

COVER SHEET

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SEC Registration Number

[illegible]

(Company's Full Name)

[illegible]

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

ATTY. FEDERICO G. NOEL, JR.

(Contract Person)

370-2700

(Company Telephone Number)

1	2	3	1
Month		Day	
(Fiscal Year)			

	1	7	-	Q	
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(Form Type)

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

Not Applicable

(Secondary License Type, If Applicable)

Dept Requiring this Doc

Dept Requiring this Doc

Amended Articles Number/Section

Amended Articles Number/Section

Total Amount of Borrowings

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Total No. of Stockholders

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Domestic

Foreign

To be accomplished by SEC Personnel concerned

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File Number

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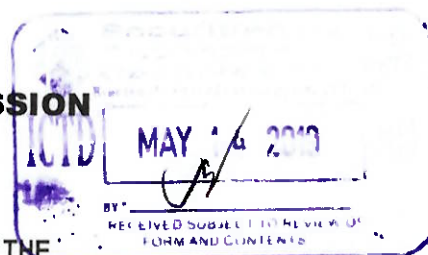
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SECURITIES AND EXCHANGE COMMISSION**SEC FORM 17-Q****QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE
SECURITIES REGULATION CODE**

1. For the quarterly period ended : 31 MARCH 2019
2. Commission Identification Number : 145490
3. BIR Tax Identification Number : 000-144-386

SHANG PROPERTIES, INC.

4. Exact name of the Issuer as specified in this charter: _____
5. Province, country or other jurisdiction of incorporation or organization: Not Applicable
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office: Administration Office, Shangri-La Plaza Mall, EDSA cor Shaw Boulevard, Mandaluyong City 1550
Postal Code
(632) 370-2700
8. Issuer's telephone number, including area code _____
9. 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 Sections 4 and 8 of the RSA.

Title of each Class
Common Stock

Number of shares of common stock
outstanding and amount of debt outstanding
4,764,056,287 common shares

11. Are any or all of the securities listed on a Stock Exchange?
Yes ☒ No ☐

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange

12. Indicate by check mark whether the registrant:

(a) Has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 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 the registrant was required to file such reports).

Yes ☒ No ☐

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

Yes ☒ No ☐

PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Please see attached.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SHANG PROPERTIES, INC.
Issuer

By:


KARLO MARCO P. ESTAVILLO
Treasurer/Chief Financial Officer


RAJEEV GARG
Group Financial Controller

Date of Signing: 10 May 2019

PART 1 – FINANCIAL INFORMATION

Item 1. Management Discussion and Analysis of Financial Condition and Results of Operations

Key Performance Indicators

		March 31 2019	March 31 2018	Change
Turnover	(Php M)	2,836.1	2,864.1	-1.0%
Profit attributable to shareholders	(Php M)	522.7	574.9	-9.1%
Earnings per share	(Php Ctv)	0.110	0.121	-9.1%
Net asset value per share	(Php)	6.839	6.422	6.5%
Debt to equity ratio	(Ratio)	0.554	0.642	-13.7%

- Turnover consists of sales of residential condominium units, revenue from rental and cinema, hotel operations, and other income. For three (3) months ended March 31, 2019, Shang Properties' revenue decreased by P28 million (M) to P2.8 billion (B) from P2.9B revenues during the same period in 2019. Sales of residential condominium units accounted for P1,128.5M or 40% of the total revenue. Revenue from leasing operations amounted to P760.7M or 27% of the total revenue and higher by P41.2M from P719.5M in the same period last year. Shangri-La at Fort's hotel operations contributed revenue amounting to P896.6M, higher by P104.4M from P792.2M of the same period last year. Other income decreased by P43M.
- Profit attributable to shareholders that pertains to net income from operations after tax amounted to P522.7M, lower by P52.2M or -9.1% compared with the same period last year.
- Earnings per share showed a variance of -9.1% to P0.110 from last year's P0.121.
- Net asset value per share is calculated by dividing the total net asset of the Group (Total assets – Total liabilities and equity attributable to non-controlling interest) by the number of shares outstanding. Net asset value per share increased by 6.5% mainly due to income generated during the period.
- Debt to equity measures the exposure of creditors to that of the stockholders. It gives an indication of how leveraged the Group is. It is determined by dividing total debt by stockholder's equity. The Group's financial position remains solid with debt to equity ratio of 0.55:1 as of March 31, 2019 and 0.64:1 as of March 31, 2018.

