SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended: **31 December 2018**

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

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

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

6. (SEC Use Only)
Industry Classification Code:

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

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

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	4,764,056,287 common shares

(* not included are the Issuer's 2,695 treasury shares)

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

Yes [X] No [ ]

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

12. Check whether the Issuer:

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

Yes [X] No [ ]

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

Yes [X] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the Issuer. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

The aggregate market value of the voting stock held by non-affiliates of the Issuer as of 31 March 2019:
P3,980,464,590

Assumptions:

(a)	Total no. of shares held by non-affiliates as of 31 March 2019	:	**1,326,821,530**
(b)	Closing price of the Issuer's shares on the Exchange on 31 March 2019	:	**₱3.00**
(c)	Aggregate market price of (a) as of 31 March 2019	:	**P3,980,464,590**

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

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

Yes [ ] No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

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

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

None of the above documents are incorporated herein by reference.

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

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

(a) Description of Business

(1) Business Development

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

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

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

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

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

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

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

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

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

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

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

The Issuer, in an agreement dated 22 March 2018, entered into a Joint Venture Agreement with Robinsons Land Corporation (RLC) whereupon a new joint venture entity will be incorporated (JVC). Issuer and RLC shall own said JVC on a 50%-50% basis. The JVC shall build and develop a property situated at McKinley Parkway cor. 5th Avenue and 21st Drive at Bonifacio Global City, Taguig, Metro Manila. The proposed project is intended to be a mixed-use development to include residential condominium units and commercial retail outlets. The joint venture agreement between Issuer and RLC has been duly approved by the Philippine Competition Commission. The Parties project an investment of P10Billion for the project.

Business of Issuer

(A) Description of Issuer

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

With Issuer's subsidiaries:

a. With Shangri-La Plaza Corporation (SLPC)

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

ii) Issuer's subsidiary Shang Properties Realty Corporation and SLPC have in turn entered into an agreement whereby SLPC shall lease said mall facility from Issuer of a period of five (5) years commencing on September 2012, renewable upon mutual agreement of the Parties. Rental income is calculated at 12% of SLPC's annual rental income from mall operations. The lease has been renewed for another period which shall expire on 31 December 2022.

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

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

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

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

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

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

With Issuer's affiliates:

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

The Issuer leased a portion of its land to an affiliate, Edsa Shangri-La Hotel & Resort, Inc., where the latter's Edsa Shangri-La Hotel is located. The lease is for a period of twenty five (25) years commencing on 28 August 1992, renewable for another twenty five years at the option of the lessee. Rental income is computed on a fixed percentage of the Hotel's room, food and beverage, dry goods and other service payments. In an agreement dated 26 August 2007, the lease was renewed for another 25 years commencing on 28 August 2017 until 27 August 2042.

b. With other affiliates:

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

Between Issuer's Affiliates:

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

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

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

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

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

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

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

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

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

(xiv) The Issuer has 111 employees to date and does not anticipate adding to said number significantly in the next 12 months. The breakdown as to type is as follows:

a. Rank and file - 28
b. Supervisory - 28
c. Managerial - 25
d. Executive - 9
e. Project based
    - Rank & File – 5
    - Supervisory – 9
    - Managerial – 7

SPI Parking Services, Inc. (formerly Edsa Parking Services, Inc.) has 18 employees. The breakdown as to type is as follows:

a. Rank and file - 11
b. Supervisory - 6
c. Managerial - 1

Shangri-La Plaza Corporation has 94 employees. The breakdown as to type is as follows:

a. Rank and file - 24
b. Supervisory - 49
c. Managerial - 19
d. Executive - 2

The Shang Properties Realty Corporation (formerly, The Shang Grand Tower Corporation) has 53 employees. The breakdown as to type is as follows:

a. Rank and file - 29
b. Supervisory - 9
c. Managerial – 8
d. Executive - 2
e. Project based
    - Managerial - 4
f. Consultancy based
    - Managerial - 1

Shang Property Management Services Corporation has 53 employees. The breakdown as to type is as follows:

a. Rank and file - 2
b. Supervisory - 8
c. Managerial - 32
e. Project based
    - Rank & File – 9
    - Supervisory - 2

The Shang Property Developers, Inc. has 12 employees. The breakdown as to type is as follows:

a. Managerial - 1
b. Project based
    - Rank & File – 2
    - Supervisory – 4
    - Managerial - 1
c. Consultancy based
    - Supervisory – 3
    - Managerial – 1

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

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

The Rise Development Company, Inc., has 46 employees. The breakdown as to type is as follows:

a. Rank and file – 5
b. Supervisory - 3
c. Managerial - 2
d. Project based
   - Rank & File – 3
   - Supervisory – 28
   - Managerial – 5

Shang Wack Wack Properties, Inc. has 18 employees. The breakdown as to type is as follows:

a. Project based
   - Rank & File – 2
   - Supervisory – 11
   - Managerial – 5

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

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

a. Mall operations (of SLPC)

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

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

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

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

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

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

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

e. Residential Condominium Sales

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

Item 2. Properties

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

On properties owned by Issuer:

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

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

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

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

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

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

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

On Properties owned by Issuer's subsidiaries:

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

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

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

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

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

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

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

(d) Properties owned by EPHI Logistics Holdings, Inc.
None.

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

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

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

None.

(g) Properties owned by KSA Realty Corporation

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

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

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

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

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

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

None.

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

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

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

Item 3. <u>Legal Proceedings</u>

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

The Issuer is not involved in any litigation for this reporting period where the cases it has been reporting in the past years have been resolved by the Supreme Court with finality in Issuer's favor.

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

There are none.

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

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

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

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

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

During the Annual Meeting of the Stockholders of the Issuer held on **25 June 2018**, the stockholders approved and ratified the following:

1. Minutes of the Annual Stockholders Meeting held on **20 June 2017;**

2. Annual Report of the Company as of **31 December 2017**, together with its audited financial statements and accompanying explanatory notes;

3. The acts of the Board of Directors and the Management disclosed in the corporate records since the **20 June 2017** Annual Stockholders Meeting to the date of the Annual Stockholders Meeting on **25 June 2018;**

4. Election of the following members of the Board of Directors for the period **2018-2019:**

    1) Edward Kuok Khoon Loong
    2) Alfredo C. Ramos
    3) Cynthia R. Del Castillo
    4) Antonio O. Cojuangco
    5) Maximo G. Licauco III
    6) Ho Shut Kan
    7) Benjamin I. Ramos
    8) Wilfred Shan Chen Woo
    9) Gregory Allan Dogan
    10) Karlo Marco P. Estavillo

5. Appointment of **PriceWaterhouseCooper (Isla Lipana)** as the Issuer's external auditors for FY 2018-2019.

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

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

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

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

The Issuer has not published any such report.

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Instructions to Item 4

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

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

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

i. Market Price of and Dividends on Issuer's Common Equity and Related Stockholder Matters

(1) Market Information

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

Year	High	Low
2018		
First Quarter	P3.59	P3.01
Second Quarter	P3.52	P3.13
Third Quarter	P3.30	P3.15
Fourth Quarter	P3.20	P3.04
2017		
First Quarter	P3.45	P3.21
Second Quarter	P3.37	P3.19
Third Quarter	P3.29	P3.14
Fourth Quarter	P3.23	P3.05

The high and low of Issuer's shares for the period **01 January 2019 to 31 March 2019** are as follows:

High: P3.20
Low: P3.00

The closing price for the Issuer's shares on 31 March 2019 is ₱3.00.

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

(2) Holders

(a) Issuer has common shares only. As of **31 March 2019,** the Issuer has **5,220** stockholders. Common shares outstanding as of said date is 4,764,056,287.

The top 20 stockholders of the Issuer as of **31 March 2019** are:

Name of Stockholders	Number of Shares Held	Percent to Total Outstanding
1. Travel Aim Investment B.V.	1,648,869,372	34.61%
2. Ideal Sites and Properties, Inc.	1,465,144,626	30.75%
3. PCD Nominee Corporation	1,010,673,645	21.21%
4. SM Development Corporation	189,550,548	3.98%
5. PCD Nominee Corporation	62,211,138	1.31%
6. KGMPP Holdings, Incorporated	52,925,445	1.11%
7. CCS Holdings, Incorporated	47,633,492	1.00%
8. Pecanola Company Limited	43,175,495	0.91%
9. Kuok Foundation Overseas Limited	37,023,839	0.78%
10. Kuok Brothers SDN. BHD.	37,023,839	0.78%
11. GGC Holdings, Incorporated	26,224,322	0.55%
12. Kerry Holdings Limited	26,090,624	0.55%
13. Kuok (Singapore) Limited	24,848,214	0.52%
14. Kerry (1989) LTD.	12,424,107	0.26%
15. Kuok Traders (Hong Kong) LTD.	11,407,363	0.24%
16. Federal Homes, Inc.	4,808,478	0.10%
17. Luxhart Assets Limited	3,975,714	0.08%
18. Yan, Lucio W. Yan &/or Clara	3,142,857	0.07%
19. Antonio O. Cojuangco	3,026,964	0.06%
20. Exchange Equity Corporation	1,570,000	0.03%
	4,711,750,082	**98.90%**

Ideal Sites and Properties, Inc. (Ideal) is the owner of record of 1,465,144,626 shares. These shares serve as underlying securities to the Philippine Deposit Receipts (PDRs) issued by Ideal. Ideal is a member of the Kuok Group of Companies.

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

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

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

(3) **Dividends**

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

<u>**Cash Dividends**</u>

<u>2019</u>

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

<u>2018</u>

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

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

<u>2017</u>

- During the regular meeting of the Issuer's Board held on 29 August 2017, the Board approved the declaration of P0.07 per share cash dividend to all shareholders of record as of 15 September 2017, to be taken from the unrestricted retained earnings as reflected in the unaudited financial statements of the Issuer as of 30 June 2017, to be paid on or before 22 September 2017.

<u>**Stock Dividends**</u>

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

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

3. Recent Sales of Unregistered Securities

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

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

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

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

(1) Plan of Operation – N/A (SPI has revenue in each of the last two fiscal years)

(2) Management's Discussion and Analysis

(a) Full Fiscal Years

Key Performance Indicators

		31-Dec		%
		2018	2017	Change
Turnover	(Php M)	12,650	14,848	14.8%
Profit Attributable to shareholders	(Php M)	3,012	3,346	10.0%
Earnings per share	(Php Ctv)	0.633	0.703	10.0%
Net Asset Value per share	(Php)	6.864	6.397	6.8%
Price Earnings Ratio	(Times)	4.932	4.454	10.73%

- Turnover consists of sales of residential condominium units, revenue from rental and cinema, hotel operations, and other income. Shang Properties' total revenue decreased by ₱2.2 billion (B) to ₱12.7B for calendar year 2018 from ₱14.9B total revenue for calendar year 2017. Sales of residential condominium units accounted for ₱5.0B or -39% of the total turnover. Revenue from commercial leasing and cinema operations amounted to ₱3.0B higher by ₱36 million (M) from last year's ₱2.9B. Shangri-La at the Fort's hotel operations contributed revenue amounting to ₱3.2B or 25% of the total turnover, higher by ₱0.6B from last year's ₱2.6B. Other income increased by ₱390.4M mainly due to higher gain on fair value adjustment of investment properties.

- Profit attributable to shareholders pertains to net income from operations after tax of the Group. It went down by ₱333.8M or -10% compared with last year.

- Earnings per share of ₱0.633 were lower by 10% from last year's ₱0.703.

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

- Net asset value per share increased by 6.8% mainly due to income generated during the year and revaluation of the Group's investment properties.

- Price Earnings ratio is a valuation of the company's current share price compared to per share earnings and calculated by dividing the market value per share by the earnings per share. Price earnings ratio is higher by 10.7% at 4.932 this year from 4.454 last year. The Group' year-end share price in 2018 is ₱3.12 from ₱3.13 in 2017.

Results of Operations

Shang Properties' consolidated net income attributable to shareholders for the year ended December 31, 2018 amounted to ₱3.0B, ₱333.8M lower than the ₱3.3B posted in the same period last year.

Calendar Year 2018 Compared to Calendar Year 2017

Decrease in Turnover by ₱2.2B or 14.8% to ₱12.6B in 2018 from ₱14.9B in 2017, mainly due to lower revenue from condominium sales, net increase in rental and cinema and hotel operations of Shangri-La at the Fort.

1. Decrease in condominium sales by ₱3,200.9M is mainly due to fewer available units for sale due to completed projects.

2. Increase in rental and cinema revenue by ₱36M mainly due to the net effect of higher rental yield of The Enterprise Center and lower cinema revenue due to closure for seven (7) months during renovations.

3. Increase in revenue from hotel operations by ₱575.2M is mainly due to higher occupancy this year compared to last year.

4. Other income increased by ₱390.4M mainly due to higher gain on fair value adjustment of investment properties and gain on fully depreciated assets.

Cost of sales and services of the Group amounted to ₱6.3B, lower by ₱1.3B compared with last year's ₱7.6B due to the following:

1. Decrease in cost of condominium sales by ₱1,726.3M mainly due to lower sales across all projects, particularly Horizon Homes and Shang Salcedo Place as only few units were left for sale this year.

2. Increase in cost of rental and cinema by ₱23.5M mainly due to higher utility costs, advertising and promotion, janitorial, security and other services and insurance of Shangri-La Mall this year compared to same period last year.

3. Increase in cost of hotel services by ₱365.1M due to higher occupancy compared to same period last year.

Operating expenses of the Group amounted to ₱1,188.2M lower by ₱34.6M or -2.83% from last year's ₱1,222.8M mainly due to the net effect of the following:

1. Decrease in general and administrative expenses is mainly due to lower commission expenses paid by Shangri-La at the Fort this year and lower condominium dues paid by One Shangri-La.

2. Increase in taxes and licenses by ₱15.2M mainly due to higher real property taxes and documentary stamp tax paid during the year.

3. Increase in depreciation by ₱2.6M mainly due to additional office improvements made and purchase of other equipment for the year.

Decrease in insurance expense by ₱2.4M is mainly due to additional insurance coverage obtained during the year.

Increase in interest and bank charges by ₱26.8M mainly due to payment of interest on bank loans of Shangri-La at the Fort and Shang Properties Inc.

Provision for income tax is lower by ₱192.8M mainly due to lower taxable income generated during the year.

Calendar Year 2017 Compared to Calendar Year 2016

Increase in Turnover by ₱3,573M or 31.7% to ₱14.9B in 2017 from ₱11.3B in 2016, mainly due to higher revenue from condominium sales, net increase in rental and cinema and hotel operations of Shangri-La at the Fort.

1. Increase in condominium sales by ₱2,086.2M mainly due to higher sales recognition from Horizon Homes of Shangri-La at the Fort and The Rise projects.

2. Increase in rental and cinema revenue by ₱88.9M mainly due to higher rental yield of The Enterprise Center.

3. Increase in revenue from hotel services of Shangri-La at the Fort by ₱1,252.1M mainly due to its full operations in 2017, compared to ten (10) months of operations in 2016. The hotel commenced its operations on 01 March 2016.

4. Other income increased by ₱145.6M mainly due to higher gain on fair value adjustment of investment properties and dividend income received in 2017.

Cost of sales and services of the Group amounted to ₱7.6B, higher by ₱2.5B compared with last year's ₱5.1B due to the following:

1. Increase in cost of condominium sales by ₱1,220.7M mainly due to higher sales recognition and incremental completion of Horizon Homes and The Rise Makati projects.

2. Increase in cost of rental and cinema by ₱88.1M mainly due to higher repairs and maintenance and advertising and promotions of Shangri-La Mall this year compared to same period last year.

3. Increase in cost of hotel services by ₱1,199.1M due to its full operations during the year as compared to only ten (10) months in 2016.

Operating expenses of the Group amounted to ₱1,222.8M - higher by ₱1.9M or 0.2% from last year's ₱1,220.9M mainly due to the net effect of the following:

1. Decrease in staff cost by ₱69.8M due to the lower staff cost of Shangri-La at the Fort due to completion of Horizon Homes condominium project.

2. Increase in taxes and licenses by ₱25.2M mainly due to higher business permits and taxes driven by higher revenue earned.

3. Increase in depreciation by ₱1.8M mainly due to depreciation of newly purchased transportation equipment.

4. Decrease in insurance expense by ₱16.9M is mainly due to the reclassification of the insurance coverage of Shangri-La at the Fort to cost of sales and services from operating expenses in 2016.

5. Decrease in general and administrative expenses by ₱8.3M mainly due to lower administration cost incurred due to completion of the projects.

Increase in interest and bank charges by ₱58.5M mainly due to payment of interest on bank loans of Shangri-La at the Fort.

Provision for income tax is higher by ₱260.3M mainly due to higher taxable income generated during the year.

Calendar Year 2016 Compared to Calendar Year 2015

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

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

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

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

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

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

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

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

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

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

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

2. Increase in general and administrative expense by ₱340.9M mainly due to higher administration cost incurred for ongoing projects.

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

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

Share in net income of associates was lower by ₱75.0M compared with last year mainly due to adjustments in fair value recognized in 2015. In 2016, no adjustment in fair value of investment property for associated company was recognized as the Group assessed that the adjustment is insignificant.

Increase in interest expense and bank charges by ₱71.9M mainly due to interest expense on loans.

Financial Condition

Calendar Year 2018 Compared to Calendar Year 2017

Total assets of the Company amounted to ₱60.3B, decreased by ₱0.193B from the total assets of ₱60.4B in December 31, 2017. The following are the significant movements in the assets:

Decrease in cash and cash equivalents by ₱2,598.7M mainly due to repayment of bank loans and additions to investment properties and associates.

Decrease in financial assets at fair value through profit or loss by ₱4.5M due to loss on fair value adjustment recognized during the year.

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

Decrease in properties held for sale by ₱2,558M due to sale of condominium units of Horizon Homes.

Increase in investment in associates by ₱498.5M is mainly due to the joint venture with Robinson's Land Corporation (RLC). Both RLC and SPI shall own 50% of the outstanding shares in the joint venture under the name of Shang Robinsons Properties In.

Increase in investment properties by ₱2,410.9M is mainly due to the investment in Sky Leisure Properties Inc. and the fair value adjustment in investment properties.

Increase in real estate development projects by ₱260.2M is due to the additional cost which pertains to the retail portion of The Rise Makati Project.

Net increase in the available for sale financial assets and financial assets at fair value through comprehensive net income by ₱269.2M is mainly due to the revaluation to fair value of the unlisted shares that were previously carried at cost.

Increase in property, plant and equipment by ₱1,807M is due to reclassification from real estate development cost the completed portion of Shangri-La at the Fort Hotel.

Decrease in deferred income tax assets decreased by ₱70.3M is mainly due to the recognition of higher percentage of completion of The Rise condominium project.

Decrease in other noncurrent assets by ₱220.9M is mainly due to the input VAT claimed and return of deposits for utilities by Shangri-La at the Fort.

