determined based on recent real estate transactions with similar characteristics and in the location of those of the Company's assets. In the absence of such information, the Company determines the amount within a range of reasonable fair value estimates. In making its judgment, the Company considers information from a variety of sources including:

- a. current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- b. recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and





- c. 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 discount rates that reflect current market assessments of the uncertainty in the amounts and timing of the cash flows.

The significant method and assumptions used by the appraisers in estimating fair values of investment properties are set out in Note 10. The fair values, which are also the values of investment properties amounted to P8,486,270,219 and P8,478,350,426 as of December 31, 2014 and 2013, respectively (see Note 10).

#### *EUL of Property and Equipment*

The Company 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. There were no changes in the EULS in 2014 and 2013. As of December 31, 2014 and 2013, the carrying values of property and equipment amounted to P40,578,030 and P44,825,269, respectively (see Note 12).

#### *Impairment of Nonfinancial Assets*

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

If any such indication exists or in case of a nonfinancial asset 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 cost 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 an 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 Company's nonfinancial assets are disclosed in Notes 9 and 12.

#### *Estimation of Retirement Benefit Costs*

The cost of defined benefit plan as well as the present value of defined benefit obligation is determined using actuarial valuations. Actuarial valuations involve making various assumptions. 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 accrued retirement benefits as of December 31, 2014 amounted to P10,197,701 and the retirement benefit asset amounted to P1,883,107 in 2013 (see Note 18).

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 18.





*Realizability of Deferred Income Tax Assets*

The Company 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 Company expects to generate sufficient future taxable profits to allow all of its recognized deferred income tax assets to be utilized. Deferred income tax assets recognized as of December 31, 2014 and 2013 amounted to P30,283,687 and P19,926,481, respectively (see Note 21). The unrecognized deferred income tax assets of the Company are disclosed in Note 21.

#### 4. Cash and Cash Equivalents

This account consists of:

	2014	2013
Cash on hand and in banks	<b>P25,098,217</b>	P27,710,347
Cash equivalents	<b>400,581,661</b>	467,827,757
	<b>P425,679,878</b>	P495,538,104

Cash in banks earns interest at the prevailing bank deposit rates. Temporary investments are made for three months or less depending on the immediate cash requirement of the company and earn interest at the respective temporary investment rates. Temporary investments, which have an average maturity of 30 days, earn interest ranging from 1.75% to 2.00% in 2014 and 1.00% to 1.88% in 2013.

Total interest income earned amounted to P2,706,786 in 2014 and P12,530,713 in 2013.

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

	US Dollar		HK Dollar	
	2014	2013	2014	2013
Foreign currency	<b>\$185,731</b>	\$440,372	<b>\$53,401</b>	\$160,259
Peso equivalent	<b>P8,305,890</b>	P19,550,310	<b>P306,998</b>	P917,820
Closing exchange rate per dollar as of December 31	<b>P44.72</b>	P44.39	<b>P5.75</b>	P5.73

Unrealized foreign exchange gains charged to profit or loss amounted to P486,151 and P1,580,270 in 2014 and 2013, respectively.

#### 5. Financial Assets at FVPL

Financial asset at FVPL represent shares of stock of various publicly listed companies as of December 31, 2014 and 2013.

The movements in this account are as follows:

	2014	2013
Beginning balance	<b>P1,356,419</b>	P2,980,904
Fair value adjustment	<b>2,070,034</b>	(1,624,485)
Ending balance	<b>P3,426,453</b>	P1,356,419





The Company recognized unrealized gains (losses) on fair value adjustments of the investments amounting to ₱2,070,034 and (₱1,624,485) in 2014 and 2013, respectively. There were no additions or disposals in 2014 and 2013.

## 6. Receivables

This account consists of:

	2014	2013
Trade:		
Rent (Note 22)	₱37,874,961	₱36,766,191
Installment contracts receivable	2,364,500	2,891,108
Nontrade:		
Related parties (Notes 7 and 22)	915,985,235	1,796,846,298
Advances to:		
Officers and employees	499,283	494,616
Contractors and suppliers	17,857	50,126
Interest	217,336	309,530
Others	2,419,066	3,068,526
	959,378,238	1,840,426,395
Allowance for impairment losses	(3,114,405)	(2,132,043)
	<b>₱956,263,833</b>	<b>₱1,838,294,352</b>

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

Installment contracts receivable represent noninterest-bearing receivables from sale of condominium units with average term of one year or less.

The terms, balances and transactions with related parties are disclosed in Note 22.

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

Others consist of receivables with various insignificant amounts.

The movements of the allowance for impairment losses in 2014 and 2013 are as follows:

	2014	2013
Beginning balance	₱2,132,043	₱2,132,043
Provision for impairment loss	982,362	—
Ending balance	<b>₱3,114,405</b>	<b>₱2,132,043</b>

## 7. Properties Held for Sale

Properties held for sale consists of condominium units amounting to ₱78,157,835 and ₱78,385,335 as of December 31, 2014 and 2013, respectively.



The movements in properties held for sale is set out below:

	2014	2013
Beginning balance	₱78,385,335	₱832,830,174
Recognized cost of condominium units	(227,500)	(13,442,944)
Other adjustments or reclassifications	–	(741,001,895)
Ending balance	₱78,157,835	₱78,385,335

In 2013, the Company's participation to OSP was terminated when the Memorandum of Agreement (MOA) between the Company and Shang Properties Realty Corporation (SPRC), a subsidiary and the developer of OSP, was cancelled. Thus, the said contributions were reclassified to advances to related parties (see Note 22).

Properties held for sale are stated at cost as of December 31, 2014 and 2013. There is no allowance for inventory write down as of December 31, 2014 and 2013.

## 8. Prepayments and Other Current Assets

This account consists of:

	2014	2013
CWT	₱113,358,858	₱92,348,847
Prepaid expenses	1,389,363	15,303,913
Input VAT	1,367,158	1,884,438
	₱116,115,379	₱109,537,198

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

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

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

## 9. Investments and Advances

This account consists of:

	2014	2013
Cost:		
Preferred shares	₱917,761,304	₱917,761,304
Common shares	6,275,836,218	6,275,836,218
	7,193,597,522	7,193,597,522
Deposits for future stock subscription	2,898,502,591	2,948,502,591
Advances	2,394,839,698	598,455,898
	₱12,486,939,811	₱10,740,556,011





The Company's subsidiaries and associates, and the related percentages of ownerships, as of December 31 follow:

	Effective Percentages of Ownership	
	2014	2013
Property Development:		
SPRC	100.00%	100.00%
Shang Property Developers, Inc. (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%
Real Estate:		
Ivory Post Properties, Inc. (IPPI)	100.00%	100.00%
KPPI Realty Corporation (KRC)	100.00%	100.00%
Martin B. Properties, Inc. (MBPI)	100.00%	100.00%
New Contour Realty, Inc. (NCRI)	100.00%	100.00%
Perfect Sites, Inc. (PSI)	100.00%	100.00%
Shang Fort Bonifacio Holdings, Inc. (SFBHI)	100.00%	100.00%
Shang Global City Holdings, Inc. (SGCHI)	100.00%	100.00%
Sky Leisure Properties, Inc.* (SLPI)	50.00%	50.00%
Ideal Sites and Properties, Inc. (ISPI)	40.00%	40.00%
Property Management:		
KPPI Management Services Corporation (KMSC)	100.00%	100.00%
Shang Property Management Services, Inc. (SPMSI)	100.00%	100.00%
Hotel:		
Fort Bonifacio Shangri-la Hotel, Inc. (FBSHI)**	—	40.00%
Shang Global City Properties, Inc. (SGCPI)***	60.00%	40.00%
Others:		
Gipsey, Ltd. (Gipsey, a BVI Company)	100.00%	100.00%
Silver Hero Investments Limited (SHIL, a BVI Company)****	100.00%	100.00%
EPHI Logistics Holdings, Inc. (ELHI)	60.00%	60.00%

\*Owned through PSI.