Financial Condition

Total assets of the Company amounted to P60.7B, a decrease of P417.1M from total assets of P60.3B in December 31, 2018. The following are significant movements in the assets:

- Increase in cash and cash equivalents by P171.8M is mainly due to availment of loan for new project and collection from sales of condominium.
- Increase in receivables by P728.7M is mainly due to higher sales of the condominium units of The Rise project.
- Decrease in properties held for sale by P356M is mainly due to recognition of units sold of The Rise project.
- Deferred income tax assets increased by P34.2M mainly due to the percentage of work completed recognized by Shang Wack Wack during the period which resulted to the recognition of deferred tax assets.
- Increase in other noncurrent assets by P40.9M is mainly due to utility deposits paid during the period.
- Current ratio is 1.22:1 as of March 31, 2019 from 1.31:1 as of December 31, 2018.

Total liabilities increased by P446.8M from P21.2B in 2018 to P21.7B in 2019 mainly due to the following:

- Increase in bank loans by P383.64M is mainly due to new availment amounting to P1.1B to finance the new project which was partially offset by repayments of the other existing loans.
- Increase in income tax payable by P97.2M is mainly due to the taxable income generated during the period by The Rise project, KSA Realty Corporation and Shangri-La Plaza Corporation.
- Increase in dividends payable by P96.1M due to the unpaid portion cash dividend declared on March 29, 2019 amounting to P502.6M to all shareholders of record as of March 31, 2019.
- Increase in accrued employee benefits by P9.7M is mainly due to the accruals for retirement benefits during the period.

Results of Operation

Consolidated net income for the period ended March 31, 2019 amounted to P522.7M lower by 9.08% from last year's P574.9M.

Turnover decreased by P28M to P2.8B in 2019 from P2.9B in 2018, mainly due to net effect of the following:

- Decrease in condominium sales by P130.7M mainly due to fewer available units for sale due to completed projects.
- Increase in revenue from hotel operations by P104.4M mainly due to higher occupancy this year as compared to same period last year.
- Interest income and other income decrease by P42.9M mainly due to loss in foreign exchange brought about by the adverse movement of US dollar against peso value.

Total costs and expenses of the Group amounted to P1.9B, higher by P110M compared with last year's P1.8B. This was mainly due to the following:

- Decrease in cost of rental and cinema by P14.2M is mainly due to lower utility costs, repairs and maintenance cost and higher tenants reimbursements.
- Increase in cost of hotel operations by P78.9M due to higher occupancy compared to same period last year.
- Increase in general and administrative expenses by P16.3M is mainly due to the increase in salaries and wages and advertising expense for the new projects.
- Decrease in insurance by P0.3M mainly due to fidelity insurance paid in the previous year.
- Increase in depreciation by P2.6M is due to office improvements of the Parent Company.

Robust Growth Prospects with Robinson's Land Corporation

Particulars	Details
Sharing	50:50
Location	McKinley Parkway, Bonifacio Global City in Taguig City
Approx. Lot Area	9,000 sqm.
Total Investment	PhP 10 billion
Land Value per sqm	PhP 550,000 per sqm
Approx. # of Units	428 Residential Units 813 Parking Slots
Floor Area Ratio	9

Financial Soundness Indicators

	End of March 2019	End of December 2018
Current Ratio ¹	1.22:1	1.31:1
Debt-to-equity ratio ²	0.55:1	0.54:1
Asset-to-equity ratio ³	1.55:1	1.54:1
	1Q 2019	1Q 2018
Interest rate coverage ratio ⁴	11.40:1	12.32:1
Return on assets ⁵	3.46%	3.81%
Return on equity ⁶	5.35%	6.08%

¹Current assets/current liabilities

²Total liabilities/stockholders' equity

³Total asset/stockholders' equity

⁴Income before interest and taxes/interest expense

⁵Annualized net income/average total assets⁷

⁶Annualized net income/average stockholders' equity⁷

⁷Annualized net income = 1Q Net income x Average Total Assets = average total assets as of end of March 2019 and end of March 2018

Average Stockholders' Equity = average stockholders' equity as of end of March 2019 and end of March 2018

Item 2. Information required by Part III, Paragraph (A) (2) (b) of "Annex C" of SRC Rule 12

- There are no known trends or any known demands, commitments, events or uncertainties that will result in or that will reasonably likely result in the registrant's liquidity increasing or decreasing in any material way.
- 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.
- There are no off material balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
- There are no material commitments for capital expenditures.
- There are no known trends, events or uncertainties that have or that are reasonably expected to have material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

- There are no significant elements of income or loss that did not arise from the registrant's continuing operations.
- There are no material changes in periodical reports.
- There are no seasonal aspects that had a material effect on the financial statements.

