SHANG
PROPERTIES®

2017 ANNUAL REPORT

CORE
VALUES:

SERVICE

HONESTY

ASIAN

NOBILITY

GLOBAL

2017 ANNUAL REPORT

SHANG PROPERTIES IS COMMITTED TO BE THE LEADING DEVELOPER AND MANAGER OF PRIME PROPERTIES IN THE PHILIPPINES.

VISION

MISSION

- LEADING THROUGH PRODUCT INNOVATION
- DELIGHTING WITH EXCELLENT SERVICE
- FOSTERING FAIR TREATMENT AND MUTUAL RESPECT
- EMPOWERING PEOPLE TO ATTAIN THEIR FULL POTENTIAL
- UPHOLDING GOOD CORPORATE CITIZENSHIP

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MESSAGE TO STOCKHOLDERS

Investor confidence in the Philippine real estate market continued to be strong in 2017. Prices in the residential segment rose to historic levels and exhibited record take ups, and the office sector also ended strong, outperforming earlier forecasts.

This upswing was also reflected in Shang Properties' business performance, posting a 15% gain in net income of Php3.3 billion versus Php2.9 billion in 2016. The increase in net income was primarily attributed to the turnover of residential units to buyers, strong sales of our condominium units at much higher prices, construction completion of our hotel and residential developments, and the revaluation of our real estate assets.

One Shangri-La Place, our largest residential development to date, has almost sold out (1,301 of 1,304 units) with total sales of almost Php13.7 billion. By end of last year, 99% of the units had been accepted by the buyers.

In 2017, construction of the 67-storey Shang Salcedo Place, located in the Makati Central Business District, reached 94% completion. About 98% or 737 out of 749 units were sold. Turnover to unit buyers of Shang Salcedo Place started in May 2017 and 250 units were handed over to buyers by the end of the year.

The Rise, our 3,044-unit condominium project located in NoMa or North of Makati, reached 31% construction completion. Since it launched in 2014, almost 84% or 2,547 out of 3,044 units have been sold.

Construction of Shangri-La at the Fort, the iconic 62-storey, mixed-use development in which Shang Properties has a 60% stake, was completed by the end of 2017. Horizon Homes, located atop the hotel and one of the most expensive luxury residential units in the market today, sold 95 out of its 98 units.

The renovations of The Enterprise Center, our premium office building in the Makati Central Business District, were completed in September 2017. The Enterprise Center enjoyed an occupancy rate of 98% at year end, and a net income increase of 51% from Php877 million in 2016 to Php1,323 million in 2017.

The retail sector remained highly competitive in 2017, and vacancies in malls continued to rise. Despite stiff competition in the area, Shangri-La Plaza, the company's retail subsidiary, was able to maintain its occupancy at 90%. The mall remained committed to safety and security, and embarked on an upgrade and maintenance of its systems and equipment for Fire Life and Safety readiness. Shangri-La Plaza also initiated innovative marketing efforts to further strengthen its position as a premier lifestyle destination.

In 2017, we also started preparations for the construction of our latest project, Shang Residences Wack Wack, located directly across the landmark Wack Wack Golf and Country Club. This upscale condominium development is expected to launch in 2018 and will again set the benchmark for luxury living.

In 2017, gross revenues of Shang Properties stood at Php14.9 billion, a 32% increase from Php11.3 billion of the previous year. Shareholders' equity grew 9% from Php27.9 billion to Php30.4 billion, resulting from higher earnings per share which increased by 15% from Php0.610 of the previous year to Php0.703 in 2017. This allowed Shang Properties to declare dividend per share of Php0.165.

Shang Properties remains confident in the viable investment prospects in the Philippines and is in the process of finalizing details for other projects which will be disclosed in due course.

We thank our Board of Directors and the management and staff for their hard work and commitment, and all our stakeholders for their continued support and trust in Shang Properties.

Sincerely,

EDWARD KUOK
Chairman

HOTEL

SHANGRI-LA AT THE FORT

SHANGRI-LA AT THE FORT, MANILA SET THE BAR HIGH IN HOSPITALITY AT THE FLOURISHING BONIFACIO GLOBAL CITY DISTRICT.

The 62-storey tower occupies a land area of 1.5 hectares, with 576 guestrooms, 97 hotel residences, and 21 function rooms and ballrooms available for events. This landmark mixed-use development features a retail arcade with carefully curated restaurants, cafes, bars, and boutiques.

Experience state-of-the-art gym facilities and equipment at the two-storey, 8,000 sqm Kerry Sports Manila. It features an NBA-grade basketball court, tennis and squash court, outdoor pool, and its signature Adventure Zone offering various activities for kids.

RESIDENTIAL

HORIZON HOMES

HORIZON HOMES' 98 ELEGANTLY DESIGNED INTERIORS CREATE STYLISH YET COZY ABODES.

These homes are ideally located at the Shangri-La at the Fort, at the center of the flourishing Bonifacio Global City, and are serviced and managed exclusively by Shangri-La Hotel. Residents enjoy their own exclusive amenities that feature a pool, function rooms, gym, kiddie play area, and outdoor barbecue for a relaxing environment within the city.

Horizon Homes has achieved 98% construction completion, and total sales have reached Php9.7 billion for 31,869 sqm of GFA sold. At the end of 2017, 85 units of Horizon Homes have been turned over to unit owners who put a premium on living the good life.

HORIZON HOMES®
AT THE FORT
MANILA

THE RISE MAKATI

LOCATED AT THE BUDDING DISTRICT NORTH OF MAKATI OR NOMA, THE RISE'S THOUGHTFULLY DESIGNED AMENITIES CATER TO A DIVERSE CLIENTELE.

THE RISE MAKATI®

The Workshop is for the busy urban professional, with its IT bar, library, and reading and meeting rooms created to provide the ideal environment for work efficiency and productivity. The Hangout's 300-sqm lounge allows residents to take it easy while enjoying the company of family and friends, while The Nest promotes rest and relaxation.

The Rise also has a 28-meter tropical pool, two-storey gym, private jogging path, multipurpose function rooms, a barbecue patio, and children's play area. These spaces allow its residents utmost flexibility in choosing how they want to work, play, and relax. Aside from all these amenities, The Rise features a two-storey mall with a hip retail mix.

Since its launch in 2014, The Rise Makati has sold out 2,547 out of 3,044 units, generating a strong sales performance of Php10 billion total or 90,888 sqm. of GFA sold.

SHANG SALCEDO PLACE

SHANG SALCEDO PLACE, A TRANQUIL ENVIRONMENT WITHIN THE MAKATI CENTRAL BUSINESS DISTRICT, CREATES THE PERFECT LIVING SPACES FOR DISCERNING URBANITES.

With only 749 units in its 67-storey structure, its beautifully appointed public spaces, amenities, and facilities speak of comfort amidst luxury.

These intimate and elegant living spaces set the standard in luxury city dwelling. Shang Salcedo Place has already sold 737 units (or 98 %) totaling to 44,686 sqm of GFA sold. About 61% or 458 out of 749 units have been handed over to buyers.

SHANG SALCEDO PLACE.

ONE SHANGRI-LA PLACE

ONE SHANGRI-LA PLACE IS THE PERFECT ADDRESS FOR FAMILIES AND PROFESSIONALS.

Its two 64-storey towers with 5-star amenities promise a private oasis for residents. A fully equipped gym with male and female locker rooms, sauna and steam rooms, hot and cold plunge pools, adult and kiddie swimming pools, a children's play area and party room, and outdoor basketball half court provides residents ample opportunities to maintain a healthy lifestyle. For the ultimate relaxation experience, a mini theater and game room complete One Shangri-La Place's promise of a stress-free living environment.

One SHANGRI-LA PLACE®

By the end of 2017, One Shangri-La Place has sold a total GFA of 111,742 sqm and achieved Php 12.9 billion in sales.

OFFICE LEASING

THE ENTERPRISE CENTER

THIS ICONIC LANDMARK AT THE CORNER OF AYALA AVENUE AND PASEO DE ROXAS, IS MAKATI'S PREMIER BUSINESS ADDRESS.

With its renovations fully completed in 2017, The Enterprise Center offers over 80,500 sqm of prime Grade A office spaces with helipad, concierge service, and a retail and food court area. The Enterprise Center's gross rental income increased by 10% to Php1.2 billion in 2017.

MALL & RETAIL

SHANGRI-LA **PLAZA MALL**

SINCE ITS DOORS FIRST OPENED MORE THAN 26 YEARS AGO, SHANGRI-LA PLAZA HAS ESTABLISHED AND MAINTAINED ITS REPUTATION FOR BEING THE PREMIER DESTINATION FOR UPSCALE SHOPPING, DINING, AND ENTERTAINMENT IN THE METRO.

Its location at the crossroads of EDSA and Shaw Boulevard in the thriving commercial and financial district of Ortigas Center make it the ideal setting for high end local and international brands like Gucci, Onitsuka Tiger, and Healthy Options to establish their concept and flagship stores.

Shangri-La Plaza also continues to offer events that are a feast for the senses and food for the soul. Unique and exciting activities such as the Shang Arctic and Wildlife Adventure Broadcast Augmented Reality, the Chocolate Festival, and IMMERSV Dome were delightful multisensory experiences. The Shang is also home to world-class performances by homegrown Filipino musical talents and foreign film festivals like the Japan Foundation-hosted Eiga Sai and the European Union's Cine Europa which attract avid filmgoers.

BOARD OF DIRECTORS

1. 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.

2. ALFREDO C. RAMOS
is the Vice-Chairman of the Company. He is the Chairman of the Board of Anglo Philippine Holdings, Inc., Anvil Publishing, Inc., Carmen Copper Corporation, NBS Express, Inc., and Atlas Consolidated Mining & Development Corporation and Aquatlas, Inc. He is the Chairman and President of Alakor Corporation, National Book Store, Inc., The Philodrill Corporation, Vulcan Industrial & Mining Corporation, United Paragon Mining Corporation, and NBS Subic, Inc. He is also the President of Abacus Book & Card Corporation, MRT Holdings Corporation, Power Books, Inc., TMM Management, Inc., and Zenith Holdings Corporation, Vice-Chairman of MRT Development Corporation, and Governor of National Book Development Board.

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

4. CYNTHIA ROXAS DEL CASTILLO
is a Senior Partner and a member of the Executive Board at Romulo Mabanta Buenaventura Sayoc & de los Angeles, and has been with the firm for over 30 years. She holds an Ll.B from Ateneo, graduated Valedictorian in 1976 and placed 11th in the 1976 Bar Examinations. She was a former Dean of the Ateneo de Manila University's Law School and the first woman to hold the said position. She currently serves as Corporate Secretary and Director of various Philippine corporations.

5. GREGORY ALLAN DOGAN
is a Director of Shang Properties, Inc. He was the Chief Executive Officer and President of Shangri-La Hotels Public Company Limited and Shangri-La International Hotel Management Ltd., as well as the Chief Operating Officer of Shangri-La International Hotel Management Ltd. He joined the Shangri-La Group in 1997. He has over 25 years of experience in the hospitality industry that has spanned Asia, Europe, and the Middle East.

6. KARLO MARCO P. ESTAVILLO

is the Chief Operating Officer, Chief Finance Officer, and Treasurer of the company. Atty. Estavillo was Vice President and General Manager of one of the operating business units in one of the largest conglomerates in the country, where he was also Corporate Secretary and Compliance Officer. He was likewise a member of the Board of Directors of a universal bank, as well as a top local insurance company. He served in various committees, including Audit, Trust, Legal Oversight, amongst others. He earned a Bachelor of Laws degree from the University of the Philippines, and a Bachelor of Science in Business Management degree from the Ateneo de Manila University.

7. HO SHUT KAN

is the Chief Executive Officer of Kerry Properties Limited [KPL]. He is responsible for the management of the business of the KPL group. He is an independent non-executive director of Eagle Asset Management (CP) Limited (the manager of Champion Real Estate Investment Trust which is listed in Hong Kong).

8. MAXIMO G. LICAUCO III

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

9. BENJAMIN I. RAMOS

is the President of ROI Corp., an investment company. He was previously the President of Powerbooks, Inc. and Tokyo Tokyo, Inc., the largest Japanese fast food chain in the Philippines. He has an MBA from the Stanford Graduate School of Business.

10. WILFRED SHAN CHEN WOO

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

CORPORATE GOVERNANCE

SHANG PROPERTIES, INC. AND ITS BOARD OF DIRECTORS HAVE ALWAYS RECOGNIZED AND EFFECTED THE GLOBALLY ACCEPTED THREE (3) BASIC PRINCIPLES OF CORPORATE GOVERNANCE: FAIRNESS, TRANSPARENCY, AND ACCOUNTABILITY TO ALL ITS STAKEHOLDERS. SHANG PROPERTIES ADOPTED ITS CORPORATE GOVERNANCE MANUAL AND SUBMITTED THIS TO THE SECURITIES AND EXCHANGE COMMISSION IN 2002.

The following sections demonstrate the Company's compliance with these principles as detailed in the Manual during the financial year ending December 31, 2017.

THE BOARD OF DIRECTORS

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

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

	2018*	2017	2016
Number of Meetings	1	5	5
Attendance			
Executive	100%	90%	88%
Independent Non-Executive	100%	87%	80%
Average	100%	88%	84%

**Meetings are held in the year-to-date*

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

Board Composition

The Board is currently composed of ten (10) Directors.

The Directors are Edward Kuok Khoon Loong, Alfredo C. Ramos, Cynthia R. Del Castillo, Antonio O. Cojuangco, Maximo G. Licauco III, Ho Shut Kan, Benjamin I. Ramos, Wilfred Shan Chen Woo, Gregory Allan Dogan, and Karlo Marco P. Estavillo. The biographies of the Directors are set out on pages 10 and 11 of this annual report, which demonstrate a diversity of skills, expertise, experience, and qualifications.

Division of Responsibilities

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

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

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

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

Directors' Re-election and Removal

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

Access to Information

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

DELEGATION BY THE BOARD

Executive Committee

The Executive Committee consists of five (5) members of the Board. It meets regularly and operates as a general management committee chaired by Gregory Allan Dogan, an Executive Director and Executive Assistant to the Chairman. The Executive Committee meets to discuss the corporate and development strategies of the Company.

Corporate Governance Committee

Pursuant to its Corporate Governance Manual, the Board created a Corporate Governance Committee. The committee acts in an advisory capacity and makes recommendations to the Board. It promulgates the guidelines or criteria to govern the conduct of the nominations of the Directors. The same is properly disclosed in the Company's information statement as well as any reports that are submitted to the Securities and Exchange Commission.

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

Internal Controls

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

During the year ended 31 December 2017, the Board, through the Audit Committee, reviewed the risks and evaluated the internal control framework that operates within the Company and considered that the system of internal controls in operation is effective.

More details on the Company's internal control framework and the Board's process to evaluate its system of internal controls is set out in the section headed internal controls on page 21 of this Annual Report.

Audit Committee

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

The major responsibilities of the Audit Committee are:

- To perform oversight functions over the senior management in establishing and maintaining an adequate, effective and efficient internal control framework, systems and processes to provide reasonable assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations and safeguarding of assets;

- To perform oversight functions over the Company's Internal and External Auditors, to ensure the independence and objectivity of Internal and External Auditors, and that they are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit function;

- To review and monitor the effectiveness of the external audit process, taking into consideration relevant Philippine professional and regulatory requirements and review, at least annually, the performance, suitability and effectiveness of the external auditors;

- To review and approve Financial Statements of the Company before their submission to the Board with particular focus on (a) any change/s in accounting policies and practices; (b) areas where a significant amount of judgement has been exercised; (c) significant adjustments resulting from the audit; (d) going concern assumptions; (e) compliance with accounting standards; and (f) compliance with tax, legal, and regulatory requirements.

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

	2018*	2017	2016
Number of Committee Meetings	1	4	3
Attendance	100%	100%	80%

**Meetings are held in the year-to-date*

Auditor's Remuneration

During the financial year ended 31 December 2017, the fees paid / payable to the External Auditor in respect of the audit and non-audit services provided by the External Auditor to the Company amounted to Php5.5 million.

INTERNAL CONTROLS

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

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

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

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

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

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

COMMUNICATION WITH SHAREHOLDERS

Investor Relations

Communication Channels

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

i) Shareholders can raise any comments on the performance and future directions of the Company with the Directors at the Annual General Meeting.

ii) The Company distributes the annual results to shareholders.

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

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

General Meetings

1. The General Meeting provides a forum for the Board to communicate with the shareholders of the Company.

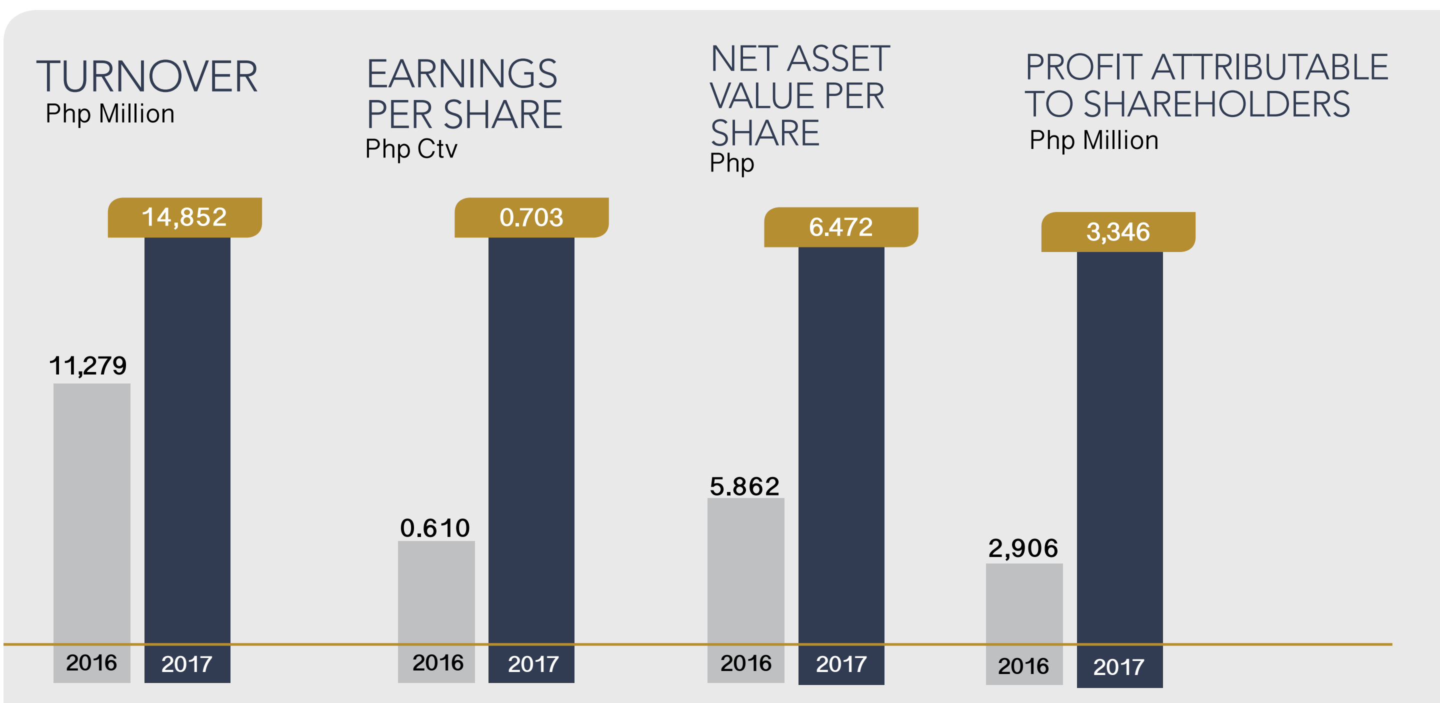
2. To facilitate enforcement of shareholders' rights, significant issues are dealt with under separate resolutions at general meetings.