\*\*During 2014, there was merger between SGCPI and FBSHI, with SGCPI as surviving company.

\*\*\*59.40% owned through SGCHI and 0.60% owned through SFBHI.

\*\*\*\*Owned through Gipsey.

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



The summarized financial information of the Company's associates are as follows:

	2014	2013
Total assets	<b>₱756,437,665</b>	₱2,106,005
Total liabilities	<b>810,786,533</b>	3,101,549
Total revenues	<b>134,718</b>	93,353
Net loss	<b>(16,059,925)</b>	(763,805)

In 2013, the Company sold 623,800 common shares representing 35% interest in EPRC for a total consideration of ₱92,000,000. Loss on disposal of EPRC shares recognized in profit or loss amounted to ₱3,552,403.

#### 10. Investment Properties

This account consists of:

	2014		
	Land	Building	Total
Beginning balances	<b>₱7,981,000,000</b>	<b>₱497,350,426</b>	<b>₱8,478,350,426</b>
Additions	—	7,919,793	7,919,793
Ending balances	<b>₱7,981,000,000</b>	<b>₱505,270,219</b>	<b>₱8,486,270,219</b>

	2013		
	Land	Building	Total
Beginning balances	₱8,966,200,000	₱458,670,518	₱9,424,870,518
Additions	—	38,679,908	38,679,908
Disposal (Note 22)	(985,200,000)	—	(985,200,000)
Ending balances	<b>₱7,981,000,000</b>	<b>₱497,350,426</b>	<b>₱8,478,350,426</b>

The Company's investment properties consist of parcels of land, and a carpark building and condominium spaces classified as commercial properties in Mandaluyong City. 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 as of December 31, 2012 performed by Royal Asia Appraisal Corporation, an SEC accredited independent appraiser. The valuation models are in accordance with that recommended by the International Valuation Standards Council. The Company recorded fair value adjustments of investment properties amounting to ₱320,845,000 in 2012. The Company has assessed that the fair value adjustment in 2014 and 2013 is insignificant.

The fair value measurements for investment properties have been categorized as Level 3 inputs for the carpark building and condominium commercial spaces, and Level 2 inputs for the parcels of land. The current use of these properties is their highest and best use.

The fair value of the Company'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 Company is the price per square meter (sqm). The market comparison approach is often used in combination with either DCF or the income capitalization method as many inputs to these methods are based on market comparison.

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

Class of Property	Fair Value as of December 31, 2014	Valuation Technique	Unobservable Inputs	Range of Unobservable Inputs	Relationship of Unobservable Inputs to Fair Value
Condominium commercial spaces and carpark building	P497,350,426	DCF	Rental value	P385 to P2,800 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 Rate*  
Reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
- *Estimated Vacancy Rate*  
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 2014 and 2013.

Rental revenue recognized for investment properties and direct operating expenses incurred for the leasing operations in 2014 and 2013 are as follows:

	2014	2013
Rental revenue	<b>₱211,185,918</b>	₱227,088,111
Direct operating expenses	<b>165,711,783</b>	154,955,181
Profit arising from investment properties carried at fair value	<b>₱45,474,135</b>	₱72,132,930

Direct operating expenses include staff costs, general and administrative expenses, depreciation and amortization and bank charges.

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

In 2013, the Company and SPRC entered into a Deed of Absolute Sale for the sale of a parcel of land owned by the Company with a 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 ₱344,820,000.





## 11. AFS Financial Assets

This account consists of:

	2014	2013
At cost - unquoted	<b>₱79,274,352</b>	<b>₱79,274,352</b>
At fair value - quoted		
Acquisition cost	<b>9,121,515</b>	<b>9,121,515</b>
Cumulative changes in fair value	<b>4,875,000</b>	<b>4,375,000</b>
	<b>13,996,515</b>	<b>13,496,515</b>
	<b>₱93,270,867</b>	<b>₱92,770,867</b>

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

The quoted equity securities consist of investments in various golf club shares and stocks. These are carried at fair values with cumulative changes in fair values presented as part of "Other 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 movements in the carrying amount of AFS financial assets:

	December 31, 2012	Change in Fair Value	December 31, 2013	Change in Fair Value	December 31, 2014
At cost - unquoted	₱79,274,352	₱—	₱79,274,352	₱—	₱79,274,352
At fair value - quoted	13,196,515	300,000	13,496,515	500,000	<b>13,996,515</b>
	<b>₱92,470,867</b>	<b>₱300,000</b>	<b>₱92,770,867</b>	<b>₱500,000</b>	<b>₱93,270,867</b>

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

	2014	2013	2012
Beginning balance	<b>₱4,375,000</b>	₱4,075,000	₱2,965,000
Increase in fair value	<b>500,000</b>	300,000	1,110,000
Ending balance	<b>₱4,875,000</b>	<b>₱4,375,000</b>	<b>₱4,075,000</b>



## 12. Property and Equipment

This account consists of:

	2014				
	Building Improvements	Leasehold Improvements	Transportation Equipment	Furniture, Fixtures and Other Equipment	Total
<b>Cost</b>					
Beginning balances	P37,100,077	P13,676,483	P25,022,952	P24,221,168	P100,020,680
Additions	813,749	—	—	4,555,568	5,369,317
Ending balances	37,913,826	13,676,483	25,022,952	28,776,736	105,389,997
<b>Accumulated Depreciation and Amortization</b>					
Beginning balances	3,464,430	13,676,483	18,122,141	19,932,357	55,195,411
Depreciation	2,782,650	—	3,880,219	2,953,687	9,616,556
Ending balances	6,247,080	13,676,483	22,002,360	22,886,044	64,811,967
<b>Net Book Values</b>	<b>P31,666,746</b>	<b>P—</b>	<b>P3,020,592</b>	<b>P5,890,692</b>	<b>P40,578,030</b>

