

COVER SHEET

1 4 5 4 9 0
SEC Registration Number

SHANG PROPERTIES, INC.

(Company's Full Name)

ADMINISTRATION OFFICE SHANGRI-LA
PLAZA EDSA COR SHAW BOULEVARD
MANDALUYONG CITY

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

ATTY. FEDERICO G. NOEL, JR.

(Contract Person)

635-8300

(Company Telephone Number)

1 2 3 1
Month Day
(Fiscal Year)

1 7 - A
(Form Type)

Month Day
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended: 31 December 2017
2. SEC Identification Number: 145490
3. BIR Tax Identification No. 000-144-386
4. Exact name of Issuer as specified in its charter: SHANG PROPERTIES, INC.
5. Philippines
Province, Country or other jurisdiction of
incorporation or organization
6. (SEC Use Only)
Industry Classification Code:
7. Level 5, Administration Offices, Shangri-La Plaza Mall
EDSA corner Shaw Boulevard, Mandaluyong City 1550
Address of principal office Postal Code
8. (632) 370-2700
Issuer's telephone number, including area code
9. N / A
Former name, former address, and former fiscal year, if changed since last report.

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	4,764,056,287 common shares (* not included are the Issuer's 2,695 treasury shares)

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

Yes ☒ No ☐

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

Philippine Stock Exchange Common Shares

12. Check whether the Issuer:

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

Yes ☒ No ☐

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

Yes ☒ No ☐

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

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

The aggregate market value of the voting stock held by non-affiliates of the Issuer as of 31 March 2018: **P4,219,292,465.40.**

Assumptions:

(a)	Total no. of shares held by non-affiliates as of 31 March 2018	:	1,326,821,530
(b)	Closing price of the Issuer's shares on the Exchange on 31 March 2018	:	P3.18
(c)	Aggregate market price of (a) as of 31 March 2018	:	P4,219,292,465.40

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

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

Yes ☐ No ☐

DOCUMENTS INCORPORATED BY REFERENCE

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

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

None of the above documents are incorporated herein by reference.

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

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

(a) Description of Business

(1) Business Development

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

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

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

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

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

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

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

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

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

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

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

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

Business of Issuer

(A) Description of Issuer

- (i) The Issuer is a property development, real estate management and investment holding company. It is publicly subscribed and was listed in the Philippine Stock Exchange in April 1999. Its significant and active subsidiaries are as follows:
- Shangri-La Plaza Corporation (100% owned by Issuer);
 - SPI Parking Services, Inc. (formerly EDSA Parking Services, Inc.) (100 % owned by Issuer); and
 - Shang Properties Realty Corporation (formerly, The Shang Grand Tower Corporation (100 % owned by Issuer)
 - EPHI Logistics Holdings, Inc. (60% owned by Issuer)
 - Shang Global City Holdings, Inc. (100% owned by Issuer)
 - Shang Fort Bonifacio Holdings, Inc. (100% owned by Issuer)
 - Shang Property Management Services Corporation (formerly EPHI Project Management Services Corporation) (100% owned by Issuer)
 - KSA Realty Corporation (70.04% owned by Issuer)
 - Shang Property Developers, Inc. (100% owned by Issuer)
 - Shang Global City Properties, Inc. (60% owned through the Issuer's wholly owned subsidiaries Shang Global City Holdings, Inc., and Shang Fort Bonifacio Holdings, Inc.)
 - The Rise Development Company, Inc. (100% owned through Issuer's wholly owned subsidiary KPPI Realty Corporation)
 - Shang Wack Wack Properties, Inc. (100% owned by Issuer)
 - Classic Elite Holdings, Ltd. (100% owned by Issuer)

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

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

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

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

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

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

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

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

Shang Property Developers, Inc. which was incorporated on 17 December 2010 as a realty development company. It is the owner and developer of the Shang Salcedo Place, a residential

condominium located in Sen. Gil Puyat Ave. cor. Tordesillas St., H.V. de la Costa St., Salcedo Village, Makati City. It is slated for completion in 2015.

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

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

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

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

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

With Issuer's subsidiaries:

a. With Shangri-La Plaza Corporation (SLPC)

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

ii) Issuer's subsidiary Shang Properties Realty Corporation and SLPC have in turn entered into an agreement whereby SLPC shall lease said mall facility from Issuer of a period of five (5) years commencing on September 2012, renewable upon mutual agreement of the Parties.

Rental income is calculated at 12% of SLPC's annual rental income from mall operations. The lease has been renewed for another period which shall expire on 31 December 2022.