3. The 2017 Annual Stockholders' Meeting of the Company was held on 20 June 2017 at the Garden Ballroom, Edsa Shangri-La, Ortigas Center, Mandaluyong City. The following resolutions were passed during the meeting:

    1. Approval of the Minutes of the Annual Meeting of the Stockholders held on 21 June 2016
    2. Amendment to the Articles of Incorporation
    3. Election of Directors for the year 2017-2018
    4. Appointment of External Auditor

TWO-YEAR OVERVIEW

		2017	2016	Change
Turnover	(Php M)	14,852	11,279	31.7%
Profit Attributable to Shareholders	(Php M)	3,346	2,906	15.1%
Shareholders' Equity	(Php M)	30,468	27,916	9.1%
Earnings per Share	(Php Ctv)	0.703	0.610	15.1%
Net Asset Value per Share	(Php)	6.472	5.862	9.1%
Share Price at Year End	(Php)	3.130	3.250	-3.7%
Price Earnings Ratio at Year End	(Ratio)	4.454	5.326	-16.4%
Market Capitalisation at Year End	(Php M)	14,911	15,578	-4.3%
Dividend per Share	(Php Ctv)	0.165	0.165	18.5%
Dividend Payout Ratio	(%)	26.2%	30.9%	0.3%
Dividend Yield at Year End	(%)	5.3%	5.1%	23.0%
Operating Margin	(%)	39.9%	46.5%	-11.6%
Return on Equity	(%)	11.0%	10.4%	5.5%
Return on Total Financing	(%)	9.2%	7.6%	21.9%
Interest Cover	(Ratio)	18.124	18.111	-17.6%
Gross Interest as a % of Total Borrowings	(%)	4.0%	2.1%	89.3%
Current Ratio	(Ratio)	2.0	2.2	-
Total Debt to Equity	(%)	54.8%	78.3%	-29.8%
Total Bank Loans to Equity	(%)	27.4%	48.1%	-42.9%



STOCK PERFORMANCE AND SHAREHOLDER MATTERS

STOCK BEHAVIOR: **QUARTERLY SHARE PRICE**

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

2017	HIGH (in Php)	LOW (in Php)
First Quarter	3.45	3.21
Second Quarter	3.37	3.19
Third Quarter	3.29	3.14
Fourth Quarter	3.23	3.05

2016	HIGH (in Php)	LOW (in Php)
First Quarter	3.22	2.70
Second Quarter	3.41	3.02
Third Quarter	3.60	3.17
Fourth Quarter		3.19

2015	HIGH (in Php)	LOW (in Php)
First Quarter	3.34	3.10
Second Quarter	4.90	3.11
Third Quarter	3.37	3.10
Fourth Quarter	3.29	3.01

DIVIDENDS

For the year 2017, the Board of Directors declared total cash dividends of **P786 Million** (2016: P786 Million)

SHAREHOLDER PROFILE

As of **31 December 2017**, the Company had **5,298 stockholders**. Common shares outstanding as of said date are **4,764,058,982.** The Company's stockholders owning at least **5%** or more of the common shares outstanding as of **31 December 2017** are:

RANK	SHAREHOLDERS	NO. OF SHARES	PERCENTAGE %
1	TRAVEL AIM INVESTMENT B.V.*	1,648,869,372	34.61
2	PCD NOMINEE CORPORATION (FILIPINO)	1,015,449,082	21.33

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

TEN-YEAR FINANCIAL SUMMARY

	2017	2016	2015	2014
				as restated
Profit and Loss Account	Php '000	Php '000	Php '000	Php '000
Turnover	14,851,888	11,279,095	8,283,689	7,612,188
Operating Profit	6,161,802	5,242,537	4,898,066	4,351,455
Interest Expense & Bank Charges	(331,963)	(273,494)	(201,559)	(227,066)
Share in Profit (loss) of Associated Companies	(4,100)	(4,313)	70,658	(9,693)
Profit Before Taxation	5,684,611	4,679,868	4,767,165	4,114,696
Taxation	(1,464,529)	(1,204,218)	(1,189,139)	(995,502)
Profit After Taxation	4,220,110	3,475,650	3,578,027	3,119,194
Minority Interests	(873,916)	(569,726)	(728,214)	(383,818)
Profit Attributable to Shareholders	3,346,194	2,905,925	2,849,813	2,735,376
Assets and Liabilities				
Fixed Assets	42,283,683	39,702,962	41,890,783	38,389,161
Associated Company	501,936	495,636	491,948	410,790
Other Assets	147,447	150,264	63,411	68,494
Net Current Assets/(Liabilities)	9,429,125	12,039,829	9,452,538	9,612,668
	52,362,191	52,388,691	51,898,681	48,481,112
Long-Term Liabilities	(15,837,950)	(19,050,222)	(19,597,098)	(20,696,779)
Total Equity	36,524,241	33,338,468	32,301,583	27,784,333

2013	2012	2011	2010	2009	2008
Php '000	Php '000	Php '000	Php '000	Php '000	Php '000
6,908,465	5,406,229	3,589,163	2,797,512	4,030,408	3,781,157
3,244,166	2,574,363	2,070,157	1,865,515	2,137,487	1,905,348
(184,962)	(172,279)	(213,337)	(261,892)	(313,261)	(298,744)
(4,674)	29,491	19,967	84,238	(2,724)	4,672
3,054,530	2,431,575	1,876,787	1,687,860	1,821,502	1,611,276
(751,430)	(536,193)	(514,785)	(402,266)	(319,475)	(509,645)
2,303,100	1,895,382	1,362,002	1,285,594	1,502,027	1,101,631
(291,827)	(248,905)	(305,286)	(284,891)	(330,539)	(221,831)
2,011,273	1,646,477	1,056,716	1,000,703	1,171,488	879,801
27,295,207	25,506,150	24,961,947	24,217,513	24,068,278	24,500,533
2,441,310	2,514,446	2,480,863	1,834,046	1,742,446	1,736,745
37,286	42,956	29,575	417,677	418,724	403,873
5,257,295	4,563,719	4,061,180	4,897,750	4,171,218	3,376,368
35,031,099	32,627,270	31,533,564	31,366,986	30,400,666	30,017,519
(10,240,307)	(9,474,933)	(9,743,185)	(9,915,737)	(9,683,477)	(10,353,073)
24,790,791	23,152,338	21,790,379	21,451,248	20,717,189	19,664,446

SHANG PROPERTIES®

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of SHANG PROPERTIES INC. is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud of error.

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

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

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

Isla Lipana and Co. and Sycip Gorres Velayo & Co., the independent auditors appointed by the stockholders for the period December 31, 2017 and 2016, respectively, have audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

Signature ____________________
Edward Kuok Khoon Loong

Signature ____________________
Wilfred Shan Chen Woo

Signature ____________________
Karlo Marco P. Estavillo

Signed this 14th day of March

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

AUDIT COMMITTEE REPORT

For the year ended 31 December 2017

THE AUDIT COMMITTEE OF THE BOARD HAS BEEN ESTABLISHED SINCE 2002 AND IS COMPOSED OF THREE (3) NON-EXECUTIVE DIRECTORS, OF WHOM TWO (2) ARE INDEPENDENT DIRECTORS. THE CHAIR OF THE AUDIT COMMITTEE IS AN INDEPENDENT DIRECTOR.

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

In performing its responsibilities, set out below is a summary of the work performed by the Audit Committee during the financial year ended 31 December 2017.

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

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

(iii) The Audit Committee assessed the independence of the Company's external auditor, prior to formally engaging the external auditor to carry out the audit for the Company's financial statements for the year ended 31 December 2017.

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

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

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

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

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

During the financial year ended 31 December 2017, the Audit Committee met four (4) times and the Audit Committee also conducted meetings with the Group's senior management, the external auditor and the internal audit team from time to time. Minutes of the Audit Committee Meetings are documented and circulated to the Board for information. The Audit Committee also reports and presents its findings and makes recommendations for consideration and discussion at Board meetings.

The Audit Committee reviewed the financial statements of the Group for the year ended 31 December 2017 prior to recommending them to the Board for approval.

Members of the Audit Committee:

Mr. Maximo G. Licauco III
Chairman

Mr. Benjamin I. Ramos
Member

Ms. Cynthia R. Del Castillo
Member

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Independent Auditor's Report

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

Our Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Shang Properties, Inc. (the "Parent Company") and its subsidiaries (together, the "Group") as at December 31, 2017, and the consolidated financial performance and consolidated cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

What we have audited

The consolidated financial statements of the Group comprise:

- the consolidated statement of financial position as at December 31, 2017;
- the consolidated statement of total comprehensive income for the year ended December 31, 2017;
- the consolidated statement of changes in equity for the year ended December 31, 2017;
- the consolidated statement of cash flows for the year ended December 31, 2017; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for Opinion

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

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

Independence

We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

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Independent Auditor's Report
To the Board of Directors and Shareholders of
Shang Properties, Inc. and Subsidiaries
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Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

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

Key audit matters identified in our audit are summarized as follows:

- Valuation of investment properties;
- Revenue recognition on condominium sales based on percentage of completion (POC); and
- Impairment assessment of goodwill.

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Key Audit Matters	How our Audit Addressed the Key Audit Matters
Valuation of investment properties Refer to Note 10 to the consolidated financial statements for the details of the investment properties and Note 33.1 for discussion on critical accounting estimates and assumptions. As at December 31, 2017, total investment properties, carried at fair value, amounts to P30.10 billion which accounts for 50% of the total consolidated assets of the Group. In addition, the determination of fair values by an appraiser involves significant estimation using assumptions such as similar market listing in the area, occupancy rate, rental rate and discount rate. An annual fair value assessment is performed based on the requirements of PFRS 13, Fair Value Measurement, and Philippine Accounting Standards (PAS) 40, Investment Property. In 2017, the Group recognized a fair value gain amounting to P660.17 million. This is based on the report prepared by an independent appraiser using the market comparison approach and direct income capitalization approach for the Group's parcels of land and buildings held for office and retail lease, and other parcels of land held for capital appreciation. The market comparison approach considers the sales of similar or substitute properties and related market data, and establishes a value estimate by a process involving comparison. The direct income capitalization approach considers income and expense data relating to the property being valued and estimates value through a capitalization process. Capitalization relates income (usually a net income figure) and a defined value type by converting an income amount into a value estimate.	We addressed the matter by obtaining the appraisal reports and reviewing the appropriateness of the method and reasonableness of the significant assumptions and estimates used in calculating the fair value as supported by our valuation expert. In particular, comfort over the reliability of the appraiser reports was obtained through independent verification of certain fair value assumptions and inputs specifically: • similar market listing in the area by comparing to records of recent sales and offerings of similar land; • occupancy rate by agreeing to management's records and historical actual information; • expense-revenue ratio by comparing to the historical experience of the Group's leasing operations; • rental rate by comparing to prevailing market rents to leasing transactions of comparable properties; and • discount rate by comparing to published market yields. We evaluated competence, capabilities and objectivity of the independent appraiser engaged by the Group by reviewing its profile, licenses and client portfolio. We did not note any significant issues in our testing of management's estimate of fair value of investment properties.

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Independent Auditor's Report
To the Board of Directors and Shareholders of
Shang Properties, Inc. and Subsidiaries
Page 4

Key Audit Matters	How our Audit Addressed the Key Audit Matters
Revenue recognition on condominium sales based on Percentage of Completion (POC)	
Refer to Note 33.1 to the consolidated financial statements for the discussion on critical accounting estimates and assumptions. The Group's revenue arising from condominium sales for the year ended December 31, 2017 amounts to P8.19 billion which accounts for 59% of the consolidated total revenues. Therefore, it is considered material to the consolidated financial statements. The determination of the revenue arising from condominium sales involves significant estimation by reference to the estimated completion of a physical proportion of the contract work.	We addressed the matter by obtaining an understanding of the Group's POC determination process focusing on cost accumulation and budgeting activities, validating contracts with condominium buyers, assessing reasonableness of POC by comparing with POC calculated using the input method, meeting with quantity surveyors who perform the calculation, recalculating the POC rate per accomplishment reports, performing site visit, inspecting supporting contracts and progress billings and validating total estimated project costs by inspection of approved cost sheets and their subsequent revisions. We evaluated competence, capabilities and objectivity of independent quantity surveyors engaged by the Group by reviewing their profile, licenses and client portfolio. We did not note any significant issues in our testing of critical accounting estimate on revenue recognition on condominium sales.

Key Audit Matters	How our Audit Addressed the Key Audit Matters
Impairment assessment of goodwill Refer to Note 14 to the consolidated financial statements for the details of the goodwill and Note 33.2 for discussion on critical accounting judgments. As at December 31, 2017, the Group's goodwill attributable to Shang Global City Properties, Inc. (the Cash Generating Unit or CGU) amounted to P269.87 million. Under PAS 36, Impairment of Assets, the Group is required to annually test the amount of goodwill for impairment. In addition, management's assessment process is complex, and requires significant estimates and judgment. The most significant judgments relate to the terminal growth rate and discount rate applied together with the assumptions supporting the underlying forecast cash flows, in particular revenue growth rates and operating margins.	We checked the reasonableness of management's future cash flow forecasts and the underlying assumptions based on the historical performance of the business, industry-specific reports and the macro economic outlook as supported by our valuation expert. We assessed the projected cash flow against the approved budgets of the CGU. We reviewed management's basis for identifying the CGU where goodwill is allocated. We validated that the calculation of the carrying amount of the CGU is consistent with the requirements of PAS 36. We also tested management's assumptions in relation to the: • terminal growth rate by comparing to the economic and industry forecasts; and • pre-tax discount rate by assessing the cost of capital for the CGU and comparable businesses. We found the assumptions consistent and in line with our expectations. We considered the adequacy of management's sensitivity calculations. We determined that the calculations were most sensitive to assumptions for terminal growth rate and the pre-tax discount rate as disclosed in Note 33.2 to the consolidated financial statements.

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Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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Independent Auditor's Report
To the Board of Directors and Shareholders of
Shang Properties, Inc. and Subsidiaries
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As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of each entity within the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause an entity within the Group to cease to continue as a going concern.

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

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

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

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Independent Auditor's Report
To the Board of Directors and Shareholders of
Shang Properties, Inc. and Subsidiaries
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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

The consolidated financial statements as at and for the years ended December 31, 2016 and 2015 were audited by another auditor whose report thereon dated March 15, 2017 expressed an unmodified opinion on those statements. Our opinion is not qualified in respect of this matter.

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

Isla Lipana & Co.

Imelda Ronnie G. Castro

Imelda Ronnie de Guzman-Castro
Partner
CPA Cert. No. 89352
P.T.R. No. 0011287; issued on January 10, 2018 at Makati City
SEC A.N. (individual) as general auditors 0410-AR-3, Category A; effective until February 2, 2019
SEC A.N. (firm) as general auditors 0009-FR-4; Category A; effective until July 15, 2018
T.I.N. 152-015-095
BIR A.N. 08-000745-44-2015; issued on December 8, 2015; effective until December 7, 2018
BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
March 14, 2018

Shang Properties, Inc. and Subsidiaries

Consolidated Statement of Financial Position
December 31, 2017
(With comparative figures as at December 31, 2016)
(All amounts in Philippine Peso)

	Notes	2017	2016
ASSETS			
Current assets			
Cash and cash equivalents	3	5,030,757,380	4,241,131,012
Financial assets at fair value through profit or loss	4	45,969,343	32,597,501
Trade and other receivables, net	5	4,172,582,346	2,942,253,373
Properties held for sale	6	6,235,573,215	10,653,702,058
Prepaid taxes and other current assets	7	1,055,041,731	1,705,532,427
Total current assets		16,539,924,015	19,575,216,371
Non-current assets			
Installment contracts receivable, net of current portion	5	-	864,665,330
Investments in associates	8	501,935,625	495,635,612
Investment properties	10	30,100,203,443	28,979,498,629
Real estate development projects	11	235,745,363	275,632,515
Available-for-sale financial assets	12	513,192,742	508,292,842
Property and equipment	13	11,947,734,418	10,447,830,429
Goodwill	14	269,870,864	269,870,864
Deferred income tax assets, net	26	192,738,742	205,027,317
Other non-current assets	15	147,446,504	150,264,226
Total non-current assets		43,908,867,701	42,196,717,764
Total assets		60,448,791,716	61,771,934,135
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and other current liabilities	16	6,110,250,197	6,245,107,887
Current portion of:			
Installment payable	6	636,511,197	199,234,295
Bank loans	17	583,333,333	2,276,643,585
Deposits from tenants	18	506,636,400	533,286,874
Deferred lease income	18	28,137,086	18,066,878
Income tax payable	26	184,217,378	77,868,930
Dividends payable	20	37,515,266	33,035,177
Total current liabilities		8,086,600,857	9,383,243,606
Non-current liabilities			
Installment payable, net of current portion	6	-	571,036,378
Accrued employee benefits	25	52,214,078	41,067,131
Bank loans, net of current portions	17	7,776,139,370	10,759,482,775
Deferred income tax liabilities, net	26	7,179,085,729	6,956,271,251
Advance rental, net of current portion	30	206,667,999	135,481,307
Deposits from tenants, net of current portion	18	597,630,623	563,478,901
Deferred lease income, net of current portion	18	26,211,780	23,404,553
Total non-current liabilities		15,837,949,579	19,050,222,296
Total liabilities		23,924,550,436	28,433,465,902
Equity			
Share capital	19	4,764,058,982	4,764,058,982
Share premium	19	834,439,607	834,439,607
Treasury shares	19	(6,850,064)	(6,850,064)
Equity reserves	9	(141,132,606)	(141,132,606)
Other comprehensive income		(9,795,092)	(883,032)
Retained earnings	19	25,027,307,247	22,466,858,146
Total equity attributable to shareholders of the Parent Company		30,468,028,074	27,916,491,033
Non-controlling interests	9	6,056,213,206	5,421,977,200
Total equity		36,524,241,280	33,338,468,233
Total liabilities and equity		60,448,791,716	61,771,934,135

The notes on pages 1 to 79 are integral part of these consolidated financial statements.

Shang Properties, Inc. and Subsidiaries

Consolidated Statement of Total Comprehensive Income
For the year ended December 31, 2017
(With comparative figures for the years ended December 31, 2016 and 2015)
(All amounts in Philippine Peso)

	Notes	2017	2016	2015
Revenues				
Condominium sales	5	8,192,197,299	6,105,999,984	4,654,102,798
Rental and cinema	10	2,981,321,414	2,892,405,273	2,737,004,851
Hotel operation		2,596,696,685	1,344,616,051	-
		13,770,215,398	10,343,021,308	7,391,107,649
Cost of sales and services				
Condominium sales		4,726,826,668	3,506,117,817	2,374,666,153
Rental and cinema		222,938,433	134,819,051	142,871,800
Hotel operation		2,658,648,660	1,459,547,660	-
	21	7,608,413,761	5,100,484,528	2,517,537,953
Gross income		6,161,801,637	5,242,536,780	4,873,569,696
Operating expenses				
Staff costs	22	442,405,884	512,236,006	459,471,807
Taxes and licenses	23	188,172,168	162,898,235	164,055,773
Depreciation and amortization	13	20,456,404	18,704,491	22,513,967
Insurance		994,078	17,858,532	949,734
Other general and administrative	23	570,771,981	509,238,760	221,094,023
		1,222,800,515	1,220,936,024	868,085,304
Other income				
Gain on fair value adjustment of investment properties, net	10	660,167,229	536,703,295	549,224,660
Interest income	24	231,052,079	259,905,030	236,873,016
Foreign exchange gains, net	3	25,130,010	10,063,722	6,248,738
Other income, net	24	165,323,609	129,401,741	100,235,005
		1,081,672,927	936,073,788	892,581,419
Share in net earnings (losses) of associates	8	(4,099,987)	(4,312,738)	70,658,121
Interest expense and bank charges	24	(331,962,863)	(273,494,026)	(201,558,575)
Income before income tax		5,684,611,199	4,679,867,780	4,767,165,357
Provision for income tax	26	(1,464,529,236)	(1,204,217,548)	(1,189,138,629)
Net income for the year		4,220,081,963	3,475,650,232	3,578,026,728
Net income attributable to:				
Shareholders of the Parent Company		3,346,165,957	2,905,924,508	2,849,812,817
Non-controlling interests	9	873,916,006	569,725,724	728,213,911
		4,220,081,963	3,475,650,232	3,578,026,728
Basic and diluted earnings per share attributable to shareholders of the Parent Company	27	0.703	0.610	0.598
Forward				

	Notes	2017	2016	2015
Net income for the year		4,220,081,963	3,475,650,232	3,578,026,728
Other comprehensive income (loss)				
Item that will be subsequently reclassified to profit or loss				
Increase in fair value of available-for-sale financial assets, net of tax	12	4,620,000	5,497,500	1,435,000
Translation adjustments		(57,256)	(227,514)	405,500
Item that will not be subsequently reclassified to profit or loss				
Remeasurement gain (loss) on retirement benefit obligation, net of tax	25	(13,474,804)	973,025	(920,032)
		(8,912,060)	6,243,011	920,468
Total comprehensive income for the year		4,211,169,903	3,481,893,243	3,578,947,196
Total comprehensive income attributable to:				
Shareholders of the Parent Company		3,337,180,321	2,912,167,519	2,850,733,285
Non-controlling interests	9	873,989,582	569,725,724	728,213,911
		4,211,169,903	3,481,893,243	3,578,947,196

The notes on pages 1 to 79 are integral part of these consolidated financial statements.