	2013				
	Building Improvements	Leasehold Improvements	Transportation Equipment	Furniture, Fixtures and Other Equipment	Total
<b>Cost</b>					
Beginning balances	P34,095,278	P13,676,483	P25,528,054	P23,316,323	P96,616,138
Additions	3,004,799	—	—	904,845	3,909,644
Disposals	—	—	(505,102)	—	(505,102)
Ending balances	37,100,077	13,676,483	25,022,952	24,221,168	100,020,680
<b>Accumulated Depreciation and Amortization</b>					
Beginning balances	1,831,277	13,676,483	13,786,100	17,399,350	46,693,210
Depreciation	1,633,153	—	4,793,929	2,533,007	8,960,089
Disposals	—	—	(457,888)	—	(457,888)
Ending balances	3,464,430	13,676,483	18,122,141	19,932,357	55,195,411
<b>Net Book Values</b>	<b>P33,635,647</b>	<b>P—</b>	<b>P6,900,811</b>	<b>P4,288,811</b>	<b>P44,825,269</b>

Costs of fully depreciated property and equipment that are still being used in operations amounted to P42,325,632 and P35,380,649 as of December 31, 2014 and 2013, respectively. There are no restrictions on the Company's title on the property and equipment and there are no property and equipment pledged as security for liabilities.

## 13. Accounts Payable and Other Current Liabilities

	2014	2013
Trade:		
Accounts payable	P23,053,914	P14,940,035
Payable to contractors and suppliers	44,347,825	44,347,825
Accrued interest	26,238,384	21,209,377
Accrued expenses	26,247,763	25,998,663

(Forward)





	2014	2013
Nontrade:		
Payables to related parties	P541,822,116	P525,878,409
Output VAT	3,528,543	2,314,546
Withholding taxes	2,397,357	2,056,598
Advances from condominium unit buyers	—	170,260
Others	859,554	722,721
	<b>P668,495,456</b>	<b>P637,638,434</b>

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

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 volume of related party transactions are disclosed in Note 22.

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

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

Advances from condominium unit buyers pertain to the amounts received in advance from 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), an affiliate, when demanded.

Other current liabilities pertain mainly to accrued employee sick leaves and various immaterial account balances.

There were no derecognized long outstanding liabilities in 2014 and 2013.

#### 14. Long-term Loan

On July 30, 2012, the Company obtained a ten-year loan facility from a local bank amounting to P5,000,000,000 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 to 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 Company and is subject to a debt service coverage ratio, which was complied with by the Company. As of December 31, 2014, total drawdown from the facility amounted to P3,200,000,000.

On February 12, 2008, the Company obtained an unsecured ten-year term loan facility from two local banks amounting to P3,500,000,000 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 a certain debt-to-equity ratio which was complied with by the Company. The Company has fully drawn the facility as of December 31, 2009.



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

	2014	2013
Beginning principal balance	₱4,779,166,667	₱4,062,500,000
Proceeds from loan availment	900,000,000	1,300,000,000
Principal payments during the year	(583,333,334)	(583,333,333)
Ending principal balance	5,095,833,333	4,779,166,667
Less current portion	583,333,333	583,333,333
Noncurrent portion	₱4,512,500,000	₱4,195,833,334

#### Repayment Schedule

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

Year	Amount
2015	₱583,333,333
2016	716,666,667
2017	1,116,666,667
2018	679,166,667
2019	533,333,333
2020	533,333,333
2021	533,333,333
2022	400,000,000
	₱5,095,833,333

Interest expense arising from the above loans charged to profit or loss amounted to ₱186,162,235 and ₱169,697,752 in 2014 and 2013, respectively.

#### **15. Treasury Shares**

There are 2,140,645 shares amounting to ₱6,850,064 that are in the treasury as of December 31, 2014 and 2013. There are no movements in the Company's treasury shares in 2014 and 2013.

#### **16. Retained Earnings**

Under the Corporation Code of the Philippines (Code), stock corporations are prohibited from retaining surplus profits in excess of 100% of the paid-up capital, except under certain conditions as provided in the Code. As of December 31, 2014 and 2013, the retained earnings of the Company are in excess of the paid-up capital by ₱2,373,561,423 and ₱1,912,816,708, respectively.

To comply with the Code, the Company is declaring dividends annually in excess of the retained earnings available for dividend declaration over the paid-up capital computed based on SEC Memorandum Circular No. 11, Series of 2008.





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

Date of Declaration	Record Date	Total	Per Share
<b>2014</b>			
February 19	March 17	P333,484,129	P0.070
August 14	August 29	309,375,117	0.065
		<b>P642,859,246</b>	<b>P0.135</b>
<b>2013</b>			
February 27	March 15	P285,843,539	P0.060
August 14	August 30	237,967,698	0.050
		<b>P523,811,237</b>	<b>P0.110</b>
<b>2012</b>			
February 17	March 5	P200,090,477	P0.042
August 23	September 15	190,386,769	0.040
		<b>P390,477,246</b>	<b>P0.082</b>

As of December 31, 2014 and 2013, unpaid dividends amounted to P24,294,914 and P20,844,008, respectively.

#### 17. Staff Costs

This account consists of:

	2014	2013
Salaries and wages	<b>P51,490,321</b>	P51,222,943
Retirement benefit costs (Note 18)	<b>6,333,446</b>	6,935,759
Employee benefits	<b>5,486,754</b>	5,196,594
Others	<b>1,756,509</b>	1,578,763
	<b>P65,067,030</b>	P64,934,059

#### 18. Retirement Benefits

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

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



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

Retirement benefit costs recognized in the parent company statement of comprehensive income as part of "Staff costs" consist of the following:

	2014	2013
Current service cost	₱6,467,400	₱6,980,000
Net interest cost		
Interest on defined benefit obligation	2,426,740	2,688,700
Interest from fair value of plan assets	(2,560,694)	(2,732,941)
	₱6,333,446	₱6,935,759

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

	2014	2013
Actuarial loss (gain) in defined benefit obligation	₱6,640,540	(₱2,610,265)
Return on plan assets (excluding amount included in net interest)	5,511,404	(2,429,353)
Change in the effect of asset ceiling	(3,018,101)	3,018,101
	₱9,133,843	(₱2,021,517)

The accrued retirement benefits (retirement asset) recognized in the statement of financial position as part of "Accrued employee benefits" were determined as follows:

	2014	2013
Present value of defined benefit obligations	₱70,015,100	₱57,866,901
Fair value of plan assets	(59,817,399)	(62,768,109)
	10,197,701	(4,901,208)
Restrictions on asset recognized	—	3,018,101
	₱10,197,701	(₱1,883,107)

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

	2014	2013
Beginning balance	₱2,182,084	₱2,942,600
Current service cost	758,900	652,240
Interest cost	98,345	165,400
Actuarial loss (gain) arising from:		
Changes in financial assumptions	902,700	(66,200)
Experience adjustments	(231,410)	(833,440)
Benefits paid	(991,934)	(678,516)
Ending balance	₱2,718,685	₱2,182,084





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

	2014	2013
Beginning balance	P62,768,109	P51,420,415
Interest income	2,560,694	2,732,941
Expected return on plan assets	(5,511,404)	2,429,353
Contributions paid	—	6,185,400
Ending balance	P59,817,399	P62,768,109

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

	2014	2013
Cash in banks	P20,945,528	P21,978,742
Investments in debt instruments:		
Treasury notes and bonds	35,910,809	37,682,240
Corporate notes and bonds	2,961,062	3,107,127
	P59,817,399	P62,768,109

The effect of the asset ceiling as of December 31, 2013 is as follows:

(1) Net asset	P3,216,996
(2) Present value of available refund	1,883,107
(3) Asset limit to be recognized in the parent company statement of financial position [Lower of (1) and (2)]	1,883,107
Unrecognized asset due to asset limit	3,018,101
Asset to be recognized in financial position	P1,883,107

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

The principal actuarial assumptions used are as follows:

	2014	2013
Future salary increase rate	5.00%	4.00%
Discount rate	4.44%	4.25%
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

Mortality rate is based on the 1994 Group Annuity Mortality (GAM) Table for both 2014 and 2013.