The net decrease in total liabilities by ₱2,735M from ₱23.9B in 2017 to ₱21.2B in 2018 mainly due to the following:

Net decrease in installment payable by ₱246.2M is mainly due to quarterly payments during the year.

Decrease in bank loans mainly due to repayments amounting to ₱2,376.4M.

Increase in deferred lease income by ₱20.5M is mainly due to higher deposits from The Enterprise Center and (TEC) and Shangri-La Plaza.

Decrease in income tax payable by ₱22.2M mainly due to lower taxable income during the year.

Increase in dividends payable by ₱5.2M due to declaration of cash dividends during the year.

Increase in accrued employee benefits by ₱4.8M mainly due to the increase in retirement benefits to be paid based on the actuarial valuation.

Calendar Year 2017 Compared to Calendar Year 2016

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

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

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

Increase in receivables by ₱1,230.3M mainly due to receivables from sale of condominium units, hotel guests and advances to associated company.

Decrease in properties held for sale by ₱4,418.1M due to recognition of sales of various condominium units.

Decrease in prepaid taxes and other current assets by ₱650.5M mainly due to the input VAT claimed against output VAT liabilities and the creditable withholding tax applied to income tax payable during the period.

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

Decrease in real estate development projects by ₱39.9M mainly due to completion of Shangri-la at the Fort project. In 2017, the cost of the completed portion of the hotel was reclassified to property and equipment.

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

The net decrease in total liabilities by ₱4,508.9M from ₱28.4B in 2016 to ₱23.9B in 2017 mainly due to the following:

Net decrease in installment payable by ₱133.8M is mainly due to quarterly payments during the year.

Decrease in bank loans mainly due to repayments amounting to ₱4,676.6M.

Increase in deferred lease income (₱12.9M) and advance rental (₱71.2M) mainly due to higher deposits from new tenants of The Enterprise Center and (TEC) and Shangri-La Plaza.

Increase in income tax payable by ₱106.3M mainly due to higher taxable income during the year.

Increase in dividends payable by ₱4.5M due to unclaimed cash dividends during the year.

Increase in accrued employee benefits by ₱11.1M mainly due to the increase in retirement benefits to be paid based on the actuarial valuation.

Calendar Year 2016 Compared to Calendar Year 2015

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

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

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

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

Real estate development project decreased by ₱13.3B primarily due to completion of Shangri-La at the Fort project, the accumulated cost of hotel was reclassified to Property and Equipment.

Increase in property and equipment by ₱10.3B mainly due to completion of Shangri-La at the Fort hotel project. The cost was reclassified from real estate development project.
The recognized deferred income tax assets decreased by ₱30.8M mainly due to difference in method of accounting the gross profit on sale of condominium units between financial statements and income tax reporting. The sale of condominium units was recognized for income tax reporting while percentage of completion was recognized in the financial statements. The difference between the two methods resulted to the recognition of deferred tax assets.

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

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

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

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

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

Decrease in income tax payable by ₱105.4M due to payments and creditable withholding taxes used for income tax liability of the Group in 2016.

Decrease in dividends payable by ₱115.4M mainly due to prompt collection of cash dividends of shareholders during 2016.

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

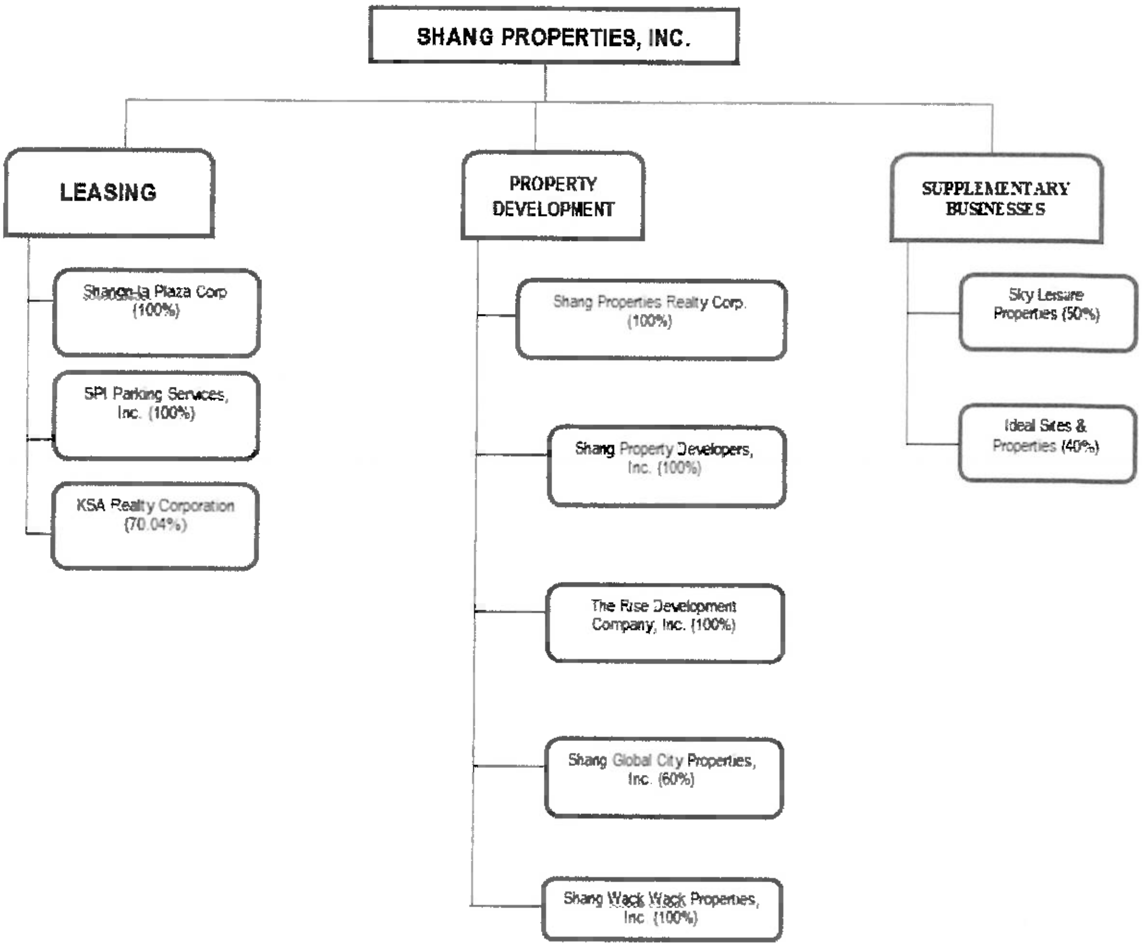
Changes in Financial Condition

Net cash provided by operating activities in 2018 amounted to ₱2.8B. The cash inflows in 2018 and 2017 include collection of revenue from various condominium projects, rental revenue from mall operation of the Shangri-La Plaza and leasing operations of TEC, and hotel operations of Shangri-La at the Fort. The cash inflows in 2018 mainly include rental revenue from mall and office leasing of TECC and hotel operations of Shangri-La at the Fort. Net cash provided by operating activities in 2017 in 2016 amounted to ₱7.3B and ₱4.3B, respectively.

Net cash used in investing activities in 2018 amounted to ₱1,497.2M mainly used in the joint venture with Robinsons Land Corp, acquisition of investment properties and deposit for future project amounting to ₱ 489.9M and ₱ 250.3 respectively. In 2017, net cash used in investing activities amounted to ₱455.6M mainly used in the acquisition of investment property (₱467.3M) and acquisition of property and equipment (₱42.3M). Net cash used in investing activities in 2016 amounted to ₱3.3B mainly used in acquisition of property, plant and equipment.

Net cash used in financing activities in 2018 and 2017 amounted to ₱4.0B and ₱6.0B, respectively, mainly used in payments of loan principal, interest and cash dividends. In 2016, net cash used in financing activities amounted to ₱830.2M mainly used in payments of bank loans and cash dividends.

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



SHANG PROPERTIES, INC. AND SUBSIDIARIES
SCHEDULE OF THE EFFECTIVE STANDARDS AND INTERPRETATIONS

		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	✓		
	Amendments to PFRS 3: Definition of a business*		✓	
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			✓
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	✓		

		Adopted	Not Adopted	Not Applicable
	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	✓		
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	✓		

		Adopted	Not Adopted	Not Applicable
	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	✓		
	Amendments to PAS 1 and PAS: Definition of material*		✓	
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	✓		
	Amendments to PAS 1 and PAS: Definition of material*		✓	
PAS 10	Events after the Reporting Period	✓		
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 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Contributions from Employees or Third Parties			✓
	Amendments to PAS 19: Plan Settlement, Curtailment or Settlement*		✓	
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			✓

		Adopted	Not Adopted	Not Applicable
	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	✓		
	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 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	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓

		Adopted	Not Adopted	Not Applicable
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 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 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-32	Intangible Assets - Web Site Costs			✓

Shang Properties, Inc. and Subsidiaries

Reconciliation of Retained Earnings attributable to shareholders of Parent Company
for Dividend Declaration
As at December 31, 2018
(All amounts in Philippine Peso)

	2018	2017
Unappropriated Retained Earnings attributable to shareholders of Parent Company, beginning	**₱14,734,134,576**	**₱12,820,363,797**
Fair value adjustment of investment properties in prior years, net of tax	(8,285,815,337)	(7,254,442,009)
Fair value adjustment of Financial Asset at FVPL in prior years, net of tax	-	-
Unappropriated Retained Earnings attributable to shareholders of Parent Company, as adjusted, beginning	**6,448,319,239**	**5,565,921,788**
Net income attributable to shareholders of Parent Company based on the face of audited financial statements	1,332,084,436	2,704,412,229
Add (Less):		
Fair value adjustment of financial assets at FVPL		-
Fair value adjustment of investment property resulting to gain	(126,166,950)	(1,031,373,328)
Net income actually earned during period	1,205,917,486	1,673,038,901
Less: Dividends declarations during the year	(930,686,586)	(785,716,856)
	275,230,900	**887,322,045**
TOTAL RETAINED EARNINGS ATTRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY AVAILABLE FOR DIVIDEND DECLARATION, END	**₱6,723,550,139**	**₱6,453,243,833**

Item 5. Financial soundness indicators in two comparative periods:

Financial Ratios

		Fiscal Year Ended December 31, 2018	Fiscal Year Ended December 31, 2017
	Liquidity Analysis Ratios:		
Current Ratio or Working Capital Ratio	**Current Assets / Current Liabilities**	1.34	2.05
Quick Ratio	**(Current Assets - Inventory - Prepayments) / Current Liabilities**	1.21	1.91
Solvency Ratio	**Total Assets / Total Liabilities**	2.84	2.53
	Financial Leverage Ratios		
Debt Ratio	**Total Debt/Total Assets**	0.35	0.40
Debt-to-Equity Ratio	**Total Debt/Total Stockholders' Equity**	0.54	0.66
Interest Coverage	**Earnings Before Interest and Taxes (EBIT) / Interest Charges**	14.47	18.12
Asset to Equity Ratio	**Total Assets / Total Stockholders' Equity**	1.54	1.66
	Profitability Ratios		
Gross Profit Margin	**Sales - Cost of Goods Sold or Cost of Service / Sales**	0.44	0.45
Net Profit Margin	**Net Profit / Sales**	0.27	0.31
Return on Assets	**Net Income / Total Assets**	0.07	0.06
Return on Equity	**Net Income / Total Stockholders' Equity**	0.11	0.09
Price/Earnings Ratio	**Price Per Share / Earnings Per Common Share**	4.932	4.45

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

(i) There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely result in the registrant's liquidity increasing or decreasing in any material way.

(ii) There are no known events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of obligation.

(iii) There are no off balance sheet material transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

(iv) There are no material commitments for capital expenditures.

(v) There are no known trends, events or uncertainties that have had or that are reasonably expected to have material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

(vi) There are no significant elements of income or loss that did not arise from the Registrant's continuing operations.

(vii) Causes of material changes from period to period of FS including vertical and horizontal analysis of material item. Please see discussion under financial condition.

(viii) There are no seasonal aspects that had a material effect on the financial statements.

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

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

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

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

Not Applicable

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

Not Applicable

Item 7. Information of Independent Accountant and other related matters

a. External Audit Fees and Services

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

	2018	2017
Audit Fees	5,358,769	4,703,601
Tax Consultancy Fees	------------	884,553
	5,358,769	**5,588,154**

No other service was provided by external auditors to the Company for the fiscal years 2017 and 2016.

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

None

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

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

The issuer is compliant with the SRC rule 68, as amended, par 3(b)(iv), and has observed the rotation of signing partners for its Independent Public Accountants, Isla Lipana & Co. (Price WaterHouse Coopers Philippines).With respect to Isla Lipana & Co, the signing partner starting FY 2018 is Imelda Ronnie de Guzman - Castro. Isla Lipana & Co is a SEC-accredited external auditing firm, effective until 20 June 2021.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

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

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

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

The Directors, Independent Directors and Executive Officers of the Issuer are as follows (as of 31 March 2019):

Name	Citizenship	Director/ No. of Years	Age	Office Held	Directorship in other reporting (Listed) Companies
Edward Kuok Khoon Loong	Malaysian	Yes /27 yrs.	66	Chairman	None
Alfredo C. Ramos	Filipino	Yes /30 yrs. & 7 mos.	75	Vice Chairman	Anglo Philippine Holdings Corp., The Philodrill Corp., Vulcan and Industrial Mining and Development Corp., Penta Capital Holdings Corp., Philippine Seven Corp.
Cynthia R. Del Castillo	Filipino	Yes /17yrs & 9 mos.	66		Sanitary Wares & Mfg. Corp.
Benjamin I. Ramos	Filipino	Yes /8 yrs. & 7 mos.	49		None
Wilfred Shan Chen Woo	Canadian	Yes/ 7 yrs. & 7 mos.	61		None
Antonio O. Cojuangco***	Filipino	Yes /11 yrs. & 7 mos.	67		None
*Ho Shut Kan	New Zealand	Yes/8 yrs. & 9 mos.	68		None
*Louis Chi Kong Wong	British	Yes/4 mos.	-		None
Karlo Marco P. Estavillo	Filipino	Yes/2 yrs. & 6 mos.	46	Treasurer/ CFO/COO	None
*Gregory Allan Dogan	British	Yes/2 yrs. & 5 mos.	53	Executive Director	None
Maximo G. Licauco III	Filipino	Yes/5 yrs & 4 mos.	68		None
*Uday Deshpande	Singapore	(No)	55	VP/Group Financial Controller	None
Federico G. Noel, Jr.	Filipino	(No)	56	Corporate Secretary	None
Maria Myla Rae S. Orden	Filipino	(No)	52	Asst. Corp. Secretary	None

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

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

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

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

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

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

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

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

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

*****Gregory Allan Dogan*** served as the Chief Executive Officer and President of Shangri-La Hotel Public Company Limited and Shangri-La International Hotel Management Ltd. and as the Chief Operating Officer of Shangri-La International Hotel Management Ltd. He has over 25 years of experience in the hospitality industry. He has also held senior property management positions, including Vice President and General Manager of Makati Shangri-La, Manila. He joined the Shangri-La Group in 1997 as Executive Assistant Manager of Mactan Island Resort, Cebu. His hospitality career has spanned Asia, Europe, and the Middle East. *(Resigned as of 15 February 2019.)*

Uday Deshpande is the Group Financial Controller. He earned his Bachelor of Commerce degree in the University of Poona India and is a certified Chartered Management Accountant with The Chartered Institute of Management Accountants, UK and The Institute of Chartered Accounts of India. Mr. Deshpande has many years of solid accounting and finance experience from his years of work internationally in Hong Kong, Taiwan, Japan, Europe, Middle East and Singapore. *(Mr. Uday Deshpande resigned as of 21 May 2018. Mr. Rajeev Garg was elected as Vice President and Group Financial Controller of the Issuer as of 06 March 2019.)*

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

Maria Myla Rae S. Orden is Assistant Corporate Secretary and has been the Assistant General Counsel of the Company for the past 18 years.

**** Messrs. Maximo G. Licauco, Antonio O. Cojuangco, and Benjamin I. Ramos were elected independent directors. All of the foregoing independent directors have no relationship with Ideal Sites and Properties, Inc., either as directors or officers.*

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

(2) Significant Employees

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

(3) Family Relationships

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

(4) Involvement in Certain Legal Proceedings

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

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

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

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

Item 10. <u>Executive Compensation</u>

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

The following is a summary of the aggregate compensation paid or accrued during the last two (2) fiscal years, i.e. 2017 and 2018 and to be paid in the ensuing fiscal year 2019 to the Company's Chief Executive Officer and four (4) other most highly compensated executive officers who are individually named, and to all other officers and directors of the Company as a group:

OFFICERS/DIRECTORS	FISCAL YEAR	AGGREGATE COMPENSATION (in Php)		
		BASIC	BONUS	TOTAL
2019		58,540,326.00	24,097,463.32	82,637,789.32
Gregory Allan Dogan				
Karlo Marco P. Estavillo				
Rajeev Garg				
Federico G. Noel Jr.				
Koay Kean Choon				
Danila Regina I. Fojas				
2018		69,354,683.58	26,901,485.92	96,256,169.50
Gregory Allan Dogan				
Karlo Marco P. Estavillo				
Uday Deshpande				
Kuoh Hun Hsion				
Federico G. Noel Jr.				
Koay Kean Choon				
Danila Regina I. Fojas				
2017		66,846,557.67	22,498,433.00	89,344,990.67
Gregory Allan Dogan				
Karlo Marco P. Estavillo				
Kin Sun Andrew Ng				
Federico G. Noel Jr.				
Koay Kean Choon				
Danila Regina I. Fojas				

Compensation of Directors

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

Other arrangements with Directors

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

Warrants and options

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

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

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

Following are the stockholders who are known to the Issuer to be directly or indirectly the record and/or beneficial owner of more than 5% of any class of the Issuer's voting shares as of 31 March 2019.

Title of Class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage
Common	Travel Aim Investment B. V. 25/F Kerry Centre 683 King's Road Quarry Bay, HK	R	Filipino	1,648,869,372	34.61%
Common	Ideal Sites & Properties, Inc.	R	Filipino	1,465,144,627	30.75%
Common	PCD Nominee Corporation (Filipino) G/F, MSE Building 6767 Ayala Avenue Makati City	R	Filipino	1,010,673,645	21.21%

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

Ideal Sites and Properties, Inc. (Ideal) is the owner of record of 1,465,144,626 shares. These shares serve as underlying securities to the Philippine Deposit Receipts (PDRs) issued by Ideal. Ideal is a member of the Kuok Group of Companies.