Shang Properties, Inc. and Subsidiaries

Consolidated Statement of Changes in Equity
For the year ended December 31, 2017
(With comparative figures for the years ended December 31, 2016 and 2015)
(All amounts in Philippine Peso)

	Shareholders of the Parent Company											
				Other comprehensive income								
	Share capital (Note 19)	Share premium (Note 19)	Treasury shares (Note 19)	Cumulative changes in fair value of available-for-sale financial assets (Note 12)	Cumulative translation adjustments	Remeasurement loss on defined benefit plan (Note 25)	Total	Equity reserves (Note 9)	Retained earnings (Note 19)	Non-controlling interests (Note 9)	Total
Balances at January 1, 2015	4,764,058,982	834,439,607	(6,850,064)	3,412,500	(393,169)	(11,065,842)	(8,046,511)	-	18,234,935,332	3,965,795,878	27,784,333,224
Comprehensive income											
Net income for the year	-	-	-	-	-	-	-	-	2,849,812,817	728,213,911	3,578,026,728
Other comprehensive income (loss)	-	-	-	1,435,000	405,500	(920,032)	920,468	-	-	-	920,468
Total comprehensive income (loss)	-	-	-	1,435,000	405,500	(920,032)	920,468	-	2,849,812,817	728,213,911	3,578,947,196
Transaction with owners											
Cash dividends declared (Note 20)	-	-	-	-	-	-	-	-	(738,097,655)	(282,600,000)	(1,020,697,655)
Transaction with non-controlling interest											
Step-acquisition of a subsidiary (Note 14)	-	-	-	-	-	-	-	-	-	1,959,000,000	1,959,000,000
Balances at December 31, 2015	**4,764,058,982**	**834,439,607**	**(6,850,064)**	**4,847,500**	**12,331**	**(11,985,874)**	**(7,126,043)**	-	**20,346,650,494**	**6,370,409,789**	**32,301,582,765**
Comprehensive income											
Net income for the year	-	-	-	-	- -		-	-	2,905,924,508	569,725,724	3,475,650,232
Other comprehensive income (loss)	-	-	-	5,497,500	(227,514)	973,025	6,243,011	-	-	-	6,243,011
Total comprehensive income (loss)	-	-	-	5,497,500	(227,514)	973,025	6,243,011	-	2,905,924,508	569,725,724	3,481,893,243
Transaction with owners											
Cash dividends declared (Note 20)	-	-	-	-	-	-	-	-	(785,716,856)	(239,680,000)	(1,025,396,856)
Transaction with non-controlling interest											
Acquisition of non-controlling interest (Note 9)	-	-	-	-	-	-	-	(141,132,606)	-	(1,278,478,313)	(1,419,610,919)
Balances at December 31, 2016	**4,764,058,982**	**834,439,607**	**(6,850,064)**	**10,345,000**	**(215,183)**	**(11,012,849)**	**(883,032)**	**(141,132,606)**	**22,466,858,146**	**5,421,977,200**	**33,338,468,233**
Comprehensive income											
Net income for the year	-	-	-	-	-	-	-	-	3,346,165,957	873,916,006	4,220,081,963
Other comprehensive income (loss)	-	-	-	4,620,000	(57,256)	(13,474,804)	(8,912,060)	-	-	-	(8,912,060)
Total comprehensive income (loss)	-	-	-	4,620,000	(57,256)	(13,474,804)	(8,912,060)	-	3,346,165,957	873,916,006	4,211,169,903
Transaction with owners											
Cash dividends declared (Note 20)	-	-	-	-	-	-	-	-	(785,716,856)	(239,680,000)	(1,025,396,856)
Balances at December 31, 2017	**4,764,058,982**	**834,439,607**	**(6,850,064)**	**14,965,000**	**(272,439)**	**(24,487,653)**	**(9,795,092)**	**(141,132,606)**	**25,027,307,247**	**6,056,213,206**	**36,524,241,280**

The notes on pages 1 to 79 are integral part of these consolidated financial statements.

Shang Properties, Inc. and Subsidiaries

Consolidated Statement of Cash Flows
For the year ended December 31, 2017
(With comparative figures for the years ended December 31, 2016 and 2015)
(All amounts in Philippine Peso)

	Notes	2017	2016	2015
Cash flows from operating activities				
Income before provision for income tax		5,684,611,199	4,679,867,780	4,767,165,357
Adjustments for:				
Depreciation and amortization	13	898,032,690	493,118,819	22,513,967
Interest expense	24	330,986,305	272,573,232	193,952,916
Retirement benefit expense	25	50,603,555	20,259,547	20,333,059
Provision for doubtful accounts	5, 23	5,178,302	-	-
Share in net losses (income) of associates	8	4,099,987	4,312,738	(70,658,121)
Write-off of available-for-sale financial assets	12	2,000,000	-	-
Loss on disposal of financial assets at fair value through profit or loss	4	875,663	-	-
Unrealized foreign exchange gain	3	(2,196,833)	(10,063,722)	(6,248,738)
(Gain) Loss on fair value adjustment of financial assets at fair value through profit or loss	4, 24	(14,247,505)	2,284,599	(1,869,576)
Amortization of deferred lease income	18	(33,787,663)	(11,118,358)	(25,370,048)
Dividend income	24	(63,880,748)	(40,551,885)	(40,033,691)
Interest income	24	(231,052,079)	(254,559,241)	(236,873,016)
Gain on fair value adjustment of investment properties	10	(660,167,229)	(536,703,295)	(549,224,660)
(Gain) Loss on sale of property and equipment	24	986,953	(1,430,479)	(724,894)
Operating income before working capital changes		5,972,042,597	4,617,989,735	4,072,962,555
Changes in working capital:				
Trade and other receivables		(208,774,746)	(778,783,871)	1,512,381,838
Properties held for sale		4,424,893,843	642,008,641	(522,784,687)
Prepaid taxes and other current assets		250,668,717	60,163,082	39,496,497
Real estate development projects		(2,317,743,014)	-	-
Other non-current assets		15,528,384	(86,852,805)	5,082,333
Accounts payable and other current liabilities		(96,161,148)	860,380,337	734,870,163
Accrued employee benefits		(12,935,285)	(8,748,029)	(20,001,206)
Installment payable		(133,759,476)	(92,796,830)	-
Advance rental		52,455,750	56,906,050	11,012,320
Deposits from tenants		35,006,572	31,892,054	7,885,426
Net cash generated from operations		7,981,222,194	5,302,158,364	5,840,905,239
Income tax paid		(719,460,846)	(1,028,559,324)	(940,563,195)
Interest received		68,984,880	59,845,769	53,319,202
Contributions paid to retirement plan	25	(20,716,867)	(26,874,253)	(19,339,502)
Retirement benefits paid directly by the Group	25	(37,530,039)	(7,706,482)	(25,864,971)
Net cash provided by operating activities		7,272,499,322	4,298,864,074	4,908,456,773
Forward				

	Notes	2017	2016	2015
Cash flows from investing activities				
Additions to:				
Available-for-sale financial assets	12	(299,900)	-	-
Investments in associates	8	(10,400,000)	(8,000,000)	(10,500,000)
Investment properties	10	(467,302,585)	(264,227,459)	(518,475,727)
Property and equipment	13	(42,308,025)	(1,353,290,254)	(92,606,864)
Real estate development projects	11	-	(275,632,515)	(2,365,633,368)
Dividends received	24	63,880,748	40,551,885	40,033,691
Proceeds from sale of property and equipment	24	779,764	1,430,479	724,894
Acquisition of non-controlling interest	9	-	(1,419,610,919)	-
Net cash used in investing activities		(455,649,998)	(3,278,778,783)	(2,946,457,374)
Cash flows from financing activities				
Payments of:				
Loan principal	17	(4,689,583,333)	(133,333,333)	(1,895,833,333)
Interest	17	(318,919,689)	(250,777,771)	(177,216,122)
Cash dividends paid to:				
Shareholders	20	(781,236,767)	(781,146,540)	(750,447,675)
Non-controlling shareholders of subsidiaries	9	(239,680,000)	(359,680,099)	(226,080,000)
Proceeds from loan availment, net of debt issue costs	17	-	694,750,000	2,211,493,915
Net cash used in financing activities		(6,029,419,789)	(830,187,743)	(838,083,215)
Net increase in cash and cash equivalents for the year		787,429,535	189,897,548	1,123,916,184
Cash and cash equivalents at January 1	3	4,241,131,012	4,041,169,742	2,911,004,820
Effects of exchange rate changes on cash and cash equivalents	3	2,196,833	10,063,722	6,248,738
Cash and cash equivalents at December 31	3	5,030,757,380	4,241,131,012	4,041,169,742

The notes on pages 1 to 79 are integral part of these consolidated financial statements.

Shang Properties, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
As at and for the year ended December 31, 2017
(With comparative figures and notes as at and for the years ended December 31, 2016 and 2015
(All amounts are shown in Philippine Peso unless otherwise stated)

Note 1 - General information

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

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

The Parent Company and its subsidiaries' (together, the "Group") businesses include property investment and development, hotel operation, real estate management, leasing, mall and carpark operations, and other supplementary businesses.

The consolidated financial statements have been approved and authorized for issue in accordance with a resolution of the Board of Directors on March 14, 2018.

Note 2 - Segment information

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

(a) Property development

This business segment pertains to the sale of condominium units.

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

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

The Rise Development Company Inc. ("TRDCI") is the developer of The Rise Makati Project, located in Makati City.

On January 13, 2016, Shang Wack Wack Properties, Inc. ("SWWPI") was incorporated and registered with the SEC to develop a high-rise residential condominium project located in Mandaluyong City.

(b) Hotel operation

This business segment pertains to the hotel operation of Shangri-La at the Fort's hotel and residence. Shang Global City Properties, Inc. ("SGCPI") is the developer of Shangri-La at the Fort Project, located in Taguig City. SGCPI's hotel and restaurant operations started commercial operations on March 1, 2016.

(c) Leasing

This business segment pertains to the rental operations of the Shangri-La Plaza Mall, The Enterprise Center ("TEC") and their related carpark operations as operated by Shangri-La Plaza Corporation ("SLPC"), KSA Realty Corporation ("KSA") and SPI Parking Services, Inc. ("SPSI"), respectively. It also includes rental of a portion of the Parent Company's land to EDSA Shangri-La Hotel and Resort, Inc. ("ESHRI") and cinema operations of Shangri-La Plaza Mall.

Other business segments pertain to property management services and operations of real estate entities and other subsidiaries.

Except for the rental revenue from ESHRI, all revenues come from transactions with third parties. There are no revenues derived from a single external customer above 10% of total revenue in 2017 and 2016. There is no need to present reconciliation since measure of segment assets, liabilities and results of operations are consistent with those of the financial statements.

All revenues are from domestic entities incorporated in the Philippines, hence, the Group did not present geographical information required by PFRS 8, *Operating Segments*.

There are no changes in the Group's reportable segment and related strategy and policies in 2017 and 2016.

The segment assets, liabilities and results of operations of the reportable segments of the Group as at and for the year ended December 31, 2017 are as follows:

	Property development	Hotel operations	Leasing	Others	Total segments	Eliminations	Consolidated
Revenues							
Condominium sales	8,192,197,299	-	-	-	8,192,197,299	-	8,192,197,299
Rental and cinema	-	-	3,213,206,569	-	3,213,206,569	(231,885,155)	2,981,321,414
Hotel operation	-	2,596,696,685	-	-	2,596,696,685	-	2,596,696,685
Cost of sales and services:							
Condominium sales	(4,726,826,668)	-	-	-	(4,726,826,668)	-	(4,726,826,668)
Rental and cinema	-	-	(218,779,404)	-	(218,779,404)	(4,159,029)	(222,938,433)
Hotel operation	-	(2,658,648,660)	-	-	(2,658,648,660)	-	(2,658,648,660)
Gross income (loss)	3,465,370,631	(61,951,975)	2,994,427,165	-	6,397,845,821	(236,044,184)	6,161,801,637
Operating expenses							
Staff costs	(142,992,270)	-	(319,727,957)	(10,342,898)	(473,063,125)	30,657,241	(442,405,884)
Taxes and licenses	(95,895,508)	-	(90,761,302)	(1,515,358)	(188,172,168)	-	(188,172,168)
Depreciation and amortization	(7,809,435)	-	(345,553,888)	(34,505)	(353,397,828)	332,969,055	(20,428,773)
Insurance	(200,697)	-	(782,578)	(10,803)	(994,078)	-	(994,078)
Other general and administrative	(190,912,048)	(322,975,081)	(295,090,408)	(2,160,519)	(811,138,056)	240,338,444	(570,799,612)
Other income (expense)							
Gain (Loss) on fair value adjustment of investment properties	(440,547,000)	-	559,703,983	1,473,390,469	1,592,547,452	(932,380,223)	660,167,229
Interest income	211,539,790	-	18,848,178	664,111	231,052,079	-	231,052,079
Foreign exchange gains (losses), net	2,794,395	-	22,334,009	(4,665,286)	20,463,118	4,666,892	25,130,010
Other income, net	82,157,479	-	33,172,247	2,010,586,242	2,125,915,968	(1,960,592,359)	165,323,609
Share in net losses of associates	-	-	-	(4,099,987)	(4,099,987)	-	(4,099,987)
Interest expense and bank charges	(188,570,012)	-	(28,438,846)	(114,954,005)	(331,962,863)	-	(331,962,863)
Income (Loss) before income tax	2,694,935,325	(384,927,056)	2,548,130,603	3,346,857,461	8,204,996,333	(2,520,385,134)	5,684,611,199
Provision for income tax	(756,502,288)	-	(531,339,659)	(465,441,298)	(1,753,283,245)	288,754,009	(1,464,529,236)
Net income (loss) for the year	1,938,433,037	(384,927,056)	2,016,790,944	2,881,416,163	6,451,713,088	(2,231,631,125)	4,220,081,963
Segment assets	11,729,438,058	11,554,781,316	28,087,222,598	9,088,747,020	60,460,188,992	(513,332,901)	59,946,856,091
Associate companies (Note 8)	-	-	-	501,935,625	501,935,625	-	501,935,625
Total assets	11,729,438,058	11,554,781,316	28,087,222,598	9,590,682,645	60,962,124,617	(513,332,901)	60,448,791,716
Segment liabilities	6,978,354,123	7,316,184,909	10,899,297,278	6,405,705,759	31,599,542,069	(7,574,991,633)	23,924,550,436
Capital expenditures for the year (Notes 10 and 13)	599,206	25,132,508	483,478,274	400,622	509,610,610	-	509,610,610

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

	Property development	Leasing	Hotel operation	Others	Total segments	Eliminations	Consolidated
Revenue							
Condominium sales	6,253,427,534	-	-	-	6,253,427,534	(147,427,550)	6,105,999,984
Rental and cinema	-	3,126,342,878	-	-	3,126,342,878	(233,937,605)	2,892,405,273
Hotel operation	-		1,344,616,051	-	1,344,616,051	-	1,344,616,051
Cost of sales and services:							
Condominium sales	(3,564,830,699)	-	-	-	(3,564,830,699)	58,712,882	(3,506,117,817)
Rental and cinema	-	(134,819,051)	-	-	(134,819,051)	-	(134,819,051)
Hotel operation	-	-	(1,459,547,660)	-	(1,459,547,660)	-	(1,459,547,660)
Gross income (loss)	2,688,596,835	2,991,523,827	(114,931,609)	-	5,565,189,053	(322,652,273)	5,242,536,780
Operating expenses							
Staff costs	(312,797,928)	(245,569,769)		(12,558,667)	(570,926,364)	58,690,358	(512,236,006)
Taxes and licenses	(80,711,336)	(81,461,270)	-	(725,629)	(162,898,235)	-	(162,898,235)
Depreciation and amortization	(3,359,645)	(250,020,353)	-	(111,655)	(253,491,653)	234,787,162	(18,704,491)
Insurance	(281,494)	(2,997,652)	(14,568,487)	(10,899)	(17,858,532)	-	(17,858,532)
Other general and administrative expenses	(240,598,093)	(343,133,208)	(173,989,491)	(4,171,407)	(761,892,199)	252,653,439	(509,238,760)
Other income							
Gain on fair value adjustments of investment properties	-	48,154,851	-	488,548,444	536,703,295	-	536,703,295
Interest income	228,252,188	30,834,418	-	818,424	259,905,030	-	259,905,030
Foreign exchange gains (losses), net	9,392,774	675,710	-	(132,074,621)	(122,006,137)	132,069,859	10,063,722
Other income, net	66,158,146	59,681,836	-	58,859,261	184,699,243	(55,297,502)	129,401,741
Share in net losses of associates			-	(4,312,738)	(4,312,738)	-	(4,312,738)
Interest expense and bank charges	(109,376,573)	(164,113,730)	-	(3,723)	(273,494,026)	-	(273,494,026)
Income (Loss) before income tax	2,245,274,874	2,043,574,660	(303,489,587)	394,256,790	4,379,616,737	300,251,043	4,679,867,780
Provision for income tax	(628,671,666)	(420,326,797)	-	(73,519,756)	(1,122,518,219)	(81,699,329)	(1,204,217,548)
Net income (loss) for the year	1,616,603,208	1,623,247,863	(303,489,587)	320,737,034	3,257,098,518	218,551,714	3,475,650,232
Segment assets	19,904,278,170	26,651,730,083	8,132,392,278	6,965,402,730	61,653,803,261	(377,504,738)	61,276,298,523
Associate companies (Note 8)	-	-	-	495,635,612	495,635,612	-	495,635,612
Total assets	19,904,278,170	26,651,730,083	8,132,392,278	7,461,038,342	62,149,438,873	(377,504,738)	61,771,934,135
Segment liabilities	8,562,984,817	10,605,798,141	9,989,325,981	5,216,048,178	34,374,157,117	(5,940,691,215)	28,433,465,902
Capital expenditures for the year (Notes 10 and 13)	1,826,007	279,991,366	1,335,521,773	178,567	1,617,517,713	-	1,617,517,713

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

	Property development	Leasing	Hotel operations	Others	Total segments	Eliminations	Consolidated
Revenues:							
Condominium sales	4,654,102,798	-	-	-	4,654,102,798	-	4,654,102,798
Rental and cinema	-	2,971,897,446	-	-	2,971,897,446	(234,892,595)	2,737,004,851
Cost of condominium sales							
Condominium sales	(2,374,666,153)	-	-	-	(2,374,666,153)	-	(2,374,666,153)
Rental and cinema	-	(142,871,800)	-	-	(142,871,800)	-	(142,871,800)
Gross income	2,279,436,645	2,829,025,646	-	-	5,108,462,291	(234,892,595)	4,873,569,696
Operating expenses							
Staff costs	(285,092,535)	(225,602,477)	-	(11,816,126)	(522,511,138)	63,039,331	(459,471,807)
Taxes and licenses	(85,457,549)	(77,608,367)	-	(989,857)	(164,055,773)	-	(164,055,773)
Depreciation and amortization	(5,051,050)	(17,311,634)	-	(151,283)	(22,513,967)	-	(22,513,967)
Insurance	(348,295)	(590,572)	-	(10,867)	(949,734)	-	(949,734)
Other general and administrative expenses	(127,598,296)	(334,463,999)	-	(2,257,434)	(464,319,729)	243,225,706	(221,094,023)
Other income							
Gain on fair value adjustments of investment properties	-	299,757,821	-	249,466,839	549,224,660	-	549,224,660
Interest income	210,470,968	26,010,082	-	391,966	236,873,016	-	236,873,016
Foreign exchange gains (losses), net	5,431,079	798,303	-	(109,869,320)	(103,639,938)	109,888,676	6,248,738
Other income, net	69,526,198	26,713,474	-	3,995,333	100,235,005	-	100,235,005
Share in net income of associates	-	-	-	70,658,121	70,658,121	-	70,658,121
Interest expense and bank charges	(797,015)	(200,757,934)	-	(3,626)	(201,558,575)	-	(201,558,575)
Income before income tax	2,060,520,150	2,325,970,343	-	199,413,746	4,585,904,239	181,261,118	4,767,165,357
Provision for income tax	(629,243,141)	(481,766,268)	-	(78,129,220)	(1,189,138,629)		(1,189,138,629)
Net income for the year	1,431,277,009	1,844,204,075	-	121,284,526	3,396,765,610	181,261,118	3,578,026,728
Segment assets	26,642,260,281	28,913,601,837	-	4,924,138,923	60,480,001,041	(1,679,259,570)	58,800,741,471
Associate companies (Note 8)	-	-	-	491,948,350	491,948,350	-	491,948,350
Total assets	26,642,260,281	28,913,601,837	-	5,416,087,273	60,971,949,391	(1,679,259,570)	59,292,689,821
Segment liabilities	17,519,174,720	11,067,435,865	-	5,174,985,209	33,761,595 794	(6,770,488,738)	26,991,107,056
Capital expenditures for the year (Notes 10 and 13)	81,491,637	333,925,551	-	113,934	415,531,122	195,551,469	611,082,591

Note 3 - Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2017	2016
Cash on hand	27,236,204	33,345,750
Cash in banks	352,515,924	898,497,520
Cash equivalents	4,651,005,252	3,309,287,742
	5,030,757,380	4,241,131,012

Cash in banks earned an average interest at respective bank deposit rates of 0.25% in 2017 and 2016.