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

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

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

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

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

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

With Issuer's affiliates:

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

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

b. With other affiliates:

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

Between Issuer's Affiliates:

- a. Shang Property Management Services Corporation entered into a Memorandum of Agreement with KSA Realty Corporation, pursuant to which the former shall assist the latter in managing and administering the leasing operations of The Enterprise Center.
 - b. Shang Property Management Services Corporation entered into a Memorandum of Agreement with The Enterprise Center Condominium Corporation pursuant to which the former shall assist the latter in managing and administering the condominium development known as The Enterprise Center, specifically with respect to the common areas thereof.
 - c. Shang Property Management Services Corporation entered into a Memorandum of Agreement with The St. Francis Shangri-La Place Condominium Corporation pursuant to which the former shall assist the latter in managing and administering the condominium development known as The Enterprise Center, specifically with respect to the common areas thereof.
 - d. SPI Parking Services, Inc. entered into a Memorandum of Agreement with KSA Realty Corporation, with conformity of The Enterprise Center Condominium Corporation, to administer, manage and operate the TEC Parking Slots as a pay parking facility under a mutually agreeable remuneration scheme.
- (ix) Neither the Issuer's or any of its subsidiaries' businesses are dependent upon or expected to depend upon any patent, trademark, copyright, license, franchise, concession, or royalty agreement.
 - (x) Neither the Issuer or any of its subsidiaries have products or services requiring governmental approval.
 - (xi) There are no existing governmental regulations which affect or may affect significantly or adversely the Issuer's or any of its subsidiaries' businesses or operations.
 - (xii) Neither the Issuer or any of its subsidiaries have allotted any significant amount or portion of their revenues for research and development activities where the same are not highly necessary given the nature of their businesses.
 - (xiii) The Issuer, as with the SPI Parking Services, Inc., by the nature of their businesses have no direct obligation to comply with environmental laws. As for the Shangri-La Plaza Corporation, Shang Properties Realty Corporation, Shang Property Developers, Inc., Shang Wack Wack Properties, Inc. (for its developments, The Shang Grand Tower, The St. Francis-Shangri-La Place, One Shangri-La Place, and Shang Salcedo Place, Residences at Shang Wack Wack) the costs of its compliance with environmental laws is not significant given the overall operational costs.
 - (xiv) The Issuer has 96 employees to date and does not anticipate adding to said number significantly in the next 12 months. The breakdown as to type is as follows:
 - a. Rank and file - 24
 - b. Supervisory - 27
 - c. Managerial - 26
 - d. Executive - 10
 - e. Project based - 27

SPI Parking Services, Inc. (formerly Edsa Parking Services, Inc.) has 20 employees. The breakdown as to type is as follows:

- a. Rank and file - 12
- b. Supervisory - 6
- c. Managerial - 1

Shangri-La Plaza Corporation has 88 employees. The breakdown as to type is as follows:

- a. Rank and file - 26
- b. Supervisory - 46
- c. Managerial - 17
- d. Executive - 2

The Shang Properties Realty Corporation (formerly, The Shang Grand Tower Corporation) has 90 employees. The breakdown as to type is as follows:

- a. Rank and file - 21

- b. Supervisory - 10
- c. Managerial - 13
- d. Project based - 16
- e. Consultancy based - 16

Shang Property Management Services Corporation has 49 employees. The breakdown as to type is as follows:

- a. Rank and file - 4
- b. Supervisory - 7
- c. Managerial - 25
- e. Project based - 9

The Shang Property Developers, Inc. has 22 employees. The breakdown as to type is as follows:

- a. Managerial - 2
- b. Project based - 16
- c. Consultancy based - 4

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

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

The Rise Development Company, Inc., has 68 employees. The breakdown as to type is as follows:

- a. Rank and file - 9
- b. Managerial - 5
- c. Project based - 11
- d. Consultancy based - 44

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

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

a. Mall operations (of SLPC)

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

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

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

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

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

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

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

e. Residential Condominium Sales

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

Item 2. Properties

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

On properties owned by Issuer:

- (a) A 71,101.00 sqms. property at the heart of Ortigas Center, portions of which are being leased out to the Edsa Shangri-La Hotel and the Shangri-La Plaza Corporation for the operation of the Shangri-La Plaza Mall, while some portions are being utilized as carpark areas.
- (i) Shangri-La Plaza Corporation's lease of the land on which the Shangri-La Plaza Mall stands is for a period of 25 years. Rental therefore is an amount equivalent to 10% of Shangri-La Plaza Corporation's gross rental income. Shangri-La Plaza Corporation has no option to renew the lease.
- (ii) The Edsa Shangri-La Hotel's lease of the land on which it stands is for a period of 25 years. Rental arrangement is as follows:
- from hotel operations: 3% of room sales revenue
 - from retail/restaurant and other hotel operations: 5% of sales revenue from food and beverage; 3% of sales revenue from dry goods/ services
 - from subleasing operations: 5% of sales revenue from food and beverage; 3% of sales revenue from dry goods/services
- The hotel has an option to renew the lease for another 25 years.
- (b) A carpark building also within the 71,101.00 sqms. area, abutting the Shangri-La Plaza Complex, with a gross floor area of 23,625.72 sqm. and 681 slots.