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

(2) **Security Ownership of Management (as of 31 March 2019)**

Title of Class	Name of Beneficial Owner	Amount and Nature of beneficial ownership	Citizenship	Percent of Class
Common	Edward Kuok Khoon Loong	808,008(D)	Malaysian	0.017%
Common	Alfredo C. Ramos	158(D)	Filipino	0.000%
Common	Louis Wong Chi Kong	1,000(D)	British	0.000%
Common	Cynthia R. Del Castillo	1(D)	Filipino	0.000%
Common	Benjamin I. Ramos	2(D)	Filipino	0.000%
Common	Maximo G. Licauco III	1(D)	Filipino	0.000%
Common	Federico G. Noel, Jr.	1(D)	Filipino	0.000%
Common	Antonio O. Cojuangco	3,026,964(D)	Filipino	0.064%
Common	Wilfred Shan Chen Woo	1,000(D)	Canadian	0.000%
Common	Karlo Marco P. Estavillo	5,000(D)	Filipino	0.000%
Common	Gregory Allan Dogan*	-	British	-
Common	Ho Shut Kan*	-	New Zealand	-

**Mr. Ho Shut Kan and Mr. Gregory Allan Dogan both resigned as members of the Board of Directors of the Issuer effective 27 November 2018 and 15 February 2019, respectively. Mr. Ho Shut Kan was replaced by Mr. Wong Chi Kong, Louis, who will serve as such for the remainder of Mr. Ho's term and until his successor is duly elected and qualified.*

As of the reporting of SEC Form 17-A for 2019, the aggregate ownership of all directors and officers as a group unnamed is **3,842,135** shares or **0.000%** of the outstanding shares of Issuer.

(3) Voting trust holders of 5% or more

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

(4) Changes in Control

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

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

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

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

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

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

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

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

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

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

In compliance with PSE Memorandum No. 2010-0505 which requires the disclosure of the level of public ownership of the Issuer, as of **31 March 2019**, is **34.55%** of the Issuer's total issued and outstanding shares is publicly owned in accordance with the PSE's guidelines for the computation of public ownership.

PART IV — EXHIBITS AND SCHEDULES

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

(a) Exhibits

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

	Description	12-1	17-C	17-Q	17-A
1	Publication of Notice re: Filing	x			
2	Underwriting Agreement	x	x		
3	Plan of Acquisition, Reorganization,	x	x	x	n/a

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

	proprietary shares issues				
34	Exhibits to be filed for Warrants Issues	x			

(b) Reports on SEC Form 17-C

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

Following are the reports, in SEC Form 17-C, which were filed during the fiscal year ended **31 December 2018:**

1. 14 March 2018 – Reports that during the regular meeting of the Issuer's Board of Directors held on 14 March 2018, the Board approved the following:

    i) The declaration of P0.12550 per share cash dividend to all shareholders of record as of 31 March 2018, to be taken from the unrestricted retained earnings as reflected in the audited financial statements of the Issuer as of 31 December 2017, to be paid on or before 16 April 2018;
    ii) Passed resolutions to approve the audited financial statements of the Issuer for the year ended 31 December 2017.

2. 02 April 2018 – Reports that during the regular meeting of the Issuer's Board of Directors held on 02 April 2018, the Board approved the following:

    i) The approval of the Philippine Competition Commission to the proposed joint venture between the Issuer and Robinsons Land Corporation on 22 March 2018.

3. 25 June 2018 - Reports that during the Issuer's Annual Stockholders' Meeting held on 25 June 2018, the following matters were taken up:

a. Election of Directors

The following were elected to serve as members of the Board of Directors for the year 2018-2019, namely:

1) Edward Kuok Khoon Loong
2) Alfredo C. Ramos
3) Cynthia R. Del Castillo
4) Gregory Allan Dogan
5) Karlo Marco P. Estavillo
6) Ho Shut Kan
7) Wilfred Woo
8) Maximo G. Licauco III – Independent Director
9) Antonio O. Cojuangco – Independent Director
10) Benjamin I. Ramos – Independent Director

b. Issuer's Certifying Accountant

PriceWaterhouseCoopers Philippines was appointed as external auditors for the year 2018-2019.

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

Election of Officers:

1)	Edward Kuok Khoon Loong	-	Chairman
2)	Alfredo C. Ramos	-	Vice Chairman
3)	Karlo Marco P. Estavillo	-	Treasurer/CFO/COO
4)	Federico G. Noel, Jr.	-	Corporate Secretary
5)	Maria Myla Rae S. Orden	-	Assistant Corporate Secretary

Audit Committee:

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

Corporate Governance Committee:

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

4. 04 September 2018 – Reports that during the regular meeting of the Issuer's Board of Directors held on 04 September 2018, the Board approved the following:

    i) The declaration of P0.07 per share cash dividend to all shareholders of record as of 19 September 2018 to be taken from the unrestricted retained earnings as reflected in the audited financial statements of the Issuer as of 30 June 2018, to be paid on or before 28 September 2018;

5. 27 November 2018 – Reports that during the regular meeting of the Issuer's Board of Directors held on 27 November 2018, the Board approved the following:

    i) Resignation of Director – Mr. Ho Shut Kan formally tendered his resignation as Director of the Issuer effective 27 November 2018 and upon approval by the Board of Directors.

    ii) Appointment of New Director – Mr. Wong Chi Kong, Louis was appointed as member of the Board to replace Mr. Ho Shut Kan and serve as such for the remainder of Mr. Ho's term and until his successor is duly elected and qualified.

Following are the reports, in SEC Form 17-C, which were filed as of 31 March 2019:

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

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

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

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

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

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

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the Issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong on this ______________day of April 2019.

By:

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

RAJEEV GARG
Group Financial Controller

FEDERICO G. NOEL, JR.
Corporate Secretary

APR 12 2019

SUBSCRIBED AND SWORN to before me this _____ day of _________ 2019 affiant(s) exhibiting to me their Passports, as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
RAJEEV GARG	Z4911342	02 FEB 2018	COLOMBO
KARLO MARCO P. ESTAVILLO	EC4018079	23 APR. 2015	DFA MANILA
FEDERICO G. NOEL, JR.	P6098076A	20 FEB. 2018	DFA MANILA

Doc No. 422;
Page No. 86;
Book No. 19;
Series of 2019.

Notary Public

JOVEN G. SEVILLANO
NOTARY PUBLIC FOR CITY OF MANDALUYONG
COMMISSION NO. 0285-19 UNTIL DECEMBER 31, 2020
ROLL NO. 53970
IBP LIFETIME NO. 011302; 12-28-12; RIZAL
PTR NO. 3806762; 1-3-19; MANDALUYONG
MCLE COMPLIANCE NO. VI 0017960 14 APRIL 2022
METRO MART COMPLEX, MANDALUYONG CITY

SHANG
PROPERTIES

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **SHANG PROPERTIES INC** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud of error.

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

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

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

Isla Lipana and Co., the independent auditors appointed by the stockholders for the period December 31, 2018 and 2017, respectively, have audited the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

Edward Kuok Khoon Loong
Chairman of the Board

Wilfred Shan Chen Woo
Executive Assistant to Chairman of the Board

Karlo Marco P. Estavillo
Treasurer/Chief Finance Officer and Chief Operating Officer

Signed this 6th day of March, 2019

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

SUBSCRIBED AND SWORN to before me in the City of TAGUIG CITY this MAR 06 2019 day of ________ 2019, by:

Name	Passport/License No.	Date/Place Issued/Expiry
Edward Kuok Khoon Loong	A37525149	06.15.16/Hongkong/12.15.21
Wilfred Shan Chen Woo	GA228904	04.07.14/Immigration & Checkpoints Authority/04.07.24
Rajeev Garg	Z4911342	02.20.2018/ Colombo/ 02.19.2028

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

NOTARY PUBLIC

ATTY. QUIRINO E. CALURA, JR.
NOTARY PUBLIC FOR TAGUIG CITY
Appointment No. 46 valid until 12/31/2019
ROLL No. 64827
PTR No. 7341256 01/08/2019 Makati City
IBP Lifetime No. 013711 Tarlac
MCLE No. VI-0006921 03/21/2018

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Isla Lipana & Co.

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, 2018 and 2017, and the consolidated financial performance and consolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

What we have audited

The consolidated financial statements of the Group comprise:

- the consolidated statements of financial position as at December 31, 2018 and 2017;
- the consolidated statements of total comprehensive income for the years ended December 31, 2018 and 2017;
- the consolidated statements of changes in equity for the years ended December 31, 2018 and 2017;
- the consolidated statements of cash flows for the years ended December 31, 2018 and 2017; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for Opinion

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

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

Independence

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

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LARGE TAXPAYER SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
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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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Isla Lipana & Co.

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, 2018, total investment properties, carried at fair value, amounts to P32.51 billion which accounts for 54% 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 2018, the Group recognized a fair value gain amounting to P880.00 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.

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, 2018 amounts to P5.00 billion which accounts for 45% 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.

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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, 2018, 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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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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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Isla Lipana & Co.

Imelda Ronnie G. Castro

Imelda Ronnie de Guzman-Castro
Partner
CPA Cert. No. 89352
P.T.R. No. 0011287; issued on January 8, 2019 at Makati City
SEC A.N. (individual) as general auditors PA-A-829-A, Category A; effective until July 12, 2019
SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021
T.I.N. 152-015-095
BIR A.N. 08-000745-44-2018; issued on October 19, 2018; effective until October 18, 2021
BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
March 13, 2019

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Isla Lipana & Co.

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

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

We have audited the consolidated financial statements of Shang Properties, Inc. and its subsidiaries as at and for the year ended December 31, 2018, on which we have rendered the attached report dated March 13, 2019. The supplementary information shown in the Map of the Group of Companies within which the Reporting Entity Belongs, the Schedule of Philippine Financial Reporting Standards effective as at December 31, 2018, Reconciliation of Retained Earnings Available for Dividend Declaration, and Key Financial Ratios, as additional components required by Part I, Section 4 of Rule 68 of the Securities Regulation Code, and Schedules A, B, C, D, E, F, G, and H, as required by Part II, Section 6 of Rule 68 of the Securities Regulation Code, is presented for purposes of filing with the Securities and Exchange Commission and is not a required part of the basic consolidated financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements. In our opinion, the supplementary information has been prepared in accordance with Rule 68 of the Securities Regulation Code.

Isla Lipana & Co.

Imelda Ronnie R. Castro

Imelda Ronnie de Guzman-Castro
Partner
CPA Cert. No. 89352
P.T.R. No. 0011287; issued on January 8, 2019 at Makati City
SEC A.N. (individual) as general auditors PA-A-829-A, Category A; effective until July 12, 2019
SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021
T.I.N. 152-015-095
BIR A.N. 08-000745-44-2018; issued on October 19, 2018; effective until October 18, 2021
BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
March 13, 2019

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 12 2019
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Shang Properties, Inc. and Subsidiaries

Consolidated Statements of Financial Position
As at December 31, 2018 and 2017
(All amounts in Philippine Peso)

	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	3	2,432,097,332	5,030,757,380
Financial assets at fair value through profit or loss	4	41,424,316	45,969,343
Trade and other receivables, net	5	3,284,010,542	3,568,196,803
Properties held for sale	6	3,677,577,353	6,235,573,215
Prepaid taxes and other current assets	7	1,515,512,255	1,659,427,274
Total current assets		10,950,621,798	16,539,924,015
Non-current assets			
Investments in associates and a joint venture	8	1,000,388,985	501,935,625
Investment properties	10	32,511,076,048	30,100,203,443
Real estate development projects	11	495,950,088	235,745,363
Financial assets at fair value through other comprehensive income, net	12	782,395,996	-
Available-for-sale financial assets, net	12	-	513,192,742
Property and equipment, net	13	13,754,741,363	11,947,734,418
Goodwill	14	269,870,864	269,870,864
Deferred income tax assets, net	26	122,428,897	192,738,742
Other non-current assets	15	368,410,888	147,446,504
Total non-current assets		49,305,263,129	43,908,867,701
Total assets		60,255,884,927	60,448,791,716
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and other current liabilities	16	5,391,793,728	6,110,250,197
Current portion of:			
Installment payable	6	390,280,531	636,511,197
Bank loans	17	1,833,333,333	583,333,333
Deposits from tenants	18	503,462,220	506,636,400
Deferred lease income	18	33,518,985	28,137,086
Income tax payable	26	162,066,422	184,217,378
Dividends payable	20	42,683,650	37,515,266
Total current liabilities		8,357,138,869	8,086,600,857
Non-current liabilities			
Installment payable, net of current portion	6	150,881,202	-
Accrued employee benefits	25	57,052,807	52,214,078
Bank loans, net of current portion	17	4,149,694,158	7,776,139,370
Deferred income tax liabilities, net	26	7,655,864,029	7,179,085,729
Advance rental, net of current portion	30	187,029,727	206,667,999
Deposits from tenants, net of current portion	18	590,521,263	597,630,623
Deferred lease income, net of current portion	18	41,343,640	26,211,780
Total non-current liabilities		12,832,386,826	15,837,949,579
Total liabilities		21,189,525,695	23,924,550,436
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 (loss)		219,970,989	(9,795,092)
Retained earnings	19	27,108,948,851	25,027,307,247
Total equity attributable to shareholders of the Parent Company		32,779,435,759	30,468,028,074
Non-controlling interests	9	6,286,923,473	6,056,213,206
Total equity		39,066,359,232	36,524,241,280
Total liabilities and equity		60,255,884,927	60,448,791,716

The notes on pages 1 to 88 are integral part of these consolidated financial statements.

Shang Properties, Inc. and Subsidiaries

Consolidated Statements of Total Comprehensive Income
For the years ended December 31, 2018 and 2017
(With comparative figures for the year ended December 31, 2016)
(All amounts in Philippine Peso)

	Notes	2018	2017	2016
Revenues				
Condominium sales	5	4,991,248,279	8,192,197,299	6,105,999,984
Rental and cinema	10	3,017,331,251	2,981,321,414	2,892,405,273
Hotel operation		3,171,907,725	2,596,696,685	1,344,616,051
		11,180,487,255	13,770,215,398	10,343,021,308
Cost of sales and services				
Condominium sales		3,000,561,223	4,726,826,668	3,506,117,817
Rental and cinema		246,411,337	222,938,433	134,819,051
Hotel operation		3,023,783,595	2,658,648,660	1,459,547,660
	21	6,270,756,155	7,608,413,761	5,100,484,528
Gross income		4,909,731,100	6,161,801,637	5,242,536,780
Operating expenses				
Staff costs	22	438,271,316	442,405,884	512,236,006
Taxes and licenses	23	203,394,325	188,172,168	162,898,235
Depreciation and amortization	13	23,032,736	20,456,404	18,704,491
Insurance		3,351,421	994,078	17,858,532
Other general and administrative	23	520,129,987	570,771,981	509,238,760
		1,188,179,785	1,222,800,515	1,220,936,024
Other income				
Gain on fair value adjustment of investment properties, net	10	879,994,277	660,167,229	536,703,295
Interest income	24	190,828,895	231,052,079	259,905,030
Foreign exchange gains, net	3	24,186,733	25,130,010	10,063,722
Other income, net	24	374,556,513	165,323,609	129,401,741
		1,469,566,418	1,081,672,927	936,073,788
Share in net losses of associates	8	-	(4,099,987)	(4,312,738)
Interest expense and bank charges	24	(358,741,709)	(331,962,863)	(273,494,026)
Income before income tax		4,832,376,024	5,684,611,199	4,679,867,780
Provision for income tax	26	(1,271,761,567)	(1,464,529,236)	(1,204,217,548)
Net income for the year		3,560,614,457	4,220,081,963	3,475,650,232
Net income attributable to:				
Shareholders of the Parent Company		3,012,328,190	3,346,165,957	2,905,924,508
Non-controlling interests	9	548,286,267	873,916,006	569,725,724
		3,560,614,457	4,220,081,963	3,475,650,232
Basic and diluted earnings per share attributable to shareholders of the Parent Company	27	0.633	0.703	0.610

	Notes	2018	2017	2016
Forwarded				
Net income for the year		3,560,614,457	4,220,081,963	3,475,650,232
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
Translation adjustments		(339,985)	(57,256)	(227,514)
Items that will not be subsequently reclassified to profit or loss				
Increase in fair value of equity investments at fair value through other comprehensive income, net of tax	12	7,760,500	-	-
Remeasurement gain (loss) on retirement benefit obligation, net of tax	25	1,845,050	(13,474,804)	973,025
		9,265,565	(8,912,060)	6,243,011
Total comprehensive income for the year		3,569,880,022	4,211,169,903	3,481,893,243
Total comprehensive income attributable to:				
Shareholders of the Parent Company		3,018,703,487	3,337,180,321	2,912,167,519
Non-controlling interests	9	551,176,535	873,989,582	569,725,724
		3,569,880,022	4,211,169,903	3,481,893,243

The notes on pages 1 to 88 are integral part of these consolidated financial statements.

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Shang Properties, Inc. and Subsidiaries

Consolidated Statements of Changes in Equity
For the years ended December 31, 2018 and 2017
(With comparative figures for the year ended December 31, 2016)
(All amounts in Philippine Peso)

	Shareholders of the Parent Company										
				Other comprehensive income							
	Share capital (Note 19)	Share premium (Note 19)	Treasury shares (Note 19)	Cumulative changes in fair value of financial assets at FVOCI/AFS (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, 2016	**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											
Step-acquisition of a subsidiary (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, as previously presented	**4,764,058,982**	**834,439,607**	**(6,850,064)**	**14,965,000**	**(272,439)**	**(24,487,653)**	**(9,795,092)**	**(141,132,606)**	**25,027,307,247**	**6,056,213,206**	**36,524,241,280**
Change in accounting policy (Note 34.2)	-	-	-	220,500,516	-	-	220,500,516	-	-	-	220,500,516
Balances at January 1, 2018, as restated	**4,764,058,982**	**834,439,607**	**(6,850,064)**	**235,465,516**	**(272,439)**	**(24,487,653)**	**210,705,424**	**(141,132,606)**	**25,027,307,247**	**6,056,213,206**	**36,744,741,796**
Comprehensive income											
Net income for the year	-	-	-	-	-	-	-	-	3,012,328,190	548,286,267	3,560,614,457
Other comprehensive income (loss)	-	-	-	7,760,500	(339,985)	1,845,050	9,265,565	-	-	-	9,265,565
Total comprehensive income (loss)	-	-	-	7,760,500	(339,985)	1,845,050	9,265,565	-	3,012,328,190	548,286,267	3,569,880,022
Transaction with owners											
Cash dividends declared (Note 20)	-	-	-	-	-	-	-	-	(930,686,586)	(317,576,000)	(1,248,262,586)
Balances at December 31, 2018	**4,764,058,982**	**834,439,607**	**(6,850,064)**	**243,226,016**	**(612,424)**	**(22,642,603)**	**219,970,989**	**(141,132,606)**	**27,108,948,851**	**6,286,923,473**	**39,066,359,232**

The notes on pages 1 to 88 are integral part of these consolidated financial statements.