Cash equivalents are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Short term investments, which have an average maturity of 30 days, earn interest ranging from 0.50% to 2.50% in 2017 (2016 - 0.40% to 2.00%; 2015 - 1.25% to 2.13%).

Interest income earned for the year ended December 31, 2017 amounted to P69,013,073 (2016 - P57,982,376; 2015 - P50,552,252) (Note 24).

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

	2017			2016		
	Foreign currency	Exchange rate	Peso equivalent	Foreign currency	Exchange rate	Peso equivalent
US Dollar	9,630,250	49.92	480,742,080	10,114,419	49.72	502,888,913
HK Dollar	77,425	6.39	494,746	277,438	6.42	1,781,152

Realized and unrealized exchange gain credited to income for the year ended December 31, 2017 amounted to P22,933,177 and P2,196,833, respectively (2016 - unrealized exchange gain of P10,063,722; 2015 - unrealized exchange gain of P6,248,738).

Note 4 - Financial assets at fair value through profit or loss

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

	Note	2017	2016
Balance at January 1		32,597,501	34,882,100
Gain (Loss) on fair value adjustment	24	14,247,505	(2,284,599)
Disposals		(875,663)	-
Balance at December 31		45,969,343	32,597,501

Fair value adjustments of financial assets at fair value through profit or loss values are presented in the consolidated statement of total comprehensive income as part of other income (Note 24).

Note 5 - Trade and other receivables, net

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

	Notes	2017	2016
Trade			
Installment contracts receivable		1,992,924,966	1,423,056,896
Rent	28	208,105,284	265,274,554
Receivables from guests and concessionaires		185,942,201	130,370,726
Non-trade			
Related parties	28	1,160,728,930	78,422,036
Advances to contractors and suppliers		604,385,543	1,012,204,099
Advances to officers and employees		3,079,488	5,311,205
Interest		2,561,536	2,533,340
Others		27,106,777	33,136,956
		4,184,834,725	2,950,309,812
Allowance for impairment of receivables		(12,252,379)	(8,056,439)
		4,172,582,346	2,942,253,373

Installment contracts receivable represent receivables from sale of condominium units with average term ranging from one to five years, with last installment collectible in 2018. These are carried at amortized cost and are discounted using prevailing interest rates at the date of transaction. Installment contracts receivables are subject to either bank financing or in-house financing. The differences between the present values and face values of the receivables are amortized using the effective interest rate method over the term of the respective contracts. Interest income earned from installment contracts receivable for the year ended December 31, 2017 amounted to P157,547,654 (2016 - P196,576,865; 2015 - P180,854,605) (Note 24).

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

Receivables from guests and concessionaires pertain to receivables arising from hotel, restaurant and rental services. These are usually due within 30 days and do not bear any interest.

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

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

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

Movements in allowance for impairment of receivables for the years ended December 31 are as follows:

	Note	2017	2016
Balance at January 1		8,056,439	8,056,439
Provision	23	5,178,302	-
Write-off		(982,362)	-
Balance at December 31		12,252,379	8,056,439

In 2017, SGCPI provided allowance for a portion of receivables from guests and concessionaires with on-going legal cases.

The expected cash flows from installment contracts receivable as at December 31, 2017 and 2016 are as follows:

	2017	2016
Expected cash flows in:		
2017	-	3,660,978,019
2018	2,321,248,072	3,170,673,944
2019	-	236,845,352
	2,321,248,072	7,068,497,315
Less: Unearned income and unamortized discount	328,323,106	4,780,775,089
	1,992,924,966	2,287,722,226
Current portion	1,992,924,966	1,423,056,896
Non-current portion	-	864,665,330
	1,992,924,966	2,287,722,226

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

As of December 31, 2017, excess collections from condominium unit buyers over recognized revenue based on the percentage of completion method which were recorded as part of the "excess billings over revenue" under accounts payable and other current liabilities amounted to P1,308,699,223 and (2016 - P1,804,927,395) (Note 16).

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

	Note	2017	2016
Beginning of year		4,780,775,089	4,827,884,669
Additions		3,897,292,970	6,255,467,269
Recognized as:			
Condominium sales		(8,192,197,299)	(6,105,999,984)
Interest income	24	(157,547,654)	(196,576,865)
End of year		328,323,106	4,780,775,089

The carrying amounts of the Group's trade and other receivables are all denominated in Philippine Peso.

There were no trade and other receivables pledged as collaterals as at December 31, 2017 and 2016.

Note 6 - Properties held for sale

Properties held for sale as at December 31 consist of:

	2017	2016
Completed condominium units	194,946,068	409,112,488
Construction in-progress	6,040,627,147	10,244,589,570
	6,235,573,215	10,653,702,058

In February 2017, SPRC transferred portion of the building property amounting to P6,765,000 to "completed condominium units" (Note 10). This pertains to a staff quarter that was renovated and sold as condominium unit during the year.

On November 2, 2015, TRDCI entered into a contract with Vivelya Development Company, Inc. (VDCI) to purchase the land where TRDCI's project is currently being constructed. The consideration for the land is for minimum base price of P1.10 billion, exclusive of 12% VAT. Payment term for the purchase price includes a down payment upon signing the contract of fifteen per cent (15%) of base price amounting to P165.00 million, exclusive of 12% VAT. The remaining balance of the purchase price is payable on a quarterly installment basis until full payment of the purchase price.

As at December 31, 2017, installment payable at amortized cost amounted to P636,511,197 (2016 - P770,270,673). Interest cost related to the amortization of the installment payable amounted to P17,819,742 in 2017 and is capitalized as part of construction in progress (2016 - P23,928,764). The unamortized discount on installment payable amounted to P30,183,992 as at December 31, 2017 (2016 - P48,003,734).

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

As at December 31, 2017, the Group has remaining estimated cost to complete the on-going projects namely The Rise, Shang Salcedo Place and Horizon Homes at Shangri-La at the Fort amounting to P5,451,119,513, P236,610,499 and P104,795,263, respectively.

Cost of condominium sales amounted to P4,726,826,668 and P3,506,117,817 for the years ended December 31, 2017 and 2016, respectively (Note 21).

Condominium units held for sale and construction in progress are stated at cost as of December 31, 2017 and 2016. There were no allowances for inventory write-down as at December 31, 2017 and 2016.

Note 7 - Prepaid taxes and other current assets

Prepaid taxes and other current assets as at December 31 consist of:

	2017	2016
Input value added tax (VAT)	353,312,013	977,480,231
Creditable withholding tax (CWT)	324,078,731	365,445,021
Prepaid commission	225,272,877	228,604,924
Prepaid property tax	47,664,899	3,024,000
Deferred input VAT	24,780,000	52,458,371
Refundable deposits	20,238,161	-
Inventories	17,073,486	25,208,802
Prepaid insurance	10,404,886	14,681,446
Other prepaid expenses	32,216,678	38,629,632
	1,055,041,731	1,705,532,427

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

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

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

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

Inventories consist of food, beverages and other recreational consumable items for the hotel operation. The inventories are stated at cost. There is no allowance for decline in value of inventories as at December 31, 2017 and 2016.

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

Note 8 - Investments in associates

Investment in associates as at December 31 consist of:

	2017	2016
Acquisition costs		
Cost at January 1	514,310,625	506,310,625
Additions to investment	10,400,000	8,000,000
Balance at December 31	524,710,625	514,310,625
Accumulated share in net losses		
Balance at January 1	(18,675,013)	(14,362,275)
Share in net losses	(4,099,987)	(4,312,738)
Balance at December 31	(22,775,000)	(18,675,013)
	501,935,625	495,635,612

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

The Group's associates are as follows:

	Place of incorporation	Percentage of ownership 2017	2016
Sky Leisure Properties, Inc. (SLPI)	Philippines	50.00%	50.00%
Ideal Sites and Properties, Inc. (ISPI)	Philippines	40.00%	40.00%

The summarized financial information of SLPI are as follows:

	2017	2016
Asset		
Current assets	6,364,473	3,899,688
Non-current asset	964,843,000	964,843,000
	971,207,473	968,742,688
Liabilities		
Current liabilities	150,327,830	139,663,070
Non-current liabilities	749,026,646	749,026,646
	899,354,476	888,689,716
Net assets	71,852,997	80,052,972
Net loss after tax	(8,199,974)	(8,625,465)
Other comprehensive income	-	-
Total comprehensive loss	(8,199,974)	(8,625,465)

As at December 31, 2017 and 2016, SLPI has an investment property development project which has not yet started.

Note 9 - Non-controlling interests

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

	2017	2016
KSA	29.96%	29.96%
SGCPI	40.00%	40.00%

On June 20, 2016, the Parent Company acquired 207,082 KSA common shares from Ocmador Philippines, B.V. for a purchase price amounting to P1,419,610,919. The Parent Company accounted for the increase in ownership in KSA from 52.90% to 70.04% as equity transaction. The difference between the considerations paid and the carrying amount of the NCI acquired is recognized directly in equity reserves amounting to P141,132,606.

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

(a) KSA Realty Corporation

	2017	2016
Summarized statements of financial position		
Current assets	594,778,251	712,831,966
Current liabilities	(439,208,900)	(455,891,690)
Current net assets	155,569,351	256,940,276
Non-current assets	9,962,972,699	9,027,611,303
Non-current liabilities	(2,436,086,642)	(2,125,312,354)
Non-current net assets	7,526,886,057	6,902,298,949
Equity	7,682,455,408	7,159,239,225

	2017	2016
Equity attributable to:		
Equity holders of the Parent Company	5,380,791,769	5,014,331,153
NCI	2,301,663,639	2,144,908,072
	7,682,455,408	7,159,239,225
Dividends declared to NCI	239,680,000	239,680,000

	2017	2016	2015
Summarized statements of total comprehensive income			
Revenues	1,197,165,399	1,091,918,588	992,119,396
Cost of sales and services	(43,111,399)	(43,688,698)	(43,139,288)
Operating expenses	(24,639,694)	(28,041,516)	(19,895,492)
Other income, net	576,042,614	59,066,355	749,696,479
Income before income tax	1,705,456,920	1,079,254,729	1,678,781,095
Provision for income tax	(382,225,433)	(202,336,918)	(403,222,929)
Net income for the year	1,323,231,487	876,917,811	1,275,558,166
Other comprehensive loss	(15,304)	-	-
Total comprehensive income	1,323,216,183	876,917,811	1,275,558,166

	2017	2016	2015
Net income attributable to:			
Equity holders of the Parent Company	926,791,333	549,624,812	674,770,270
NCI	396,440,154	327,292,999	600,787,896
	1,323,231,487	876,917,811	1,275,558,166
Total comprehensive income attributable to:			
Equity holders of the Parent Company	926,780,615	549,624,812	674,770,270
NCI	396,435,568	327,292,999	600,787,896
	1,323,216,183	876,917,811	1,275,558,166

	2017	2016
Summarized statements of cash flows		
Operating activities	1,058,253,844	951,903,530
Investing activities	(352,972,946)	(38,108,390)
Financing activities	(800,000,000)	(920,000,099)
Net effect of exchange rate changes on cash and cash equivalents	(8,223)	17,156
Net decrease in cash and cash equivalents	(94,727,325)	(6,187,803)

The principal place of business of KSA is at Administration Office, Shangri-La Plaza Mall, Edsa corner Shaw Boulevard, Mandaluyong City.

(b) Shang Global City Properties, Inc.

	2017	2016
Summarized statements of financial position		
Current assets	3,953,925,285	9,322,413,117
Current liabilities	(1,906,038,036)	(2,943,260,906)
Current net assets	2,047,887,249	6,379,152,211
Non-current assets	11,061,060,452	7,974,380,823
Non-current liabilities	(5,658,792,998)	(8,097,282,639)
Non-current net assets	5,402,267,454	(122,901,816)
Equity	7,450,154,703	6,256,250,395
Equity attributable to:		
Equity holders of the Parent Company	4,470,092,822	3,753,750,237
NCI	2,980,061,881	2,502,500,158
	7,450,154,703	6,256,250,395

	2017	2016	2015
Summarized statements of total comprehensive income			
Revenues	7,165,524,915	4,715,986,158	1,258,520,181
Cost of sales and services	(4,437,370,645)	(2,983,763,725)	(528,981,253)
Operating expenses	(850,267,458)	(649,146,930)	(189,041,267)
Other income (expenses), net	(151,671,145)	(109,715,934)	1,109,845
Income before income tax	1,726,215,667	973,359,569	541,607,506
Provision for income tax	(516,525,165)	(294,542,143)	(143,497,268)
Net income for the year	1,209,690,502	678,817,426	398,110,238
Other comprehensive income	195,406	-	-
Total comprehensive income	1,209,885,908	678,817,426	398,110,238

	2017	2016	2015
Net income attributable to:			
Equity holders of the Parent Company	725,814,301	417,996,943	191,140,071
NCI	483,876,201	278,664,629	127,426,714
	1,209,690,502	696,661,572	318,566,785
Total comprehensive income attributable to:			
Equity holders of the Parent Company	725,931,545	417,996,943	191,140,071
NCI	483,954,363	278,664,629	127,426,714
	1,209,885,908	696,661,572	318,566,785

	2017	2016
Summarized statements of cash flows		
Operating activities	6,046,520,678	2,159,978,086
Investing activities	(711,652,376)	(2,006,906,058)
Financing activities	(4,390,745,685)	448,211,378
Net effect of exchange rate changes on cash and cash equivalents	(724,842)	(5,801,156)
Net increase in cash and cash equivalents	944,122,617	601,283,406

No dividends were declared and paid by SGCPI in 2017 and 2016.

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

Note 10 - Investment properties

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

	Land	Building	Total
January 1, 2016	9,580,662,060	18,597,905,815	28,178,567,875
Gain (Loss) on fair value adjustment	729,038,747	(192,335,452)	536,703,295
Capitalized subsequent expenditure	-	264,227,459	264,227,459
December 31, 2016	10,309,700,807	18,669,797,822	28,979,498,629
Gain (Loss) on fair value adjustment	1,482,231,724	(822,064,495)	660,167,229
Capitalized subsequent expenditure	2,223,950	465,078,635	467,302,585
Transfer to properties held for sale	-	(6,765,000)	(6,765,000)
December 31, 2017	11,794,156,481	18,306,046,962	30,100,203,443

The Group's investment properties located in in Mandaluyong City and Makati City include parcels of land and buildings held for office and retail leases and other parcels of land held for capital appreciation. These properties are being leased out to subsidiaries and third parties.

As at December 31, 2017 and 2016, the fair values of the properties are based on valuations performed by an independent external appraiser engaged by the management. The valuation models are in accordance with that recommended by the International Valuation Standards Committee.

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

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

The following table presents the valuation techniques and unobservable key inputs used to value the Group's building properties:

Property	Fair value as at December 31, 2017	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability -weighted average)	Relationship of unobservable inputs to fair value
The Enterprise Center (Office)	9,939,471,000	Direct income capitalization	Rental value	P1,164 to P1,200 per square meter	The higher the rental value and occupancy rate, the higher the fair value.
			Occupancy rate	97%	
			Expense-revenue ratio	5.44%	The higher the expense- revenue ratio and discount rate, the lower the fair value.
			Discount rate	9%	
Main wing and east wing of Shangri-La Plaza mall (Retail)	13,106,577,629	Direct income capitalization	Rental value	P1,120 to P2,400 per square meter	The higher the rental value and occupancy rate, the higher the fair value.
			Occupancy rate	90%	
			Expense-revenue ratio	26%	The higher the expense- revenue ratio and discount rate, the lower the fair value.
			Discount rate	9%	

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

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

The following are the significant unobservable inputs:

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

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

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

	2017	2016	2015
Rental and cinema revenue	2,981,321,414	2,892,405,273	2,737,004,851
Direct operating expenses	(222,938,433)	(134,819,051)	(142,871,800)
Profit arising from investment properties carried at fair value	2,758,382,981	2,757,586,222	2,594,133,051

Direct operating expenses include share in common expenses, real property taxes and insurance expenses (Note 21).

There is no restriction on the realizability of investment properties or the remittance of income and proceeds of disposal.

The Group has lease agreements with third parties covering the freehold buildings and their improvements. The lease arrangements are either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Rental income from percentage of gross revenue of lessees amounted to P567,411,718 in 2017 (2016 - P119,147,394; 2015 - P121,620,707).

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

	2017	2016	2015
Within one year	2,203,229,772	2,199,215,514	2,082,234,650
After one year but not more than five years	2,055,699,322	2,228,336,404	2,126,994,971
More than five years	293,859,664	296,229,608	278,481,289
	4,552,788,758	4,723,781,526	4,487,710,910

Note 11 - Real estate development projects

Real estate development projects account includes construction costs related to SGCPI and TRDCI.

(a) SGCPI

As at December 31, 2016, the real estate development project account includes the construction cost of the hotel and residence portion of SGCPI's Shangri-La at the Fort project. The construction cost of the project's condominium units is classified as "construction in-progress" under properties held for sale (Note 6). In 2016, the accumulated cost of the hotel and residence portion of the project amounting to P7,976,487,587 was reclassified to property and equipment account. In 2017, additional cost of the hotel portion of the project amounting to P2,357,630,166 was incurred and subsequently reclassified to property and equipment account (Note 13).

(b) TRDCI

As at December 31, 2017 and 2016, the real estate development project account includes the construction cost of the retail portion of The Rise Makati Project.

Note 12 - Available-for-sale financial assets

Available for sale financial assets (AFS) as at December 31 consist of:

	2017	2016
At cost - unquoted	488,840,742	488,826,327
At fair value - quoted		
Acquisition cost	9,284,366	9,121,515
Cumulative changes in fair value	15,067,634	10,345,000
	24,352,000	19,466,515
	513,192,742	508,292,842

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

The quoted equity securities consist of investments in various golf club shares and stocks. These are carried at fair values with cumulative changes in fair values presented as part of "other comprehensive income" in the consolidated statement of financial position. The fair values of these shares are based on the quoted market prices as at the reporting date.

During the year, the Group acquired and written-off available-for-sale financial assets amounting to P299,900 and P2,000,000, respectively. The movements in the cumulative changes in fair value of AFS financial assets for the years ended December 31 are as follows:

	2017	2016	2015
January 1	10,345,000	4,847,500	3,412,500
Gain on fair value adjustment	6,600,000	7,853,571	2,050,000
	16,945,000	12,701,071	5,462,500
Deferred income tax effect	(1,980,000)	(2,356,071)	(615,000)
December 31	14,965,000	10,345,000	4,847,500

Note 13 - Property and equipment, net

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

	Building and building improvements	Transportation equipment	Furniture, fixtures and other equipment	Total
Cost				
January 1, 2017	5,989,909,742	44,928,027	5,072,182,114	11,107,019,883
Transfer from real estate development projects (Note 11)	940,460,898	-	1,417,169,268	2,357,630,166
Additions	499,280	9,757,736	32,051,009	42,308,025
Disposals	-	(3,099,458)	(1,951,680)	(5,051,138)
Write-off	-	-	(9,553,337)	(9,553,337)
Reclassification	-	(2,597,898)	(4,614,642)	(7,212,540)
December 31, 2017	6,930,869,920	48,988,407	6,505,282,732	13,485,141,059
Accumulated depreciation and amortization				
January 1, 2017	484,034,415	29,757,361	145,397,678	659,189,454
Depreciation and amortization	801,933,248	2,549,591	93,549,851	898,032,690
Disposals	-	(3,099,458)	(184,967)	(3,284,425)
Write-off	-	-	(9,553,337)	(9,553,337)
Reclassification	-	(2,597,896)	(4,379,845)	(6,977,741)
December 31, 2017	1,285,967,663	26,609,598	224,829,380	1,537,406,641
Cost				
January 1, 2016	86,576,591	38,873,367	177,005,575	302,455,533
Transfer from real estate development projects (Note 11)	3,419,324,213	-	4,557,163,374	7,976,487,587
Additions	1,007,074,270	8,319,132	337,896,852	1,353,290,254
Disposals		(846,429)	(188,516)	(1,034,945)
Reclassification	1,476,934,668	(1,418,043)	304,829	1,475,821,454
December 31, 2016	5,989,909,742	44,928,027	5,072,182,114	11,107,019,883
Accumulated depreciation and amortization				
January 1, 2016	55,660,080	27,244,371	84,253,157	167,157,608
Depreciation and amortization	428,374,335	4,777,461	60,973,086	494,124,882
Disposals		(846,429)	(188,516)	(1,034,945)
Reclassification		(1,418,042)	359,951	(1,058,091)
December 31, 2016	484,034,415	29,757,361	145,397,678	659,189,454
Net book values at				
December 31, 2016	5,505,875,327	15,170,666	4,926,784,436	10,447,830,429
December 31, 2017	5,644,902,257	22,378,809	6,280,453,352	11,947,734,418

Depreciation and amortization charged as part of cost of hotel operation (Note 21) and operating expenses as shown in the consolidated statement of total comprehensive income amounted to P877,576,286 and P20,456,404, respectively (2016 - P475,420,391 and P18,704,491, respectively).