On Properties owned by Issuer's subsidiaries:

- (a) Properties owned by the Shangri-La Plaza Corporation:
- (i) Shangri-La Plaza Mall, an upscale shopping center at EDSA cor. Shaw Blvd., Mandaluyong City, with a gross floor area of approximately 136,552 sqm.
- (b) Properties owned by the SPI Parking Services, Inc.
- (i) None. It only manages and operates the carpark facilities described above to be owned by the Issuer.
- (c) Properties owned by Shang Properties Realty Corporation (formerly, The Shang Grand Tower Corporation)
- (i) The St. Francis – a Shangri-La Place, a two-tower high rise residential condominium located along St. Francis Road cor. Internal Road, Shangri-La Complex, Mandaluyong City which was completed in late 2009. About 98% of the units of said development have been sold to date.
- (ii) 9,852 sqms of land located at Edsa cor. Shaw Blvd., Mandaluyong City, on which the development One Shangri-La Place has been constructed.
- (d) Properties owned by EPHI Logistics Holdings, Inc.
- None.
- (e) Properties owned by Shang Global City Holdings, Inc.

Shang Global City Holdings, Inc., does not directly own any property. However, Shang Global City Properties, Inc., which is 100% owned by Shang Global City Holdings, Inc., has purchased from Fort Bonifacio Development Corporation ("FBDC"), a 15,120 sqm. parcel of land within the development in Taguig City, Philippines, known as

the Bonifacio Global City. Shang Global City Properties, Inc., is also the owner and developer of the Shangri-La at the Fort and Horizon Homes located at Crescent Park West District, Fort Bonifacio, Taguig City.

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

None.

- (g) Properties owned by KSA Realty Corporation

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

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

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

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

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

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

None.

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

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

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

Item 3. Legal Proceedings

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

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

(ii) On November 23, 2005, Issuer together with The Shang Grand Tower Corporation (a subsidiary of Issuer) (now the Shang Properties Realty Corporation), were named respondents in a case before the Bureau of Legal Affairs of the Intellectual Property Office of the Philippines (BLA-IPPHIL), entitled "ASB Development Corporation v. The Shang Grand Tower Corporation and Edsa Properties Holdings, Inc., for unfair competition, false and fraudulent declaration and damages with application for issuance of a Temporary Restraining Order and Writ of Preliminary Injunction." Complainant ASB alleges that Respondents committed acts of unfair competition and false and fraudulent declaration by the Respondents' use of the terms "St. Francis" for their residential condominium project located along St. Francis St. cor. Shaw Blvd., Mandaluyong City. Issuer is the project owner, while TSGTC is the project developer. On December 19, 2006, the BLA-IPPHIL rendered its decision and ruled that Respondents cannot use the name "St. Francis Towers", but they can use the name "St. Francis - Shangri-La Place". The BLA, however, did not award any damages to ASB stating that no evidence was presented by ASB as to the amount of damages it suffered. Respondents and ASB have both partially appealed the BLA Decision. The Office of the Director General promulgated its Decision on 03 September 2008. ASB appealed said Decision

before the Court of Appeals. The Court of Appeals having issued its Decision on 18 December 2009 favoring ASB's position, TSGTC (now SPRC), appealed the same to the Supreme Court. The Supreme Court, in its 21 July 2014 DECISION, which has attained FINALITY, decided in favor of Issuer, and exonerated issuer from charges of unfair competition.

Despite the finality of the SC's Decision in this case, there remains an offshoot case pending has its roots in the opposition filed by ASB (now St. Francis Square Development Corporation) to the use by SPRC of the mark "St. Francis Shangri-La Place. This case is entitled SFSDC vs.TSGTC – SC G.R. 220346. Last 18 April 2016, the Supreme Court, via its Notice dated 16 March 2016, had denied with FINALITY, SFSDC's further Motion for Reconsideration and categorically ruled that no further pleadings or motions will be entertained. Issuer to date, is still awaiting the Supreme Court's Entry of Final Judgment.

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

There are none.

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

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

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

During the Annual Meeting of the Stockholders of the Issuer held on **20 June 2017**, the stockholders approved and ratified the following:

1. Minutes of the Annual Stockholders Meeting held on **21 June 2016**;
 2. Annual Report of the Company as of **31 December 2016**, together with its audited financial statements and accompanying explanatory notes;
 3. The acts of the Board of Directors and the Management disclosed in the corporate records since the **21 June 2016** Annual Stockholders Meeting to the date of the Annual Stockholders Meeting on **20 June 2017**;
 4. Election of the following members of the Board of Directors for the period **2017-2018**:
 - 1) Edward Kuok Khoon Loong
 - 2) Alfredo C. Ramos
 - 3) Cynthia R. Del Castillo
 - 4) Antonio O. Cojuangco
 - 5) Maximo G. Licaucó III
 - 6) Ho Shut Kan
 - 7) Benjamin I. Ramos
 - 8) Wilfred Shan Chen Woo
 - 9) Gregory Allan Dogan
 - 10) Karlo Marco P. Estavillo
 5. Amendment of ARTICLE SIXTH of the Corporation's Articles of Incorporation, decreasing the number of directors of the Corporation from 15 to 10, so that as amended, ARTICLE SIXTH shall read:

"SIXTH: That the number of Directors of said Corporation shall be ten (10) xxx."
 6. Appointment of **PriceWaterhouseCooper (Isla Lipana)** as the Issuer's external auditors for FY 2017-2018.
- All of the above matters were voted upon and carried by the stockholders of the Issuer by a *unanimous vote*.