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



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

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

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

Significant Assumptions	Defined Benefit Obligation
Discount rate	
Increase of 1%	P65,415,200
Actual	70,015,100
Decrease of 1%	75,270,900
Future salary increase rate	
Increase of 1%	74,833,100
Actual	70,015,100
Decrease of 1%	65,713,600

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

The Company does not expect to contribute to the defined benefit plan asset in 2014.

The average duration of the defined benefit obligation as of December 31, 2014 and 2013 ranges from 12 to 30 years and 13 to 31 years, respectively.

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

Plan Year	Expected Benefit Payments		Total
	Normal Retirement	Other than Normal Retirement	
Less than one year	P-	P853,244	P853,244
More than one year to five years	36,599,077	3,228,892	39,827,969
More than five years to 10 years	42,752,391	4,371,799	47,124,190
More than 10 years to 15 years	37,761,733	3,385,631	41,147,364
More than 15 years to 20 years	28,720,605	2,623,376	31,343,981
More than 20 years	64,036,973	3,740,655	67,777,628





## 19. General and Administrative Expenses

	2014	2013
Professional fees and outside services	₱20,511,915	₱17,339,711
Carpark	7,673,650	8,506,001
Rent (Note 22)	3,592,934	3,818,413
Condominium dues (Note 22)	2,445,042	1,597,067
Transportation and travel	2,336,024	2,445,270
Telephone and communication	2,171,372	2,067,839
Repairs and maintenance	2,150,846	2,291,092
Janitorial, security and other services	2,166,751	2,009,049
Membership fees and dues	2,029,506	1,874,161
Utilities	1,750,856	2,248,940
Supplies	1,399,884	1,426,146
Entertainment, amusement and recreation	740,564	715,709
Insurance	284,802	284,108
Reproduction charges	236,159	236,993
Donations	—	5,778,343
Others	2,841,110	1,220,476
	<b>₱52,331,415</b>	<b>₱53,859,318</b>

### Taxes and Licenses

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

## 20. Other Income

	2014	2013
Gain on sale of property and equipment	₱—	₱216,983
Banner income	—	5,500
Others	258,110	4,907,419
	<b>₱258,110</b>	<b>₱5,129,902</b>

Others pertain to various insignificant amounts such as income from penalties, unclaimed refunds and back out buyers.

## 21. Income Taxes

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

	2014	2013
Current:		
MCIT	₱4,051,127	₱6,386,776
Final tax on interest income	539,923	2,504,498
	<b>4,591,050</b>	<b>8,891,274</b>
Deferred	(8,009,950)	(107,012,302)
	<b>(₱3,418,900)</b>	<b>(₱98,121,028)</b>



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

	2014	2013
Deferred income tax assets:		
Accrued staff costs and expense accruals not subjected to withholding tax	₱23,017,681	₱16,578,556
Excess MCIT over RCIT	4,745,080	693,953
Unamortized funded past service cost	1,586,604	2,014,359
Allowance for impairment	934,322	639,613
	30,283,687	19,926,481
Deferred income tax liabilities:		
Unrealized gain on cumulative fair value adjustments of:		
Investment properties	2,608,606,432	2,608,671,094
AFS financial assets	1,462,500	1,312,500
Unrealized foreign exchange gain	145,846	474,081
	2,610,214,778	2,610,457,675
Net deferred income tax liabilities	₱2,579,931,091	₱2,590,531,194

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

Period of Recognition	Availment Period	Amount	Applied	Expired	Balance
2014	2015 – 2017	₱128,896,333	₱–	₱–	₱128,896,333

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

Period of Recognition	Availment Period	Amount	Applied	Expired	Balance
2013	2014 – 2016	₱693,953	₱–	₱–	₱693,953
2014	2015 – 2017	4,051,127	–	–	4,051,127
		₱4,745,080	₱–	₱–	₱4,745,080

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

	2014	2013
Provision for income tax at the statutory income tax rate	₱330,055,518	₱117,439,537
Adjustments for the income tax effect of:		
Dividend income	(370,475,800)	(239,001,644)
Change in unrecognized deferred tax assets	38,668,900	–
Gain (loss) on fair value adjustment of financial assets at FVPL	(621,010)	487,346
Interest income subjected to final tax	(272,113)	(1,254,716)
Excess of MCIT over RCIT	–	(693,953)
Other nontaxable income, net of nondeductible expenses	(774,395)	24,902,402
Provision for (benefit from) income tax in profit or loss	(₱3,418,900)	(₱98,121,028)





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

	2014	2013
Change in fair value of AFS financial assets	₱150,000	₱90,000
Remeasurement gains (losses) on defined benefit liability	(2,740,153)	606,455
Provision for (benefit from) income tax	(₱2,590,153)	₱696,455

## 22. Related Party Transactions and Balances

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

The following are the transactions with subsidiaries:

- A portion of the Company's land where the Mall is located is being leased to SLPC for a period of 25 years from January 6, 1993. Rental revenue is calculated at 10% of SLPC's annual rental revenue from mall operations plus a certain percentage of the carpark's net income.
- On January 16, 2002, the Company entered into an agreement with SPSI wherein SPSI was granted limited usufructuary rights over the Company'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.
- On January 1, 2001, the Company entered into a cost sharing agreement with related parties for the services rendered by the officers of the Company to them.
- The Company earns dividends from its subsidiaries.
- The Company leases its office space from SLPC for a period of three years that ended on May 16, 2013 and was extended for another three years that will end on May 16, 2016.
- Pursuant to the MOA executed on November 9, 2009, the Company and SPRC agreed to construct and develop a commercial/retail building to be known as OSP, consisting of a shopping mall, parking facilities and high-rise residential condominium building situated along Internal Road, Shangri-la Place, Mandaluyong City. Under the terms of the MOA, the Company shall contribute cash to fund the construction and transfer the land in favor of a condominium corporation once the latter is organized and legally qualified to own a land. SPRC, on the other hand, shall provide the necessary funding for the construction of OSP and consultancy services relative to the management thereof. The shopping mall, including the parking facilities directly





beneath it, shall be allocated exclusively to the Company; while the high-rise residential condominium building shall be allocated exclusively to SPRC. The parking facilities at the podium level shall be allocated as follows: 8.00% to the Company and 92.00% to SPRC.