As at December 31, 2017, the Group has fully depreciated property and equipment still in use with acquisition cost of P83,376,169 (2016 - P105,145,336).

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

Note 14 - Goodwill

Goodwill acquired through business combinations amounting to P269,870,864 has been allocated to SGCPI, the CGU, for impairment testing.

The recoverable amount of the CGU has been based on value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to cash flow is 9.00% (2016 - 10.59%). Cash flows beyond the five-year period are extrapolated using a steady growth rate of 4.50% (2016 - 3.00%), which does not exceed the compound annual growth rate for the real estate industry. As a result of the analysis, management did not identify impairment for this CGU.

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

- Discount Rates - Discount rate represents the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the CGU that have not been incorporated in the cash flow estimates. The discount rate is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of debt refers to the effective rate the Group pays on its debt. It is derived from BSP's average long-term interest rates on loans and discounts granted by local banks, universal banks subsidiaries of foreign banks, and foreign banks operating in the Philippines. The cost of equity is derived from the expected return on investment. The rates used to discount the future cash flows are based on risk-free interest rates in the relevant markets where the CGU operates. The beta factors are based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.
- Terminal growth rate - Rates are based on published industry research.

The following assumptions are also considered in the calculation of value in use of the CGU:

- Gross margins - Gross margins are based on average values achieved in one to five years preceding the beginning of the budget period from other similar affiliated entities.
- Market share assumptions - When using industry data for growth rates (as noted above), these assumptions are important because management assesses how the unit's position, relative to its competitors, might change over the forecast period. Management expects its share of the real estate market to be stable over the forecast period.

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

Note 15 - Other non-current assets

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

	Note	2017	2016
Refundable deposits		86,434,310	100,397,830
Deferred input VAT		40,313,121	41,643,186
Retirement asset	25	20,699,073	8,223,210
		147,446,504	150,264,226

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

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

Note 16 - Accounts payable and other current liabilities

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

	Notes	2017	2016
Trade:			
Accounts payable		654,473,764	712,986,810
Advance rental	30	93,057,078	111,788,020
Accrued expenses:			
Construction		381,284,081	726,955,897
Taxes		238,673,990	181,812,159
Titling cost		87,291,327	55,732,788
Outside services		68,989,932	45,269,538
Performance bonus		64,723,722	77,005,817
Utilities		58,852,919	40,366,906
Repairs and maintenance		48,846,294	17,855,482
Commission		36,917,194	23,054,494
Interest		28,922,784	36,015,942
Professional fees		8,416,360	6,822,975
Others		82,147,475	58,534,874
Excess billings over revenue	5	1,308,699,223	1,804,927,395
Customers' deposits from:			
Hotel guests		550,766,149	118,968,051
Condominium sales		149,137,539	80,594,124
Retention payables		984,082,298	1,012,975,615
Reservation payables		392,477,103	298,954,880
Advances from condominium unit buyers		257,124,456	249,917,790
Construction bonds		59,805,438	56,229,301
Payable to contractors and suppliers		44,097,825	44,097,825
Non-trade:			
Deferred output VAT		210,408,620	209,584,307
Payable to related parties	28	145,378,679	98,230,746
Output VAT		55,477,380	41,359,487
Payable to government agencies		41,033,828	74,493,001
Others		59,164,739	60,573,643
		6,110,250,197	6,245,107,867

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

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

Excess billings over revenue represents excess of collections from buyers over the related revenue recognized based on the percentage of completion method.

Customers' deposits from condominium buyers represent collections from buyers while deposits from hotel guests are advances made by guests in relation to their stay in the hotel and will be applied against the guests' hotel charges upon their check-out.

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

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

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

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

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

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

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

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

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

Note 17 - Bank loans

Bank loans as at December 31 consist of:

	2017	2016
Current portion		
Parent Company	533,333,333	533,333,333
SLPC	50,000,000	37,500,000
SGCPI	-	1,705,810,252
	583,333,333	2,276,643,585
Non-current portion		
SGCPI	5,563,639,370	7,963,649,442
Parent Company	2,000,000,000	2,533,333,333
SLPC	212,500,000	262,500,000
	7,776,139,370	10,759,482,775
	8,359,472,703	13,036,126,360

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

	2017	2016
Beginning of year	13,036,126,360	12,464,329,487
Amortized debt issue cost	12,929,676	10,380,206
Proceeds from loan availment, net of unamortized debt issue costs	-	694,750,000
Payments	(4,689,583,333)	(133,333,333)
End of year	8,359,472,703	13,036,126,360

Total interest expense arising from these loans as shown in the consolidated statement of total comprehensive income in 2017 amounted to P311,826,531 (2016 - P248,358,334; 2015 - P167,544,521) (Note 24). Total capitalized interest amounted to P70,872,328 in 2017 and was included as part of "construction in-progress" under properties held for sale account (2016 - P163,113,889; 2015 - P318,813,374) (Note 6). Accrued interest as at December 31, 2017 amounted to P28,922,784 and was recorded as "accrued expenses" under accounts payable and other current liabilities account (2016 – P36,015,942) (Note 16).

(a) Parent Company

On July 30, 2012, the Parent Company obtained a 10-year loan facility from a local bank amounting to P5.00 billion payable in 24 equal quarterly installments, commencing on the 17th quarter from the initial borrowing date at a fixed interest rate at 4% per annum for the three years effective September 17, 2015.

As a security for the loans, the Parent Company executed and delivered a negative pledge on all of its existing and future assets except those already encumbered prior to execution of the instrument or liens, pledges, mortgages or encumbrances upon and arising at substantially the time of acquisition of the asset.

Moreover, the loan agreement requires the Parent Company to comply with certain covenants and financial ratios, until the loans are fully paid. Failure to comply with the covenants will render the full amount of loans due and demandable. As at December 31, 2017 and 2016, the Parent Company is in compliance with the covenants.

Total drawdown from the facility amounted to P3.20 billion as at December 31, 2017 and 2016.

Interest expense from this bank loan amounted to P114,661,991 in 2017 (2016 - P128,955,324; 2015- P155,424,521). Accrued interest as at December 31, 2017 amounted to P13,663,900 (2016 - P15,814,767) (Note 16). No interest on this loan was capitalized for the years ended December 31, 2017 and 2016.

(b) SGCPI

On April 11, 2012, SGCPI obtained a 10-year term loan facility from a local bank amounting to P10.00 billion to be used for the construction of SGCPI's hotel, service apartments and residential units in Fort Bonifacio, Taguig City in relation to the construction of the Hotel and Horizon Homes.

The principal amount of the loan shall be payable in 24 equal quarterly consecutive installments commencing on the 17th quarter from the initial drawdown, with the last installments in an amount sufficient to fully pay the loan. Interest shall be paid on each interest payment date for the relevant interest period based on three-month treasury bill rate as published in the Philippines Dealing System Treasury Reference Rates - 2 (PDST-R2). The interest shall be based on the higher between the PDST-R2 rate plus spread of 0.75% per annum and the Bangko Sentral ng Pilipinas (BSP) overnight borrowing rate minus spread of 0.95% per annum. SGCPI has the option to prepay and to fix the interest rate. Further, SGCPI is required to maintain a ratio of debt to tangible net worth, not exceeding 2.5:1. As at December 31, 2017 and 2016, SGCPI is in compliance with the covenant.

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

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

On October 16, 2015, the parties executed an agreement to amend the spread rate from seventy-five basis points (0.75%) to eighty-five basis points (0.85%).

On July 27, 2016, the parties agreed to amend commitment period of the agreement which means the period from the date hereof to and including the earliest of (i) July 29, 2016, (ii) the date of the commitment is fully availed by SGCPI or (iii) the date of the commitment terminates in accordance with the terms of the amended agreement.

On September 16, 2016, the parties executed an amendment to the definition of the repayment date, repayment provision, prepayment provision and repayment schedule. SGCPI shall repay the loan in 21 quarterly consecutive installments commencing on the 20th quarter from the initial drawdown with the last installments in an amount sufficient to fully pay the loan.

In 2017, SGCPI paid a total of P4.12 billion composed of P1.72 billion payment for current portion of the loan due in 2017 and P2.40 billion prepayment to be applied to the subsequent installments.

The loan is subject to a front-end fee of 25 basis points (0.25%) of the total principal amount. The front-end fee is considered a transaction cost, which is allocated based on each drawdown and amortized using effective interest rate. Debt issue costs also include the documentary stamp tax paid by SGCPI for each drawdown. Average floating interest rates is 3.93% in 2017 and 2.69% in 2016.

Total finance cost arising from this loan, including amortization of transactions costs, amounted to P258,810,380 in 2017 (2016 - P271,775,503; 2015 - P318,813,374). Capitalized interest expense for the year ended December 31, 2017 amounted to P70,872,328 and was included as part of "construction in-progress" under properties held for sale account (2016 - P163,113,889; 2015 - P318,813,374) (Note 6). Interest expense for this bank loan amounted to P187,938,052 in 2017 (2016 - P108,661,614; 2015- nil).

Accrued interest as at December 31, 2017 amounted toP13,405,882 (2016 - P18,256,925) (Note 16).

(c) SLPC

On November 5, 2012, SLPC obtained an unsecured 10-year loan facility from a local bank amounting to P1.40 billion to partially finance its mall redevelopment program with interest based on the higher between the PDST-R2 rate plus 0.75% per annum and the BSP overnight borrowing rate. The loan is payable in 24 equal quarterly installments commencing on the 17th quarter from the initial borrowing date and is subject debt-to-equity ratio of 3:1 and debt coverage ratio of not lower than 1.2. As at December 31, 2017 and 2016, SLPC is in compliance with the covenants.

Interest expense from this bank loan amounted to P9,226,488 in 2017 (2016 - P10,741,396; 2015- P12,120,000). Accrued interest as at December 31, 2017 amounted to P1,853,002 (2016 - P1,944,250) (Note 16). No interest on this loan was capitalized for the years ended December 31, 2017 and 2016

The repayments of the above bank loans are scheduled as follows:

Year	2017	2016
2017	-	2,289,583,333
2018	583,333,333	2,875,000,000
2019	2,297,916,667	2,406,250,000
2020	2,250,000,000	2,250,000,000
2021	2,250,000,000	2,250,000,000
2022	993,333,333	993,333,333
2023	12,500,000	12,500,000
	8,387,083,333	13,076,666,666
Unamortized debt issue cost	(27,610,630)	(40,540,306)
	8,359,472,703	13,036,126,360

Note 18 - Deposits from tenants

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

Details of deposits from tenants as at December 31 and their movements during the years are as follows:

	2017	2016
January 1, at face value	1,096,765,775	1,015,644,827
Net additions	64,365,997	110,562,653
December 31, at face value	1,161,131,772	1,126,207,480
Day 1 difference	(56,864,749)	(29,441,705)
	1,104,267,023	1,096,765,775
Current portion	506,636,400	533,286,874
Non-current portion	597,630,623	563,478,901
	1,104,267,023	1,096,765,775

Details of deferred lease income as at December 31 and its movement during the years are as follows:

	2017	2016
January 1	41,471,431	20,697,735
Additions	46,665,098	31,892,054
Amortization	(33,787,663)	(11,118,358)
December 31	54,348,866	41,471,431
Current portion	28,137,086	18,066,878
Non-current portion	26,211,780	23,404,553
	54,348,866	41,471,431

The movements in the day 1 difference on deposits from tenants are as follows:

	Note	2017	2016
Beginning of year		29,359,427	21,682,271
Additions		46,665,098	31,892,054
Accretion as interest expense	24	(19,159,774)	(24,214,898)
End of year		56,864,751	29,359,427

Note 19 - Equity

(a) Share capital, share premium and treasury shares

Details of share capital and share premium at December 31, 2017 and 2016 are as follows:

	Shares	Amount
Authorized, at P1 par value per share		
Common shares	8,000,000,000	8,000,000,000
Issued and outstanding shares		
Common shares	4,764,058,982	4,764,058,982
Share premium	-	834,439,607
	4,764,058,982	5,598,498,589

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

The Parent Company is listed in the Philippine Stock Exchange. It was registered on June 13, 1991 with total listed shares of 4,764,058,982 which was initially issued at P1.18 per share. As at December 31, 2017, the Parent Company has 5,298 shareholders (2016 - 5,346). The details of the Parent Company's shareholders are disclosed in the annual report.

(b) Retained earnings

As at December 31, 2017, total unrestricted retained earnings amounted to P19,428,808,658 (2016 - P16,868,359,557). Further, SGCPI is restricted to declare or pay dividends for as long as its bank loan is outstanding (Note 17).

Note 20 - Dividends

The Parent Company annually declares dividends in compliance with SEC Memorandum Circular No. 11, Series of 2008. The Parent Company's Board of Directors approved the declaration of the following cash dividends for the years ended December 31:

Date of declaration	Shareholders of record as at	Payment date	Total	Per share
2017				
March 15	March 31	April 7	452,382,432	0.095
August 29	September 15	September 22	333,334,424	0.070
			785,716,856	0.165
2016				
March 4	March 21	April 8	452,382,432	0.095
September 14	September 30	October 7	333,334,424	0.070
			785,716,856	0.165
2015				
March 27	April 15	April 20	404,763,059	0.085
August 18	September 3	September 18	333,334,596	0.070
			738,097,655	0.155

As of December 31, 2017, dividends payable presented in the consolidated statement of financial position pertains to dividends declared by Parent company attributable to its shareholders amounting to P37,515,266 (2016 - P33,035,177).

Movements in dividends payable as at December 31 are as follows:

	2017	2016
Beginning of year	33,035,177	148,464,960
Declaration	785,716,856	785,716,856
Payment	(781,236,767)	(901,146,639)
End of year	37,515,266	33,035,177

Cash dividends paid during 2016 include payment to non-controlling shareholders of subsidiaries amounting to P120,000,099.

Note 21 - Cost of sales and services

The components of cost of sales and services for the years ended December 31 are as follows:

(a) Cost of condominium sales

	Note	2017	2016	2015
SGCPI		2,256,804,942	1,542,783,027	582,981,253
TRDCI		1,178,857,604	350,416,064	286,414,000
SPDI		1,174,023,598	1,291,430,512	638,580,756
SPRC		113,615,246	320,937,935	838,317,772
Parent Company		3,525,278	550,279	28,372,372
	6	4,726,826,668	3,506,117,817	2,374,666,153

(b) Cost of rental and cinema

	2017	2016	2015
Share in common expenses	138,121,538	56,610,856	68,241,053
Taxes and licenses	56,139,021	55,753,451	55,753,451
Insurance	28,677,874	22,454,744	18,877,296
	222,938,433	134,819,051	142,871,800

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

The details of SLPC's share in common expenses for the years ended December 31 are as follows:

	2017	2016	2015
Light, power and water	299,675,199	279,444,765	314,602,642
Janitorial, security and other services	113,180,741	103,727,472	102,796,189
Advertising and promotions	103,393,284	68,726,944	60,108,918
Repairs and maintenance	82,560,170	58,371,718	58,426,440
Tenants' reimbursements	(460,687,856)	(453,660,043)	(467,693,136)
	138,121,538	56,610,856	68,241,053

(c) Cost of hotel operation

	Note	2017	2016	2015
Depreciation and amortization	13	877,576,286	475,420,391	-
Food and beverages		702,255,544	334,834,659	-
Utilities and maintenance		435,889,082	184,527,496	-
Staff cost		298,958,752	333,298,462	-
Property tax and insurance		141,399,639	20,623,721	-
Supplies		83,000,022	79,739,022	-
Pre-operating expenses		-	9,311,823	-
Others		119,569,335	21,792,086	-
		2,658,648,660	1,459,547,660	-

Note 22 - Staff costs

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

	Note	2017	2016	2015
Salaries and wages		355,720,814	416,319,535	347,548,415
Retirement benefit costs	25	50,603,555	20,259,547	20,333,059
Employee benefits		30,933,766	55,850,379	83,983,312
Others		5,147,749	19,806,545	7,607,021
		442,405,884	512,236,006	459,471,807

Note 23 - Other general and administrative expenses

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

	Note	2017	2016	2015
Advertising and promotions		240,698,352	165,521,602	27,736,250
Commission		82,173,030	45,474,436	929,574
Professional fees and outside services		82,012,183	128,988,350	76,514,965
Condominium dues		39,352,930	7,935,789	6,416,787
Janitorial, security and other services		35,967,775	39,724,112	36,675,444
Utilities		10,831,838	14,066,688	15,787,488
Repairs and maintenance		10,538,294	5,152,399	5,186,045
Telephone and communication		8,754,609	12,565,373	9,199,991
Transportation and travel		7,265,705	7,857,571	6,612,751
Supplies		6,298,191	6,588,962	7,896,708
Carpark		5,986,656	9,521,057	7,643,339
Provision for doubtful accounts	5	5,178,302	-	-
Membership fees and dues		4,289,307	5,933,789	3,133,230
Systems license and maintenance		3,466,343	2,840,987	1,571,899
Entertainment, amusement and representation		2,940,185	3,296,553	3,507,886
Gas and oil		1,846,199	1,506,317	1,638,833
Reproduction charges		1,346,298	9,212,561	1,055,347
Rent		198,404	5,457,321	3,343,413
Others		21,627,380	37,594,893	6,244,073
		570,771,981	509,238,760	221,094,023

Taxes and licenses pertaining to payment for business taxes, permits, real property taxes, documentary stamp taxes and other taxes incurred by the Group in 2017 amounted to P188,172,168 (2016 - P162,898,235; 2015 - P164,055,773) as shown in the consolidated statement of total comprehensive income.

Note 24 - Interest income, other income, and interest expense and bank charges

The components of interest income, other income, and interest expense and bank charges for the years ended December 31 are as follows:

(a) Interest income

	Notes	2017	2016	2015
Interest on:				
Installment contracts receivable	5	157,547,654	196,576,865	180,854,605
Cash in banks and cash equivalents	3	69,013,073	57,982,376	50,552,252
Overdue accounts from tenants		4,491,352	5,345,789	5,466,159
		231,052,079	259,905,030	236,873,016

(b) Other income

	Note	2017	2016	2015
Dividend income		63,880,748	40,551,885	40,033,691
Income from back-out buyers		21,334,380	7,680,876	9,216,137
Administration and management fee		19,797,621	20,808,497	14,086,986
Gain (Loss) on fair value adjustments of financial assets at fair value through profit and loss	4	14,247,505	(2,284,599)	1,869,576
Customer lounge fee		8,759,036	7,971,217	7,399,531
Signage fee		6,003,850	5,532,434	5,153,071
Banner income		5,137,357	5,386,818	4,443,506
Interest and penalty for overdue accounts		5,053,570	4,480,833	3,095,099
Forfeited security deposits		2,876,637	19,577,468	1,001,089
Service revenue		2,820,524	3,104,115	2,754,798
Other rental revenue		2,130,089	2,449,690	
Revenue from ancillary services		1,994,036	849,657	1,332,947
Gain (Loss) on sale of property and equipment		(986,953)	1,430,479	724,894
Income from reversal of liabilities		-	8,926,103	-
Others		12,275,209	2,936,268	9,123,680
		165,323,609	129,401,741	100,235,005

(c) Interest expense and bank charges

	Notes	2017	2016	2015
Interest expense on bank loans	17	311,826,531	248,358,334	167,544,521
Accretion of deposits from tenants	18	19,159,774	24,214,898	26,118,290
Bank charges		976,558	920,794	7,895,764
		331,962,863	273,494,026	201,558,575

Note 25 - Accrued employee benefits

Accrued employee benefits as at December 31 consist of:

	2017	2016	2015
Retirement benefits	52,214,078	28,131,846	39,644,347
Other employee benefits	-	12,935,285	10,170,813
	52,214,078	41,067,131	49,815,160

Accrued employee benefits pertain to liability for retirement, leaves and other related benefits expected to be settled more than twelve months after the end of the annual reporting period. Retirement asset amounting to P20,699,073 as at December 31, 2017 (2016 - P8,223,210) (Note 15), is not offset against the retirement liability as the retirement liabilities within the Group shall be settled on a per entity basis.

Retirement benefits

The Group has a funded, non-contributory defined benefit plan, providing death, disability and retirement benefits for all of its regular employees. In 2016, SGCPI started an unfunded non-contributory defined benefit plan. Under the plan, the normal retirement age is 60 years old and completion of at least five years of service. Normal retirement benefit consists of a lump sum benefit equivalent to 100% of the employee's final pay for every year of service.