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

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

- (e) If the issuer has published a report containing all of the information called for by this item, the item may be answered by a reference to the information contained in such report.
The Issuer has not published any such report.

Instructions to Item 4

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

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

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

- i. Market Price of and Dividends on Issuer's Common Equity and Related Stockholder Matters
(1) Market Information

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

Year	High	Low
2017		
First Quarter	P3.45	P3.21
Second Quarter	P3.37	P3.19
Third Quarter	P3.29	P3.14
Fourth Quarter	P3.23	P3.05
2016		
First Quarter	P3.22	P2.70
Second Quarter	3.41	3.02
Third Quarter	3.60	3.17
Fourth Quarter	3.32	3.19

The high and low of Issuer's shares for the period **01 January 2018 to 31 March 2018** are as follows:

High: P3.59
Low: P3.01

The closing price for the Issuer's shares on 31 March 2018 is P3.18.

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

- (2) Holders

- (a) Issuer has common shares only. As of **31 March 2018**, the Issuer has **5,273** stockholders. Common shares outstanding as of said date is **4,764,056,287**.

The top 20 stockholders of the Issuer as of **31 March 2018** are:

Name of Stockholders	Number of Shares Held	Percent to Total Outstanding
1. Travel Aim Investment B.V	1,648,869,372	34.61%
2. Ideal Sites and Properties, Inc.	1,465,144,626	30.75%
3. PCD Nominee Corporation	1,019,154,924	21.39%
4. SM Development Corporation	189,550,548	3.98%
5. KGMP Holdings, Incorporated	52,925,445	1.11%
6. PCD Nominee Corporation	52,452,792	1.10%
7. CCS Holdings, Incorporated	47,633,492	1.00%
8. Pecanola Company Limited	43,175,495	0.91%
9. Kuok Brothers SDN. BHD.	37,023,839	0.78%
10. Kuok Foundation Overseas Limited	37,023,839	0.78%
11. GGC Holdings, Incorporated	26,224,322	0.55%
12. Kerry Holdings Limited	26,090,624	0.55%
13. Kuok (Singapore) Limited	24,848,214	0.52%
14. Kerry (1989) LTD.	12,424,107	0.26%
15. Kuok Traders (Hong Kong) LTD.	11,407,363	0.24%
16. Federal Homes, Inc.	4,808,478	0.10%
17. Luxhart Assets Limited	3,975,714	0.08%
18. Yan, Lucio W. Yan &/or Clara	3,142,857	0.07%
19. Antonio O. Cojuangco	3,026,964	0.06%
20. Exchange Equity Corporation	1,570,000	0.03%
	4,710,473,015	98.87%

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

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

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

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

(3) Dividends

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

Cash Dividends 2018

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

2017

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

2016

- During the regular meeting of the Issuer's Board held on 04 March 2016, the Board approved the declaration of P0.095 per share cash dividend to all shareholders of record as of 21 March 2016,

to be taken from the unrestricted retained earnings as reflected in the audited financial statements of the Issuer as of 31 December 2015, to be paid on or before 08 April 2016.

- During the regular meeting of the Issuer's Board held on 14 September 2016, the Board approved the declaration of P0.070 per share cash dividend to all shareholders of record as of 30 September 2016, to be taken from the unrestricted retained earnings as reflected in the unaudited financial statements of the Issuer as of 30 June 2016, to be paid on or before 07 October 2015

Stock Dividends

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

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

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

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

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

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

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

- Management's Discussion and Analysis
 - Full Fiscal Years

Key Performance Indicators

		31-Dec		%
		2017	2016	Change
Turnover	(Php M)	14,852	11,279	31.7%
Profit Attributable to shareholders	(Php M)	3,346	2,906	15.1%
Earnings per share	(Php Ctv)	0.703	0.610	15.1%
Net Asset Value per share	(Php)	6.397	5.860	9.1%
Price Earnings Ratio	(Times)	4.454	5.326	-16.4%

- Turnover consists of sales of residential condominium units, revenue from rental and cinema, hotel operations, and other income. Shang Properties' total revenue increased by P3.6 billion (B) to P14.9B for calendar year 2017 from P11.3B total revenue for calendar year 2016. Sales of residential condominium units accounted for P8.2B or 55.2% of the total turnover. Revenue from rental and cinema operations amounted to P3.0B - higher by P88.9 million (M) from last year's P2.9B. Shangri-La at the Fort's hotel operations contributed revenue amounting to P2.6B or 17.5% of the total turnover, higher by P1.2B from last year's P1.3B. Other income increased by P145.6M mainly due to higher gain on fair value adjustment of investment properties.
- Profit attributable to shareholders pertains to net income from operations after tax of the Group. It went up by P440.3M or 15.1% compared with last year.