In 2013, the Company and SPRC entered into a Deed of Absolute Sale for the sale of a parcel of land owned by the Company with total area of 9,852 square meters located at Internal Road, Shangri-la Place, Mandaluyong City for a total consideration of P640,380,000. This resulted to a loss on sale of the land amounting to P344,820,000. With the conveyance of the land, the Company and SPRC have decided to rescind the MOA on September 30, 2013.

- On May 8, 2005, the Company and SPRC agreed to develop a portion of the Company's property into a high-rise residential condominium building to be known as TSFSP Project by virtue of a joint venture (JV) agreement. Under the terms of the JV agreement, the Company shall contribute the land to the JV. SPRC, as the developer and project manager, shall provide funding for the construction of TSFSP. It shall also provide the technical and consultancy services relative to the management thereof. The resulting units in TSFSP shall be allocated between the Company and SPRC, with each party taking ownership and possession of its respective allocated units.

As of December 31, 2014 and 2013, the TSFSP Project is 100.00% complete. The construction of the project commenced in 2005.

- Certain expenses are initially paid for by the Company (related party) and are subsequently reimbursed by the related party (Company) to whom such payment was intended for. Cash advances are also provided between the Company and related parties.

The following are the transactions with affiliates:

- A portion of the Company's land is being leased by EDSA Shangri-La Hotel and Resort, Inc. (ESHRI), an affiliate, where the latter's EDSA Shangri-La Manila Hotel (the Hotel) is located. The lease is for a period of 25 years which commenced on August 28, 1992 and renewable for another 25 years at the option of the lessee. Rental revenue is computed based on a fixed percentage of the Hotel's room, food and beverage, dry goods and other service revenue.
- The Company also pays condominium dues to TSFSPCC for utilities, maintenance and repairs of common areas of TSFSP and assessments or charges allocated to condominium units that have not been turned over to the buyers.
- In its regular meeting on February 17, 2012, the Board passed and approved a resolution wherein it will act as a surety to the loan of FBSHI. FBSHI has secured a P10,000,000,000 long-term loan facility with a local bank to finance the completion of its project. Under the continuing suretyship agreement executed between the Company and the local bank on May 23, 2012, the Company agreed to be solidarily liable to the extent of 50% of any and all amounts due under the loan agreement between FBSHI and the local bank. The local bank is entitled under current jurisprudence to demand directly from the Company any and all amounts due. Should demand be made, the Company will recognize a liability in its financial statements. As a result of the business combination, FBSHI's obligation from the loan agreement was transferred to SGCPI, the surviving entity after the merger with FBSHI. As of December 31, 2014 and 2013, the Company has not recorded any liability in connection with the loan.





- Certain expenses are initially paid for by the Company (related party) and are subsequently reimbursed by the related party (Company) to whom such payment was intended for. Cash advances are also provided between the Company and related parties.

The following are the transactions with key management personnel:

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

	2014	2013
Salaries and other short-term employee benefits	<b>P12,950,349</b>	P12,486,554
Post-employment benefits	<b>2,213,788</b>	1,826,866
	<b>P15,164,137</b>	P14,313,420

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

The following table summarizes the foregoing transactions:

	Amount/Volume		Outstanding Balance			
	2014	2013	2014	2013	Terms	Conditions
<b>Rental Income</b>						
<i>Subsidiaries</i>						
SLPC	P116,469,419	P137,860,212	P11,216,886	P11,631,080	60-day; noninterest-bearing	Unsecured; no impairment
SPSI	5,832,401	7,461,777	835,478	970,278	60-day; noninterest-bearing	Unsecured; no impairment
<i>Affiliate</i>						
ESHRI	85,209,600	78,171,706	25,822,596	24,164,833	60-day; noninterest-bearing	Unsecured; no impairment
	P207,511,420	P223,493,695	P37,874,960	P36,766,191		
<b>Cost Sharing</b>						
<i>Subsidiaries</i>						
SLPC	P23,925,124	P10,447,531	P15,634,409	P11,742,903	60-day; noninterest-bearing	Unsecured; no impairment
KSA	2,979,392	2,581,460	33,609	20,083	60-day; noninterest-bearing	Unsecured; no impairment
	P26,904,516	P13,028,991	P15,668,018	P11,762,986		
<b>Dividend Income</b>						
<i>Subsidiaries</i>						
SLPC	P725,000,000	P600,000,000	P-	P-	30 days from date of declaration; noninterest-bearing	Unsecured; no impairment
KSA	423,177,766	185,145,136	-	-	30 days from date of declaration; noninterest-bearing	Unsecured; no impairment
SPDI	75,000,000	-	-	-	30 days from date of declaration; noninterest-bearing	Unsecured; no impairment



	Amount/Volume		Outstanding Balance		Terms	Conditions
	2014	2013	2014	2013		
SPSI	P4,200,000	P3,500,000	P4,200,000	P3,500,000	30 days from date of declaration; noninterest-bearing	Unsecured; no impairment
SPMSI	4,000,000	5,000,000	4,000,000	5,000,000	30 days from date of declaration; noninterest-bearing	Unsecured; no impairment
<i>Affiliates</i> Brown Swallow Development Corporation	2,420,000	1,028,500	-	-	30 days from date of declaration; noninterest-bearing	Unsecured; no impairment
Green Mangrove Realty, Inc.	1,119,250	1,996,500	-	-	30 days from date of declaration; noninterest-bearing	Unsecured; no impairment
	<b>P1,234,917,016</b>	<b>P796,670,136</b>	<b>P8,200,000</b>	<b>P8,500,000</b>		
<b>Sale of Land</b>						
<i>Subsidiary</i>						
SPRC	P-	P685,206,600	P485,206,600	P685,206,600	On demand; noninterest-bearing	Unsecured; no impairment
<b>Rental Expense</b>						
<i>Subsidiary</i>						
SLPC	P3,592,934	P3,818,413	P304,885	P936,483	30-day; noninterest-bearing	Unsecured
<b>Condominium Dues</b>						
<i>Affiliate</i>						
TSFSPCC	P2,445,042	P1,597,067	P-	P1,289,753	30-day; noninterest-bearing	Unsecured
<b>Compensation</b>						
<i>Key Management Personnel</i>						
	P2,213,788	P14,313,420	P-	P-	On demand; noninterest-bearing	Unsecured
<b>Subsidiaries and Affiliates' Share in Expenses</b>						
<i>Subsidiaries</i>						
SPRC	P80,800,624	P1,057,208,406	P363,079,323	P1,057,208,406	On demand; noninterest-bearing	Unsecured; no impairment
SPMSI	5,595,657	4,380,940	22,622,222	17,174,662	On demand; noninterest-bearing	Unsecured; no impairment
SPDI	8,236,960	1,831,662	1,185,828	-	On demand; noninterest-bearing	Unsecured; no impairment
SPSI	860,280	1,630,125	370,619	397,932	On demand; noninterest-bearing	Unsecured; no impairment
KMSC	25,609	23,847	1,037,217	1,011,608	On demand; noninterest-bearing	Unsecured; no impairment
SFBIII	1,508	3,992	500,441	500,494	On demand; noninterest-bearing	Unsecured; no impairment
SGCHI	1,020	3,728	500,386	500,127	On demand; noninterest-bearing	Unsecured; no impairment