Item 3. Other Required Disclosures

A.) The attached interim financial reports were prepared in accordance with Philippine Financial Reporting Standard. The accounting policies and methods of computation followed in these interim financial statements are the same compared with the audited financial statements for the period ended December 31, 2018.

B.) Except as reported in the Management's Discussion and Analysis of Financial Condition and Results of Operations, there were no unusual items affecting assets, liabilities, equity, net income or cash flows for the interim period.

C.) There were no materials changes in estimates of amounts reported in prior period that have material effects in the current interim period.

D.) Except as disclosed in the Management's Discussion and Analysis of Financial Condition and Results of Operations, there were no other issuances, repurchases and repayments of debt and equity securities.

E.) There are no significant events that happened subsequent to March 31, 2019 up to the date of this report that needs disclosure herein.

F.) For the required disclosure as per SEC letter dated October 29, 2008 on the evaluation of the company's risk exposure and financial instruments profile please see Note 6 of the attached interim financial statement.

Shang Properties, Inc. and Subsidiaries

Consolidated Financial Statements
March 31, 2019 and 2018

SHANG PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts expressed in Php)

	Notes	Unaudited March 31 2019	Audited December 31 2018
ASSETS			
Current Assets			
Cash and cash equivalents	3	2,603,900,812	2,432,097,332
Financial assets at fair value through profit or loss		40,963,133	41,424,316
Trade and other receivables		4,012,745,522	3,284,010,542
Properties held for sale		3,321,606,094	3,677,577,353
Input tax and other current assets		1,526,727,729	1,515,512,255
Total Current Assets		11,505,943,292	10,950,621,798
Noncurrent Assets			
Investments in associates and a joint venture		1,000,388,985	1,000,388,985
Investment properties	4	32,553,103,825	32,511,076,048
Real estate development projects		473,562,357	495,950,088
Financial assets at fair value through other comprehensive income, net		782,395,996	782,395,996
Property and equipment, net	5	13,521,783,159	13,754,741,363
Goodwill		269,870,864	269,870,864
Deferred income tax assets, net		156,583,176	122,428,897
Other non-current assets		409,331,774	368,410,888
Total Noncurrent Assets		49,167,020,135	49,305,263,129
TOTAL ASSETS		60,672,963,428	60,255,884,927
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and other current liabilities		5,185,796,056	5,391,793,728
Current portion of:			
Installment payable		517,707,873	390,280,531
Bank loans		2,800,000,000	1,833,333,333
Deposits from tenants		503,462,220	503,462,220
Deferred lease income		30,246,694	33,518,985
Income tax payable		259,320,218	162,066,422
Dividends payable		138,812,812	42,683,650
Total Current liabilities		9,435,345,875	8,357,138,869
Installment payable, net of current portion		-	150,881,202
Accrued employee benefits		66,757,151	57,052,807
Bank loans, net of current portion		3,566,666,667	4,149,694,158
Deferred income tax liabilities, net		7,719,645,498	7,655,864,029
Advance rental, net of current portion		187,029,727	187,029,727
Deposits from tenants, net of current portion		619,490,719	590,521,263
Deferred lease income, net of current portion		41,343,640	41,343,640
Total Non-current liabilities		12,200,933,402	12,832,386,826
TOTAL LIABILITIES		21,636,279,279	21,189,525,695
Equity			
Share capital		4,764,058,982	4,764,058,982
Share premium		834,439,607	834,439,607
Treasury shares		(6,850,064)	(6,850,064)
Equity reserves		(141,132,606)	(141,132,606)
Other comprehensive income (loss)		219,855,767	219,970,989
Retained earnings		27,129,070,070	27,108,948,851
Total equity attributable to shareholders of the Parent Company		32,799,441,756	32,779,435,759
Non-controlling interests		6,237,242,393	6,286,923,473
Total Equity		39,036,684,149	39,066,359,232
TOTAL LIABILITIES AND EQUITY		60,672,963,428	60,255,884,927

(See accompanying notes to consolidated financial statements)

SHANG PROPERTIES, INC. AND SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS**

(Amounts expressed in Php)