- Earnings per share of ₱0.703 were higher by 15.1% from last year's ₱0.610.
- Net Asset value per share is calculated by dividing the total net asset of the company (Total asset – Total liabilities) by the number of shares outstanding.
- Net asset value per share increased by 9.1% mainly due to higher income generated during the year and revaluation of the Group's investment properties.
- Price Earnings ratio is a valuation of the company's current share price compared to per share earnings and calculated by dividing the market value per share by the earnings per share. Price earnings ratio is lower by 16.4% at 4.454 this year from 5.328 last year. The Group' year-end share price in 2017 is ₱3.13 from ₱3.25 in 2016.

Results of Operations

Shang Properties' consolidated net income attributable to shareholders for the year ended December 31, 2017 amounted to ₱3.3B, ₱440.2M higher than the ₱2.9B posted in the same period last year.

Calendar Year 2017 Compared to Calendar Year 2016

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

1. Increase in condominium sales by ₱2,086.2M mainly due to higher sales recognition from Horizon Homes of Shangri-La at the Fort and The Rise projects.
2. Increase in rental and cinema revenue by ₱88.9M mainly due to higher rental yield of The Enterprise Center.
3. Increase in revenue from hotel services of Shangri-La at the Fort by ₱1,252.1M mainly due to its full operations in 2017, compared to ten (10) months of operations in 2016. The hotel commenced its operations on 01 March 2016.
4. Other income increased by ₱145.6M mainly due to higher gain on fair value adjustment of investment properties and dividend income received in 2017.

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

1. Increase in cost of condominium sales by ₱1,220.7M mainly due to higher sales recognition and incremental completion of Horizon Homes and The Rise Makati projects.
2. Increase in cost of rental and cinema by ₱88.1M mainly due to higher repairs and maintenance and advertising and promotions of Shangri-La Mall this year compared to same period last year.
3. Increase in cost of hotel services by ₱1,199.1M due to its full operations during the year as compared to only ten (10) months in 2016.

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

1. Decrease in staff cost by ₱69.8M due to the lower staff cost of Shangri-La at the Fort due to completion of Horizon Homes condominium project.
2. Increase in taxes and licenses by ₱25.2M mainly due to higher business permits and taxes driven by higher revenue earned.
3. Increase in depreciation by ₱1.8M mainly due to depreciation of newly purchased transportation equipment.
4. Decrease in insurance expense by ₱16.9M is mainly due to the reclassification of the insurance coverage of Shangri-La at the Fort to cost of sales and services from operating expenses in 2016.
5. Decrease in general and administrative expenses by ₱8.3M mainly due to lower administration cost incurred due to completion of the projects.

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

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

Calendar Year 2016 Compared to Calendar Year 2015

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

1. Residential condominium projects revenue of ₱6.1B is higher by ₱1.4B from last year's ₱4.7B mainly due to the higher sales and completion level of various projects.
2. Revenue from leasing grew by ₱155.4M to ₱2.9B mainly due to rental escalation and higher rental yields particularly from leasing operations of The Enterprise Center. In addition, Shangri-La at Fort contributed ₱84.6M of rental revenue from shops in the first year of its operations.
3. The revenue from hotel services of Shangri-La at the Fort contributed ₱1.3B as it commenced its operations in 2016.
4. Other income increased by ₱43.5 M mainly due to higher interest income on accretion and installment sales.

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

1. Increase in cost of condominium by ₱1.1B mostly due higher sales of condominium units.
2. Decrease in cost of rental and cinema by ₱8.1M mainly due to recovery of reimbursable expenses from lower utility cost incurred as compared to same period last year.
3. Cost of hotel operation at Shangri-La at the Fort amounting to ₱1.5B as it commenced its operations in 2016.

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

1. Increase in staff cost by ₱52.8M primarily due to increase in manpower to cover increased operations for hotel and ongoing developments.
2. Increase in general and administrative expense by ₱340.9M mainly due to higher administration cost incurred for ongoing projects.
3. Lower depreciation expense by ₱ 3.8M mainly due to fully depreciated equipment.
4. Increase in insurance expense by ₱16.9M particularly due to additional coverage of hotel properties.

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

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

Calendar Year 2015 Compared to Calendar Year 2014

The Group' gross revenue increased by ₱671.5M or 8.8% to ₱8.3B in 2015 from ₱7.6B in 2014, mainly due to higher revenue from condominium sales and net increase in rental revenue.

1. Residential condominium projects revenue of ₱4.7B is higher by ₱889.9M from last year's ₱3.8B mainly due to the higher sales and completion level of various projects.
2. Shangri-La Plaza's revenue slightly declined by ₱41.2M mainly due to temporary close down of certain areas during the year on the Main shopping mall for renovation. Business was also affected by increased competition from newly opened shopping centers in the nearby areas.
3. The office leasing operations of The Enterprise Center grew by ₱86.8M to ₱962.6M mainly due to rental escalation and higher rental yields.
4. Interest and other income decrease by ₱270.1M mainly because 2014 included gain on remeasurement of ₱824.4M arising from the acquisition of additional 20% equity interest in Shang Global City Properties and Fort Bonifacio Shangri-La Hotel from a Third Party. In 2015, the Group recorded a gain on revaluation of investment property amounting to ₱549.4M.