Shang Properties, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
For the years ended December 31, 2018 and 2017
(With comparative figures for the year ended December 31, 2016)
(All amounts in Philippine Peso)

	Notes	2018	2017	2016
Cash flows from operating activities				
Income before provision for income tax		4,832,376,024	5,684,611,199	4,679,867,780
Adjustments for:				
Depreciation and amortization	13	1,041,599,497	898,032,690	493,118,819
Interest expense	24	357,899,249	330,986,305	272,573,232
Retirement benefit expense	25	38,161,019	50,603,555	20,259,547
Provision for doubtful accounts	5, 23	8,468,256	5,178,302	-
(Gain) Loss on fair value adjustment of financial assets at fair value through profit or loss	4, 24	4,545,027	(14,247,505)	2,284,599
Share in net losses of associates	8	-	4,099,987	4,312,738
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	(16,419,512)	(2,196,833)	(10,063,722)
Amortization of deferred lease income	18	(30,434,852)	(33,787,663)	(11,118,358)
Dividend income	24	(48,440,301)	(63,880,748)	(40,551,885)
Interest income	24	(190,828,895)	(231,052,079)	(254,559,241)
Gain on fair value adjustment of investment properties	10	(879,994,277)	(660,167,229)	(536,703,295)
(Gain) Loss on sale of property and equipment	24	(206,643,583)	986,953	(1,430,479)
Operating income before working capital changes		4,910,287,652	5,972,042,597	4,617,989,735
Changes in working capital:				
Trade and other receivables		(52,262,791)	(616,593,302)	(455,489,214)
Properties held for sale		2,557,995,862	4,424,893,843	642,008,641
Prepaid taxes and other current assets		(272,776,044)	658,487,273	(263,131,575)
Real estate development projects		(3,096,726,897)	(2,317,743,014)	-
Other non-current assets		21,641,516	15,528,384	(86,852,805)
Accounts payable and other current liabilities		(752,634,597)	(96,161,148)	860,380,337
Accrued employee benefits		-	(12,935,285)	(8,748,029)
Installment payable		(95,349,464)	(133,759,476)	(92,796,830)
Advance rental		19,539,880	52,455,750	56,906,050
Deposits from tenants		10,854,586	35,006,572	31,892,054
Net cash generated from operations		3,250,569,703	7,981,222,194	5,302,158,364
Income tax paid		(440,320,188)	(719,460,846)	(1,028,559,324)
Interest received		53,446,209	68,984,880	59,845,769
Contributions paid to retirement plan	25	(8,409,257)	(20,716,867)	(26,874,253)
Retirement benefits paid directly by the Group	25	(20,215,578)	(37,530,039)	(7,706,482)
Net cash provided by operating activities		2,835,070,889	7,272,499,322	4,298,864,074

	Notes	2018	2017	2016
Forwarded				
Cash flows from investing activities				
Additions to:				
Available-for-sale financial assets	12	-	(299,900)	-
Investments in associates and a joint venture	8	(1,000,000,000)	(10,400,000)	(8,000,000)
Investment properties	10	(489,886,876)	(467,302,585)	(264,227,459)
Property and equipment	13	(75,080,688)	(42,308,025)	(1,353,290,254)
Deposit for a future project	7	(250,295,000)	-	-
Real estate development projects	11	-	-	(275,632,515)
Dividends received	24	48,440,301	63,880,748	40,551,885
Proceeds from sale of property and equipment	24	269,640,000	779,764	1,430,479
Acquisition of non-controlling interest	9	-	-	(1,419,610,919)
Net cash used in investing activities		(1,497,182,263)	(455,649,998)	(3,278,778,783)
Cash flows from financing activities				
Payments of:				
Loan principal	17	(3,687,083,333)	(4,689,583,333)	(133,333,333)
Interest	17	(322,790,651)	(318,919,689)	(250,777,771)
Cash dividends paid to:				
Shareholders	20	(925,518,202)	(781,236,767)	(781,146,540)
Non-controlling shareholders of subsidiaries	9	(317,576,000)	(239,680,000)	(359,680,099)
Proceeds from loan availment, net of debt issue costs	17	1,300,000,000	-	694,750,000
Net cash used in financing activities		(3,952,968,186)	(6,029,419,789)	(830,187,743)
Net increase (decrease) in cash and cash equivalents for the year		(2,615,079,560)	787,429,535	189,897,548
Cash and cash equivalents at January 1	3	5,030,757,380	4,241,131,012	4,041,169,742
Effects of exchange rate changes on cash and cash equivalents	3	16,419,512	2,196,833	10,063,722
Cash and cash equivalents at December 31	3	2,432,097,332	5,030,757,380	4,241,131,012

The notes on pages 1 to 88 are integral part of these consolidated financial statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 12 2019
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Shang Properties, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements
As at and for the years ended December 31, 2018 and 2017
(With comparative figures for the year ended December 31, 2016)
(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 6, 2019. There were no material events that occurred subsequent to March 6, 2019 until March 13, 2019, opinion date.

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.

Shang Wack Wack Properties, Inc. ("SWWPI") is the developer of Shang Residences at Wack Wack Project, located in Mandaluyong City.

(b) Hotel operation

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

(c) Leasing

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

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

Except for the rental revenue from ESHRI, all revenues come from transactions with third parties. There are no revenues derived from a single external customer above 10% of total revenue in 2018, 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 consolidated financial statements.

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

There are no changes in the Group's reportable segments and related strategies and policies in 2018, 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, 2018 are as follows:

	Property development	Hotel operation	Leasing	Others	Total segments	Eliminations	Consolidated
Revenues							
Condominium sales	4,207,725,948	783,522,331	-	-	4,991,248,279	-	4,991,248,279
Rental and cinema	-	103,587,139	3,145,593,103	-	3,249,180,242	(231,848,991)	3,017,331,251
Hotel operation	-	3,171,907,725	-	-	3,171,907,725	-	3,171,907,725
Cost of sales and services							
Condominium sales	(2,693,212,800)	(307,348,423)	-	-	(3,000,561,223)	-	(3,000,561,223)
Rental and cinema	-	-	(241,988,954)	-	(241,988,954)	(4,422,383)	(246,411,337)
Hotel operation	-	(3,023,783,595)	-	-	(3,023,783,595)	-	(3,023,783,595)
Gross income	1,514,513,148	727,885,177	2,903,604,149	-	5,146,002,474	(236,271,374)	4,909,731,100
Operating expenses							
Staff costs	(116,145,626)	(6,088,626)	(361,112,216)	(11,229,423)	(494,575,891)	56,304,575	(438,271,316)
Taxes and licenses	(65,362,223)	(38,749,585)	(85,990,201)	(13,292,316)	(203,394,325)	-	(203,394,325)
Depreciation and amortization	(1,186,061)	-	(202,559,636)	(16,875)	(203,762,572)	180,729,836	(23,032,736)
Insurance	(2,013,374)	-	(1,324,884)	(13,163)	(3,351,421)	-	(3,351,421)
Other general and administrative	(79,924,576)	(277,519,182)	(163,095,841)	(8,751,983)	(529,291,582)	9,161,595	(520,129,987)
Other income (expense)							
Gain on fair value adjustment of investment properties	(136,392,806)	-	1,281,604,356	180,238,500	1,325,450,050	(445,455,773)	879,994,277
Interest income	148,245,729	21,847,470	19,493,406	1,242,290	190,828,895	-	190,828,895
Foreign exchange gains (losses), net	13,313,171	5,330,885	5,520,360	(108,816,697)	(84,652,281)	108,839,014	24,186,733
Other income, net	120,722,046	206,668,529	33,851,901	1,462,627,836	1,823,870,312	(1,449,313,799)	374,556,513
Interest expense and bank charges	(263,116)	(188,978,167)	(33,652,296)	(135,848,130)	(358,741,709)	-	(358,741,709)
Income before income tax	1,395,506,312	450,396,501	3,396,339,098	1,366,140,039	6,608,381,950	(1,776,005,926)	4,832,376,024
Provision for income tax	(446,005,860)	(133,913,982)	(659,135,439)	(9,503,010)	(1,248,558,291)	(23,203,276)	(1,271,761,567)
Net income for the year	949,500,452	316,482,519	2,737,203,659	1,356,637,029	5,359,823,659	(1,799,209,202)	3,560,614,457
Segment assets	12,848,496,749	9,146,496,232	30,352,019,019	13,231,383,964	65,578,395,964	(6,322,900,022)	59,255,495,942
Associate companies (Note 8)	-	-	-	1,000,388,985	1,000,388,985	-	1,000,388,985
Total assets	12,848,496,749	9,146,496,232	30,352,019,019	14,231,772,949	66,578,784,949	(6,322,900,022)	60,255,884,927
Segment liabilities	7,051,526,346	4,590,810,260	13,112,558,754	8,757,631,862	33,512,527,222	(12,323,001,527)	21,189,525,695
Capital expenditures for the year (Notes 10 and 13)	58,076,120	17,004,568	489,886,876	-	564,967,564	-	564,967,564

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

	Property development	Hotel operation	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)	-	(345,581,519)	(34,505)	(353,425,459)	332,969,055	(20,456,404)
Insurance	(200,697)	-	(782,578)	(10,803)	(994,078)	-	(994,078)
Other general and administrative	(190,912,048)	(322,975,081)	(295,062,777)	(2,160,519)	(811,110,425)	240,338,444	(570,771,981)
Other income (expense)							
Gain (Loss) on fair value 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	(7,674,991,633)	23,924,550,436
Capital expenditures for the year (Notes 10 and 13)	599,206	25,132,508	483,478,274	400,622	509,610,610	-	509,610,610

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

Note 3 - Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2018	2017
Cash on hand	14,679,720	27,236,204
Cash in banks	592,751,317	352,515,924
Cash equivalents	1,824,666,295	4,651,005,252
	2,432,097,332	5,030,757,380

Cash in banks earned an average interest at respective bank deposit rates of 0.25% in 2018 and 2017.

Cash equivalents are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Short term investments, which have an average maturity of 30 days, earn interest ranging from 0.50% to 6.375% in 2018 (2017 - 0.50% to 2.50%; 2016 - 0.40% to 2.00%).

Interest income earned for the year ended December 31, 2018 amounted to P54,619,455 (2017 - P69,013,073; 2016 - P57,982,376) (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:

	2018			2017		
	Foreign currency	Exchange rate	Peso equivalent	Foreign currency	Exchange rate	Peso equivalent
US Dollar	1,988,453	52.72	104,839,221	9,630,250	49.92	480,742,080
HK Dollar	93,259	6.73	628,043	77,425	6.39	494,746

Realized and unrealized exchange gain credited to income for the year ended December 31, 2018 amounted to P7,767,221 and P16,419,512, respectively (2017 - P22,933,177 realized exchange gain and P2,196,833 unrealized exchange gain; 2016 - unrealized exchange gain of P10,063,722).

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	2018	2017
Balance at January 1		45,969,343	32,597,501
Gain (Loss) on fair value adjustment	24	(4,545,027)	14,247,505
Disposals		-	(875,663)
Balance at December 31		41,424,316	45,969,343

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

Note 5 - Trade and other receivables, net

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

	Notes	2018	2017
Trade			
Installment contract asset		1,553,678,143	1,871,867,108
Rent	28	205,873,027	221,210,176
Receivables from guests and concessionaires		109,877,534	185,942,201
Non-trade			
Related parties	28	1,347,189,510	1,223,696,897
Advances to officers and employees		15,676,675	3,079,488
Interest		3,824,782	2,561,536
Others		63,433,204	72,091,776
		3,299,552,875	3,580,449,182
Allowance for impairment of receivables		(15,542,333)	(12,252,379)
		3,284,010,542	3,568,196,803

Installment contract asset arises from sale of condominium units with average term ranging from one to five years, with last installment collectible in 2020. This arises when the revenue recognized to date under the percentage-of-completion method exceeds the total collections from the buyer. These include periodic billings to condominium buyers which are carried at amortized cost and are discounted using prevailing interest rates at the date of transaction. The amounts due from the condominium buyers are subject to either bank financing or in-house financing. The differences between the present values and face values of these billings are amortized using the effective interest rate method over the term of the respective contracts. Interest income earned from installment contract asset for the year ended December 31, 2018 amounted to P127,423,327 (2017 - P157,547,654; 2016 - P196,576,865) (Note 24). The decrease in installment contract asset during 2018 mainly arises from billings and subsequent collections from condominium buyers.

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

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

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

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

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

	Note	2018	2017
Balance at January 1		12,252,379	8,056,439
Provision	23	8,468,256	5,178,302
Write-off		(5,178,302)	(982,362)
Balance at December 31		15,542,333	12,252,379

In 2017, SGCPI provided allowance for a portion of receivables from guests and concessionaires with on-going legal cases. This was subsequently written-off during the year.

The expected cash flows from installment contract asset as at December 31, 2018 and 2017 are as follows:

	2018	2017
Expected cash flows in:		
2018	-	2,200,190,214
2019	3,952,123,391	-
2020	776,161,987	-
	4,728,285,378	2,200,190,214
Less: Unearned income and unamortized discount	3,174,607,235	328,323,106
	1,553,678,143	1,871,867,108

Unearned income is the portion of the total contract price of sold units which remains to be unearned as of the reporting period. The amount will be recognized as condominium sales as the construction of the projects progress based on the percentage of completion of the projects. The unearned income portion of contract price from sold condominium units as at December 31, 2018 amounted to P3,134,637,049. The Group expects to realize this amount during the remaining construction period of The Rise project.

As at 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 (Note 16). The balance was applied in 2018 as significant work was performed on the Group's ongoing projects.

The movements in the unearned income and unamortized discount on installment contract asset are as follows:

	Note	2018	2017
Beginning of year		328,323,106	4,780,775,089
Additions		7,964,955,735	3,897,292,970
Recognized as:			
Condominium sales		(4,991,248,279)	(8,192,197,299)
Interest income	24	(127,423,327)	(157,547,654)
End of year		3,174,607,235	328,323,106

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, 2018 and 2017.

Note 6 - Properties held for sale

Properties held for sale as at December 31 consist of:

	2018	2017
Completed condominium units	576,106,507	194,946,068
Construction in-progress	3,101,470,846	6,040,627,147
	3,677,577,353	6,235,573,215

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

As at December 31, 2018, installment payable at amortized cost amounted to P541,161,733 (2017 - P636,511,197). Interest cost related to the amortization of the installment payable amounted to P14,143,726 in 2018 (2017 - P17,819,742). The unamortized discount on installment payable amounted to P16,040,267 as at December 31, 2018 (2017 - P30,183,992).

In 2018, the Group completed the construction and development of Shang Salcedo Place Project and Horizon Homes at Shangri-La at the Fort Project. The Group also started the construction and development of Shang Residences at Wack Wack Project during the year.

As at December 31, 2018, the Group has remaining estimated cost to complete the on-going projects namely, The Rise Makati and Shang Residences at Wack Wack amounting to P2,870,626,926 and P3,778,291,507, respectively (2017 - The Rise Makati, Shang Salcedo Place and Horizon Homes at Shangri-La at the Fort amounting to P5,451,119,513, P236,610,499 and P104,795,263, respectively).

The movements in condominium units held for sale as at December 31 are as follows:

	2018	2017
Beginning of year	194,946,068	409,112,488
Buyback of unit at cost	4,947,130	-
Transfer from construction in-progress	1,164,094,588	-
Transfer from investment property	-	6,765,000
Recognized cost of condominium sales excluding commissions	(787,881,279)	(220,931,420)
End of year	576,106,507	194,946,068

In February 2017, SPRC transferred a portion of the investment 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.

The movements in construction in-progress as at December 31 are as follows:

	Note	2018	2017
Beginning of year		6,040,627,147	10,244,589,570
Construction and development costs incurred:			
Construction cost		3,013,847,567	1,952,414,782
Project management expenses		221,953,108	325,933,307
Professional and consultancy fees		61,329,141	71,056,759
Taxes, permits and licenses		21,978,629	4,723,544
Land cost		17,507,211	13,093,600
Insurance and bonds		2,769,873	107,010
Others		27,490,989	73,010,672
Transfer to real estate development projects	11	(3,096,726,897)	(2,298,917,284)
Transfer to condominium units held for sale excluding commissions		(1,164,094,588)	-
Recognized cost of condominium sales excluding commissions		(2,045,211,334)	(4,345,384,813)
End of year		3,101,470,846	6,040,627,147

The cost of condominium sales recognized as expense and presented as part of cost of sales and services in the consolidated statements of total comprehensive income amounted to P3,000,561,223 in 2018 (2017 - P4,726,826,668) (Note 21).

Condominium units held for sale and construction in-progress are stated at cost as of December 31, 2018 and 2017. There were no allowances for inventory write-down as at December 31, 2018 and 2017.

Note 7 - Prepaid taxes and other current assets

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

	2018	2017
Advances to contractors and suppliers	672,584,614	604,385,543
Creditable withholding tax (CWT)	352,984,660	324,078,731
Input value added tax (VAT)	165,546,301	353,312,013
Prepaid commission	145,844,338	225,272,877
Prepaid property tax	53,231,740	47,664,899
Inventories	28,049,290	17,073,486
Deferred input VAT	23,275,155	24,780,000
Prepaid insurance	16,125,672	10,404,886
Refundable deposits	3,567,100	20,238,161
Other prepaid expenses	54,303,385	32,216,678
	1,515,512,255	1,659,427,274

Advances to contractors and suppliers pertain to down payment made by the Group for the construction and development of its condominium properties. These are not collectible but recouped upon every progress billing by the contractors and suppliers based on milestones or percentage of accomplishment or delivery as stipulated in the contracts.

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

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

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 VAT 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, 2018 and 2017.

Other prepaid expenses mainly consist of advance payments for rent, and other expenses which are normally utilized within the next financial year.

Note 8 - Investments in associates and a joint venture

Investment in associates and a joint venture as at December 31 consist of:

	2018	2017
Investment in associates		
Acquisition costs		
Cost at January 1	524,710,625	514,310,625
Acquisition of additional interest in a previously held associate	(524,321,640)	-
Additions to Investment	-	10,400,000
Balance at December 31	388,985	524,710,625
Accumulated share in net losses		
Balance at January 1	(22,775,000)	(18,675,013)
Acquisition of additional interest in a previously held associate	22,775,000	-
Share in net losses	-	(4,099,987)
Balance at December 31	-	(22,775,000)
	388,985	501,935,625
Investment in a joint venture		
Acquisition cost		
Additions to Investment	1,000,000,000	-
Balance at December 31	1,000,000,000	-
	1,000,388,985	501,935,625

(a) Investment in associates

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	
		2018	2017
Sky Leisure Properties, Inc. (SLPI)	Philippines	-	50.00%
Ideal Sites and Properties, Inc. (ISPI)	Philippines	40.00%	40.00%

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

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

The total cost of the acquisition was allocated to the group of asset and liabilities acquired based on the relative fair value. The identifiable assets acquired and liabilities recognized as a result of the step-acquisition at acquisition date are presented below.