	UNAUDITED	
	FOR THE THREE (3) MONTHS ENDED	
	31-Mar-19	31-Mar-18
REVENUES		
Condominium sales	1,128,481,908	1,259,222,942
Rental and cinema	760,674,087	719,491,487
Hotel operations	896,558,431	792,153,594
	2,785,751,809	2,770,868,023
COST OF SALES AND SERVICES		
Condominium sales	767,032,508	732,484,693
Rental and cinema	45,119,046	59,343,040
Hotel operations	849,277,249	770,374,607
	1,661,428,804	1,562,202,340
GROSS INCOME	1,124,323,006	1,208,665,683
OPERATING EXPENSES		
General and administrative	188,494,517	172,203,044
Taxes and licenses	80,170,742	87,937,430
Depreciation and amortization	5,936,525	3,385,568
Insurance	148,837	481,360
	274,750,621	264,007,402
OTHER INCOME		
Interest income	33,968,708	53,111,206
Foreign exchange gains – net	(416,558)	23,060,178
Other income – net	16,806,945	17,077,024
	50,359,096	93,248,408
INCOME BEFORE SHARE IN PROFIT (LOSS) OF ASSOCIATED COMPANIES	899,931,481	1,037,906,689
SHARE IN LOSSES OF AN ASSOCIATED COMPANY	-	(2,529,643)
INTEREST EXPENSE AND BANK CHARGES	78,924,985	84,020,708
INCOME BEFORE TAX	821,006,495	951,356,338
PROVISION FOR INCOME TAX	(219,130,421)	(241,002,665)
INCOME BEFORE MINORITY INTEREST	601,876,074	710,353,676
MINORITY INTEREST	(79,146,914)	(135,410,297)
NET INCOME	522,729,160	574,943,379
RETAINED EARNINGS, beg.	27,108,948,851	25,027,307,239
LESS: CASH DIVIDENDS	(502,607,941)	(597,620,751)
RETAINED EARNINGS, end.	27,129,070,070	25,004,629,868
BASIC AND DILUTED EARNINGS PER SHARE	0.11	0.12

Consolidated Statements of Changes in Equity
For the period ended March 31, 2019
(With comparative figures for the year ended December 31, 2018)
(All amounts in Philippine Peso)

Unaudited	Shareholders of the Parent Company									
	Other comprehensive income									
	Share capital	Share premium	Treasury shares	Cumulative changes in fair value of financial assets at FVOCI/AFS	Cumulative translation adjustments	Remeasurement loss on defined benefit plan	Total	Equity reserves	Retained earnings	Non-controlling interests
Balance at December 31, 2017, as previously presented	4,764,058,982	834,439,607	(6,850,064)	14,985,000	(272,439)	(24,487,653)	(9,795,092)	(141,132,605)	28,027,307,247	6,055,213,205
Change in accounting policy	-	-	-	220,500,516	-	-	220,500,516	-	-	-
Balance at January 1, 2018, as restated	4,764,058,982	834,439,607	(6,850,064)	235,485,516	(272,439)	(24,487,653)	210,705,424	(141,132,605)	28,027,307,247	6,055,213,205
Comprehensive income	-	-	-	-	-	-	-	-	-	-
Net income for the year	-	-	-	-	-	-	-	-	3,012,323,180	548,286,287
Other comprehensive income (loss)	-	-	-	7,760,500	(339,985)	1,845,050	8,265,565	-	-	-
Total comprehensive income (loss)	-	-	-	7,760,500	(339,985)	1,845,050	8,265,565	-	3,012,323,180	548,286,287
Transaction with owners	-	-	-	-	-	-	-	-	-	-
Cash dividends declared (Note 20)	-	-	-	-	-	-	-	-	(630,686,589)	(317,576,000)
Balance 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	(141,132,605)	37,108,948,651	6,205,523,473
Cash dividends declared	-	-	-	-	-	-	-	-	(502,607,941)	(128,828,000)
Net income for the year	-	-	-	-	-	-	-	-	522,729,160	79,146,914
Treasury shares	-	-	-	-	-	-	-	-	-	-
Balance 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	(141,132,605)	37,129,070,070	6,237,242,387
										39,036,684,149

Shang Properties, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(All amounts in Philippine Peso)