Total Expenses of the Group amounted to P3.6B, P99.4M lower compared with last year's P3.5B mainly due to the net effect of the following:

1. Increase in staff cost by P163.9M primarily due to increase in manpower to cover increased operations of ongoing developments.
2. Increase in general and administrative expense by P27.8M mainly due to higher administration cost incurred in 2015 for ongoing projects.
3. Increase in depreciation expense by P2.1M mainly due to the additional office improvements and transportation equipment.
4. Increase in insurance expense by P2.2M particularly due to additional coverage of properties.

The abovementioned increases in expenses are offset by:

5. Lower reimbursable expenses which reduced by P17.7M mainly due to lower electricity rates in 2015 compared with 2014.
6. Decrease in interest expense and bank charges by P25.5M mainly due to loan repayment during the year.
7. Cost of condominium sales reduced by P 67.8M mostly due to savings in construction cost in One Shangri-la Place Project.

Share in net income of associates was higher by P80.4M compared with last year primarily gain in fair value adjustment of investment property of an associated company.

Provision for income tax is higher by P193.6 mainly due to higher taxable income generated during the period compared with the same period last year.

Financial Condition

Calendar Year 2017 Compared to Calendar Year 2016

Total assets of the Company amounted to P60.4B, decreased by P1.3B from the total assets of P61.8B in December 31, 2016. The following are the significant movements in the assets:

Increase in cash and cash equivalents by P789.6M mainly due to collection from sales of condominium projects.

Increase in financial assets at fair value through profit or loss by P13.4M due to gain on fair value adjustment recognized during the year.

Increase in receivables by P1,230.3M mainly due to receivables from sale of condominium units, hotel guests and advances to associated company.

Decrease in properties held for sale by P4,418.1M due to recognition of sales of various condominium units.

Decrease in prepaid taxes and other current assets by P650.5M mainly due to the input VAT claimed against output VAT liabilities and the creditable withholding tax applied to income tax payable during the period.

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

Decrease in real estate development projects by P39.9M mainly due to completion of Shangri-la at the Fort project. In 2017, the cost of the completed portion of the hotel was reclassified to property and equipment.

Increase in property and equipment by P1.5B mainly due to reclassification from real estate development cost the completed portion of Shangri-La at the Fort Hotel.

The net decrease in total liabilities by P4,508.9M from P28.4B in 2016 to P23.9B in 2017 mainly due to the following:

Net decrease in installment payable by P133.8M is mainly due to quarterly payments during the year.

Decrease in bank loans mainly due to repayments amounting to P4,676.6M.

Increase in deferred lease income (P12.9M) and advance rental (P71.2M) mainly due to higher deposits from new tenants of The Enterprise Center and (TEC) and Shangri-La Plaza.

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

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

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

Calendar Year 2016 Compared to Calendar Year 2015

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

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

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

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

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

Increase in property and equipment by ₱10.3B mainly due to completion of Shangri-La at the Fort hotel project. The cost was reclassified from real estate development project.

The recognized deferred income tax assets decreased by ₱30.8M mainly due to difference in method of accounting the gross profit on sale of condominium units between financial statements and income tax reporting. The sale of condominium units was recognized for income tax reporting while percentage of completion was recognized in the financial statements. The difference between the two methods resulted to the recognition of deferred tax assets.

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

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

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

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

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

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

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

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

Calendar Year 2015 Compared to Calendar Year 2014

Total assets of the Company amounted to ₱59.3B, a growth of ₱4.6B from total assets of ₱54.7B, in December 31, 2014. The following are significant movements in the assets:

Increase in cash and cash equivalents by ₱1.1B mainly due to higher collection from sales of condominium projects.

Receivables, including installment contract receivable, decreased by ₱1.3B mainly due to collection of installment receivables and liquidation of advances to contractors and suppliers for the completed projects.

Properties held for sale increased by ₱1.4B mainly due to on-going construction of the condominium projects at Shangri-La at the Fort, Shang Salcedo Place and The Rise in Makati.

Increase in investment in associates and joint venture by ₱81.1M mainly due to fair value adjustment of investment property of an associated company.

Increase in investment properties by ₱1.1B mainly due to fair value adjustment of properties held by the Group.

Real estate development project increased by ₱2.4B primarily due to the construction of the hotel portion of the Shangri-La at the Fort project.

Increase in property and equipment by ₱68.3M mainly due to purchase of various equipment.

The recognized deferred income tax assets decreased by ₱120.5M mainly due to difference in accounting recognition of profit between installment method versus percentage of completion method.

Increase in accounts payable and other current liabilities by ₱674M due to higher payable to contractors for the construction of various projects.

Installment payable of ₱863M was recognized during 2015 arising from the purchase of land for The Rise project.

Net increase in bank loans by ₱315.7M was due to additional loan availment by the Shangri-La at the Fort project for property development amounting to ₱2,211.5M and repayment of loans totaling to ₱1,896M during 2015.