	Amount/Volume		Outstanding Balance		Terms	Conditions
	2014	2013	2014	2013		
<i>Affiliates</i>						
The Enterprise Center Condominium Corporation	P3,233,006	P3,485,403	P634,940	P-	On demand; noninterest-bearing	Unsecured; no impairment
The Shang Grand Tower Condominium Corporation	1,602,382	1,972,420	1,510,614	1,351,878	On demand; noninterest-bearing	Unsecured; no impairment
TSFSPPC	1,337,894	1,430,303	560,096	-	On demand; noninterest-bearing	Unsecured; no impairment
Royal Asia Land, Inc.	1,722,921	693,248	138,752	1,270,458	On demand; noninterest-bearing	Unsecured; no impairment
FBSHI	2,568,905	648,423	820,864	149,399	On demand; noninterest-bearing	Unsecured; no impairment
ISPI	703,104	604,466	3,600,548	2,903,022	On demand; noninterest-bearing	Unsecured; no impairment
ESHRI Clavall Properties, Inc.	921,281	594,049	463,647	210,510	On demand; noninterest-bearing	Unsecured; no impairment
	917	4,555	12,332	12,665	On demand; noninterest-bearing	Unsecured; no impairment
MBRI	597	3,927	(7,459)	30	On demand; noninterest-bearing	Unsecured; no impairment
Atea Tierra Corporation	-	3,537	-	3,537	On demand; noninterest-bearing	Unsecured; no impairment
Others	6,316,557	9,422,701	9,880,247	8,681,984	On demand; noninterest-bearing	Unsecured; with impairment
	P113,929,222	P1,083,945,732	P406,910,617	P1,091,376,712		
<i>Share in Subsidiaries and aAffiliates' Expenses</i>						
<i>Subsidiaries</i>						
SPDI	P-	P451,476,111	P539,152,062	P519,301,810	On demand; noninterest-bearing	Unsecured
SPRC	63,342,950	354,778,548	1,136,141	1,261,043	On demand; noninterest-bearing	Unsecured
SLPC	15,993,846	18,339,651	868,639	1,577,461	On demand; noninterest-bearing	Unsecured
<i>Affiliates</i>						
ESHRI	-	1,873,282	-	709,352	On demand; noninterest-bearing	Unsecured
Others	665,644	673,423	360,389	802,507	On demand; noninterest-bearing	Unsecured
	P80,002,440	P827,141,015	P541,517,231	P523,652,173		



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

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

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

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

On June 5, 2009, the Company filed a Petition for Review on Certiorari to the Supreme Court praying to issue an order or decision: (a) declaring the Company as not liable to the principal contractor for unpaid progress billings based on the original scope of work, (b) ordering the principal contractor to pay the Company ₱7,590,000 as liquidated damages, and (c) setting aside or reversing the Court of Appeal's decision and resolution insofar as they are adverse to the Company. On a Petition for Review on Certiorari dated June 11, 2009, the principal contractor prayed to the Supreme Court to modify the decision and resolution of the Court of Appeals, to award the principal contractor the full amount of its claim. Both petitions are pending resolution by the Supreme Court as of March 27, 2015.

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





## 24. Leases

### Company as a Lessor

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

Rental revenues are as follows:

	2014	2013
Percentage basis	P207,511,420	P223,493,695
Fixed monthly rental	3,674,498	3,594,416
	<b>P211,185,918</b>	<b>P227,088,111</b>

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

	2014	2013
Within one year	P2,769,661	P3,836,398
More than one year but not more than five years	—	2,769,661
	<b>P2,769,661</b>	<b>P6,606,059</b>

### Company as a Lessee

The Company leases its office space from SLPC. Total future minimum lease payments for this non-cancellable operating lease are as follows:

	2014	2013
Within one year	P3,757,447	P3,585,790
More than one year but not more than five years	1,760,585	5,365,599
	<b>P5,518,032</b>	<b>P8,951,389</b>

## 25. Fair Value Measurement

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities as of December 31, 2014:

	Fair Value Measurement Using			Total
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Assets Measured at Fair Value</b>				
Financial assets at FVPL	P3,426,453	P—	P—	P3,426,453
Investment properties:				
Land	—	7,981,000,000	—	7,981,000,000
Buildings	—	—	505,270,219	505,270,219
	—	7,981,000,000	505,270,219	8,486,270,219
AFS financial assets - quoted	13,996,515	—	—	13,996,515
	P17,422,968	P7,981,000,000	P505,270,219	P8,500,266,734

(Forward)



	Fair Value Measurement Using			Total
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Assets for which Fair Values are Disclosed</b>				
Loans and receivables:				
Receivables:				
Installment contracts receivable	P=	P2,364,500	P=	P2,364,500
Refundable deposits	–	425,424	–	425,424
	–	2,789,924	–	2,789,924
AFS financial assets – unquoted	–	–	79,274,352	79,274,352
	P=	P2,789,924	P79,274,352	P82,064,276
<b>Liabilities for which Fair Values are Disclosed</b>				
Long-term loan	P=	P5,095,833,333	P=	P5,095,833,333
Deposits from tenants	–	999,039	–	999,039
	P=	P5,096,832,372	P=	P5,096,832,372

The following table provides the fair value measurement hierarchy of the Company'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
<b>Assets Measured at Fair Value</b>				
Financial assets at FVPL	P1,356,419	P–	P–	P1,356,419
Investment properties:				
Land	–	7,981,000,000	–	7,981,000,000
Buildings	–	–	497,350,426	497,350,426
	–	7,981,000,000	497,350,426	8,478,350,426
AFS financial assets - quoted	13,496,515	–	–	13,496,515
	P14,852,934	P7,981,000,000	P497,350,426	P8,493,203,360
<b>Assets for which Fair Values are Disclosed</b>				
Loans and receivables:				
Receivables:				
Installment contracts receivable	P–	P2,891,108	P–	P2,891,108
Refundable deposits	–	357,424	–	357,424
	–	3,248,532	–	3,248,532
AFS financial assets – unquoted	–	–	79,274,352	79,274,352
	P–	P3,248,532	P79,274,352	P82,522,884
<b>Liabilities for which Fair Values are Disclosed</b>				
Long-term loan	P–	P4,779,166,667	P–	P4,779,166,667
Deposits from tenants	–	999,039	–	999,039
	P–	P4,780,165,706	P–	P4,780,165,706





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

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

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## 26. Financial Instruments

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

### *Financial Assets at FVPL*

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

### *Cash in Banks and Cash Equivalents; Receivables Other than Installment Contracts Receivable and Refundable Deposits; Accounts Payable and Other Current Liabilities*

Due to the short-term nature of these financial instruments, their carrying values 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 of comparable instruments in the market.