	March 31, 2019	March 31, 2018
Cash flows from operating activities		
Income before provision for income tax	821,006,495	951,356,340
Adjustments for:		
Depreciation and amortization	5,936,525	3,385,568
Interest expense	75,144,656	83,830,258
Cumulative translation adjustment	-	921,560
Loss on fair value adjustment of financial assets at fair value through profit or loss	461,182	75,983
Share in net profits of associates	-	2,529,643
Unrealized foreign exchange gain	416,558	(23,060,178)
Dividend income	(11,524)	(7,707)
Interest income	(33,968,708)	(53,111,206)
Operating income before working capital Changes	1,010,002,568	965,920,262
Changes in working capital:		
Trade and other receivables	(728,734,980)	(429,705,675)
Properties held for sale	355,971,259	(283,582,937)
Prepaid taxes and other current assets	(11,215,474)	(135,812,259)
Real estate development projects	22,387,731	-
Other non-current assets	(75,075,165)	-
Accounts payable and other current liabilities	851,361,949	370,251,413
Accrued employee benefits	(9,704,345)	-
Installment payable	(23,453,860)	-
Deferred lease income	-	162,443
Deposits from tenants	(28,969,456)	-
Net cash generated from operations	1,362,570,229	484,641,359
Income tax paid	(100,592,916)	-
Interest received	(44,798,812)	53,638,232
Net cash provided by operating activities	1,306,776,126	538,279,590
Cash flows from investing activities		
Additions to:		
Investments in associates and a joint venture	-	(970,360)
Investment properties	(42,027,777)	(522,843,924)
Property and equipment	(47,584,009)	72,598,577
Other assets	-	90,346,528
Dividends received	11,524	7,707
Net cash used in investing activities	(89,600,262)	(360,861,472)
Cash flows from financing activities		
Payments of:		
Loan principal	(1,533,333,333)	(1,464,312,079)
Interest	(76,315,713)	(85,064,377)
Cash dividends paid to:		
Shareholders	(406,478,779)	(271,382)
Non-controlling shareholders of subsidiaries	(128,828,000)	(104,860,000)
Proceeds from loan availment, net of debt issue costs	1,100,000,000	-
Increase in deposits from tenants	-	33,021,832
Net cash used in financing activities	(1,044,955,825)	(1,621,486,007)
Net increase (decrease) in cash and cash equivalents or for the year	172,220,038	23,060,178
Cash and cash equivalents at January 1	2,432,097,332	(1,421,007,710)
Effects of exchange rate changes on cash and cash equivalents	(416,558)	5,030,757,380
Cash and cash equivalents at March 31	2,603,900,812	3,609,749,670

SHANG PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE THREE (3) MONTHS ENDED MARCH 31, 2019 AND 2018

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.

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 during the period.

The segment assets, liabilities and results of operations of the reportable segments of the Group as of and for the year ended March 31, 2019 are as follows:

	Property development	Hotel operation	Leasing	Others	Total segments	Eliminations	Consolidated
Revenues							
Condominium sales	1,128,481,908	-	-	-	1,128,481,908	-	1,128,481,908
Rental and cinema	-	-	818,068,131	-	818,068,131	(57,394,044)	760,674,087
Hotel operation	-	896,595,814	-	-	896,595,814	-	896,595,814
Cost of sales and services	(767,032,508)	-	-	-	(767,032,508)	-	(767,032,508)
Condominium sales	-	-	-	-	(45,119,046)	-	(45,119,046)
Rental and cinema	-	(849,277,249)	-	-	(849,277,249)	-	(849,277,249)
Hotel operation	-	-	-	-	-	-	-
Gross income (loss)	361,449,400	47,318,565	772,949,085	-	1,181,717,050	(57,394,044)	1,124,323,006
Operating expenses							
Staff costs	(24,412,481)	-	(152,003,389)	(2,039,124)	(178,454,995)	72,140,787	(106,314,207)
Taxes and licenses	(46,810,203)	-	(28,650,725)	(4,709,815)	(80,170,742)	-	(80,170,742)
Depreciation and amortization	(303,119)	-	(55,162,355)	(4,219)	(55,469,693)	49,533,169	(5,936,525)
Insurance	(2,300)	-	(128,602)	(17,936)	(148,837)	-	(148,837)
Other general and administrative	(24,765,650)	-	(55,437,962)	(2,343,822)	(82,180,310)	-	(82,180,310)
Other income (expense)	-	-	-	-	-	-	-
Interest income	26,548,620	-	7,152,702	267,386	33,968,708	-	33,968,708
Foreign exchange gains (losses), net	38,058	-	(455,076)	463	(416,557)	-	(416,558)
Other income, net	9,214,644	-	6,909,018	9,051,451	88,887,733	(72,080,787)	16,806,945
Interest expense and bank charges	(44,216,641)	-	(34,703,521)	(4,823)	(78,924,985)	-	(78,924,985)
Income (Loss) before income tax	257,107,454	47,318,565	524,181,790	199,562	828,807,371	(7,800,876)	828,807,371
Provision for income tax	(100,740,508)	-	(107,428,691)	(10,961,222)	(219,130,421)	-	(219,130,421)
Net income (loss) for the year	156,366,946	47,318,565	416,753,099	(10,761,660)	609,676,950	(7,800,876)	601,876,074
Segment assets	12,976,383,335	8,091,706,408	31,731,740,186	13,075,502,421	65,875,332,350	(6,068,063,799)	59,807,268,550
Associate companies	-	-	-	1,000,388,970	1,000,388,985	-	1,000,388,985
Total assets	12,976,383,335	8,091,706,408	31,731,740,186	14,075,891,406	66,875,721,335	(6,068,063,799)	60,807,657,536
Segment liabilities	7,068,014,146	3,535,951,225	14,647,951,258	9,203,398,211	34,455,314,841	(12,684,341,454)	21,770,973,387
Capital expenditures for the year	3,878,246	44,706,829	4,562,403	-	53,147,478	-	53,147,478