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

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

The actuarial present value of the retirement benefit obligation under the plan is measured in terms of actuarial assumptions for discount rate, salary increases, retirement rates and mortality using the 2017 Philippine Intercompany Mortality Table. The discount rates used is a single weighted average rate based on bootstrapped PDST-R2 at various tenors as at December 7, 2017. Rate for intermediate durations were interpolated. The rates were then weighted by the expected benefit payments at those durations to arrive at the single weighted average discount rate.

The plan typically exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

a) Investment risk

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

b) Interest rate risk

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using single weighted average rate based on bootstrapped PDST-R2. A decrease in rate will increase the defined benefit obligation. Hence, the present value of defined benefit obligation is directly affected by the discount rate to be applied by the Group. However, the Group believes that due to the long-term nature of the pension benefit obligation, the investment holdings of the plan is an appropriate element of the Group's long term strategy to manage the plan efficiently.

c) Longevity risk

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

d) Salary risk

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

The management performed an Asset-Liability Matching Study (ALM) annually. The overall investment policy and strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay retirement benefits as they fall due while also mitigating the various risk of the plans. The Group's current strategic investment strategy mainly consists of treasury notes and bonds accounting for 87.83% of the total plan assets.

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

The Group's plan assets consist of investment in debt instruments and cash in banks. The Group believes that equities offer the best returns over the long term with an acceptable level of risk.

The actuarial valuation of the Group's retirement plan was performed by an independent actuary. The latest actuarial valuation report prepared was for the year ended December 31, 2017. The principal assumptions used by the actuary for the years ended December 31 are as follows:

	2017	2016	2015
Discount rate	5.29%	5.49%	4.94%
Salary increase rate	3.50%	3.13%	4.00%

The amounts of retirement benefit assets and liabilities recognized in the consolidated statement of financial position as part of "other non-current assets" and "accrued employee benefits" are as follows:

Retirement asset

	2017	2016
Fair value of plan assets	(164,305,601)	(94,603,027)
Present value of defined benefit obligations	143,606,528	86,379,817
Retirement benefit asset	(20,699,073)	(8,223,210)

Retirement liability

	2017	2016
Fair value of plan assets	(10,185,756)	(56,469,704)
Present value of defined benefit obligations	62,399,834	84,601,550
Retirement benefit liability	52,214,078	28,131,846

The summary of the total defined benefit obligation and fair value of plan assets as at December 31 are as follows:

	2017	2016
Present value of defined benefit obligations	206,006,362	170,981,367
Fair value of plan assets	(174,491,357)	(151,072,731)
	31,515,005	19,908,636

The movements in the remeasurement loss on defined benefit obligations under other components of equity as shown in the consolidated statement of financial position for the years ended December 31 are as follows:

	2017	2016
January 1	(15,732,641)	(17,122,677)
Remeasurements	(19,249,720)	1,390,036
	(34,982,361)	(15,732,641)
Deferred income tax effect	10,494,708	4,265,098
December 31	(24,487,653)	(11,467,543)

Below is the analysis of the movements in the retirement benefit obligation for the years ended December 31:

	2017	2016
Beginning of year	19,908,636	34,721,247
Remeasurement loss (gain)	19,249,720	(491,423)
Contributions	(20,716,867)	(26,874,253)
Benefits paid by the Group	(37,530,039)	(7,706,482)
Retirement expense	50,603,555	20,259,547
End of year	31,515,005	19,908,636

The components of retirement expense for the years ended December 31 recognized in the consolidated statement of total comprehensive income included under staff costs account are as follows:

	Note	2017	2016	2015
Current service cost		48,655,224	19,402,598	18,215,190
Net interest cost		1,948,331	856,949	2,117,869
Pension expense	22	50,603,555	20,259,547	20,333,059

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

	2017	2016
January 1	170,981,367	156,246,636
Interest cost	9,048,423	5,578,621
Current service cost	48,655,224	19,402,598
Actual benefits paid	(37,530,039)	(7,706,482)
Remeasurement (gains) losses from:		
Experience adjustments	13,077,326	3,326,369
Change in demographic assumptions	1,434,702	-
Changes in financial assumptions	339,359	(5,866,375)
December 31	206,006,362	170,981,367

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

	2017	2016
January 1	151,072,731	121,525,389
Interest income	7,100,092	4,721,672
Losses on return on plan assets	(4,398,333)	(2,048,583)
Contributions	20,716,867	26,874,253
December 31	174,491,357	151,072,731

Apart from the benefit payments to certain qualified employees advanced by the Group and the contributions to the plan as presented above for the years ended December 31, 2017 and 2016, the Group had no other transactions with the plan.

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

	2017	2016
Cash in banks	18,376	5,143,876
Investments in debt instruments:		
Treasury notes and bonds	153,250,414	33,291,807
Corporate notes and bonds	21,222,567	112,637,048
	174,491,357	151,072,731

At December 31, 2017 and 2016, the Group's plan assets (investment in debt instruments) are determined by reference to published price quotations in an active market (classified as Level 1 in the fair value hierarchy).

There are no plan assets invested in related parties as at and for the years ended December 31, 2017 and 2016.

Expected contribution to post-employment benefit plans for the year ending December 31, 2018 amounts to P16,876,643.

The weighted average duration of the defined benefit obligation is 16.04 years.

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

	2017	2016
Less than a year	56,186,560	48,793,735
Between 1 and 5 years	218,270,819	56,416,339
Over 5 years	626,593,866	504,613,929
	901,051,245	609,824,003

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

	Increase (Decrease)	
	2017	2016
Discount rate		
Increase by 1.0%	(11,396,936)	(9,391,200)
Decrease by 1.0%	12,997,269	9,304,839
Salary increase rate		
Increase by 1.0%	14,673,336	10,509,399
Decrease by 1.0%	(13,084,027)	(11,755,553)

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

Note 26 - Income taxes

Income tax expense for the years ended December 31 follows:

	2017	2016	2015
Current	1,225,631,267	923,189,699	996,219,426
Deferred	238,897,969	281,027,849	192,919,203
	1,464,529,236	1,204,217,548	1,189,138,629

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

	2017	2016
Deferred income tax assets:		
Difference in profit, installment method versus POC method	127,704,918	140,146,217
Advance rental	89,662,866	74,180,798
Accrued expenses	57,976,008	40,937,175
Deferred lease income	39,303,805	12,441,429
Guest and banquets prepayments and deposits	19,142,663	-
Deferred income:		
Health club membership fees	10,536,075	-
Sale of gift certificates	1,682,178	-
Accrued employee benefits	9,454,502	12,320,140
Minimum corporate income tax (MCIT)	9,000,102	13,051,229
Unamortized funded past service cost	8,950,789	7,677,931
Allowance for doubtful accounts	3,675,713	2,416,932
Net operating loss carry over (NOLCO)	3,195,090	-
Unrealized loss on foreign exchange	665,651	-
Others	7,465,087	21,531,759
	388,415,447	324,703,610
Deferred income tax liabilities:		
Unrealized increase in fair value of investment property	(7,339,314,485)	(7,064,120,600)
Difference between cost of condominium sales for accounting and income tax purposes	(18,920,939)	-
Rent income per Philippine Accounting Standard 17	(9,095,378)	-
Day 1 difference on deposits from tenants	(5,451,632)	(8,807,828)
Unrealized increase in fair value of AFS	(1,980,000)	-
Unrealized gain on foreign exchange	-	(3,019,116)
	(7,374,762,434)	(7,075,947,544)
Net deferred income tax liabilities	(6,986,346,987)	(6,751,243,934)

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

	2017	2016
Deferred tax income assets	192,738,742	205,027,317
Deferred tax income liabilities	(7,179,085,729)	(6,956,271,251)
	(6,986,346,987)	(6,751,243,934)

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

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

	2017	2016
January 1	(6,751,243,934)	(6,452,602,667)
Charged to profit or loss	(234,846,842)	(281,027,849)
Credited (Charged) to other comprehensive income	3,794,916	(17,613,418)
Expired MCIT	(4,051,127)	-
December 31	(6,986,346,987)	(6,751,243,934)

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

Year incurred	Year of expiry	2017	2016
2014	2017	-	122,733,809
2015	2018	72,882,120	72,882,120
2016	2019	82,401,766	82,401,766
2017	2020	153,931,742	-
		309,215,628	278,017,695
Unrecognized DTA at 30%		92,764,688	83,405,309

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

Year incurred	Year of expiry	2017	2016
2014	2017	-	4,051,127
2015	2018	4,710,899	4,710,899
2016	2019	4,289,203	4,289,203
		9,000,102	13,051,229

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

	2017	2016	2015
Tax at statutory rate of 30%	1,705,383,360	1,403,960,334	1,430,149,607
Additions (reductions) to income tax resulting from:			
Difference between itemized and optional standard deductions (OSD)	(162,569,251)	(178,176,649)	(160,800,943)
Dividend income	(19,164,224)	(12,309,142)	(12,010,107)
Interest income subjected to final tax	(19,343,758)	(5,549,002)	(5,261,556)
Unrecognized NOLCO	46,179,523	24,931,142	20,054,161
Expired MCIT	4,051,127	-	-
Share in net losses (earnings) of associates	1,229,996	1,293,820	(21,197,436)
Other non-taxable income	(91,237,537)	(29,932,955)	(61,795,097)
Actual provision for income tax	1,464,529,236	1,204,217,548	1,189,138,629

In 2017 and 2016, the Group used the itemized deduction in claiming deductions against the taxable income except for KSA and SLPC which availed of the optional standard deduction for the computation of their taxable income.

Income tax payable amounted to P184,217,378 as at December 31, 2017 (2016 - P77,868,930).

Note 27 - Basic and diluted earnings per share

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

	2017	2016	2015
Net income attributable to the shareholders of Parent Company	3,346,165,957	2,905,924,508	2,849,812,817
Divided by the average number of outstanding common shares	4,761,918,337	4,761,918,337	4,761,918,337
Basic and diluted earnings per share	0.703	0.610	0.598

Basic and diluted earnings per share are the same due to the absence of dilutive potential common shares.

Note 28 - Related party transactions

In the normal course of business, the Group transacts with companies which are considered related parties. Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Group.

The transactions and outstanding balances of the Group with its related parties as at and for the years ended December 31 are as follows:

	2017		2016		
	Transactions	Outstanding receivables (payables)	Transactions	Outstanding receivables (payables)	Terms and conditions
Affiliates with common key management personnel:					
Rental income (a) (Note 5)	95,734,467	29,466,047	89,546,223	28,419,265	Balances to be collected in cash and are due generally within 30 to 60 days. These are non-interest bearing and are not covered by any security.
Affiliates with common key management personnel:					Balances to be collected in cash and are due generally within 30 days. These are non-interest bearing and are not covered by any security.
Management services (b)	21,968,935	10,550,890	20,808,497	6,825,268	
Reimbursed expenses (f)	8,519,937	2,310,255	10,679,072	2,336,387	
Affiliates share in Group's expenses (g)	227,741,903	115,159,066	67,423,853	64,155,070	
Advances (d)	1,027,606,487	1,027,606,487	-	-	
Associates					
Associates' share in Group's expenses (g)	35,802	5,102,232	1,205,231	5,105,311	
Total (Note 5)		1,160,728,930		78,422,036	
Affiliates with common key management personnel:					Balances are to be settled in cash and are generally due within 30 days. These balances are non-interest bearing and not covered by any guarantee.
Marketing, management and other service fees (c)	151,259,565	(53,860,753)	125,618,719	(38,427,083)	
Condominium dues (e)	39,352,928	(1,147,618)	7,935,789	(1,834,735)	
Group's share in affiliates' expenses (g)	103,955,032	(48,211,608)	53,574,572	(15,810,228)	
Associates					
Group's share in associate's expenses (g)	-	(42,158,700)	-	(42,158,700)	
Total (Note16)		(145,378,679)		(98,230,746)	

Significant agreements with related parties are as follows:

a) A portion of the Parent Company's land is being leased by ESHRI, where the EDSA Shangri-La Manila Hotel is located. The lease is for a period of 25 years commencing on August 28, 1992 and renewable for another 25 years at the option of ESHRI. On August 16, 2017, the agreement was renewed by ESHRI to another 25 years until August 27, 2042. Rental revenue is based on a fixed percentage of the ESHRI's room, food and beverage, dry goods and other service revenue.

b) SPMSI provides management services to TECCC, TSFSPCC, The Shang Grand Towers Condominium Corporation (TSGTCC), and OSPCC for a minimum period of five years starting January 7, 2009, April 1, 2010, January 7, 2007, and January 1, 2015 respectively. As consideration, SPMSI shall receive from TECCC, TSGTCC, TSFSPCC, and OSPCC monthly management fees of P400,000, P100,000, P100,000, and P250,000 respectively, inclusive of VAT, with an escalation rate of 10% per annum. The parties mutually agreed to renew the agreements for another 5 years upon expiration.

c) SGCPI entered into a License Agreement with Shangri-La International Hotel Management Limited (SLIM-BV) for the use of intellectual property rights over Shangri-La's policies, practices, procedures, and guidelines affecting different aspects of operations of the Shangri-La chain of hotels. The agreement is for 10 years commencing on the opening date, March 1, 2016, renewable for another 10 years at the option of either parties and subject to the approval of the Bureau of Patents, Trademarks and Technology Transfer of the Republic of the Philippines and applicable authorities. In consideration for such access and use, SGCPI pays SLIM-BV license fees and royalties. License fees paid to SLIM-BV is equivalent to $100 per annum while royalties are computed at 3% of the gross operating revenue per annum payable within 30 days of the end of each calendar month.

Further in 2016, the SGCPI entered into a Marketing and Reservations Agreement with SLIM, whereby the related party acting as an independent contractor of SGCPI provides marketing, communication, and reservation services to promote SGCPI. The agreement is for a period of 10 years commencing on the opening date, March 1, 2016, renewable for another 10 years at the option of either parties. Under this agreement, SLIM shall act solely for the account of SGCPI and all expenses incurred shall be borne by SGCPI. As a consideration for such services, the SGCPI shall pay SLIM an amount equivalent to certain percentage of gross operating revenue. Other charges includes reservation, loyalty program, communication, and other group services fees. Basis of these various charges are stipulated in the Marketing and Reservations Agreement.

d) On June 19 and September 7, 2017, Classic Elite Holdings Limited, an affiliate with common key management personnel, advanced cash amounting to P1,027,606,487 from Parent Company.

e) Condominium dues charged by TSFSPCC and TECCC to Parent Company, KSA, SPDI and SPRC.

f) Reimbursement of expenses paid for by SLPC for ESHRI.

g) Certain other general and administrative expenses are initially paid for by the Group/affiliate and are subsequently reimbursed by the affiliate/the Group to whom such payment was intended for.

There were no write-offs or provisions made in relation to related party transactions and balances not eliminated during consolidation as at and for the years ended December 31, 2017 and 2016. The following are the significant transactions and outstanding balances with retirement fund and key management personnel as at and for the years ended December 31:

	2017		2016		
	Transactions	Outstanding receivables (payables)	Transactions	Outstanding receivables (payables)	Terms and conditions
Retirement fund					
Contributions	20,716,867	-	26,874,253	-	Refer to Note 25.
Advances	37,530,039	-	7,706,482	-	Balance pertains to claims from the retirement fund in relation to employee benefits directly paid by the Group.

	2017		2016		
	Transactions	Outstanding receivables (payables)	Transactions	Outstanding receivables (payables)	Terms and conditions
Key management personnel:					
Salaries and other short-term employee benefits	90,962,473	-	51,319,475	-	Salaries and wages are settled in cash at the period incurred. Other short-term benefits are payable within the current year. There were no stock options or other long-term benefits provided in 207 and 2016 nor amounts due to/from key management as at December 31, 2017 and 2016.
Post-employment benefits	10,906,350	52,699,314	12,838,098	41,498,549	Refer to Note 25.

The following related party transactions and balances were eliminated for the purpose of preparing the consolidated financial statements:

	2017	2016	2015
As at December 31			
Trade and other receivables	7,753,955,020	7,100,387,703	7,811,956,571
Accounts payables and other current liabilities	7,753,955,020	7,100,387,703	7,811,956,571
For the years ended December 31			
Rental revenue	231,886,155	369,373,533	254,167,726
Cost of sales and services	4,159,029	58,712,882	-
Operating expenses	296,249,041	236,351,762	302,869,418
Other income	60,204,857	73,096,138	63,929,427
Dividend income	1,900,570,000	2,298,920,000	3,147,100,000

The Parent Company and its subsidiaries are a party to significant agreements with related parties as follows:

a) A portion of the Parent Company's land where the Shangri-La Plaza Mall is located is being leased to SLPC. The lease is for a period of 25 years from January 6, 1993. On September 19, 2017, the agreement was renewed by both parties to another 5 years until January 6, 2023. Rental revenue is based on a certain percentage of SLPC's annual rental revenue from mall operations and certain percentage of the carpark's net income. Rental revenue of the Parent Company amounted to P119,550,361 in 2017 (2016 - P118,545,529; 2015- P116,175,733).

b) On January 16, 2002, the Parent Company entered into a usufruct agreement with SLPC and SPSI. SPSI will be granted limited usufructuary rights over the Parent Company and SLPC's parking spaces. The monthly consideration is 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.

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

d) On January 1, 2009, SPSI entered an agreement with KSA, whereby SPSI is to manage and operate the parking slots of KSA. The agreement is renewable upon mutual agreement by the parties. The monthly gross parking revenue, less applicable VAT, is shared between KSA and SPSI at 75% and 25%, respectively.

e) The Parent Company and SPRC lease office space and unit at the Shangri-La Plaza Mall from SLPC. On May 17, 2016, the lease agreement between the Parent Company and SLPC was renewed until May 16, 2019. The rental fee is exclusive of VAT and subject to five percent escalation every year.

SPRC's lease agreement with SLPC commenced on May 1, 2010 and ended on July 30, 2016. Both parties mutually agreed to renew the agreement annually. The monthly rental fee is the higher of (a) a minimum guarantee rent, or (b) a certain percentage of gross sales, exclusive of VAT.

f) KSA entered into a management agreement with SPMSI for a monthly fee of P150,000 with 10% annual escalation for a period of five years starting March 2008. The parties agree mutually on the renewal of the agreement. SPMSI shall provide on-site property leasing management including head office support services and periodic audit to ensure compliance with international practices; perform staff recruitment, training and performance evaluation; and perform financial management, including billing and collection and budget provisioning.

g) In 2011, SPDI obtained an unsecured, noninterest-bearing, payable on or before December 31, 2012 loan from SHIL amounting to P2,317,500,000. As of December 31, 2017 and 2016, this loan is still outstanding.

h) The Parent Company's dividend income from declarations of its subsidiaries are as follows:

	2017	2016	2015
SPDI	700,000,000	200,000,000	95,000,000
KSA	560,320,000	560,300,000	317,400,000
SLPC	425,000,000	725,000,000	725,000,000
SPRC	100,000,000	800,000,000	2,000,000,000
TRDCI	100,000,000	-	-
SPMSI	10,350,000	9,000,000	5,300,000
SPSI	4,900,000	4,600,000	4,400,000
	1,900,570,000	2,298,900,000	3,147,100,000

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

Note 29 - Contingencies

On July 14, 1993, a complaint was initially filed before the Regional Trial Court (RTC) - Pasig by the principal contractor of the Shangri-La Plaza Mall against the Parent Company and the Board for the recovery of the balance of alleged unpaid construction work, compensatory and moral damages, legal fees and litigation costs totaling about P122,000,000, exclusive of interest. In the answer ex abundante ad cautelam, as a counterclaim, the Parent Company is asking for approximately P182,000,000 in overpayment plus P7,000,000 in damages and litigation costs. Due to technical reasons, the principal contractor re-filed the case on or about June 23, 1998 with the Construction Industry Arbitration Commission (CIAC).

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

The arbitration hearing, during which both the Parent Company and the principal contractor were given the opportunity to present their witnesses, commenced in December 2006 and ended with the decision of the Arbitral Tribunal promulgated on July 31, 2007. In its decision, the Arbitral Tribunal awarded to the principal contractor the sum of P38,518,503, net of the award to Parent Company amounting to P8,387,484.

The principal contractor has appealed the Arbitral Tribunal's decision to the Court of Appeals, praying for the award of the full amount of its claim. The Parent Company has partially appealed the said decision, praying for the reduction of the award to the plaintiff. The Court of Appeals, in its decision dated August 12, 2008 and resolution dated April 16, 2009, awarded to the principal contractor P24,497,556, unpaid progress billings based on the original scope of work, and denied the Parent Company of its motion for partial reconsideration.