	2018
Asset	
Cash and cash equivalents	4,010,484
Investment properties	1,040,991,452
	1,045,001,936
Liabilities	
Accounts payable and other current liabilities	74,047,699
Deferred income tax liabilities, net	82,752,327
	156,800,026
Net assets	888,201,910

The summarized financial information of SLPI, before the step-acquisition, as at and for the year ended December 31, 2017 is presented below.

	2017
Asset	
Current assets	6,364,473
Non-current asset	964,843,000
	971,207,473
Liabilities	
Current liabilities	150,327,830
Non-current liabilities	749,026,646
	899,354,476
Net assets	71,852,997
Net loss after tax	(8,199,974)
Other comprehensive income	-
Total comprehensive loss	(8,199,974)

As at December 31, 2018 and 2017, SLPI has an investment property development project which has not yet started.

The summarized financial information of the Group's other investment in associates is not presented as it is immaterial to the consolidated financial statements.

(b) Investment in a joint venture

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

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

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

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

As at December 31, 2018, the activities undertaken by the JVC include: commencement of all applications for all applicable permits and licences, preparation of conceptual and schematic designs, and design development and preparation of construction drawings.

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:

	2018	2017
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

	2018	2017
Summarized statements of financial position		
Current assets	543,458,320	594,778,251
Current liabilities	(509,480,448)	(439,208,900)
Current net assets	33,977,872	155,569,351
Non-current assets	10,611,286,514	9,962,972,699
Non-current liabilities	(2,606,434,752)	(2,436,086,642)
Non-current net assets	8,004,851,762	7,526,886,057
Equity	8,038,829,634	7,682,455,408

	2018	2017
Equity attributable to:		
Equity holders of the Parent Company	5,630,396,276	5,380,791,769
NCI	2,408,433,358	2,301,663,639
	8,038,829,634	7,682,455,408
Dividends declared to NCI	317,576,000	239,680,000

	2018	2017	2016
Summarized statements of total comprehensive income			
Revenues	1,249,996,056	1,197,165,399	1,091,918,588
Cost and expenses	(39,370,393)	(43,111,399)	(43,688,698)
Operating expenses	(31,477,588)	(24,639,694)	(28,041,516)
Other income, net	660,520,320	576,042,614	59,066,355
Income before income tax	1,839,668,395	1,705,456,920	1,079,254,729
Provision for income tax	(423,276,174)	(382,225,433)	(202,336,918)
Net income for the year	1,416,392,221	1,323,231,487	876,917,811
Other comprehensive loss	(17,995)	(15,304)	-
Total comprehensive income	1,416,374,226	1,323,216,183	876,917,811

	2018	2017	2016
Net income attributable to:			
Equity holders of the Parent Company	992,041,113	926,791,333	549,624,812
NCI	424,351,108	396,440,154	327,292,999
	1,416,392,221	1,323,231,487	876,917,811
Total comprehensive income attributable to:			
Equity holders of the Parent Company	992,028,509	926,780,615	549,624,812
NCI	424,345,717	396,435,568	327,292,999
	1,416,374,226	1,323,216,183	876,917,811

	2018	2017
Summarized statements of cash flows		
Operating activities	1,086,939,090	1,058,253,844
Investing activities	(9,004,907)	(352,972,946)
Financing activities	(1,060,000,000)	(800,000,000)
Net effect of exchange rate changes on cash and cash equivalents	25,179	(8,223)
Net increase (decrease) in cash and cash equivalents	17,959,362	(94,727,325)

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

(b) Shang Global City Properties, Inc.

	2018	2017
Summarized statements of financial position		
Current assets	1,557,160,698	3,953,925,285
Current liabilities	(1,818,647,846)	(1,906,038,036)
Current net assets (liabilities)	(261,487,148)	2,047,887,249
Non-current assets	10,800,893,831	11,061,060,452
Non-current liabilities	(2,772,162,422)	(5,658,792,998)
Non-current net assets	8,028,731,409	5,402,267,454
Equity	7,767,244,261	7,450,154,703
Equity attributable to:		
Equity holders of the Parent Company	4,660,346,556	4,470,092,822
NCI	3,106,897,705	2,980,061,881
	7,767,244,261	7,450,154,703

	2018	2017	2016
Summarized statements of total comprehensive income			
Revenues	4,061,702,373	7,165,524,915	4,715,986,158
Cost of sales and services	(2,830,396,604)	(4,437,370,645)	(2,983,763,725)
Operating expenses	(803,393,266)	(850,267,458)	(649,146,930)
Other income (expenses), net	15,851,888	(151,671,145)	(109,715,934)
Income before income tax	443,764,391	1,726,215,667	973,359,569
Provision for income tax	(133,913,982)	(516,525,165)	(294,542,143)
Net income for the year	309,850,409	1,209,690,502	678,817,426
Other comprehensive income	7,239,149	195,406	-
Total comprehensive income	317,089,558	1,209,885,908	678,817,426

	2018	2017	2016
Net income attributable to:			
Equity holders of the Parent Company	185,910,245	725,814,301	417,996,943
NCI	123,940,164	483,876,201	278,664,629
	309,850,409	1,209,690,502	696,661,572

Total Comprehensive income attributable to:			
Equity holders of the Parent Company	190,253,735	725,931,545	417,996,943
NCI	126,835,823	483,954,363	278,664,629
	317,089,558	1,209,885,908	696,661,572

	2018	2017
Summarized statements of cash flows		
Operating activities	2,896,350,545	6,046,520,678
Investing activities	(612,443,432)	(711,652,376)
Financing activities	(3,078,230,241)	(4,390,745,685)
Net effect of exchange rate changes on cash and cash equivalents	(17,623)	(724,842)
Net increase (decrease) in cash and cash equivalents	(794,340,751)	943,397,775

No dividends were declared and paid by SGCPI in 2018 and 2017.

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, 2017	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 expenditures	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
Gain on fair value adjustment	814,449,087	65,545,190	879,994,277
Capitalized subsequent expenditures	45,226,174	444,660,702	489,886,876
Addition through step-acquisition (Note 8)	1,040,991,452	-	1,040,991,452
December 31, 2018	13,694,823,194	18,816,252,854	32,511,076,048

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

As at December 31, 2018 and 2017, the fair values of the properties are based on valuations performed by an independent external appraiser engaged by the management. The valuation models are in accordance with that recommended by the International Valuation Standards Committee.

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

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

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

Property	Fair value as at December 31, 2018	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability - weighted average)	Relationship of unobservable inputs to fair value
The Enterprise Center (Office)	P10,595,778,000 (2017 - P9,939,471,000	Direct income capitalization	Rental value	P1,300 per square meter (2017 - P1,182)	The higher the rental value and occupancy rate, the higher the fair value.
			Occupancy rate	94% (2017 - 97%)	
			Expense-revenue ratio	5.26% (2017 - 5.44%)	The higher the expense- revenue ratio and discount rate, the lower the fair value.
			Discount rate	9% (2017 - 9%)	
Main wing and east wing of Shangri-La Plaza mall (Retail), including the land where the property is located	P13,358,794,000 (2017 - P 13,106,577,629)	Direct income capitalization	Rental value	P1,650 per square meter (2017 - P1,760)	The higher the rental value and occupancy rate, the higher the fair value.
			Occupancy rate	93% (2017 - 90%)	
			Expense-revenue ratio	27% (2017 - 26%)	The higher the expense- revenue ratio and discount rate, the lower the fair value.
			Discount rate	9% (2017 - 9%)	

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

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

The following are the significant unobservable inputs:

- Rental value average rental rate per square meter paid by tenants based on the asking price in the market;
- Discount rates reflecting current market assessments of the uncertainty in the amount and timing of cash flows;

- Occupancy rate based on current and expected future market conditions after expiry of any current lease; and
- Expense - revenue ratio total direct operating expenses for the entire property based on budget.

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

Property	Fair value as at December 31, 2018	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability - weighted average)	Relationship of unobservable inputs to fair value
Land where the Edsa Shangri-La, Manila is located	P4,221,700,000 (2017 - P4,076,956,000)	Market comparison approach	Comparable transactions	P298,246 per square meter (2017 - P298,246)	The higher the comparable transactions, the higher the fair value.
			Price adjustments	41.67% (2017 - 33.33%)	The higher the price adjustments, the lower the fair value.

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

The remaining investment properties relate to individually immaterial land and building properties whose fair values have been determined in the prior years and are subject to reassessment in accordance with the Group's accounting policy.

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

	2018	2017	2016
Rental and cinema revenue	3,017,331,251	2,981,321,414	2,892,405,273
Direct operating expenses	(246,411,337)	(222,938,433)	(134,819,051)
Profit arising from investment properties carried at fair value	2,770,919,914	2,758,382,981	2,757,586,222

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 P952,052,008 in 2018 (2017 - P960,198,871; 2016 - P1,358,704,355).

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

	2018	2017	2016
Within one year	2,120,510,423	2,203,229,772	2,199,215,514
After one year but not more than five years	2,470,938,539	2,055,699,322	2,228,336,404
More than five years	288,616,258	293,859,664	296,229,608
	4,880,065,220	4,552,788,758	4,723,781,526

Note 11 - Real estate development projects

Real estate development projects account includes construction cost related to SGCPI and TRDCI which will be subsequently reclassified to either investment properties or property and equipment. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group.

(a) SGCPI

As at December 31, 2016, the real estate development project account includes the construction cost of the hotel and residences 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 2018, additional cost of the hotel portion of the project amounting to P2,836,522,171 was incurred and subsequently reclassified to property and equipment account (2017 - P2,357,630,166) (Note 13). The construction of the hotel and residences portion of Shangri-La at the Fort project was substantially completed in 2018. Accordingly, as at December 31, 2018, this account includes only the costs related to the retail portion of the hotel of the Shangri-La at the Fort Project.

(b) TRDCI

As at December 31, 2018 and 2017, the real estate development project account includes the construction cost of the retail portion of The Rise Makati Project. In 2018, additional cost of the project amounting to P260,204,726 (2017 - P 188,621,655) was incurred and reclassified to this account from "construction in-progress" under properties held for sale account (Note 6).

Note 12 - Financial assets at fair value through other comprehensive income, net/ Available-for-sale financial assets, net

Financial assets at fair value through other comprehensive income (FVOCI), net as at December 31, 2018 are presented below. These were classified as available-for-sale (AFS) financial assets as at December 31, 2017. Note 34.2 explains the change in accounting policy and the reclassification of equity investments from AFS to financial assets at fair value through other comprehensive income.

	2018	2017
Unquoted	489,126,227	488,840,742
Quoted	9,101,515	7,407,000
	498,227,742	496,247,742
Cumulative changes in fair value	284,168,254	16,945,000
	782,395,996	513,192,742

Unquoted equity securities include unlisted shares of stock which were previously carried at cost. In 2018, these securities are measured at fair value. The fair values of the unquoted equity securities are based on the net asset value of the underlying assets which are mainly investment properties consisting of land and buildings which are measured and carried at fair value of underlying assets. The fair value measurements have been categorized as Level 3 with the following significant unobservable inputs in the computation of the fair value of investment properties: (1) rental value average rental rate, (2) discount rates, (3) occupancy rate, (4) expense - revenue ratio, and (5) comparable transactions adjusted for bargaining allowance, marketability, location, size and terrain. The net asset value per share of unquoted equity securities ranges from P1,043 per share to P465,053 per share.

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

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

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

	2018	2017	2016
January 1, calculated under PAS 39	14,965,000	10,345,000	4,847,500
Impact of PFRS 9 adoption	260,073,254	-	-
Deferred income tax effect	(39,572,738)	-	-
January 1, calculated under PFRS 9	235,465,516	10,345,000	4,847,500
Gain on fair value adjustment	9,130,000	6,600,000	7,853,571
	244,595,516	16,945,000	12,701,071
Deferred income tax effect	(1,369,500)	(1,980,000)	(2,356,071)
December 31	243,226,016	14,965,000	10,345,000

Note 13 - Property and equipment, net

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

	Building and building improvements	Transportation equipment	Furniture, fixtures and other equipment	Total
Cost				
January 1, 2018	6,930,869,920	48,988,407	6,505,282,732	13,485,141,059
Transfer from real estate development projects (Note 11)	2,507,138,589	-	329,383,582	2,836,522,171
Additions	49,503,258	2,000,679	23,576,751	75,080,688
Disposals	(62,916,000)	(36)	(6,451,334)	(69,367,370)
December 31, 2018	9,424,595,767	50,989,050	6,851,791,731	16,327,376,548
Accumulated depreciation and amortization				
January 1, 2018	714,183,515	26,609,598	796,613,528	1,537,406,641
Depreciation and amortization	328,973,908	6,318,756	706,306,833	1,041,599,497
Disposals	-	(36)	(6,370,917)	(6,370,953)
December 31, 2018	1,043,157,423	32,928,318	1,496,549,444	2,572,635,185

	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	230,149,100	2,549,591	665,333,999	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	714,183,515	26,609,598	796,613,528	1,537,406,641
Net book values at				
December 31, 2017	6,216,686,405	22,378,809	5,708,669,204	11,947,734,418
December 31, 2018	8,381,438,344	18,060,732	5,355,242,287	13,754,741,363

Building and building improvements include land rights which pertain to the share of SGCPI in the land where the construction project was constructed after deducting the rights allocated to condominium unit owners.

Depreciation and amortization charged as part of cost of hotel operation (Note 21) and operating expenses as shown in the consolidated statements of total comprehensive income amounted to P1,018,566,761 and P23,032,736, respectively (2017 - P877,576,286 and P20,456,404, respectively). Depreciation and amortization for the year ended December 31, 2017 was adjusted to the appropriate asset class but did not impact the total net book values as at December 31, 2017.

As at December 31, 2018, the Group has fully depreciated property and equipment still in use with acquisition cost of P90,075,116 (2017 - P83,376,169).

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 8.00% (2017 - 9.00%). Cash flows beyond the five-year period are extrapolated using a steady growth rate of 4.30% (2017 - 4.50%), 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	2018	2017
Deposit for a future project		250,295,000	-
Refundable deposits		76,104,635	86,434,310
Deferred input VAT		29,001,280	40,313,121
Retirement asset	25	13,009,973	20,699,073
		368,410,888	147,446,504

On March 28, 2018, the Parent Company entered into a Memorandum of Agreement with a third party to purchase a parcel of land located along Shaw Boulevard in Mandaluyong City for development and other activities to create a real estate property intended for future lease or sale. As at December 31, 2018, the Parent Company has deposited 50% of the total purchase price amounting to P500.50 million to the third party. The remaining 50% shall be paid by the Parent Company not later than July 1, 2019, wherein the third party will execute the corresponding deed of absolute sale and will turn over the original owner's duplicate copy of the transfer certificate of title to the Parent Company.

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	2018	2017
Trade:			
Accounts payable		644,928,182	654,473,764
Advance rental	30	132,235,230	93,057,078
Accrued expenses:			
Construction		260,254,895	381,284,081
Taxes		228,412,001	238,673,990
Employee benefits		138,224,376	64,723,722
Titling cost		121,120,927	87,291,327
Outside services		80,883,579	68,989,932
Utilities		73,884,450	58,852,919
Repairs and maintenance		45,879,025	48,846,294
Interest	17	34,220,895	28,922,784
Commission		33,014,919	36,917,194
Professional fees		26,149,240	8,416,360
Advertising and promotion		16,347,158	3,141,785
Others		89,263,015	79,005,690
Excess billings over revenue	5	-	1,308,699,223
Customers' deposits from:			
Hotel guests		546,195,718	550,766,149
Condominium sales		233,525,789	149,137,539
Retention payables		929,513,282	984,082,298
Reservation payables		657,102,989	392,477,103
Advances from condominium unit buyers		260,067,135	257,124,456
Construction bonds		60,762,162	59,805,438
Payable to contractors and suppliers		44,097,825	44,097,825
Non-trade:			
Deferred output VAT		257,355,410	210,408,620
Payable to government agencies		140,261,434	41,033,828
Payable to related parties	28	113,350,775	145,378,679
Output VAT		52,466,842	55,477,380
Others		172,276,475	59,164,739
		5,391,793,728	6,110,250,197

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 to 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. In 2018, the Group recognized revenue from condominium sales arising from excess billings over revenues in 2017.

Customers' deposits from condominium buyers represent collections from buyers and will be applied to the receivable balance upon notification of the buyer to the Group 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 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:

	2018	2017
Current portion		
Parent Company	1,833,333,333	533,333,333
SLPC	-	50,000,000
	1,833,333,333	583,333,333
Non-current portion		
SGCPI	2,683,027,491	5,563,639,370
Parent Company	1,466,666,667	2,000,000,000
SLPC	-	212,500,000
	4,149,694,158	7,776,139,370
	5,983,027,491	8,359,472,703

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

	2018	2017
Beginning of year	8,359,472,703	13,036,126,360
Amortized debt issue cost	10,638,121	12,929,676
Proceeds from loan availment, net of unamortized debt issue costs	1,300,000,000	-
Payments	(3,687,083,333)	(4,689,583,333)
End of year	5,983,027,491	8,359,472,703

Total interest expense arising from these loans as shown in the consolidated statements of total comprehensive income in 2018 amounted to P328,088,762 (2017 - P311,826,531; 2016 - P248,358,334) (Note 24). Total capitalized interest amounted to P2,852,850 in 2018 and was included as part of "construction in-progress" under properties held for sale account (2017 - P70,872,328; 2016 - P163,113,889) (Note 6). The capitalization rate used to determine the amount of capitalized interest which is the weighted average interest rate applicable to the Group's general borrowings during the year is 3.80% (2017 - none applicable to specific borrowings).

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

	Note	2018	2017
Beginning of year		28,922,784	36,015,942
Interest expense	24	328,088,762	311,826,531
Payments		(322,790,651)	(318,919,689)
End of year	16	34,220,895	28,922,784

(a) Parent Company

On July 30, 2012, the Parent Company obtained a 10-year loan facility from a local bank amounting to P5.00 billion payable in 24 equal quarterly installments, commencing on the 17th quarter from the initial borrowing date at a fixed interest rate of 4.00% per annum for the three years effective September 17, 2015.

Moreover, the loan agreement requires the Parent Company to comply with certain covenants and financial ratios, until the loans are fully paid. Failure to comply with the covenants will render the full amount of loans due and demandable. As at December 31, 2018 and 2017, the Parent Company is in compliance with the covenants.

On April 13, 2018, the Parent Company obtained a 6-month loan from another local bank amounting to P800 million payable on October 10, 2018 at a fixed rate of 3.8% per annum, to be repriced every 30 to 180 days as agreed by the parties. On October 10, 2018, the loan was extended for 3 months payable on January 9, 2019 at fixed interest rate of 5.25% per annum. On January 9, 2019, the loan was extended for another 6 months payable on July 9, 2019.