The segment assets, liabilities and results of operations of the reportable segments of the Group as of 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	-	-	3,249,180,242	(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	(2,693,212,800)	(307,348,423)	-	-	(3,000,561,223)	-	(3,000,561,223)
Condominium sales	-	-	(241,988,954)	-	(241,988,954)	(4,422,383)	(246,411,337)
Rental and cinema	-	(3,023,783,595)	-	-	(3,023,783,595)	-	(3,023,783,595)
Hotel operation	-	-	-	-	-	-	-
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)	(36,749,585)	(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							
Associate companies (Note 8)	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
Total assets	12,848,496,749	-	-	1,000,388,985	1,000,388,985	-	1,000,388,985
Segment liabilities	7,051,526,346	9,146,496,232	30,352,019,019	14,231,772,949	66,578,784,949	(6,322,900,022)	60,255,884,927
Capital expenditures for the year	58,076,120	17,004,568	489,886,876	-	564,967,564	-	564,967,564

Note 3 - Cash and cash equivalents

Cash and cash equivalents as at March 31, 2019 and December 31, 2018 consist of:

	2019	2018
Cash on hand	P 25,916,169	P 14,679,741
Cash in banks	411,608,860	592,751,317
Cash equivalents	2,166,375,782	1,824,666,309
	P2,603,900,812	P2,432,097,367

Cash in banks earned an average interest at respective bank deposit rates of 0.25% in 2019 and 2018.

Note 4 - Investment properties

Details of investment properties as at March 31 and their movements during the period are as follows:

	Land	Building	Total
January 1, 2019	P 13,694,823,194	P 18,816,252,854	P 32,511,076,048
Additions	-	42,027,776	42,027,776
Capitalized subsequent expenditures	-	-	-
March 31, 2019	P13,694,823,194	P18,858,280,630	P32,553,103,825

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

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.

Note 5 - Property and Equipment

This account consists of:

	Building and building improvement	Transportation Equipment	Furniture, Fixtures and other Office Equipment	Total
Net book value as at January 1, 2019	P7,809,654,196	P18,060,732	P5,927,026,432	P13,754,741,363
Additions	45,600,410	923,323	6,623,745	53,147,478
Depreciation	(274,674,751)	(1,244,487)	(4,622,856)	(280,542,094)
Reclassification	(5,563,586)	-	-	(5,563,586)
Net book value as at March 31, 2019	P7,575,016,269	P17,739,568	P5,929,027,321	P13,521,783,159

Note 6 - Financial risk and capital management

6.1 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 March 31, 2019 and December 31, 2018.

6.2 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 period ended March 31, 2019 and December 31, 2018.

(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.

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.

6.1.2 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 table below shows the credit quality of significant financial assets (i.e., cash and cash equivalents, and trade and other receivables) as at March 31, 2019 and December 31, 2018:

	High performing	Under performing	Credit impaired	Total
2019				
Current assets				
Cash and cash equivalents	₱2,603,900,812	-	₱-	₱2,603,900,812
Trade and other receivables	3,997,203,189	-	15,542,333	4,012,745,522
Non-current assets				
Refundable deposits	117,295,877	-	-	117,295,877
	6,718,399,878	-	15,542,333	6,733,942,211
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

(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.

(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 operations, tenants are subjected to credit evaluation and are required to put up security deposits and pay advance rentals, if necessary. For the hotel operations, 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.

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.