On June 5, 2009, the Parent Company filed a Petition for Review on Certiorari to the Supreme Court praying to issue an order or decision (a) declaring the Parent Company as not liable to the principal contractor for unpaid progress billings based on the original scope of work, (b) ordering the principal contractor to pay the Parent Company P7,590,000 as liquidated damages, and (c) setting aside or reversing the Court of Appeal's decision and resolution insofar as they are adverse to the Parent Company. On a Petition for Review on Certiorari dated June 11, 2009, the principal contractor prayed to the Supreme Court to modify the decision and resolution of the Court of Appeals, to award the principal contractor the full amount of its claim. Both petitions are pending resolution by the Supreme Court as of March 14, 2018.

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

Note 30 - Advance rentals

Advance rentals are collected from all tenants depending on the agreed terms stated in the contracts which are usually equivalent to three months' rent and can be applied at the terminal months of the lease. The current portion is included as part of "accounts payable and other current liabilities" account (Note 16) and the non-current portion is shown separately in the consolidated statement of financial position. Movements in the account for the year ended December 31 are as follows:

	2017	2016
January 1	247,269,327	139,037,431
Additions	86,158,200	126,192,190
Applications	(33,702,450)	(17,960,294)
December 31	299,725,077	247,269,327

Advance rentals for the years ended December 31 are as follows:

	2017	2016
Current	93,057,078	111,788,020
Non-current	206,667,999	135,481,307
	299,725,077	247,269,327

Note 31 - Net debt reconciliation

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

	Notes	2017	2016
Long-term loan, January 1	17	13,036,126,360	12,464,329,487
Cash flows		(4,676,653,657)	571,796,873
Long-term loan, December 31	17	8,359,472,703	13,036,126,360
Cash and cash equivalents	3	(5,030,757,380)	(4,241,131,012)
Net debt		3,328,715,323	8,794,995,348

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

Note 32 - Financial risk and capital management

32.1 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the Group's management under policies approved by its Board of Directors. These policies cover financing structure, foreign exchange and interest rate risk management, guarantees and credit support, as well as treasury control framework. There are no changes in the Group's risk management plans for the years ended December 31, 2017 and 2016.

32.1.1 Market risk

(a) Foreign exchange risk

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

The Group's foreign currency denominated cash in banks and cash equivalents as at and net foreign exchange gains for the years ended December 31, 2017 and 2016 are disclosed in Note 3.

(b) Price risk

The Group's exposure to price risk is minimal and limited only to financial assets at fair value through profit or loss (Note 4) and available-for-sale financial assets (Note 12) presented in the consolidated statement of financial position. Changes in market prices of these financial assets are not expected to have a significant impact on the financial position or results of operations of the Group.

(c) Cash flow and fair value interest rate risk

Interest rate risk refers to risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's interest-bearing financial instruments include bank loans (Note 17). Interest rates on bank loans of SLPC and SGCPI are based on the higher between the PDST-R2 rate plus 0.75% per annum and the BSP overnight borrowing rate. The Parent Company's bank loan has fixed interest rate.

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

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

At December 31, 2017, if interest rates on bank loans had been 100 basis points lower or higher with all other variables held constant, post-tax profit for the year would have been higher by/lower by P60,197,539 (2016 - higher by/lower by P74,989,537), mainly as a result of lower/higher interest expense on floating-rate bank loans. Management uses 100 basis points as threshold in assessing the potential impact of interest rate in the operations.

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

32.1.2 Credit risk

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

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

The table below shows the credit quality of significant financial assets (i.e., cash and cash equivalents, and trade and other receivables) as at December 31:

	Fully performing	Past due but not impaired	Impaired	Total
2017				
Current assets				
Cash and cash equivalents	5,003,521,176	-	-	5,003,521,176
Trade and other receivables	2,307,392,518	1,260,804,285	12,252,379	3,580,449,182
Non-current assets				
Refundable deposits	86,434,310	-	-	86,434,310
	7,397,348,004	1,260,804,285	12,252,379	8,670,404,668
2016				
Current assets				
Cash and cash equivalents	4,207,785,262	-	-	4,207,785,262
Trade and other receivables	1,741,959,110	188,090,164	8,056,439	1,938,105,713
Non-current assets				
Refundable deposits	100,397,830	-	-	100,397,830
	6,050,142,202	188,090,164	8,056,439	6,246,288,805

Trade and other receivables exclude advances to contractors and suppliers.

(a) Cash and cash equivalents

Credit risk from balances with banks is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties to mitigate financial loss through counterparty's potential failure to make payments.

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

	2017	2016
Universal banks	4,410,171,796	3,721,362,457
Thrift banks	565,458,604	148,959,129
Commercial banks	27,890,776	337,463,676
	5,003,521,176	4,207,785,262

The remaining cash in the consolidated statement of financial position pertains to cash on hand which is not exposed to credit risk (Note 3).

(b) Receivables

There is no concentration of credit risk with respect receivables since the Group has a large number of counterparties involved. The Group's maximum credit risk exposure on receivables is equal to the carrying amount in the consolidated statement of financial position excluding advances to contractors and suppliers (Note 5).

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

The credit exposure on due from related parties is considered to be minimal as there is no history of defaults and collections are expected to be made within 30 to 60 days. The maximum amount exposed to credit risk on due from related parties is equal to the carrying amount in the consolidated statement of financial position (Note 28). The balances due from related parties are considered as high grade financial assets.

None of the financial assets that are fully performing has been renegotiated in 2017 and 2016.

The credit quality of receivables that are neither past due nor impaired can be assessed by reference to internal credit ratings (if available) or to historical information about counterparty default rates.

As at December 31, 2017, included in the Group's receivables balance are debtors' accounts with carrying amounts of P1,260,804,285 (2016 - P188,090,164), which are past due for which the Group has not provided an allowance for doubtful accounts as there has not been a significant change in credit quality and the amounts are still considered recoverable. These are considered high grade financial assets.

As at December 31, 2017, receivables of P12,252,379 (2016 - P8,056,439) are impaired. These receivables were fully provided for with an allowance for impairment. The individually impaired receivables mainly relate to counterparties which are in unexpectedly difficult economic situations and considered as satisfactory grade financial assets.

The carrying amounts of cash and cash equivalents, and trade and other receivables as at December 31, 2017 and 2016 approximate their fair values due to the short maturities and nature of such items.

(c) Refundable deposits

Refundable deposits includes cash required from the Group for the on-going construction and utilities maintenance. This is refundable at the end of the lease term. Refundable deposits are reflected at their carrying amounts which are assumed to approximate their fair values. Considering the balance and average term of outstanding lease arrangements, management believes that the impact of discounting is not significant.

32.1.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group maintains sufficient cash and cash equivalents in order to fund its operations. The Group monitors its cash flows and carefully matches the cash receipts from its operations against cash requirements for its operations. The Group utilizes its borrowing capacity, if necessary, to further bolster its cash reserves.

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

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

	0 - 90 days	91 - 180 days	181 - 360 days	Total
At December 31, 2017				
Bank loans	183,333,333	133,333,333	266,666,667	583,333,333
Accounts payable and other current liabilities*	3,104,802,009	-	210,066,618	3,314,868,627
Deposits from tenants	-	-	506,636,400	506,636,400
Installment payable	159,127,799	159,127,799	318,255,599	636,511,197
Dividends payable	-	37,515,266	-	37,515,266
Future interest payable	70,977,275	66,778,637	269,201,981	406,957,893
	3,518,240,416	396,755,035	1,570,827,265	5,485,822,716
At December 31, 2016				
Bank loans	1,876,643,584	133,333,333	266,666,668	2,276,643,585
Accounts payable and other current liabilities*	3,375,679,853	-	209,352,873	3,585,032,726
Deposits from tenants	-	-	533,286,874	533,286,874
Installment payable	49,808,574	49,808,574	99,617,147	199,234,295
Dividends payable	-	33,035,177	-	33,035,177
Future interest payable	93,419,772	100,601,076	402,352,904	596,373,752
	5,395,551,783	316,778,160	1,511,276,466	7,223,606,409

**excluding advance rental, excess billing over revenue, customers' deposits, reservation payable, output VAT, deferred output VAT and payable to government agencies*

32.2 Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes in the Group's strategies and policies during 2017 and 2016.

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

	2017	2016
Net debt		
Long-term loan	8,359,472,703	13,036,126,360
Less: cash and cash equivalents	5,030,757,380	4,241,131,012
	3,328,715,323	8,794,995,348
Capital		
Total equity	36,524,241,280	33,338,468,233
Less: Non-controlling interest	6,056,213,206	5,421,977,200
	30,468,028,074	27,916,491,033
Gearing ratio	10.93%	31.50%

The Group was able to meet its capital management objectives.

32.3 Fair value measurement

The Group follows the fair value measurement hierarchy to disclose the fair value measurements of its financial instruments. The table below summarizes the fair value measurement hierarchy of the Group's assets and liabilities at December 31:

	Fair value measurement using			
	Quoted prices in active markets (Level I)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
2017				
Assets measured at fair value				
Financial assets at fair value through profit or loss	45,969,343	-	-	45,969,343
Investment properties:				
Land	-	-	11,794,156,481	11,794,156,481
Buildings	-	-	18,306,046,962	18,306,046,962
AFS financial assets:				
Quoted	24,352,000	-	-	24,352,000
Assets for which fair values are disclosed				
Loans and receivables				
Refundable deposits	-	86,434,310	-	86,434,310
Liabilities for which fair values are disclosed				
Installment payable	-	636,511,197	-	636,511,197
Deposits from tenants	-	1,104,267,023	-	1,104,267,023

	Fair value measurement using			
	Quoted prices in active markets (Level I)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
2016				
Assets measured at fair value				
Financial assets at fair value through profit or loss	32,597,501	-	-	32,597,501
Investment properties:				
Land	-	-	10,309,700,807	10,309,700,807
Buildings	-	-	18,669,797,822	18,669,797,822
AFS financial assets:				
Quoted	19,466,515	-	-	19,466,515
Assets for which fair values are disclosed				
Loans and receivables				
Refundable deposits	-	100,397,830		100,397,830
Liabilities for which fair values are disclosed				
Installment payable	-	770,270,673	-	770,270,673
Deposits from tenants	-	1,096,765,775	-	1,096,765,775

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

There have been no assets and liabilities transferred among Level 1, Level 2 and Level 3 during 2017 and 2016.

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

(a) Financial assets at fair value through profit or loss

The fair value of financial assets at fair value through profit or loss is based on quoted market prices at the reporting date.

(b) Cash and cash equivalents, trade and other receivables, accounts payable and other current liabilities, accrued employee benefits and dividends payable

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

(c) Installment contracts receivable

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

(d) Refundable deposits and deposits from tenants

The fair value of deposits from tenants was based on the present value of estimated future cash flows using applicable market rates at the reporting date. Discount ranges from 1.78% to 8.18% as at December 31, 2017 (2016 - 1.85% to 5.04%).

(e) Available-for-sale financial assets

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

(f) Bank loans

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

(g) Investment properties

Refer to Note 10 for the methods and assumptions used to estimate the fair values of investments properties as at December 31, 2017 and 2016.

Note 33 - Significant accounting judgments, estimates and assumptions

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

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

33. 1 Critical accounting estimates and assumptions

(a) Determination of fair values of investment properties

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

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

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

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

The significant method and assumptions used by the appraisers in estimating fair values of investment properties are disclosed in Note 10. The fair values, which are also the values of investment properties as at December 31, 2017 and 2016, are disclosed in Note 10.

Fair value gain on investment property represents significant amounts both in value of property and income. Any +/- 1% change in fair value per square meter increases/decreases total assets and income before tax by P294.40 million (2016 - P289.75 million).

(b) Useful lives of property and equipment

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

In 2017 and 2016, there were no changes in the estimated useful lives of property and equipment. As at December 31, 2017, property and equipment have a carrying value of P11.95 billion (2016 - P10.45 billion) (Note 13).

If the actual useful lives of the property and equipment differ by 10% (assessment threshold used by management), the carrying amount of property and equipment would have been P140.63 million higher or P171.88 million lower (2016 - P59.93 million higher or P73.24 million lower).

(c) Estimation of percentage-of-completion of the Group's projects

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

The Group has following on-going projects with its percentage of completion as at December 31:

Projects	2017	2016
Horizon Homes at Shangri-La at the Fort	98%	93%
Shang Salcedo Place	95%	81%
The Rise Makati	35%	15%

(d) Determining retirement benefit obligation

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

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

In determining the long-term rates of return, the Group considers the nature of the plans' investments, an expectation for the plans' investment strategies, historical rates of return and current economic forecasts. The Group evaluates the expected long-term rate of return annually and adjusts such rate as necessary. The possible effects of sensitivities surrounding the actuarial assumption at the reporting date are presented in Note 25.

33. 2 Critical accounting judgments

(a) Distinction between properties held for sale, investment properties, and property and equipment

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

- Properties held for sale comprise properties that are held for sale in the ordinary course of business. These are condominium units that the Group acquired or developed and intends to sell.
- Investment properties comprise land and buildings which are not occupied, substantially for use by, or in the operations of, nor for sale in the ordinary course of business of the Group, but are held primarily to earn rental income or capital appreciation.
- Property and equipment generate cash flows that are attributable not only to them but also to the other assets used in the operations of the Group

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

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

The carrying values of properties held for sale, investment properties, and property and equipment as at December 31, 2017 and 2016 are disclosed in Notes 6, 10 and 13, respectively.

(b) Revenue recognition

Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on the following, among others:

- Collectability of contract price

  Collectability of the contract price is demonstrated by the buyer's commitment to pay which, in turn, is supported by substantial initial and continuing investments that gives the buyer a sufficient stake in the property that risk of loss through default motivates the buyer to honor his obligation. Collectability is also assessed by considering factors such as the credit standing of the buyer, age, and location of the property.

For condominium sales, in determining whether the contract prices are collectible, the Group considers that initial and continuing investments by the buyer of about 20% would demonstrate the buyer's commitment to pay.

- Stage of completion of the condominium

  The Group commences the recognition of revenue from sale of uncompleted condominium where the POC method is used when the construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished).

(c) Assessing significant influence over associates

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

(d) Estimation of net realizable value of properties held for sale

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

The carrying amount of properties held for sale and other information are shown in Note 6.

(e) Recoverability of investments in associates

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

Given profit projections upon completion of investment property development project of SLPI , the Group has assessed that there are no impairment indicators with respect to the investments in associates as at December 31, 2017 and 2016 (Note 8).

(f) Impairment of goodwill

The Group reviews the goodwill annually for impairment and whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Goodwill is monitored by management at SGCPI's business level (lowest level of CGU identified) following its acquisition by Parent Company.

As at December 31, 2017 and 2016, based on management's assessment and judgment, there is no indication of impairment of goodwill since the recoverable amount of the CGU is higher than the carrying value.

As at December 31, 2017 and 2016, the recoverable amount of SGCPI's hotel business was determined based on value in use calculation (using Level 3 inputs) and require the use of certain assumptions. In computing for the value in use, the management has employed the discounted cash flow method in computing for the value in use. The calculations use cash flow projections based on financial forecasts covering a five-year period beginning 2018.

The cash flow forecasts reflect management's expectations of revenue growth, operating costs and margins based on past experience and outlook, consistent with internal measurements and monitoring.

Pre-tax adjusted discount rate applied to the cash flow forecasts is derived using the weighted average cost of capital as at December 31, 2017.

The following are the key assumptions used:

Pre-tax adjusted discount rate	9.00%
Terminal growth rate	4.50%

The Group's impairment review includes an impact assessment of changes in discount rate used for value in use calculations. If the discount rate would increase/decrease by 1%, the estimated fair value of CGU would have been lower/higher by P3.06 billion/P4.81 billion. Based on this sensitivity analysis, management concluded that no reasonable change in base case assumptions would cause the carrying amount of SGCPI's business to exceed its recoverable amount.

(g) Impairment of non-financial assets

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

Given historical profitable operations and profit projections, the Group has assessed that there are no impairment indicators with respect to the non-financial assets as at December 31, 2017 and 2016.

(h) Classification of leases as operating lease

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

The carrying values of investment properties as of December 31, 2017 and 2016 are disclosed in Note 10.

(i) Income taxes

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

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

Further, the Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces them to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized. The Group expects to generate sufficient future taxable profits to allow all of its recognized deferred tax assets to be utilized. Deferred tax assets recognized and recognized as at December 31, 2017 and 2016 are disclosed in Note 26.

(j) Contingencies

The Parent Company and SLPC are currently involved in various legal proceedings. The estimates of the probable costs for the resolution of these claims have been developed in consultation with the outside legal counsel handling the defense in these matters and are based upon analyses of potential reports. Based on management's assessment, these proceedings will not have a material effect on the Group's financial position and performance (Note 29).

Note 34- Summary of significant accounting and financial reporting policies

34.1 Basis of preparation

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

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, investment properties and available-for-sale financial assets.

The preparation of consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements as disclosed in Note 33.

34.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The Group has applied the amendment on disclosure initiative of PAS 7, 'Statement of cash flows', effective for the annual periods beginning January 1, 2017. The adoption of the amendments did not have a material impact on the consolidated financial statements of the Group.

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

The following new accounting standards and interpretations are not mandatory for December 31, 2017 reporting period and have not been early adopted by the Group:

- PFRS 9, Financial instruments (effective for annual periods beginning on or after January 1, 2018)

PFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group will apply the new rules retrospectively from January 1, 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

Classification and measurement of financial assets

Investments in debt instruments

Under PFRS 9, a financial asset should be subsequently measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A financial asset should be subsequently measured at fair value through other comprehensive income (FVOCI) if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both holding financial assets in order to collect contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

If the financial asset is measured at FVOCI, all movements in the fair value should be taken through OCI, except for the recognition of impairment gains or losses, interest revenue in line with the effective interest method and foreign exchange gains and losses, which are recognized in profit or loss.

If the financial asset does not pass the business model assessment and SPPI criteria, or the fair value option is applied, it is measured at fair value through profit or loss (FVTPL). This is the residual measurement category.

Investments in equity instruments

Under PFRS 9, investments in equity instruments are always measured at fair value. Equity instruments that are held for trading are required to be classified at FVTPL, with dividend income recognized in profit or loss.

For all other equities within the scope of PFRS 9, the standard allows entities to make an irrevocable election on initial recognition, on an instrument-by-instrument basis, to present changes in fair value in OCI rather than profit or loss (except for equities that give an investor significant influence over an investee according to PAS 28, which can only be accounted for under PFRS 9 if they are measured at FVTPL). Dividends are recognized in profit or loss unless they clearly represent a recovery of part of the cost of an investment, in which case they are recognized in OCI. There is no recycling of amounts from OCI to profit or loss - for example, on sale of an equity investment - nor are there any impairment requirements. The Group however, can transfer the cumulative gain or loss within equity.

The initial results of the impact assessment done by the Group on the classification and measurement of financial assets follow:

- AFS equity securities will likely be measured still at FVOCI following the irrevocable election available under PFRS 9.
- All other financial assets classified as loans and receivables under PAS 39 will remain at amortized cost under PFRS 9.

Classification and measurement of financial liabilities

PFRS 9 will have no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The de-recognition rules have been transferred from PAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

Impairment of financial assets

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under PAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at FVOCI, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group expects no change in the allowance for impairment losses provided amounting to P12,252,379 as at December 31, 2017 (2016 - P8,056,439).

Hedge accounting

The new hedge accounting rules under PFRS 9 will align the accounting for hedging instruments more closely with the entity's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach.

The new hedge accounting rules will not have a significant impact on the Group as there are no formal hedge accounting relationships as of December 31, 2017.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

- PFRS 15, Revenue from contracts with customers (effective for annual periods beginning on or after January 1, 2018)

PFRS 15 will replace PAS 18, 'Revenue' which covers contracts for goods and services and PAS 11, 'Construction contracts' which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

A new five-step process must be applied before revenue can be recognized: (1) identify contracts with customers, (2) identify the separate performance obligation, (3) determine the transaction price of the contract, (4) allocate the transaction price to each of the separate performance obligations, and (5) recognize the revenue as each performance obligation is satisfied

In 2016, PIC Q&A 2016-04, 'Application of PFRS 15 "Revenue from contracts with customers" on sale of residential properties under pre-completion contracts', was issued in conjunction with PFRS 15. This clarifies that sales of residential properties under pre-completion stage (based on specific fact patterns presented in the interpretation) meet the criteria for revenue recognition over time. This applies to sale of a residential property unit under pre-completion stage (i.e., construction is on-going or has not yet commenced) by a real estate developer that enters into a Contract to Sell (CTS) with a buyer, and the developer has determined that the contract is within the scope of PFRS 15 by satisfying all the criteria for revenue recognition in PFRS 15. The Group assesses that for its revenue from condominium sales, the same policy as disclosed in Note 34.23, will be applied upon adoption of the new standard and PIC Q&A.

The adoption of PFRS 15 will not have a material impact on the other revenue transactions of the Group.