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

Total drawdown from the above facility amounted to P3.70 billion as at December 31, 2018 (2017 - P3.20 billion).

Interest expense charged to profit or loss from the above bank loans amounted to P135,308,807 in 2018 (2017 - P114,661,991; 2016 - P128,955,324). Accrued interest as at December 31, 2018 amounted to P18,737,135 (2017 - P13,663,900) (Note 16). Total capitalized interest amounted to P2,852,850 in 2018 and was included as part of "construction in-progress" under properties held for sale account (2017 - nil) (Note 6).

(b) SGCPI

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

The principal amount of the loan shall be payable in 24 equal quarterly consecutive installments commencing on the 17th quarter from the initial drawdown, with the last installments in an amount sufficient to fully pay the loan. Interest shall be paid on each interest payment date for the relevant interest period based on three-month treasury bill rate as published in the Bankers Association of the Philippines Peso Bloomberg Valuation (PHP BVAL), previously Philippines Dealing System Treasury Reference Rates - 2 (PDST-R2). The interest shall be based on the higher between the PHP BVAL rate plus spread of 0.75% per annum and the Bangko Sentral ng Pilipinas (BSP) overnight borrowing rate minus spread of 0.95% per annum. The Company has the option to prepay the principal amount and to fix the interest rate. Further, the Company is required to maintain a ratio of debt to tangible net worth, not exceeding 2.5:1. As at December 31, 2018 and 2017, SGCPI is in compliance with the requirements of the loan agreement.

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

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

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

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

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

In 2017, the Company 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. In 2018, the Company paid P2.89 billion prepayment to be applied to the subsequent installments.

The loan is subject to a front-end fee of 25 basis points (0.25%) of the total principal amount. The front-end fee is considered a transaction cost, which is allocated based on each drawdown and amortized using effective interest rate. Debt issue costs also include the documentary stamp tax paid by SGCPI for each drawdown. Average floating interest rates is 5.40% in 2018 and 3.93% in 2017.

Total finance cost arising from this loan, including amortization of transactions costs, amounted to P188,978,167 in 2018 (2017 - P258,810,380; 2016 - P271,775,503). Capitalized interest expense for the year ended December 31, 2018 amounted to nil (2017 - P70,872,328; 2016 - P163,113,889 and were included as part of "construction in-progress" under properties held for sale account) (Note 6). Interest expense for this bank loan as charged to profit or loss amounted to P188,978,167 in 2018 (2017 - P187,938,052; 2016 - P108,661,614).

Accrued interest as at December 31, 2018 amounted to P13,630,758 (2017 - P13,405,882) (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, SLPC is in compliance with the covenants. On January 15, 2018, SLPC paid in full the remaining balance of the loan amounting to P262,500,000.

Interest expense from this bank loan as charged to profit or loss amounted to P3,801,788 in 2018 (2017 - P9,226,488; 2016 - P10,741,396). Accrued interest as at December 31, 2018 and 2017 amounted to P1,853,002 (Note 16). No interest on this loan was capitalized for the years ended December 31, 2018 and 2017.

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

Year	2018	2017
2018	-	583,333,333
2019	1,833,333,333	2,297,916,667
2020	1,023,333,334	2,250,000,000
2021	2,200,000,000	2,250,000,000
2022	943,333,333	993,333,333
2023	-	12,500,000
	6,000,000,000	8,387,083,333
Unamortized debt issue cost	(16,972,509)	(27,610,630)
	5,983,027,491	8,359,472,703

Note 18 - Deposits from tenants

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

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

	2018	2017
January 1, at face value	1,161,131,772	1,096,765,775
Net additions	10,773,150	64,365,997
December 31, at face value	1,171,904,922	1,161,131,772
Day 1 difference	(77,921,439)	(56,864,749)
	1,093,983,483	1,104,267,023
Current portion	503,462,220	506,636,400
Non-current portion	590,521,263	597,630,623
	1,093,983,483	1,104,267,023

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

	2018	2017
January 1	54,348,866	41,471,431
Additions	50,948,611	46,665,098
Amortization	(30,434,852)	(33,787,663)
December 31	74,862,625	54,348,866
Current portion	33,518,985	28,137,086
Non-current portion	41,343,640	26,211,780
	74,862,625	54,348,866

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

	Note	2018	2017
Beginning of year		56,864,751	29,359,427
Additions		50,867,175	46,665,098
Accretion as interest expense	24	(29,810,487)	(19,159,774)
End of year		77,921,439	56,864,751

Note 19 - Equity

(a) Share capital, share premium and treasury shares

Details of share capital and share premium at December 31, 2018 and 2017 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 statements of financial position.

The Parent Company is listed in the Philippine Stock Exchange. It was registered on June 13, 1991 with total listed shares of 4,764,058,982 which was initially issued at P1.18 per share. As at December 31, 2018, the Parent Company has 5,231 shareholders (2017 - 5,298). The details of the Parent Company's shareholders are disclosed in the annual report.

(b) Retained earnings

As at December 31, 2018, total unrestricted retained earnings amounted to P21,510,450,262 (2017 - P19,428,808,658). 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
2018				
March 15	March 31	April 14	597,352,351	0.126
September 4	September 19	September 28	333,334,235	0.070
			930,686,586	0.196
2017				
March 4	March 31	April 7	452,382,432	0.095
September 14	September 15	September 22	333,334,424	0.070
			785,716,856	0.165
2016				
March 27	March 21	April 8	452,382,432	0.095
August 18	September 30	October 7	333,334,424	0.070
			785,716,856	0.165

As of December 31, 2018, dividends payable presented in the consolidated statements of financial position pertains to dividends declared by Parent company attributable to its shareholders amounting to P42,683,650 (2017 - P37,515,266).

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

	2018	2017
Beginning of year	37,515,266	33,035,177
Declaration	930,686,586	785,716,856
Payment	(925,518,202)	(781,236,767)
End of year	42,683,650	37,515,266

Cash dividends paid during 2018 include payment to non-controlling shareholders of subsidiaries amounting to P317,576,000 at P877.56 per share (2017 - P239,680,000 at P662.30 per share).

Note 21 - Cost of sales and services

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

(a) Cost of condominium sales

	Note	2018	2017	2016
TRDCI		2,176,060,519	1,178,857,604	350,416,064
SPDI		445,522,327	1,174,023,598	1,291,430,512
SGCPI		307,348,423	2,256,804,942	1,542,783,027
SPRC		38,888,875	113,615,246	320,937,935
Parent Company		32,741,079	3,525,278	550,279
	6	3,000,561,223	4,726,826,668	3,506,117,817

(b) Cost of rental and cinema

	Note	2018	2017	2016
Share in common expenses		157,116,180	138,121,538	56,610,856
Taxes and licenses		54,233,974	56,139,021	55,753,451
Insurance		35,061,183	28,677,874	22,454,744
	10	246,411,337	222,938,433	134,819,051

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:

	2018	2017	2016
Light, power and water	331,145,179	299,675,199	279,444,765
Janitorial, security and other services	123,630,177	113,180,741	103,727,472
Advertising and promotions	98,928,837	103,393,284	68,726,944
Repairs and maintenance	96,294,917	82,560,170	58,371,718
Tenants' reimbursements	(492,882,930)	(460,687,856)	(453,660,043)
	157,116,180	138,121,538	56,610,856

(c) Cost of hotel operation

	Note	2018	2017	2016
Depreciation and amortization	13	1,018,566,761	877,576,286	475,420,391
Food and beverages		777,858,510	702,255,544	334,834,659
Utilities and maintenance		552,319,514	435,889,082	184,527,496
Staff costs		306,053,518	298,958,752	333,298,462
Property tax and insurance		21,569,070	141,399,639	20,623,721
Supplies		84,914,282	83,000,022	79,739,022
Pre-operating expenses		-	-	9,311,823
Others		262,501,940	119,569,335	21,792,086
		3,023,783,595	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	2018	2017	2016
Salaries and wages		350,786,180	355,720,814	416,319,535
Employee benefits		37,893,004	30,933,766	55,850,379
Retirement benefit costs	25	38,161,019	50,603,555	20,259,547
Others		11,431,113	5,147,749	19,806,545
		438,271,316	442,405,884	512,236,006

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	2018	2017	2016
Advertising and promotions		303,477,508	240,698,352	165,521,602
Professional fees and outside services		80,019,619	82,012,183	128,988,350
Janitorial, security and other services		41,819,127	35,967,775	39,724,112
Commission		16,262,426	82,173,030	45,474,436
Utilities		11,225,895	10,831,838	14,066,688
Telephone and communication		10,287,372	8,754,609	12,565,373
Transportation and travel		8,778,876	7,265,705	7,857,571
Provision for doubtful accounts	5	8,468,256	5,178,302	-
Carpark		6,922,036	5,986,656	9,521,057
Supplies		6,618,499	6,298,191	6,588,962
Condominium dues		6,045,247	39,352,930	7,935,789
Repairs and maintenance		5,505,975	10,538,294	5,152,399
Systems license and maintenance		4,125,172	3,466,343	2,840,987
Entertainment, amusement and representation		3,054,537	2,940,185	3,296,553
Membership fees and dues		2,920,660	4,289,307	5,933,789
Gas and oil		2,400,056	1,846,199	1,506,317
Reproduction charges		1,083,391	1,346,298	9,212,561
Rent		35,614	198,404	5,457,321
Others		1,079,721	21,627,380	37,594,893
		520,129,987	570,771,981	509,238,760

Taxes and licenses pertaining to payment for business taxes, permits, real property taxes, documentary stamp taxes and other taxes incurred by the Group in 2018 amounted to P203,394,325 (2017 - P188,172,168; 2016 - P162,898,235) as shown in the consolidated statements of total comprehensive income.

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

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

(a) Interest income

	Notes	2018	2017	2016
Interest on:				
Installment contracts asset	5	127,423,327	157,547,654	196,576,865
Cash in banks and cash equivalents	3	54,619,455	69,013,073	57,982,376
Overdue accounts from tenants		8,786,113	4,491,352	5,345,789
		190,828,895	231,052,079	259,905,030

(b) Other income

	Note	2018	2017	2016
Gain (Loss) on sale of property and equipment		206,643,583	(986,953)	1,430,479
Income from reversal of liabilities		63,974,806	-	8,926,103
Dividend income		48,440,301	63,880,748	40,551,885
Administration and management fee		18,732,446	19,797,621	20,808,497
Customer lounge fee		9,622,218	8,759,036	7,971,217
Signage fee		6,681,893	6,003,850	5,532,434
Income from back-out buyers		4,867,806	21,334,380	7,680,876
Service revenue		4,438,616	2,820,524	3,104,115
Banner income		4,258,589	5,137,357	5,386,818
Forfeited security deposits		1,943,015	2,876,637	19,577,468
Interest and penalty for overdue accounts		869,109	5,053,570	4,480,833
Revenue (Loss) from ancillary services		(2,321,947)	1,994,036	849,657
Gain (Loss) on fair value adjustments of financial assets at fair value through profit or loss	4	(4,545,027)	14,247,505	(2,284,599)
Other rental revenue		2,500,000	2,130,089	2,449,690
Others		8,451,105	12,275,209	2,936,268
		374,556,513	165,323,609	129,401,741

In November 2018, SGCPI sold its land rights with carrying value of P62,916,000 to a third party for a total consideration of P269,640,000 resulting in a gain of P206,724,000.

(c) Interest expense and bank charges

	Notes	2018	2017	2016
Interest expense on bank loans	17	328,088,762	311,826,531	248,358,334
Accretion of deposits from tenants	18	29,810,487	19,159,774	24,214,898
Bank charges		842,460	976,558	920,794
		358,741,709	331,962,863	273,494,026

Note 25 - Accrued employee benefits

Accrued employee benefits as at December 31 consist of:

	2018	2017	2016
Retirement benefits	57,052,807	52,214,078	28,131,846
Other employee benefits	-	-	12,935,285
	57,052,807	52,214,078	41,067,131

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 P13,009,973 as at December 31, 2018 (2017 - P20,699,073) (Note 15), is not offset against the retirement liability as the retirement liabilities within the Group shall be settled on a per entity basis.

Retirement benefits

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

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

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

The actuarial present value of the retirement benefit obligation under the plan is measured in terms of actuarial assumptions for discount rate, salary increases, retirement rates and mortality using the 2017 Philippine Intercompany Mortality Table. The discount rates used is a single weighted average rate based on rates as published in the Bankers Association of the Philippines Peso Bloomberg Valuation (PHP BVAL) at various tenors as of December 7, 2018. Rate for intermediate durations were interpolated. The rates were then weighted by the expected benefit payments at those durations to arrive at the single weighted average discount rate.

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

a) Investment risk

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

b) Interest rate risk

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

c) Longevity risk

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

d) Salary risk

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

The management performed an Asset-Liability Matching Study (ALM) annually. The overall investment policy and strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay retirement benefits as they fall due while also mitigating the various risk of the plans. The Group's current strategic investment strategy mainly consists of treasury notes and bonds accounting for 99% of the total plan assets.

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

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

The actuarial valuation of the Group's retirement plan was performed by an independent actuary. The latest actuarial valuation report prepared was for the year ended December 31, 2018. The principal assumptions used by the actuary for the years ended December 31 are as follows:

	2018	2017	2016
Discount rate	7.29%	5.29%	5.49%
Salary increase rate	5.00%	3.50%	3.13%

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

Retirement asset

	2018	2017
Fair value of plan assets	(170,907,700)	(164,305,601)
Present value of defined benefit obligations	157,897,727	143,606,528
Retirement benefit asset	(13,009,973)	(20,699,073)

Retirement liability

	2018	2017
Fair value of plan assets	(10,052,475)	(10,185,756)
Present value of defined benefit obligations	67,105,282	62,399,834
Retirement benefit liability	57,052,807	52,214,078

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

	2018	2017
Fair value of plan assets	(180,960,175)	(174,491,357)
Present value of defined benefit obligations	225,003,009	206,006,362
	44,042,834	31,515,005

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

	2018	2017
January 1	(34,982,361)	(15,732,641)
Remeasurements	(2,991,645)	(19,249,720)
	(37,974,006)	(34,982,361)
Deferred income tax effect	15,331,403	10,494,708
December 31	(22,642,603)	(24,487,653)

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

	2018	2017
Beginning of year	31,515,005	19,908,636
Remeasurement loss	2,991,645	19,249,720
Contributions	(8,409,257)	(20,716,867)
Benefits paid directly by the Group	(20,215,578)	(37,530,039)
Retirement expense	38,161,019	50,603,555
End of year	44,042,834	31,515,005

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

	Note	2018	2017	2016
Current service cost		27,435,307	48,655,224	19,402,598
Net interest cost		1,004,454	1,948,331	856,949
Net acquired obligation arising from transfer of employees		9,721,258	-	-
Pension expense	22	38,161,019	50,603,555	20,259,547

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

	2018	2017
January 1	206,006,362	170,981,367
Interest cost	10,108,697	9,048,423
Current service cost	27,435,307	48,655,224
Net acquired obligation	9,721,258	-
Benefits paid directly by the Group	(20,215,578)	(37,530,039)
Remeasurement (gains) losses from:		
Experience adjustments	(9,333,281)	13,077,326
Change in demographic assumptions	(981,534)	1,434,702
Changes in financial assumptions	2,261,778	339,359
December 31	225,003,009	206,006,362

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

	2018	2017
January 1	174,491,357	151,072,731
Interest income	9,104,243	7,100,092
Losses on return on plan assets	(11,044,682)	(4,398,333)
Contributions	8,409,257	20,716,867
December 31	180,960,175	174,491,357

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, 2018 and 2017, the Group had no other transactions with the plan.

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

	2018	2017
Cash in banks	246,603	18,376
Investments in debt instruments:		
Treasury notes and bonds	172,035,531	153,250,414
Corporate notes and bonds	8,678,041	21,222,567
	180,960,175	174,491,357

At December 31, 2018 and 2017, 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, 2018 and 2017.

Expected contribution to post-employment benefit plans for the year ending December 31, 2019 amounts to P34,055,985.

The weighted average duration of the defined benefit obligation is 14.47 years.

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

	2018	2017
Less than a year	60,803,691	56,186,560
Between 1 and 5 years	104,928,605	218,270,819
Over 5 years	836,652,689	626,593,866
	1,002,384,985	901,051,245

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

	Increase (Decrease)	
	2018	2017
Discount rate		
Increase by 1.0%	(95,608,619)	(11,396,936)
Decrease by 1.0%	104,372,543	12,997,269
Salary increase rate		
Increase by 1.0%	105,739,305	14,673,336
Decrease by 1.0%	(95,538,437)	(13,084,027)

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

Note 26 - Income taxes

Income tax expense for the years ended December 31 follows:

	2018	2017	2016
Current	834,860,295	1,225,631,267	923,189,699
Deferred	436,901,272	238,897,969	281,027,849
	1,271,761,567	1,464,529,236	1,204,217,548

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

	2018	2017
Deferred income tax assets:		
Difference in profit, installment method versus POC method	87,888,722	127,704,918
Advance rental	95,779,487	89,662,866
Accrued expenses	66,682,834	57,976,008
Deferred lease income	49,714,885	39,303,805
Guest and banquets prepayments and deposits	23,372,681	19,142,663
Deferred income:		
Health club membership fees	13,884,520	10,536,075
Sale of gift certificates	2,269,759	1,682,178
Accrued employee benefits	11,681,663	9,454,502
Minimum corporate income tax (MCIT)	4,289,203	9,000,102
Unamortized funded past service cost	10,355,625	8,950,789
Allowance for doubtful accounts	4,662,700	3,675,713
Net operating loss carry over (NOLCO)	9,254,918	3,195,090
Unrealized loss on foreign exchange	47,442	665,651
Others	18,253,967	7,465,087
	398,138,406	388,415,447
Deferred income tax liabilities:		
Unrealized increase in fair value of investment property	(7,707,311,298)	(7,339,314,485)
Difference in profit, installment method versus POC method	(109,554,403)	-
Difference between cost of condominium sales for accounting and income tax purposes	(38,013,120)	(18,920,939)
Rent income per Philippine Accounting Standard 17	(5,454,296)	(9,095,378)
Day 1 difference on deposits from tenants	(23,376,432)	(5,451,632)
Unrealized increase in fair value of FVOCI/AFS financial asset	(42,922,238)	(1,980,000)
Unrealized gain on foreign exchange	(4,941,751)	-
	(7,931,573,538)	(7,374,762,434)
Net deferred income tax liabilities	(7,533,435,132)	(6,986,346,987)

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

	2018	2017
Deferred tax income assets	122,428,897	192,738,742
Deferred tax income liabilities	(7,655,864,029)	(7,179,085,729)
	(7,533,435,132)	(6,986,346,987)

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:

	2018	2017
January 1	(6,986,346,987)	(6,751,243,934)
Impact of PFRS 9 adoption deferred income tax effect	(39,572,738)	-
January 1, adjusted	(7,025,919,725)	(6,751,243,934)
Charged to profit or loss	(432,190,373)	(234,846,842)
Credited to other comprehensive income	3,467,195	3,794,916
Acquisition from additional interest in a previously held associate (Note 8)	(74,081,330)	-
Expired MCIT	(4,710,899)	(4,051,127)
December 31	(7,533,435,132)	(6,986,346,987)

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	2018	2017
2015	2018	-	72,882,120
2016	2019	82,401,766	82,401,766
2017	2020	153,931,742	153,931,742
2018	2021	95,193,368	-
		331,526,876	309,215,628
Unrecognized DTA at 30%		99,458,063	92,764,688

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	2018	2017
2015	2018	-	4,710,899
2016	2019	4,289,203	4,289,203
		4,289,203	9,000,102

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 statements of total comprehensive income for the years ended December 31 follows:

	2018	2017	2016
Tax at statutory rate of 30%	1,449,712,807	1,705,383,360	1,403,960,334
Additions (reductions) to income tax resulting from:			
Difference between itemized and optional standard deductions (OSD)	(167,220,158)	(162,569,251)	(178,176,649)
Dividend income	(14,266,769)	(19,164,224)	(12,309,142)
Interest income subjected to final tax	(15,985,699)	(19,343,758)	(5,549,002)
Unrecognized NOLCO	101,296,815	46,179,523	24,931,142
Expired MCIT	4,710,899	4,051,127	-
Share in net losses of associates	-	1,229,996	1,293,820
Other non-taxable income	(86,486,328)	(91,237,537)	(29,932,955)
Actual provision for income tax	1,271,761,567	1,464,529,236	1,204,217,548

In 2018 and 2017, 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 P162,066,422 as at December 31, 2018 (2017 - P184,217,378).