6.1.3 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 March 31, 2019				
Bank loans	₱133,333,333	₱1,433,333,333	₱1,233,333,334	₱2,800,000,000
Accounts payable and other current liabilities*	2,826,013,444	-	-	2,826,013,444
Deposits from tenants	-	-	503,462,220	503,462,220
Installment payable	241,376,830	91,306,826	185,024,217	517,707,873
Dividends payable	96,129,162	42,683,650	-	138,812,812
Future interest payable	88,681,822	88,255,395	132,350,972	309,288,189
	₱4,597,855,735	₱1,655,579,204	₱2,054,170,743	₱7,095,284,538
At December 31, 2018				
Bank loans	133,333,333	1,433,333,333	266,666,667	1,833,333,333
Accounts payable and other current liabilities*	3,372,650,316	-	-	3,372,650,316
Deposits from tenants	-	-	503,462,220	503,462,220
Installment payable	113,948,488	91,306,826	185,025,217	390,280,531
Dividends payable	-	42,683,650	-	42,683,650
Future interest payable	88,681,822	88,255,395	132,350,972	309,288,189
	₱3,708,613,959	₱1,655,579,204	₱1,087,505,076	₱6,451,698,239

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

6.2 Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes in the Group's strategies and policies during 2019 and 2018.

6.3 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 March 31, 2019:

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
2019				
<i>Assets measured at fair value</i>				
Financial assets at fair value through profit or loss	₱40,963,133	₱-	-	₱40,963,133
Investment properties:				
Land	-	-	12,699,670,419	12,699,670,419
Buildings	-	-	18,485,023,177	18,485,023,177
AFS financial assets:				
Quoted	24,352,000	-	-	24,352,000
<i>Assets for which fair values are disclosed</i>				

Loans and receivables				
Refundable deposits	P=	P49,309,692	P=	P49,309,692
<i>Liabilities for which fair values are disclosed</i>				
Installment payable	-	566,529,493	-	566,529,493
Deposits from tenants	P=	P1,142,991,024	P=	P1,142,991,024

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
2018				
<i>Assets measured at fair value</i>				
Financial assets at fair value through profit or loss	P41,424,316	P=	P=	P41,424,316
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
<i>Assets for which fair values are disclosed</i>				
Loans and receivables				
Refundable deposits	-	76,104,635	-	76,104,635
<i>Liabilities for which fair values are disclosed</i>				
Installment payable	P=	P541,161,733	P=	P541,161,733

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

There have been no assets and liabilities transferred among Level 1, Level 2 and Level 3 during 2019 and 2018.

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

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

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

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

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

(c) Installment contracts receivable

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

(d) Refundable deposits and deposits from tenants

The fair value of deposits from tenants was based on the present value of estimated future cash flows using applicable market rates at the reporting date.

(e) Available-for-sale financial assets

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

(f) Bank loans

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

Note 7 - 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.

7.1 Critical accounting estimates and assumptions

(a) Determination of fair values of investment properties

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

- a) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- b) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- c) stabilized net operating income based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external

evidence such as current market rents for similar properties in the same location and condition, and using pre-tax discount rates that reflect current market assessments of the uncertainty in the amounts and timing of the cash flows.

(b) Useful lives of property and equipment

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

In 2019 and 2018, there were no changes in the estimated useful lives of property and equipment. As at March 31, 2019 and December 31, 2018, property and equipment have a carrying value of ₱13.52 billion (2018 - ₱13.75 billion).

(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 following on-going projects with its percentage of completion as at March 31, 2019 and December 31, 2018:

Projects	2019	2018
The Rise Makati	74.33%	65%
Shang Wack Wack	1.13%	1%
Horizon Homes at Shangri-La at the Fort	Completed	Completed
Shang Salcedo Place	Completed	Completed

(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.

7.2 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.

(b) Revenue recognition

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

- Collectability of contract price

Collectability of the contract price is demonstrated by the buyer's commitment to pay which, in turn, is supported by substantial initial and continuing investments that gives the buyer a sufficient stake in the property that risk of loss through default motivates the buyer

to honor his obligation. Collectability is also assessed by considering factors such as the credit standing of the buyer, age, and location of the property.

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

- Stage of completion of the condominium

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

(c) 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.

(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.

(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 March 31, 2019 and December 31, 2018, based on management's assessment and judgment, there is no impairment of goodwill since the recoverable amount of the CGU is higher than the carrying value.

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.

(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.

(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.

(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 8- Summary of significant accounting and financial reporting policies

8.1 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.

8.2 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.

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 were 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
<i>Non-current assets</i>				
Financial assets at fair value through other comprehensive income, net	12	P-	P773,265,996	P773,265,996
Available-for-sale financial assets, net	12	513,192,742	(513,192,742)	-
<i>Non-current liabilities</i>				
Deferred income tax liabilities, net	26	(7,179,085,729)	(39,572,738)	(7,218,658,467)
<i>Equity</i>				
Other comprehensive income (loss)	12	P9,795,092	P (220,500,516)	P (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.