- PFRS 16, Leases (effective for annual periods beginning on or after January 1, 2019)

PFRS 16 will replace the current guidance in PAS 17, Leases. PFRS 16 which will become effective on January 1, 2019 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. PFRS 16 removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. Under PFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. An optional exemption exists for short-term and low-value leases. The Group has initially assessed that the adoption of the new standard will not have an impact on the consolidated financial statements as it is mainly the lessor in the existing lease agreements. While some differences may arise as a result of the new guidance on the definition of the lease, the Group has opted to apply such guidance only to contracts entered into (or changed) on or after the date of initial application. Existing lease contracts will not be reassessed and such expedient will be consistently applied to all contracts.

Likewise, the following amendments are not mandatory for December 31, 2017 reporting period and have not been early adopted by the Group:

- Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures
- Amendments to PFRS 9, Prepayment Features with Negative Compensation
- Amendments to PFRS 15 - Clarifications to PFRS 15
- Amendments to PFRS 4 - Applying PFRS 9, Financial Instruments, with PFRS 4, Insurance Contracts
- Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions

The adoption of the above amendments are not expected to have a material impact on the financial statements of the Group.

34.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2017 and 2016. The subsidiaries' financial statements are prepared for the same reporting year as the Parent Company. The Group uses uniform accounting policies, any difference between subsidiaries and the Parent Company are adjusted properly.

The Group is composed of the subsidiaries listed below:

	Ownership %		
Nature and name of entity	2017	2016	2015
Property development:			
Shang Properties Realty Corporation (SPRC)	100	100	100
Shang Property Developers, Inc. (SPDI)	100	100	100
The Rise Development Corporation, Inc. (TRDCI)	100	100	100
Shang Wack Wack Properties, Inc. (SWWPI	100	100	100
Hotel operation:			
Shang Global City Properties, Inc. (SGCPI)	60	60	60
Leasing:			
SPI Parking Services, Inc. (SPSI)	100	100	100
Shangri-la Plaza Corporation (SLPC)	100	100	100
KSA Realty Corporation (KSA)	70.04	70.04	52.90
Real estate:			
Ivory Post Properties, Inc. (IPPI)	100	100	100
KPPI Realty Corporation (KRC)	100	100	100
Martin B. Properties, Inc. (MBPI)	100	100	100
New Contour Realty, Inc. (NCRI)	100	100	100
Perfect Sites, Inc. (PSI)	100	100	100
Shang Fort Bonifacio Holdings, Inc. (SFBHI)	100	100	100
Shang Global City Holdings, Inc. (SGCHI)	100	100	100
Property management:			
KPPI Management Services Corporation (KMSC)	100	100	100
Shang Property Management Services, Inc. (SPMSI)	100	100	100
Other supplementary business:			
Gipsey, Ltd. (Gipsey)	100	100	100
Silver Hero Investments Limited (SHIL)	100	100	100
EPHI Logistics Holdings, Inc. (ELHI)	60	60	60

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

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the Parent Company do not differ from the proportion of ordinary shares held.

The summarized financial information of subsidiaries with significant non-controlling interest as at and for the years ended December 31, 2017 and 2016 are disclosed in Note 9.

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. These are deconsolidated from the date that control ceases.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses the existence of control where it does not have more than 50% of the voting power but is able to govern the financial reporting and operating policies by virtue of de facto control. De facto control may arise in circumstances where the size Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is not accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

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

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. Distributions received are treated as a reduction to the investment in the period wherein the right to receive such distribution arises. The Group's investments in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share in net earnings of associates' in the consolidated statement of total comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

34.4 Cash and cash equivalents

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

34.5 Financial instruments

34.5.1 Classification

The classification depends on the purpose for which the financial assets and liabilities were acquired. Management determines the classification of its financial assets and liabilities at initial recognition. The Group classifies its financial assets and liabilities according to the categories described as follows.

(a) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The Group holds financial assets classified as at fair value through profit or loss, loans and receivables and available-for-sale financial assets as at December 31, 2017 and 2016.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, these are classified as non-current.

The Group's investments in listed equity shares are classified under this category (Note 4).

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than 12 months after the reporting date, which are then classified as non-current assets.

The Group's loans and receivables comprise cash and cash equivalents (Note 3), trade and other receivables (excluding advances to contractors and suppliers) (Note 5) and refundable deposits classified under other non-current assets (Note 15) in the consolidated statement of financial position.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. These are included in non-current assets unless management intends to dispose of the investment within 12 months from the reporting date. The Group's investments in various listed and unlisted local entities are classified under this category (Note 12).

(b) Financial liabilities

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

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortized cost.

The Group's accounts payable and other current liabilities (excluding advanced rental, excess billing over revenue, customers' deposits, reservation payable, output VAT, deferred output VAT and payable to government agencies) (Note 16), installment payable (Note 6), deposits from tenants (Note 18), dividends payable (Note 20), accrued employee benefits (excluding retirement benefits) (Note 25) and bank loans (Note 17) are classified under financial liabilities at amortized cost.

34.5.2 Recognition and measurement

(a) Initial recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date (the date on which the Group commits to purchase or sell the asset). Financial assets and liabilities not carried at fair value through profit or loss are initially recognized at fair value plus transaction costs.

Financial assets and liabilities carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are recognized as expense in profit or loss.

The Group recognizes a financial liability in the consolidated statement of financial position when the Group becomes a party to the contractual provision of the instrument. Financial liabilities at amortized cost are initially recognized at fair value.

(b) Subsequent measurement

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less provision for impairment. Other financial liabilities are measured at amortized cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost.

Gains or losses arising from changes in the fair value of financial assets and liabilities at fair value through profit or loss, including interest and dividend income and interest expense, are presented in profit or loss within other income in the consolidated statement of total comprehensive income in the period in which these arise. Dividend income from financial assets at fair value through profit and loss is recognized in profit or loss as part of other income when the Group's right to receive payment is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in profit or loss within other income in the consolidated statement of total comprehensive income.

34.5.3 Day 1 difference

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

34.5.4 Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or 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 reorganisation, and where observable data indicate 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 at fair value through profit and loss and available-for-sale financial assets

In the case of equity investments classified as financial assets at fair value through profit and loss and available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. Generally, the Group treats 20% or more as 'significant' and greater than 12 months as 'prolonged'. If any of such evidence exists, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in profit or loss.

(b) Loans and receivables

For loans and receivables category, the Group first assesses whether there is objective evidence of impairment exists individually for receivables that are individually significant, and collectively for receivables that are not individually significant using the criteria above. If the Group determines that no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses those for impairment. Receivables 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 the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in profit or loss. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss. Reversals of previously recorded impairment provision are based on the result of management's update assessment, considering the available facts and changes in circumstances, including but not limited to results of recent discussions and arrangements entered into with customers as to the recoverability of receivables at the end of the reporting period. Subsequent recoveries of amounts previously written-off are credited against other general and administrative expenses in the consolidated statement of total comprehensive income.

34.5.5 Derecognition

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

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

34.5.6 Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty. There are no offsetting arrangements as at December 31, 2017 and 2016.

34.6 Trade and other receivables

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

A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the trade and other receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade and other receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of total comprehensive income within other general and administrative expenses. When a trade and other receivable is uncollectible, it is written-off against the allowance account for receivables. Subsequent recoveries of amounts previously written-off are credited against other general and administrative expenses in the consolidated statement of total comprehensive income.

Refer to Note 34.5 for other relevant accounting policies on trade and other receivables.

34.7 Properties held for sale

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

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

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

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

34.8 Prepaid taxes and other current assets

Input VAT, which represent taxes arising from purchases of goods and services, are carried at face amount or at nominal amount less allowance for impairment loss. This is derecognized when applied against output tax, when written off or when actual refund is received. When input VAT is derecognized, its cost and accumulated impairment losses, if any, are eliminated from the account.

Creditable withholding taxes are carried at face amount or at nominal amount. Creditable withholding taxes are included in current assets, except when these are expected to be utilized more than twelve months after the end of the reporting period, in which case these are classified as non-current assets. Creditable withholding taxes are derecognized when utilized or applied against income tax due.

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

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

34.9 Investment properties

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

The Group's investment property, principally comprising of properties in Madaluyong and Makati City are held for capital appreciation and is not occupied by the Group. The Group has adopted the fair value model for its investment properties (Note 10).

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

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

Changes in fair values are recognized in the consolidated statement of total comprehensive income under 'gain on fair value adjustment of investment properties.'

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

Removal of an item within investment property is triggered by a change in use, by sale or disposal. If an investment property becomes owner-occupied, it is reclassified as property and equipment (Note 34.11), and its fair value at the date of reclassification becomes its cost for accounting purposes. Gain or loss arising from disposal is determined as the difference between the net disposal proceeds and the carrying amount of the asset. Gain or loss on disposal is recognized in profit or loss in the period of the disposal.

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

Impairment of investment properties is discussed in Note 34.13.

34.10 Real estate development projects

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

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

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

34.11 Property and equipment

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

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 34.13).

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

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

Fully depreciated and amortized property and equipment are retained in the accounts until they are no longer in use, and no further depreciation and amortization are charged to the consolidated statement of total comprehensive income.

34.12 Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any NCI in the acquired company and the acquisition-date fair value of any previously-held interest in the acquired company over the fair value of the identifiable net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the entity sold.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

34.13 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that have definite useful life are subject to amortization and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use requires the Group to make estimates of future cash flows to be derived from the particular asset, and to discount them using a pre-tax market rate that reflect current assessments of the time value of money and the risks specific to the asset. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs).

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but the increase should not exceed the carrying amount that would have been determined had not the impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized as income immediately.

34.14 Accounts payable and other current liabilities

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

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

Relevant accounting policies for classification, recognition, measurement and derecognition of accounts payable and other current liabilities and financial liabilities at amortized cost are presented in Note 34.5.

35.15 Deposits from tenants

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

34.16 Borrowings and borrowing costs

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

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

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

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. All other borrowing costs are recognized and charged to profit or loss in the year in which they are incurred.

34.17 Fair value measurement

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

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

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

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

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

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Company, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. The financial assets at fair value through profit or loss and listed available-for-sale financial assets are classified under Level 1 category.

The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2. The Group's unlisted available-for-sale financial assets, refundable deposits, installment payable and deposits from tenants are included in Level 2. If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3.

The Group uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.
- Income approach - Valuation techniques that convert future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The investment properties of the Group are classified under Level 3 category.

34.18 Current and deferred income tax

The tax expense comprises current and deferred income taxes. Tax is recognized in profit or loss, except to the extent that that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized. The Group reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

Deferred income tax liabilities are recognized in full for all taxable temporary differences, except to the extent that the deferred income tax liability arises from the initial recognition of goodwill. Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority where there is an intention to settle the balances on a net basis.

Deferred income tax assets and liabilities are derecognized when relevant temporary differences have been realized and settled, respectively. The Group reassesses at each reporting the need to recognize previously unrecognized deferred income tax asset.

34.19 Provisions

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses. Provisions are derecognized when the obligation is paid, cancelled or has expired.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the reversal is recognized in the consolidated statement of total comprehensive income within the same line item in which the original provision was charged.

34.20 Equity

(a) Share capital

Share capital consists of common shares, which are stated at par value, that are classified as equity.

Share premium is recognized for the excess proceeds and subscriptions over the par value of the shares issued.

(b)Treasury shares

Where any member of the Group purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Parent Company's shareholders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Parent Company's shareholders.

(c) Retained earnings

Retained earnings includes current and prior years' results of operations, net of transactions with shareholders and dividends declared, if any.

(d) Dividend distribution

Dividend distribution to Parent Company's shareholder is recognized as a liability in its financial statements in the period in which the dividends are approved by the Board of Directors.

34.21 Earnings per share

Basic earnings per share is calculated by dividing net income by the weighted average number of common shares in issue during the year.

Diluted earnings per share is computed in the same manner as basic earnings per share, however, profit attributable to common shareholders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares.

34.22 Employee benefits

(a) Retirement benefits

The Group maintains a defined benefit retirement plan determined by periodic actuarial calculations. This defined benefit retirement plan is funded through payments to a trustee-administered fund and determined by periodic actuarial calculations. A defined benefit plan is a retirement plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the consolidated statement of financial position in respect of defined benefit retirement plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. In cases when the amount determined results in a surplus (being an excess of the fair value of the plan assets over the present value of the defined benefit obligation), the Group measures the resulting asset at the lower of: (a) such amount determined; and (b) the present value of any economic benefits available to the Group in the form of refunds or reductions in future contributions to the plan. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest of government bonds converted into zero coupon rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity which approximate the terms of the related retirement liability.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in profit or loss.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting date are discounted to present value.

(c) Short-term employee benefits

The Group recognizes a liability and an expense for short-term employee benefits which include salaries, paid sick and vacation leaves and bonuses. Bonuses are based on a formula that takes into consideration the resulting qualified profits. The Group recognizes a provision when contractually obliged or when there is a past practice that has created a constructive obligation.

Liabilities for employee benefits are derecognized when the obligation is settled, cancelled or has expired.

34.23 Revenue and expense recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods or services in the ordinary course of the Group's activities. The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Condominium sales

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

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

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

Cost of condominium sales is recognized consistent with the revenue recognition method applied. Cost of condominium sales sold before completion is determined using the POC used for revenue recognition applied on the acquisition cost of the land plus the total estimated development costs of the property.

Commissions paid to sales or marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Accordingly, when the POC method is used, commissions are likewise charged to expense in the period the related revenue is recognized. Commission expense is included under cost of sales and services - condominium sales account in the consolidated statement of total comprehensive income.

The cost of inventory recognized in profit or loss on disposal (cost of condominium sales) is determined with reference to the specific and allocated costs incurred on the sold property taking into account the POC. The cost of condominium sales also include the estimated development costs to complete the condominium, as determined by the Company's in-house technical staff, and taking into account the POC. The accrued development costs account is presented under "accounts payable and other current liabilities" in the statement of financial position.

Any changes in estimated development costs used in the determination of the amount of revenue and expenses are recognized in profit or loss in the period in which the change is made.

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

(b) Rental

Rental income from operating leases (the Group is the lessor) is recognized as income on a straight-line basis over the lease term or based on a certain percentage of gross revenue of the lessees, whichever is applicable. When the Group provides incentives to its lessees, the cost of incentives are recognized over the lease term, on a straight-line basis, as a reduction of rental income.

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

(c) Hotel operation

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

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

(d) Interest income and expense

Interest income and expense are recognized in profit or loss for all interest-bearing financial instruments using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Once a financial asset or a Group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the original effective interest rate.

Interest income on bank deposits is recognized when earned, net of final witholding tax.

(e) Dividend income

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

(f) Other income

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

(f) Cost and expenses

Cost and expenses are recognized when these are incurred.

35.24 Leases

(a) Group is the lessor

Rental income from operating lease is recognized on a straight-line basis over the term of the relevant lease or based on a certain percentage of gross revenue of the lessees, whichever is applicable. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term. Assets under these arrangements are classified as investment property in the consolidated statement of financial position (Note 34.9).

(b) Group is the lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

35.25 Foreign currency transactions and translation

(a) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the functional currency). The financial statements are presented in Philippine Peso, which is the functional and presentation currency of the Group.

(b) Transactions and balances

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the date of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

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

35.26 Related party relationships and transactions

Related party relationship exists when one party has the ability to control the other party, directly or indirectly through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors, or its shareholder. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

35.27 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. These operating segments are the basis upon which the Group reports its segment information presented in Note 2 to the consolidated financial statements.

The board of the Group has appointed a strategic steering committee which assesses the financial performance and position of the group, and makes strategic decisions. The steering committee, which has been identified as being the chief operating decision maker, consists of the chief executive officer, the chief financial officer and the manager for corporate planning.

The accounting policies used to recognize and measure the segment's assets, liabilities and profit or loss is consistent with those of the consolidated financial statements.

35.28 Contingencies

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

35.29 Events after the reporting period

Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

Shang Properties, Inc. and Subsidiaries
Schedule of Philippine Financial Reporting Standards
Effective as at December 31, 2017

The following table summarizes the effective standards and interpretations as at December 31, 2017:

		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	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			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions*		✓	
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts*		✓	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓

		Adopted	Not Adopted	Not Applicable
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	✓		
	Amendments to PFRS 9, PFRS 7 and PAS 39: Hedge Accounting*		✓	
	Amendments to PFRS 9 and PFRS 7: Mandatory Effective Date and Transition Disclosures*		✓	
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments*		✓	
	Amendments to PFRS 9, PFRS 7 and PAS 39: Hedge Accounting*		✓	
	Amendments to PFRS 9 and PFRS 7: Mandatory Effective Date and Transition Disclosures*		✓	
	Amendments to PFRS 9: Prepayment Features with Negative Compensation*		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception for Investment Entities	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*		✓	
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Acquisition of an Interest in a Joint Operation			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception for Investment Entities	✓		

		Adopted	Not Adopted	Not Applicable
	Amendment to PFRS 12: Clarification on the scope of the standard	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers*		✓	
	Amendments to PFRS 15: Clarifications to PFRS 15*		✓	
PFRS 16	Leases*		✓	
PFRS 17	Insurance contracts*		✓	
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	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 16 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		

		Adopted	Not Adopted	Not Applicable
(Revised)	Amendments to PAS 19: Contributions from Employees or Third Parties			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment to PAS 21: 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 (Revised)	Separate Financial Statements	✓		
	Amendments to PAS 27: Use of Equity Method in Separate Financial Statements			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendments of PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception for Investment Entities	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contributions of Assets between an Investor and its Associate or Joint Venture*		✓	
	Amendment to PAS 28: Measuring an associate or joint venture at fair value*		✓	
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures*		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		

		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 36: Recoverable Amount Disclosures	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 16 and PAS 38: Acceptable Methods of Depreciation and Amortization			✓
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: Eligible Hedged Items			✓
	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 IFRIC 9 and PAS 39: Embedded Derivatives			✓
	Amendments to PAS 39: Novation of Derivatives			✓
	Amendments to PFRS 9, PFRS 7 and PAS 39: Hedge Accounting*		✓	
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Transfers of Investment Property*		✓	
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		

		Adopted	Not Adopted	Not Applicable
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
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 IFRIC 14: Prepayments of a Minimum Funding Requirement	✓		
IFRIC 15	Agreements for the Construction of Real Estate*		✓	
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			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration*		✓	
IFRIC 23	Uncertainty over Income Tax Treatments*		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
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			✓

The standards, amendments and interpretations marked with an asterisk (*) have been issued but are not yet effective for December 31, 2017 financial statements.

The standards, amendments and interpretations that are labeled as "Not Applicable" are already effective as at December 31, 2017 but will never be relevant/applicable to the Group or are currently not relevant to the Group because it has currently no related transactions.

Annex 68-C

Shang Properties, Inc. and Subsidiaries

Reconciliation of Retained Earnings attributable to shareholders of Parent Company
for Dividend Declaration
As at December 31, 2017
(All amounts in Philippine Peso)

Unappropriated Retained Earnings attributable to shareholders of Parent Company, beginning			12,820,363,797
Fair value adjustment of investment properties in prior years, net of tax			(7,254,442,009)
Unappropriated Retained Earnings attributable to shareholders of Parent Company, as adjusted, beginning			5,565,921,788
Net income attributable to shareholders of Parent Company based on the face of audited financial statements			2,704,412,229
Less:	Non-actual/unrealized income net of tax	-	
	Equity in net income of associate/joint venture	-	
	Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)		
	Unrealized actuarial gain	-	
	Fair value adjustment	-	
	Fair value adjustment of Investment property resulting to gain	(1,031,373,328)	
	Adjustment due to deviation from PFRS/GAAP – gain	-	
	Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted under the PFRS	-	
		-	
Add:	Non-actual losses	-	
	Depreciation on revaluation increment (after tax)	-	
	Adjustment due to deviation from PFRS/GAAP - loss	-	
	Loss on fair value adjustment of investment property (after tax)	-	
Net income actually earned during the period		1,673,038,901	
Add (Less):			
	Realized remeasurement loss during the year	-	
	Dividends declarations during the year	(785,716,856)	
	Appropriations of retained earnings	-	
	Reversal of appropriateness	-	
	Other reserves from restatement due to PAS19 Revised	-	
	Treasury shares	-	887,322,045
TOTAL RETAINED EARNINGS ATTRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY, END AVAILABLE FOR DIVIDEND			6,453,243,833

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Metropolitan Bank and Trust Company
BDO Unibank, Inc.

AUDITORS
Isla Lipana & Co.

LEGAL COUNSELS
Abello Concepcion Regala & Cruz
Romulo, Mabanta, Buenaventura,
Sayoc & Delos Angeles

PROPERTY VALUER
Royal Asia Appraisal Corporation

STOCK TRANSFER AGENT
Rizal Commercial Banking Corp.
Ground Floor, GPL Building
221 Sen. Gil Puyat Avenue,
Makati City, Metro Manila

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

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REPORT

SHANG
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