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:

	2018	2017	2016
Net income attributable to the shareholders of Parent Company	3,012,328,190	3,346,165,957	2,905,924,508
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	0.633	0.703	0.610

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:

	2018		2017		
	Transactions	Outstanding receivables (payables)	Transactions	Outstanding receivables (payables)	Terms and conditions
Entities under common control					
Rental income (a) (Note 5)	106,548,187	29,636,433	95,734,467	29,466,047	Balances to be collected in cash and are due generally within 30 to 60 days. These are non-interest bearing and are not covered by any security.
Entities under common control					
Management services (b)	12,587,445	18,720,051	21,968,935	10,550,890	Balances to be collected in cash and are due generally within 30 days. These are non-interest bearing and are not covered by any security.
Reimbursed expenses (f)	1,058,071	3,368,327	8,519,937	2,310,255	
Affiliates share in Group's expenses (g)	88,821,365	180,913,578	227,741,903	178,127,033	
Advances (d)	116,581,067	1,144,187,554	1,027,606,487	1,027,606,487	Balances to be collected in cash and are generally due on demand. These are non-interest bearing and are not covered by any security.
Associates					
Associates' share in Group's expenses (g)	-	-	35,802	5,102,232	Balances to be collected in cash and are due generally within 30 days. These are non-interest bearing and are not covered by any security.
Total (Note 5)		1,347,189,510		1,223,696,897	
Entities under common control					
Marketing, management and other service fees (c)	83,424,313	(16,000,538)	151,259,565	(53,860,753)	Balances are to be settled in cash and are generally due within 30 days. These balances are non-interest bearing and not covered by any guarantee.
Condominium dues (e)	6,045,247	(1,840,926)	39,352,928	(1,147,618)	
Group's share in affiliates' expenses (g)	270,445,196	(95,509,311)	103,955,032	(48,211,608)	
Associates					
Group's share in associate's expenses (g)	-	-	-	(42,158,700)	
Total (Note16)	-	(113,350,775)		(145,378,679)	

Significant agreements with related parties are as follows:

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

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

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

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

d) In 2018 and 2017, Classic Elite Holdings Limited, an affiliate with common key management personnel, advanced cash amounting to P116,581,067 and P1,027,606,487, respectively, from the 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/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, 2018 and 2017. 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:

	2018		2017		
	Transactions	Outstanding receivables (payables)	Transactions	Outstanding receivables (payables)	Terms and conditions
Retirement fund					
Contributions	8,409,257	-	20,716,867	-	Refer to Note 25.
Advances	20,050,884	-	37,530,039	-	Balance pertains to claims from the retirement fund in relation to employee benefits directly paid by the Group.

	2018		2017		
	Transactions	Outstanding receivables (payables)	Transactions	Outstanding receivables (payables)	Terms and conditions
Key management personnel:					
Salaries and other short-term employee benefits	124,790,136	-	90,962,473	-	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 2018 and 2017 nor amounts due to/from key management personnel as at December 31, 2018 and 2017.
Post-employment benefits	7,520,534	72,810,506	10,906,350	52,699,314	Refer to Note 25.

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

	2018	2017	2016
As at December 31			
Trade and other receivables	13,233,821,564	7,254,525,338	7,228,852,336
Accounts payable and other current liabilities	13,233,821,564	7,254,525,338	7,228,852,336
For the years ended December 31			
Rental revenue	231,848,991	231,886,155	369,373,533
Cost of sales and services	4,422,383	4,159,029	58,712,882
Operating expenses	246,196,006	296,249,041	236,351,762
Other income	101,211,223	60,204,857	73,096,138
Dividend income	1,389,324,000	1,900,570,000	2,298,920,000

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 P118,077,382 in 2018 (2017 - P119,550,361; 2016 - P118,545,529).

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

e) The Parent Company and SPRC lease office space and a sales booth 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 agreed mutually on the renewal of the agreement. SPMSI shall provide on-site property leasing management including head office support services and periodic audit to ensure compliance with international practices; perform staff recruitment, training and performance evaluation; and perform financial management, including billing and collection and budget provisioning.

g) In 2011, SPDI obtained an unsecured, noninterest-bearing loan from SHIL amounting to P2,317,500,000, payable on or before December 31, 2012. As of December 31, 2018 and 2017, this loan is still outstanding.

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

	2018	2017	2016
KSA	742,424,000	560,320,000	560,300,000
SLPC	525,000,000	425,000,000	725,000,000
NCRI	51,000,000	-	-
SPDI	50,000,000	700,000,000	200,000,000
SPMSI	13,000,000	10,350,000	9,000,000
SPSI	7,900,000	4,900,000	4,600,000
SPRC	-	100,000,000	800,000,000
TRDCI	-	100,000,000	-
	1,389,324,000	1,900,570,000	2,298,900,000

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 13, 2019.

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

Note 30 - Advance rentals

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

	2018	2017
January 1	299,725,077	247,269,327
Additions	87,904,471	86,158,200
Applications	(68,364,591)	(33,702,450)
December 31	319,264,957	299,725,077

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

	2018	2017
Current	132,235,230	93,057,078
Non-current	187,029,727	206,667,999
	319,264,957	299,725,077

Note 31 - Net debt reconciliation

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

	Notes	2018	2017
Long-term loan, January 1	17	8,359,472,703	13,036,126,360
Cash flows		(2,376,445,212)	(4,676,653,657)
Long-term loan, December 31	17	5,983,027,491	8,359,472,703
Accrued interest		34,220,895	28,922,784
Cash and cash equivalents	3	(2,432,097,332)	(5,030,757,380)
Net debt		3,585,151,054	3,357,638,107

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

Note 32 - Financial risk and capital management

32.1 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the Group's management under policies approved by its Board of Directors. These policies cover financing structure, foreign exchange and interest rate risk management, guarantees and credit support, as well as treasury control framework. There are no changes in the Group's risk management plans for the years ended December 31, 2018 and 2017.

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, 2018 and 2017 are disclosed in Note 3.

(b) Price risk

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

(c) Cash flow and fair value interest rate risk

Interest rate risk refers to risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's interest-bearing financial instruments include bank loans (Note 17). Interest rates on bank loans of SLPC and SGCPI are based on the higher between the PHP BVAL rate plus 0.75% per annum and the BSP overnight borrowing rate. The Parent Company's bank loan has fixed interest rate, to be repriced every 30 to 180 days as agreed by the parties.

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

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

At December 31, 2018, 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 P28,626,909 (2017 - higher by/lower by P60,197,539), mainly as a result of lower/higher interest expense on floating-rate bank loans. Management uses 100 basis points as threshold in assessing the potential impact of interest rate in the operations.

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

32.1.2 Credit risk

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

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

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

a. High performing - settlements are obtained from counterparty following the terms of the contracts without history of default.
b. Underperforming - some reminder follow-ups are performed to collect accounts from counterparty.
c. Credit impaired - evidence that a financial asset is credit-impaired includes the following observable data: significant financial difficulty of the counterparty, a breach of contract such as a default or being more than 120 days past due; or it is probable that the borrower will enter bankruptcy or other financial reorganization.

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

	High performing	Under performing	Credit impaired	Total
2018				
Current assets				
Cash and cash equivalents	2,404,887,736	-	-	2,404,887,736
Trade and other receivables	3,284,010,542	-	15,542,333	3,299,552,875
Non-current assets				
Refundable deposits	76,104,635	-	-	76,104,635
	5,765,002,913	-	15,542,333	5,780,545,246

	Neither past due or impaired	Past due	Impaired	Total
2017				
Current assets				
Cash and cash equivalents	5,003,521,176	-	-	5,003,521,176
Trade and other receivables	3,568,196,803	-	12,252,379	3,580,449,182
Non-current assets				
Refundable deposits	86,434,310	-	-	86,434,310
	8,658,152,289	-	12,252,379	8,670,404,668

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

Allowance for impairment of receivables as at December 31, 2018 amounted to P15,542,333 (2017 - P12,252,379). Apart from the financial assets covered by allowance, the remaining financial assets are classified as neither past due nor impaired.

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

(a) Cash and cash equivalents

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

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

	2018	2017
Universal banks	1,925,507,775	4,410,171,796
Thrift banks	437,868,697	565,458,604
Commercial banks	54,041,140	27,890,776
	2,417,417,612	5,003,521,176

Cash in banks and cash equivalents as at December 31, 2018 and 2017 are all considered high grade financial assets. The remaining cash in the consolidated statements of financial position pertains to cash on hand which is not exposed to credit risk (Note 3).

(b) Receivables

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

Trade receivables

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

The Group applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The loss allowance as at January 1, 2018 (on adoption of PFRS 9) and December 31, 2018 was determined as follows for trade receivables:

	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
December 31, 2018					
Expected loss rate	0%	0%	0%	100%	
Trade receivables	1,853,886,371	-	-	15,542,333	1,869,428,704
Loss allowance	-	-	-	15,542,333	15,542,333
January 1, 2018					
Expected loss rate	0%	0%	0%	100%	
Trade receivables	2,266,767,106	-	-	12,252,379	2,279,019,485
Loss allowance	-	-	-	12,252,379	12,252,379

Non-trade receivables

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

(c) Refundable deposits

Refundable deposits 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. Refundable deposits are considered as high grade financial assets.

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, 2018				
Bank loans	133,333,333	1,433,333,333	266,666,667	1,833,333,333
Accounts payable and other current liabilities*	3,372,650,316	-	-	3,372,650,316
Deposits from tenants	-	-	503,462,220	503,462,220
Installment payable	113,948,488	91,306,826	185,025,217	390,280,531
Dividends payable	-	42,683,650	-	42,683,650
Future interest payable	88,681,822	88,255,395	132,350,972	309,288,189
	3,708,613,959	1,655,579,204	1,087,505,076	6,451,698,239
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

**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 2018 and 2017.

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:

	2018	2017
Net debt		
Long-term loan	5,983,027,491	8,359,472,703
Less: cash and cash equivalents	2,432,097,332	5,030,757,380
	3,550,930,159	3,328,715,323
Capital		
Total equity	39,066,359,232	36,524,241,280
Less: Non-controlling interest	6,286,923,473	6,056,213,206
	32,779,435,759	30,468,028,074
Gearing ratio	10.83%	10.93%

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
2018				
Assets measured at fair value				
Financial assets at fair value through profit or loss	41,424,316	-	-	41,424,316
Investment properties:	-	-	-	-
Land	-	-	13,233,022,951	13,233,022,951
Buildings	-	-	19,278,053,097	19,278,053,097
Financial assets at FVOCI:				
Quoted	33,455,000	-	-	33,455,000
Unquoted	-	-	748,940,996	748,940,996
Assets for which fair values are disclosed				
Loans and receivables				
Refundable deposits	-	76,104,635	-	76,104,635
Liabilities for which fair values are disclosed				
Installment payable	-	541,161,733	-	541,161,733
Deposits from tenants	-	1,093,983,483	-	1,093,983,483
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

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 2018 and 2017.

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 asset

The fair value of installment contracts asset 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 1.69% to 7.67% as at December 31, 2018 (2017 - 1.78% to 8.18%).

(e) Financial assets at FVOCI/AFS

Refer to Note 12 for the methods and assumptions used to estimate the fair values of financial assets at FVOCI/AFS as at December 31, 2018 and 2017.

(f) Bank loans

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

(g) Investment properties

Refer to Note 10 for the methods and assumptions used to estimate the fair values of investment properties as at December 31, 2018 and 2017.

Note 33 - Significant accounting judgments, estimates and assumptions

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

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

33.1 Critical accounting estimates and assumptions

(a) Determination of fair values of investment properties

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

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, 2018 and 2017, are disclosed in Note 10.

Fair value gain on investment properties represent significant amounts both in value of property and income. Any +/- 1% change in fair value per square meter increases/decreases total assets and income before tax by P297.94 million (2017 - P294.40 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 2018 and 2017, there were no changes in the estimated useful lives of property and equipment. As at December 31, 2018, property and equipment have a carrying value of P13.75 billion (2017 - P11.95 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 P285.85 million higher or P233.88 million lower (2017 - P140.63 million higher or P171.88 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 using the output method by reference to the estimated completion of a physical proportion of the contract work. The percentage-of-completion at each reporting date is estimated by the project development engineers and are independently reviewed by the Group's third party consultants.

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

Projects	2018	2017
The Rise Makati	65%	35%
Shang Wack Wack	1%	-
Horizon Homes at Shangri-La at the Fort	Completed	98%
Shang Salcedo Place	Completed	95%

(d) Determining retirement benefit obligation

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

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

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

33.2 Critical accounting judgments

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

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

- Properties held for sale comprise properties that are held for sale in the ordinary course of business. These are condominium units that the Group acquired or developed and intends to sell.
- Investment properties comprise land and buildings which are not occupied, substantially for use by, or in the operations of, nor for sale in the ordinary course of business of the Group, but are held primarily to earn rental income or capital appreciation.

- 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, 2018 and 2017 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

  Prior to 2018, the Group commences the recognition of revenue from sale of uncompleted condominium where the POC method is used when the construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished).

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

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

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

(d) Recoverability of investments in associates and a joint venture

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

As discussed in Note 8, the Group's interest in SLPI was reclassified as investment in subsidiary from investment in an associate as a result of PSI's acquisition of the remaining 50% interest in SLPI in 2018. The Group's investment in a joint venture is still in the planning phase as at December 31, 2018.

(e) Impairment of goodwill

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

As at December 31, 2018 and 2017, based on management's assessment and judgment, there is no impairment of goodwill since the recoverable amount of the CGU is higher than the carrying value.

As at December 31, 2018 and 2017, the recoverable amount of SGCPI's hotel business was determined based on value in use calculation (using Level 3 inputs) and require the use of certain assumptions. In computing for the value in use, the management has employed the discounted cash flow method in computing for the value in use. The calculations use cash flow projections based on financial forecasts covering a five-year period beginning 2019.

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

Pre-tax adjusted discount rate applied to the cash flow forecasts is derived using the weighted average cost of capital as at December 31, 2018.

The following are the key assumptions used:

Pre-tax adjusted discount rate	8.00%
Terminal growth rate	4.30%

The Group's impairment review includes an impact assessment of changes in discount rate used for value in use calculations. If the discount rate would increase/decrease by 1%, the estimated fair value of CGU would have been lower/higher by P945.09 million/P984.59 million. Based on this sensitivity analysis, management concluded that no reasonable change in base case assumptions would cause the carrying amount of SGCPI's business to exceed its recoverable amount.

(f) Impairment of non-financial assets

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

Given historical profitable operations and profit projections, the Group has assessed that there are no impairment indicators with respect to the non-financial assets as at December 31, 2018 and 2017.

(g) Classification of leases as operating lease

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

The carrying values of investment properties as of December 31, 2018 and 2017 are disclosed in Note 10.

(h) Income taxes

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

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

Further, the Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces them to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized. The Group expects to generate sufficient future taxable profits to allow all of its recognized deferred tax assets to be utilized. Deferred tax assets recognized as at December 31, 2018 and 2017 are disclosed in Note 26.

(i) Contingencies

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

Note 34 - Summary of significant accounting and financial reporting policies

34.1 Basis of preparation

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

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, investment properties and financial assets at FVOCI/AFS 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 are disclosed in Note 33.

34.2 Changes in accounting policy and disclosures

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

PFRS 15 adoption

PFRS 15, '*Revenue from contracts with customers*', replaces 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.

(i) Accounting for revenue from condominium sales

A number of interpretations were adopted by the Group in conjunction with PFRS 15 in relation to revenue from condominium sales.

PIC Q&A 2016-04, '*Application of PFRS 15 "Revenue from contracts with customers" on sale of residential properties under pre-completion contracts*', clarifies that sales of residential properties under pre-completion stage meet the criteria for revenue recognition over time. The Group assesses that for its revenue from condominium sales, the same policy as disclosed in Note 34.23 will be applied.

PIC Q&A 2018-12, *'PFRS 15 implementation issues affecting the real estate industry'*, clarifies how real estate developers in the Philippines will adopt the requirements of PFRS 15. The interpretation covers the following implementation issues:

- Elements of a contract for a sale of real property that meet the requirements of PFRS 15
- Performance obligations in a contract to sell
- Assessing existence of significant financing component in a contract for a sale of real property
- Determining measure of progress in revenue from sale of real property
- Accounting for benefits given to sales agents
- Accounting for common usage service area (CUSA) charges

Based on the interpretation, the Group assessed that it is necessary to adjust the transaction price for the effects of a significant financing component, but the Group decided not to adjust the transaction price and availed the relief issued by the Securities and Exchange Commission (SEC) per Memorandum Circular No. 3-2019 dated February 8, 2019. The SEC provided relief to the real estate industry by deferring the application of the provisions of PIC Q&A 2018-12 for a period of three (3) years until January 1, 2021. The Group is currently assessing the impact of accounting for significant financing component on its consolidated financial statements.