Decrease in deferred lease income by ₱ 17.5M mainly due to amortization using a straight-line basis over the lease term.

Increase in income tax payable by ₱55.7M due to higher taxable income generated during the year.

Increase in dividends payable by ₱44.2M mainly due to additional unclaimed cash dividends during 2015.

Decrease in accrued employee benefits by ₱18.7M was mainly due to the benefit payments made during the year.

Deposit for future stock subscription amounting to ₱1,959M was converted into equity during 2015.

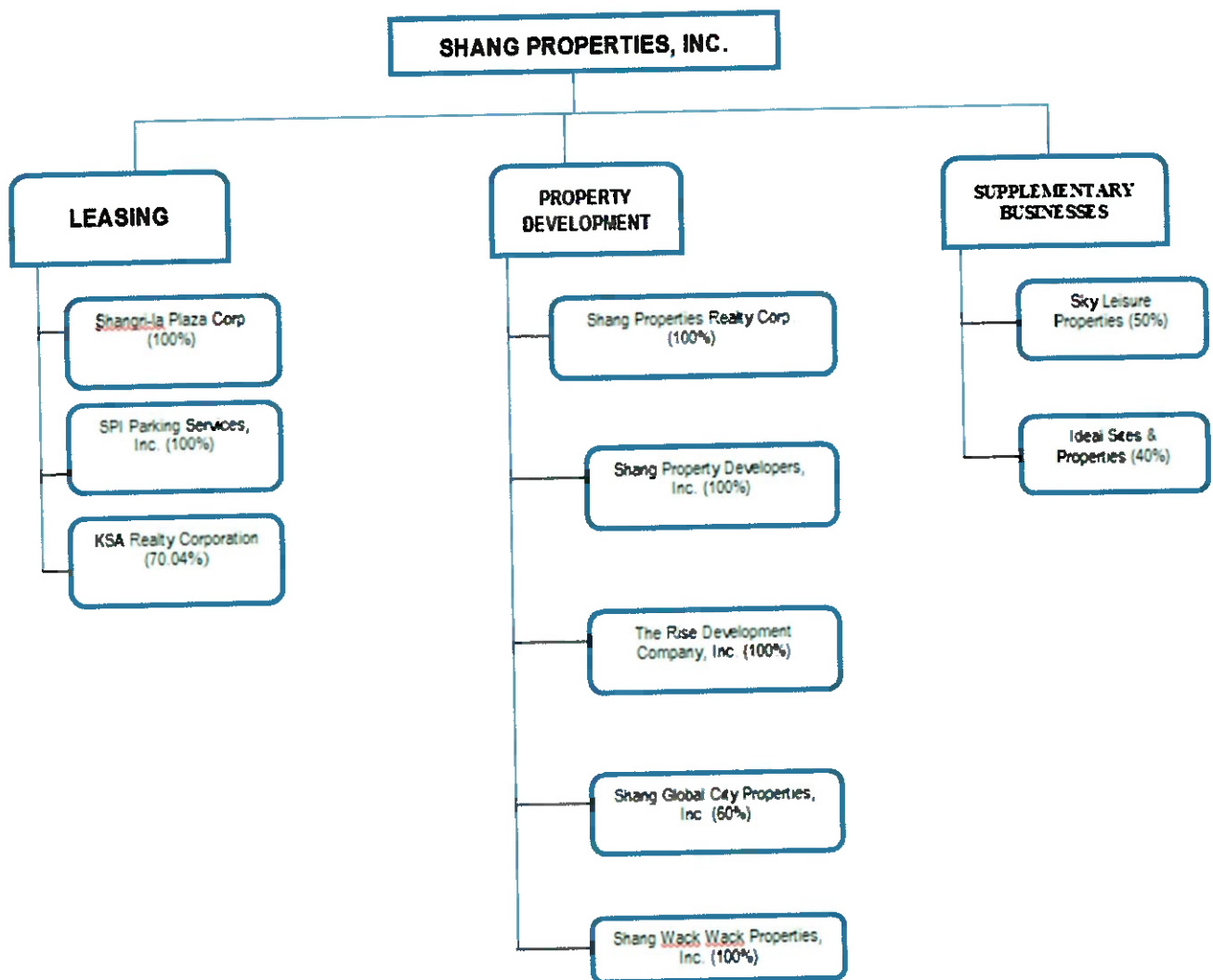
Changes in Financial Condition

Net cash provided by operating activities in 2017 amounted to ₱7.3B. The cash inflows in 2017 and 2016 include collection of revenue from various condominium projects, rental revenue from mall operation of the Shangri-La Plaza and leasing operations of TEC, and hotel operations of Shangri-La at the Fort. The cash inflows in 2015 mainly include collection of revenues from condominium units of One Shangri-La and Shang Salcedo projects, rental revenue from mall and office leasing of TEC. Net cash provided by operating activities in 2016 in 2015 amounted to ₱4.3B and ₱4.9B, respectively.