8.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at March 31, 2019 and 2018. The subsidiaries' financial statements are prepared for the same reporting year as the Parent Company. The Group uses uniform accounting policies, any difference between subsidiaries and the Parent Company are adjusted properly.

The Group is composed of the subsidiaries listed below:

Nature and name of entity	Ownership %		
	2018	2018	2017
Property development:			
Shang Properties Realty Corporation (SPRC)	100	100	100
Shang Property Developers, Inc. (SPDI)	100	100	100
The Rise Development Corporation, Inc. (TRDCI)	100	100	100
Shang Wack Wack Properties, Inc. (SWWPI)	100	100	100
Hotel operation:			
Shang Global City Properties, Inc. (SGCPI)	60	60	60
Leasing:			
SPI Parking Services, Inc. (SPSI)	100	100	100
Shangri-la Plaza Corporation (SLPC)	100	100	100
KSA Realty Corporation (KSA)	70.04	70.04	70.04
Real estate:			
Ivory Post Properties, Inc. (IPPI)	100	100	100
KPPI Realty Corporation (KRC)	100	100	100
Martin B. Properties, Inc. (MBPI)	100	100	100
New Contour Realty, Inc. (NCRI)	100	100	100
Perfect Sites, Inc. (PSI)	100	100	100
Shang Fort Bonifacio Holdings, Inc. (SFBHI)	100	100	100
Shang Global City Holdings, Inc. (SGCHI)	100	100	100
Property management:			
KPPI Management Services Corporation (KMSC)	100	100	100
Shang Property Management Services, Inc. (SPMSI)	100	100	100
Sky Leisure Properties Inc. (SLPI)	100	50	50
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.

(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.

8.4 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.

8.5 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.

8.5.2 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 March 31, 2019.

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

The Group does not have debt instruments at FVTPL as at March 31, 2019.

Equity instruments

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

The Group's financial assets measured at FVOCI represent unquoted shares of stock of related parties and quoted investments in various golf club shares and stocks

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.

8.5.3 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.

8.5.4 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.

(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, trade and other receivables (Note 5) and refundable deposits classified under other non-current assets 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 .

8.5.5 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.

8.5.6 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.

8.5.7 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 March 31, 2019.

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), installment payable, deposits from tenants, dividends payable, accrued employee benefits (excluding retirement benefits) and bank loans are classified under financial liabilities at amortized cost.

8.5.8 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.

8.5.9 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.

8.5.10 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.

8.5.11 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 March 31, 2019 and December 31, 2018.

8.6 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.

8.7 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.

8.8 Prepaid taxes and other assets

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

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

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

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

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.

8.9 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.

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.

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, 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.

8.10 Real estate development projects

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

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

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

8.11 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.

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.

8.12 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.

8.13 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.

8.14 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.

8.15 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.

8.16 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.

8.17 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.

8.18 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.

8.19 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.

8.20 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.

8.21 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.

8.22 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.

8.23 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 (i.e. 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 withholding tax.

(e) Dividend income

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

(f) Other income

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

(g) Cost and expenses

Cost and expenses are recognized when these are incurred.

CUSA charges to mall tenants are presented as a reduction to costs and expenses in the consolidated statement of total comprehensive income. The Group decided to avail the relief issued by the SEC per Memorandum Circular No. 3-2019 dated February 8, 2019. The SEC provided relief to the real estate industry by deferring the application of the provisions of PIC Q&A 2018-12-H for a period of three (3) years until January 1, 2021.

8.24 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.

(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.

8.25 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.

8.26 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.

8.27 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

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.

8.28 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.

8.29 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.

8.30 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

AGING OF RECEIVABLES

As of March 31, 2019

TENANTS	TOTAL RECEIVABLES	CURRENT	1-30 DAYS	31-60 DAYS	61-90 DAYS	OVER 90 DAYS
Mall Tenants	180,997,064	165,103,796	2,386,538	1,386,124	1,215,418	5,019,730
EDSA Shangri-La Hotel & Resort	27,132,824	10,137,764	10,137,764	-	-	-
TECC Tenants	14,660,398	(1,704,964)	36,138	14,579,693	-	-
Installment Contracts Receivables & Others	2,263,573,559	2,263,573,559	-	-	-	-
	<u>2,486,363,845</u>	<u>2,437,110,155</u>	<u>12,560,440</u>	<u>15,965,817</u>	<u>1,215,418</u>	<u>5,019,730</u>

Note: Installment Contracts Receivables include both current and long-term portion, and are covered by post-dated checks from customers.


KARLO MARCO P. ESTAVILLO
Treasurer