PIC Q&A 2018-14, *'PFRS 15 - Accounting for Cancellation of Real Estate Sales'*, clarifies that repossessed real properties should be initially measured by real estate developers at either (1) fair value less cost to repossess or (2) fair value plus repossession cost. Under both approaches, the Group should consider payments to buyers required under the Maceda Law and the write-off of any unamortized portion of cost of obtaining a contract in its determination of gain or loss from repossession. The Group decided to avail the relief issued by the SEC per Memorandum Circular No. 3-2019 dated February 8, 2019 deferring the application of the provisions of PIC Q&A 2018-14 for a period of three (3) years until January 1, 2021. The Group is currently assessing the impact of this interpretation on its consolidated financial statements.

(ii) Accounting for CUSA charges to lessees under mall and hotel operations

PIC Q&A 2018-12-H, *'PFRS 15 implementation issues affecting the real estate industry'*, includes guidance on accounting for CUSA charges. This clarifies that for CUSA and air conditioning charges to tenants, the entities have the ability to direct the use of and obtain substantially all the remaining benefits from the services being delivered to the tenants. The entities can direct the maintenance, security, and cleaning and administrative services and therefore, in this arrangement, the entity is a principal and should recognize revenue. The Group decided to avail the relief issued by the Securities and Exchange Commission (SEC) per Memorandum Circular No. 3-2019 dated February 8, 2019. The SEC provided relief to the real estate industry by deferring the application of the provisions of PIC Q&A 2018-12-H for a period of three (3) years until January 1, 2021.

In summary, the adoption of PFRS 15 resulted in changes in accounting policies but did not result in material adjustments to the amounts previously recognized in the consolidated financial statements. As permitted under the transitional provisions of this standard, the transaction price allocated to partially unsatisfied performance obligation as at December 31, 2017 is not disclosed.

PFRS 9 adoption

PFRS 9, 'Financial instruments' replaces the provisions of PAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group's adoption of this standard for the period beginning January 1, 2018 resulted in a change in accounting policies. However, the adoption did not have a significant impact on the amounts recognized in the consolidated financial statements.

There is no impact on the Group's classification and measurement of financial assets. The Group's equity securities previously classified as AFS are still measured at FVOCI following the irrevocable election available under PFRS 9. As a result, assets with a fair value of P513,192,742 were reclassified from available-for-sale financial assets to financial assets at FVOCI and additional fair value gains of P220,500,516 ywere recorded to investment valuation reserve on January 1, 2018 (Note 12). The changes in fair value of such investments will no longer be reclassified to profit or loss when they are disposed of. All other financial assets previously classified as loans and receivable will remain at amortized cost as these financial assets are mainly held to collect and held solely for the payment of principal and interest. There will also be 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 new hedge accounting rules will align the accounting for hedging instruments more closely with the risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principle-based approach. This has no impact on the consolidated financial statements since the Group has hedging transactions in 2018.

The Group shifted from incurred loss model under PAS 39 to expected credit loss model in the determination of impairment provisions for financial assets not carried at fair value through profit or loss upon adoption of PFRS 9. The adoption however, did not result in significant adjustments on the level of allowance for impairment recognized in the consolidated financial statements.

PFRS 9 was generally adopted without restating comparative information. The adjustment arising from the remeasurement of unquoted equity securities which were previously carried at cost are therefore recognized in the opening balance sheet on January 1, 2018. The table below shows the adjustments recognized for each individual line item affected by the changes.

	Notes	December 31, 2017, as previously presented	PFRS 9	January 1, 2018, restated
Non-current assets				
Financial assets at fair value through other comprehensive income, net	12	-	773,265,996	773,265,996
Available-for-sale financial assets, net	12	513,192,742	(513,192,742)	-
Non-current liabilities				
Deferred income tax liabilities, net	26	(7,179,085,729)	(39,572,738)	(7,218,658,467)
Equity				
Other comprehensive income (loss)	12	9,795,092	(220,500,516)	(210,705,424)

Other amendments and interpretations

The following amendments and interpretations are adopted but did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods:

- Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions
- Annual Improvements 2014-2016 cycle
- Amendments to PAS 40, Transfers to Investment Property
- Interpretation 22, Foreign Currency Transactions and Advance Consideration
- PIC Q&A 2018-11, Classification of land by real estate developer
- PIC Q&A 2018-15, PAS 1 - Classification of advances to contractors in the nature of prepayments: current vs. non-current
- PIC Q&A 2019-01, Accounting for service charges under PFRS 15, Revenue from Contracts with Customers

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

The following new accounting standards and interpretations are not mandatory for December 31, 2018 reporting period and have not been early adopted by 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 a material 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.

Philippine Interpretation IFRIC-23, Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after January 1, 2019)

It has been clarified previously that PAS 12, not PAS 37, Provisions, Contingent Liabilities and Contingent Assets, applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

The adoption of the above interpretation will not have a material impact on the consolidated financial statements of the Group.

Other amendments

Likewise, the following amendments are not mandatory for December 31, 2018 reporting period and have not been early adopted by the Group:

- Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures (effective January 1, 2019)
- Amendments to PFRS 9, Prepayment Features with Negative Compensation (effective January 1, 2019)
- Annual Improvements 2015-2017 cycle (effective January 1, 2019)
- Amendments to PAS 19, Plan Amendment, Curtailment or Settlement (effective January 1, 2019)
- Amendments to PFRS 3, Business Combinations (effective January 1, 2020)

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

34.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2018 and 2017. 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	2018	2017	2016
Property development:			
Shang Properties Realty Corporation (SPRC)	100	100	100
Shang Property Developers, Inc. (SPDI)	100	100	100
The Rise Development Corporation, Inc. (TRDCI)	100	100	100
Shang Wack Wack Properties, Inc. (SWWPI	100	100	100
Hotel operation:			
Shang Global City Properties, Inc. (SGCPI)	60	60	60
Leasing:			
SPI Parking Services, Inc. (SPSI)	100	100	100
Shangri-la Plaza Corporation (SLPC)	100	100	100
KSA Realty Corporation (KSA)	70.04	70.04	70.04
Real estate:			
Ivory Post Properties, Inc. (IPPI)	100	100	100
KPPI Realty Corporation (KRC)	100	100	100
Martin B Properties, Inc. (MBPI)	100	100	100
New Contour Realty, Inc. (NCRI)	100	100	100
Perfect Sites, Inc. (PSI)	100	100	100
Shang Fort Bonifacio Holdings, Inc. (SFBHI)	100	100	100
Shang Global City Holdings, Inc. (SGCHI)	100	100	100
Property management:			
KPPI Management Services Corporation (KMSC)	100	100	100
Shang Property Management Services, Inc. (SPMSI)	100	100	100
Sky Leisure Properties, Inc.	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, 2018 and 2017 are disclosed in Note 9.

(a) Subsidiaries

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

The Group also assesses the existence of control where it does not have more than 50% of the voting power by virtue of de facto control. De facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group control over the investee.

Whenever the Group obtains control of one or more other entities, it assesses whether the acquired group of net assets constitutes a business. In assessing whether a transaction is an acquisition of a business or assets, the Group identifies the elements in the acquired group, assesses the capability of the acquired group to produce outputs, and assesses the capability of a market participant to produce outputs if missing elements exist. If the assets acquired are not a business, the Group accounts for the transaction or other event as an asset acquisition.

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

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with 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.

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

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

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

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

(c) Disposal of subsidiaries

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

(d) Associates and Joint ventures

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

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

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

When the Group increases its stake in an existing associate and gains control in that investment, the investment becomes a subsidiary. When the entity obtains control of the investment (an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee) that was previously accounted for under equity method, the carrying amount of the investment in associate is derecognized and the assets and liabilities acquired are recognized in the Group's consolidated financial statements at acquisition date.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

The Group determines at each reporting date whether there is any objective evidence that the investments is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investments and its carrying value and recognizes the amount adjacent to 'share in net earnings of associates' in the consolidated statement of total comprehensive income. The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 34.13.

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

34.4 Cash and cash equivalents

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

34.5 Financial instruments

Accounting policies applied from January 1, 2018

34.5.1 Classification of financial assets (PFRS 9)

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

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

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

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

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

34.5.2 Measurement of financial assets (PFRS 9)

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

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

Debt instruments

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

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

  The Group's financial assets at amortized cost consist of cash and cash equivalents (Note 3), trade and other receivables (Note 5) and refundable deposits classified under other non-current assets (Note 15) in the consolidated statement of financial position.

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

  The Group does not have debt instruments at FVOCI as at December 31, 2018.

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

  The Group does not have debt instruments at FVTPL as at December 31, 2018.

Equity instruments

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

The Group's financial assets measured at FVOCI represent unquoted shares of stock of related parties and quoted investments in various golf club shares and stocks. These are separately shown in the consolidated statement of financial position (Note 12).

Dividends are recognized when the Group's right to receive payment is established, it is probable the economic benefits will flow to the entity and the amount can be measured reliably. Dividends are recognized in profit and loss unless they clearly represent recovery of a part of the cost of the investment, in which case they are included in other comprehensive income. Changes in fair value are recognized in other comprehensive income and are never recycled to profit and loss, even if the asset is sold or impaired.

34.5.3 Impairment (PFRS 9)

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

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

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

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

Accounting policies applied until December 31, 2017

The Group has applied PFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

34.5.4 Classification of financial assets (PAS 39)

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Group classifies its financial assets 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.

(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 (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).

34.5.5 Measurement of financial assets (PAS 39)

(a) Initial measurement

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.

(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.

34.5.6 Impairment (PAS 39)

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.

34.5.7 Classification and measurement of financial liabilities (PAS 39 and PFRS 9)

The classification and measurement of financial liabilities under PFRS 9 remains the same as in PAS 39 except where an entity has chosen to measure a financial liability at fair value through profit or loss. For such liabilities, changes in fair value related to changes in own credit risk are presented separately in other comprehensive income. The Group did not measure its financial liabilities at fair value through profit or loss as at December 31, 2018.

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.

34.5.8 Initial recognition (PAS 39 and PFRS 9)

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

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

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

34.5.9 Day 1 difference (PAS 39 and PFRS 9)

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.

34.5.10 Derecognition (PAS 39 and PFRS 9)

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.

34.5.11 Offsetting of financial instruments (PAS 39 and PFRS 9)

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, 2018 and 2017.

34.6 Trade and other receivables

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

The Group applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized within operating expenses in the consolidated statement of total comprehensive income. When a receivable remains uncollectible after the Group has exerted all legal remedies, it is written-off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written-off are credited against other general and administrative expenses in the consolidated statement of total comprehensive income.

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

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

Refer to Note 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 ssets

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.

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

34.9 Investment properties

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

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

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

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to 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. Refer to Note 34.9 for other relevant accounting policies on investment properties.

Upon completion of the properties which are pre-determined for self-use purpose, the properties are classified as property and equipment. Refer to Note 34.11 for other relevant accounting policies on property and equipment.

34.11 Property and equipment

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

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

Land rights are not depreciated. Depreciation and amortization of property and equipment are calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives (in years), as follows:

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

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

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

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

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

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

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

34.12 Goodwill

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

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

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

34.13 Impairment of non-financial assets

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

34.15 Deposits from tenants

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

34.16 Borrowings and borrowing costs

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

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non- cash assets transferred or liabilities assumed, is recognised 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 financial assets at FVOCI/AFS financial assets are classified under Level 1 category.

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

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

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

Specific valuation techniques used to value financial instruments include:

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

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

34.18 Current and deferred income tax

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

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

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

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

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

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

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

(a) Condominium sales

Revenue from condominium sales

The Group develops and sells condominium units. Under a contract to sell a condominium unit, the object is the property itself, which is the normal output of a real estate business. In addition, this contract contains information such as the contracting parties' rights and payment terms, which are essential elements for a valid revenue contract. The Group assesses that contract must be signed by the contracting parties to make it enforceable prior to revenue recognition. Also, the developer assesses the commercial substance of the contract and the probability that it will collect the consideration. Collectability of the contract price is demonstrated by the buyer's commitment to pay, which is supported by the buyer's initial and continuous investments that motivates the buyer to honor its obligation.

Contracts to sell condominium units are written on a lump sum payment basis or installment basis which include a fixed reservation fee, down payment with installment terms ranging from one to five years, and bank financing for the remaining balance.

The Group satisfies its performance obligation as it develops the property. In accordance with Philippine Interpretations Committee (PIC) 2016-04, the Group considers that the Group's performance does not create the asset with an alternative use to the Group and it has an enforceable right to payment for performance completed to date. Therefore, revenue is recognized over time, i.e. as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work. Land and materials delivered on site, such as steels, rebars and elevators, which are yet to be installed/attached to the main structure, are excluded from the percentage-of-completion.

Revenue is measured at the transaction price agreed under the contract, except for contracts where the timing difference between the construction period and payment by the customer exceeds one year. In such contracts, the Group assessed that it is necessary to adjust the transaction price for the effects of a significant financing component as required by PIC Q&A 2018-12, but the Group decided not to adjust the transaction price and availed the relief issued by the SEC per Memorandum Circular No. 3-2019 dated February 8, 2019. The SEC provided relief to the real estate industry by deferring the application of the provisions of PIC Q&A 2018-12 for a period of three (3) years until January 1, 2021. For completed projects, revenue from condominium sales are recognized in full (ie. point in time) once the Group assessed that the contract meets all criteria for revenue recognition.

Any excess (deficit) of collections over the recognized revenue are recognized as "excess billing over revenue" under accounts payable and other current liabilities ("installment contract assets" under Trade and other receivables, net) as shown in the consolidated statement of financial position.

If the criteria in assessing whether revenue can be recognized under a contract to sell are not yet met, cash received from customers are recognized as part of "customers' deposits" under accounts payable and other liabilities.

Cost of condominium sales include upfront costs such as land costs and connection fees, which are accounted for as fulfillment costs, and development costs which contribute to the construction progress of the development project. Fulfillment costs are recognized as contract assets arising from fulfillment costs to the extent that such costs give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered. These costs are included in properties held for sale in the consolidated statement of financial position. Such contract assets are amortized as cost of condominium sales consistent with the revenue recognition method applied, subject to impairment up to the extent that the carrying amount of the asset exceeds (a) the remaining amount of consideration that the Group expects to receive; less (b) direct costs that have not been recognized as expenses. Development costs are recognized as expense as the work to which they relate is performed.

Incremental costs of obtaining a contract to sell condominium units include commissions paid to sales or marketing agents. Fixed monthly living allowance, transportation allowance provided to real estate agents and commissions paid prior to signing of contracts to sell are expensed outright. Commissions paid after signing of contracts are recognized as contract assets arising from costs to obtain a contract presented as 'prepaid commission' under prepaid expenses and other current assets in the consolidated statement of financial position. These are amortized as cost of condominium sales consistent with the revenue recognition method applied.

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

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

Condominium units arising from cancellation of contracts to sell are initially measured by the Group based on its original carrying amount at the time it was sold. The Group decided to avail the relief issued by the SEC per Memorandum Circular No. 3-2019 dated February 8, 2019 deferring the application of the provisions of PIC Q&A 2018-14 for a period of three (3) years until January 1, 2021.

Accounting policies applied until December 31, 2017

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

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

(b) Rental

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

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

(c) Hotel operation (PAS 18 and PFRS 15)

Hotel revenue from room rentals, food and beverage sales, and other ancillary services are recognized when the services are rendered. Revenue from other ancillary services include, among others, business center and car rental, laundry service, telephone service and health club services. The services rendered are distinct performance obligations, for which prices invoiced to the guests are representative of their stand-alone selling prices. These obligations are fulfilled over time when they relate to room rentals, that is over the stay within the hotel, at a point in time for other goods or services, when they have been delivered or rendered.

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

(d) Interest income and expense

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

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

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

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

(g) Cost and expenses

Cost and expenses are recognized when these are incurred.

CUSA charges to mall tenants are presented as a reduction to costs and expenses in the consolidated statement of total comprehensive income. The Group decided to avail the relief issued by the SEC per Memorandum Circular No. 3-2019 dated February 8, 2019. The SEC provided relief to the real estate industry by deferring the application of the provisions of PIC Q&A 2018-12-H for a period of three (3) years until January 1, 2021.

34.24 Leases

(a) Group is the lessor

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

(b) Group is the lessee

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.

34.25 Foreign currency transactions and translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

34.26 Related party relationships and transactions

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

34.27 Segment reporting

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

The 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.

34.28 Contingencies

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

34.29 Events after the reporting period

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

34.30 Reclassification

Advances to contractors and suppliers account, which was previously reported as part of trade and other receivables account, was reclassified to prepaid taxes and other current assets account in the consolidated statement of financial position to conform to the current period presentation. Such reclassification did not impact previously reported net income, retained earnings and cash flows. A third statement of financial position was not presented since it did not impact total current assets and based on the qualitative assessment of the Group.

Shang Properties, Inc. and Subsidiaries
Schedule of Philippine Financial Reporting Standards
Effective as at December 31, 2018

The following table summarizes the effective standards and interpretations as at December 31, 2018:

		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	✓		
	Amendments to PFRS 3: Definition of a business*		✓	
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

		Adopted	Not Adopted	Not Applicable
	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			✓
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*		✓	

		Adopted	Not Adopted	Not Applicable
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	✓		
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	✓		
	Amendments to PAS 1 and PAS 8: Definition of material*		✓	
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	✓		
	Amendments to PAS 1 and PAS 8: Definition of material*		✓	
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 16 - Deferred Tax: Recovery of Underlying Assets	✓		

		Adopted	Not Adopted	Not Applicable
	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 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Contributions from Employees or Third Parties			✓
	Amendments to PAS 19: Plan Settlement, Curtailment or Settlement*		✓	
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*		✓	

		Adopted	Not Adopted	Not Applicable
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	✓		
	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 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	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓

		Adopted	Not Adopted	Not Applicable
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 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 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-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, 2018 financial statements.

The standards, amendments and interpretations that are labeled as "Not Applicable" are already effective as at December 31, 2018 but will never be relevant/applicable to the Group or are currently not relevant to the Group because it has currently no related transactions.

Shang Properties, Inc. and Subsidiaries

Reconciliation of Retained Earnings attributable to shareholders of Parent Company
for Dividend Declaration
As at December 31, 2018
(All amounts in Philippine Peso)

Unappropriated Retained Earnings attributable to shareholders of Parent Company, beginning		14,734,134,576
Fair value adjustment of investment properties in prior years, net of tax		(8,285,815,337)
Unappropriated Retained Earnings attributable to shareholders of Parent Company, as adjusted, beginning		6,448,319,239
Net income attributable to shareholders of Parent Company based on the face of audited financial statements		1,773,836,056
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	(570,114,361)	
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	1,203,721,695	
Add (Less):		
Realized remeasurement loss during the year	-	
Dividends declarations during the year	(930,686,586)	
Appropriations of retained earnings	-	
Reversal of appropriateness	-	
Other reserves from restatement due to PAS19 Revised	-	
Treasury shares	-	273,035,109
TOTAL RETAINED EARNINGS ATTRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY, END AVAILABLE FOR DIVIDEND		6,721,354,348