### *Refundable Deposits and Deposits from Tenants*

Refundable deposits and deposits from tenants were not discounted because management has assessed that the undiscounted amounts approximate their amortized costs, thus, the carrying values of these financial instruments approximate their fair values.

### *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.

### *Long-term Loan*

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

### Fair Value Hierarchy

The fair value hierarchy of the financial instruments is disclosed in Note 25.

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## 27. Financial Risk Management Objective and Policies

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



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

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

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

*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 parent company financial instruments. The cash flows of the Company's bank loans that are exposed to interest rate risk as of December 31, 2014 are disclosed in Note 14.

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

The Company'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 Company's interest-bearing loan with floating interest rate as it can cause a change in the amount of interest payments.

Interest on financial instruments with floating rates is re-priced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Company that are not included in the tables above are noninterest-bearing and are therefore not subject to interest rate risk. The Company 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 Company'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
2014	Increase by 0.95%	(P48,410,417)
	Decrease by 0.95%	48,410,417
2013	Increase by 0.50%	(22,072,917)
	Decrease by 0.50%	22,072,917

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





### Credit Risk

Credit risk is the risk that the Company will incur losses because its counterparties will fail to discharge their contractual obligations. The Company has no significant concentration of 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 parent company statements of financial position:

	2014	2013
Financial assets at FVPL	<b>₱3,426,453</b>	<b>₱1,356,419</b>
Loans and receivables:		
Cash and cash equivalents*	<b>414,460,518</b>	495,438,536
Receivables:		
Rent	<b>37,874,961</b>	36,766,191
Installment contracts receivable	<b>2,364,500</b>	2,891,108
Related parties**	<b>915,002,873</b>	1,796,846,298
Advances to officers and employees	<b>499,283</b>	494,616
Interest	<b>217,336</b>	309,530
Others***	<b>287,023</b>	936,483
Refundable deposits	<b>425,424</b>	357,424
	<b>1,371,131,918</b>	2,334,040,186
AFS financial assets	<b>93,270,867</b>	92,770,867
	<b>₱1,467,829,238</b>	<b>₱2,428,167,472</b>

\* Excludes cash on hand of ₱11,219,360 in 2014 and ₱99,568 in 2013.

\*\*Net of allowance for impairment losses of ₱982,362 in 2014.

\*\*\*Net of allowance for impairment losses of ₱2,132,043 in 2014 and 2013.

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

	2014			
	Neither Past Due nor Impaired			
	Non-investment	Non-investment	Past Due and	Total
	Grade: Satisfactory	Grade: Unsatisfactory	Impaired	
Financial assets at FVPL	P3,426,453	P-	P-	P3,426,453
Loans and receivables:				
Cash and cash equivalents*	414,460,518	-	-	414,460,518
Receivables:				
Rent	37,874,961	-	-	37,874,961
Installment contracts receivable	2,364,500	-	-	2,364,500
Related parties	915,985,235	-	982,362	916,967,597
Advances to officers and employees	499,283	-	-	499,283
Interest	217,336	-	-	217,336
Others	287,023	-	2,132,043	2,419,066
Refundable deposits	425,424	-	-	425,424
	1,372,114,280	-	3,114,405	1,375,228,685
AFS financial assets	93,270,867	-	-	93,270,867
	P1,468,811,600	P-	P3,114,405	1,471,926,005

\* Excludes cash on hand of ₱11,219,360.



The following tables provide information regarding the credit risk exposure of the Company 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	Non-investment	Past Due and	Total
	Grade:	Grade:	Impaired	
	Satisfactory	Unsatisfactory		
Financial assets at FVPL	P1,356,419	P—	P—	P1,356,419
Loans and receivables:				
Cash and cash equivalents*	495,438,536	—	—	495,438,536
Receivables:				
Rent	36,766,191	—	—	36,766,191
Installment contracts receivable	2,891,108	—	—	2,891,108
Related parties	1,796,846,298	—	—	1,796,846,298
Advances to officers and employees	494,616	—	—	494,616
Interest	309,530	—	—	309,530
Others	936,483	—	2,132,043	3,068,526
Refundable deposits	357,424	—	—	357,424
	2,334,040,186	—	2,132,043	2,336,172,229
AFS financial assets	92,770,867	—	—	92,770,867
	P2,428,167,472	P—	P2,132,043	P2,430,299,515

\* Excludes cash on hand of P99,568.

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 nor impaired was determined as follows:

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

Receivables which are satisfactory pertains to receivables from existing and active tenants, 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 Company.

#### *Liquidity Risk*

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





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

	2014				Total
	Within 1 Year	Over 1 to 3 Years	Over 3 to 5 Years	Over 5 Years	
<b>Financial Assets</b>					
Financial assets at FVPL	P3,426,453	P-	P-	P-	P3,426,453
Loans and receivables:					
Cash and cash equivalents	425,679,878	-	-	-	425,679,878
Receivables:					
Rent	37,874,961	-	-	-	37,874,961
Installment contracts receivable	2,364,500	-	-	-	2,364,500
Related parties	915,985,235	-	-	-	915,985,235
Advances to officers and employees	499,283	-	-	-	499,283
Interest	217,336	-	-	-	217,336
Others	2,419,066	-	-	-	2,419,066
Refundable deposits	-	425,424	-	-	425,424
	1,385,040,259	425,424	-	-	1,385,465,683
AFS financial assets	93,270,867	-	-	-	93,270,867
	P1,481,737,579	P425,424	P-	P-	P1,482,163,003

**Other Financial Liabilities**

Accounts payable and other current liabilities*	P662,238,236	P-	P-	P-	P662,238,236
Long-term loan	583,333,333	1,833,333,333	1,212,500,000	1,466,666,667	5,095,833,333
Deposits from tenants	-	999,039	-	-	999,039
	P1,245,571,569	P1,834,332,372	P1,212,500,000	P1,466,666,667	P5,759,070,608

\* Excludes reservation payable, output VAT, deferred output VAT and withholding taxes aggregating P6,257,220.

	2013				Total
	Within 1 Year	Over 1 to 3 Years	Over 3 to 5 Years	Over 5 Years	
<b>Financial Assets</b>					
Financial assets at FVPL	P1,356,419	P-	P-	P-	P1,356,419
Loans and receivables:					
Cash and cash equivalents	495,538,104	-	-	-	495,538,104
Receivables:					
Rent	36,766,191	-	-	-	36,766,191
Installment contracts receivable	2,891,108	-	-	-	2,891,108
Related parties	1,796,846,298	-	-	-	1,796,846,298
Advances to officers and employees	494,616	-	-	-	494,616
Refundable deposits	357,424	-	-	-	357,424
Interest	309,530	-	-	-	309,530
Others	936,483	-	-	-	936,483
	2,334,139,754	-	-	-	2,334,139,754
AFS financial assets	92,770,867	-	-	-	92,770,867
	P2,428,267,040	P-	P-	P-	P2,428,267,040

**Other Financial Liabilities**

Accounts payable and other current liabilities*	P631,495,528	P-	P-	P-	P631,495,528
Long-term loan	662,250,130	1,494,875,625	1,638,998,463	1,430,594,010	5,226,718,228
Deposits from tenants	-	999,039	-	-	999,039
	P1,293,745,658	P1,495,874,664	P1,638,998,463	P1,430,594,010	P5,859,212,795

\* Excludes reservation payable, output VAT, deferred output VAT and withholding taxes aggregating P6,142,906.



## 28. Capital Management

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

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2014 and 2013.

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

	2014	2013
<b>Net Debt</b>		
Long-term loan	₱5,095,833,333	₱4,779,166,667
Less cash and cash equivalents	425,679,878	495,538,104
	<u>4,670,153,455</u>	<u>4,283,628,563</u>
<b>Capital</b>		
Total equity	₱14,307,376,196	₱13,852,675,170
<b>Gearing Ratio</b>	<u>32.64%</u>	<u>30.92%</u>

The Company was able to meet its capital management objectives.

## 29. Segment Information

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

The Company has operations only in the Philippines.

In 2014 and 2013, the Company derives revenues from three main segments as follows:

### *Property Development*

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

### *Leasing*

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

### *Others*

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





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

	Property Development	Leasing	Others	Total
Revenue/sales	P660,245	P211,185,918	P-	P211,846,163
Cost of sales	(227,500)			(227,500)
Gross profit or revenue	432,745	211,185,918	-	211,618,663
Other income	-	258,110	-	258,110
General and administrative expenses	-	(52,331,415)	-	(52,331,415)
Staff costs	-	(65,067,030)	-	(65,067,030)
Taxes and licenses	-	(38,598,714)	-	(38,598,714)
Depreciation and amortization	-	(9,616,556)	-	(9,616,556)
Segment results	432,745	45,830,313		46,263,058
Dividend income	75,000,000	1,155,917,016	4,002,318	1,234,919,334
Interest expense	-	(186,162,235)	-	(186,162,235)
Interest income	-	2,706,786	-	2,706,786
Loss on fair value adjustment of financial assets at FVPL	-	2,070,034	-	2,070,034
Foreign exchange gain - net	-	486,151	-	486,151
Bank charges	-	(98,068)	-	(98,068)
Benefit from (provision for) income tax	(129,824)	3,548,725	-	3,418,901
Net income for the year	P75,302,921	P1,024,298,722	P4,002,318	P1,103,603,961
Segment assets	P80,522,335	P22,606,605,394	P-	P22,687,127,729
Segment liabilities	P2,812,500	P8,376,939,033	P-	P8,379,751,533
Capital expenditures for the year	P-	P13,289,110	P-	P13,289,110

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

	Property Development	Leasing	Others	Total
Revenue/sales	P33,004,344	P227,088,111	P-	P260,092,455
Cost of sales	(13,442,944)	-	-	(13,442,944)
Gross profit or revenue	19,561,400	227,088,111	-	246,649,511
Other income	-	5,129,902	-	5,129,902
Staff costs	-	(64,934,059)	-	(64,934,059)
General and administrative expenses	-	(53,859,318)	-	(53,859,318)
Taxes and licenses	-	(27,044,227)	-	(27,044,227)
Depreciation and amortization	-	(8,960,089)	-	(8,960,089)
Segment results	19,561,400	77,420,320	-	96,981,720
Dividend income	-	788,645,137	8,027,009	796,672,146
Interest income	-	12,530,713	-	12,530,713
Foreign exchange gain - net	-	1,580,270	-	1,580,270
Loss on sale of land	-	(344,820,000)	-	(344,820,000)
Interest expense	-	(169,697,752)	-	(169,697,752)
Loss on fair value adjustment of financial assets at FVPL	-	(1,624,485)	-	(1,624,485)
Bank charges	-	(157,488)	-	(157,488)

(Forward)



	Property Development	Leasing	Others	Total
Benefit from (provision for) income tax	(P5,868,420)	P103,989,448	P-	P98,121,028
Net income for the year	P13,692,980	P467,866,163	P8,027,009	P489,586,152
Segment assets	P81,276,443	P21,800,578,069	P-	P21,881,854,512
Segment liabilities	P102,940	P8,029,076,402	P-	P8,029,179,342
Capital expenditures for the year	P-	P42,589,552	P-	P42,589,552

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

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

On March 17, 2011, the BIR, through RMC No. 17-2011, proposed a standard format that can be used as guide in complying with the requirements of RR 15-2010. The Company opted to use the format provided by the RMC.

In compliance with the requirements set forth by RR 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year ended December 31, 2014.

The Company is a VAT-registered company with VAT output tax declaration of P36,107,918 for the year based on the amount reflected in the Sales Account and various collections of P300,899,314.

The Company has no zero-rated/exempt sales.

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

a. Beginning of the year	P1,884,438
b. Current year's purchases:	
I. Capital goods subject to amortization	-
II. Capital goods not subject to amortization	8,446,213
c. Claims for tax credit/refund and other adjustments	(8,983,494)
d. Balance at end of year	P1,347,157

The Company did not have any importations or purchases of any product subject to excise tax in 2014.

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

Transaction	Amount	DST Thereon
Bank loan availment	P900,000,000	P4,500,000
Contract of lease	192,538,089	192,539
Others	1,974,322,264	9,325,791





Other taxes and licenses:

a. <u>Local</u>	
Real estate taxes	P9,925,494
Business taxes	3,088,581
Community tax certificate	10,500
	<u>13,024,575</u>
b. <u>National</u>	
Documentary stamp taxes	14,018,330
Capital gains tax	2,962,200
BIR annual registration	500
	<u>16,981,030</u>
	<u>P30,005,605</u>

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

i. Tax on compensation and benefits	P37,118,445
ii. Creditable withholding taxes	25,061,138
iii. Final withholding taxes	36,286,316
iv. Expanded withholding taxes	5,260,744

Tax Assessments and Cases

In 2014, the Company paid the following deficiency basic taxes, surcharges, compromise taxes and interests.

	Basic Tax	Surcharge	Interest	Compromise	Total
Income Tax	P1,123,038	P-	P1,030,118	P25,000	P2,178,156
VAT	469,727	-	451,453	16,000	937,180
EWT	1,837,505	-	1,776,087	25,000	3,638,592
FWT	-	-	26	700	726
DST	795,864	198,966	773,624	20,000	1,788,454
Miscellaneous Tax	-	-	-	50,000	50,000
Total	<u>P4,226,134</u>	<u>P198,966</u>	<u>P4,031,308</u>	<u>P136,700</u>	<u>P8,593,108</u>

The Company has not received any Final Assessment Notice from the BIR as of December 31, 2014.

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