Net cash used in investing activities in 2017 amounted to ₱455.6M mainly used in the acquisition of investment properties and property and equipment totaling to ₱509.6M. In 2016, net cash used in investing activities amounted to ₱3.4B mainly used in the acquisition of additional interest in a subsidiary (₱1.4B) and acquisition of property and equipment (₱1.3B). Net cash used in investing activities in 2015 amounted to ₱2.9B mainly used in acquisition of real estate development projects.

Net cash used in financing activities in 2017 and 2016 amounted to ₱6.1B and ₱830.2M, respectively, mainly used in payments of loan principal, interest and cash dividends. In 2015, net cash used in financing activities amounted to ₱838.1M mainly used in payments of bank loans and cash dividends.

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



SHANG PROPERTIES, INC. AND SUBSIDIARIES

SCHEDULE OF THE EFFECTIVE STANDARDS AND INTERPRETATIONS

		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements				
Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions*		✓	
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts*		✓	

		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 9, PFRS 7 and PAS 39: Hedge Accounting*		✓	
	Amendments to PFRS 9 and PFRS 7: Mandatory Effective Date and Transition Disclosures*		✓	
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments*		✓	
	Amendments to PFRS 9, PFRS 7 and PAS 39: Hedge Accounting*		✓	
	Amendments to PFRS 9 and PFRS 7: Mandatory Effective Date and Transition Disclosures*		✓	
	Amendments to PFRS 9: Prepayment Features with Negative Compensation*		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception for Investment Entities	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint		✓	

		Adopted	Not Adopted	Not Applicable
	Venture*			
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Acquisition of an Interest in a Joint Operation			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception for Investment Entities	✓		
	Amendment to PFRS 12: Clarification on the scope of the standard	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers*		✓	
	Amendments to PFRS 15: Clarifications to PFRS 15*		✓	
PFRS 16	Leases*		✓	
PFRS 17	Insurance contracts*		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		

		Adopted	Not Adopted	Not Applicable
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 16 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
(Revised)	Amendments to PAS 19: Contributions from Employees or Third Parties			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment to PAS 21: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓

		Adopted	Not Adopted	Not Applicable
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendments to PAS 27: Use of Equity Method in Separate Financial Statements			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendments of PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception for Investment Entities	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contributions of Assets between an Investor and its Associate or Joint Venture*		✓	
	Amendment to PAS 28: Measuring an associate or joint venture at fair value*		✓	
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures*		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 16 and PAS 38: Acceptable Methods of Depreciation and Amortization			✓

		Adopted	Not Adopted	Not Applicable
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to IFRIC 9 and PAS 39: Embedded Derivatives			✓
	Amendments to PAS 39: Novation of Derivatives			✓
	Amendments to PFRS 9, PFRS 7 and PAS 39: Hedge Accounting*		✓	
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Transfers of Investment Property*		✓	
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		

		Adopted	Not Adopted	Not Applicable
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to IFRIC 14: Prepayments of a Minimum Funding Requirement	✓		
IFRIC 15	Agreements for the Construction of Real Estate*		✓	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration*		✓	
IFRIC 23	Uncertainty over Income Tax Treatments*		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases – Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓

		Adopted	Not Adopted	Not Applicable
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

Shang Properties, Inc. and Subsidiaries

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

	2017	2016
Unappropriated Retained Earnings attributable to shareholders of Parent Company, beginning	P12,820,363,797	P11,062,642,064
Fair value adjustment of investment properties in prior years, net of tax	(7,254,442,009)	(6,937,673,109)
Fair value adjustment of Financial Asset at FVPL in prior years, net of tax	-	(1,143,197)
Unappropriated Retained Earnings attributable to shareholders of Parent Company, as adjusted, beginning	5,565,921,788	4,123,825,758
Net income attributable to shareholders of Parent Company based on the face of audited financial statements	2,704,412,229	2,543,438,589
Add (Less):		
Fair value adjustment of financial assets at FVPL	-	21,828
Fair value adjustment of investment property resulting to gain	(1,031,373,328)	(316,768,900)
Net income actually earned during period	1,673,038,901	2,226,691,517
Less: Dividends declarations during the year	(785,716,856)	(785,716,856)
	887,322,045	1,440,974,661
TOTAL RETAINED EARNINGS ATTRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY AVAILABLE FOR DIVIDEND DECLARATION, END	P6,453,243,833	P5,564,800,419

Item 5. Financial soundness indicators in two comparative periods:

Financial Ratios

Financial Ratios		Fiscal Year Ended	Fiscal Year Ended
		December 31, 2017	December 31, 2016
Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	2.05	2.09
Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	1.91	1.90
Solvency Ratio	Total Assets / Total Liabilities	2.53	2.17
Financial Leverage Ratios			
Debt Ratio	Total Debt/Total Assets	0.40	0.46
Debt-to-Equity Ratio	Total Debt/Total Stockholders' Equity	0.66	0.85
Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	18.12	18.11
Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	1.66	1.85
Profitability Ratios			
Gross Profit Margin	Sales - Cost of Goods Sold or Cost of Service / Sales	0.45	0.51
Net Profit Margin	Net Profit / Sales	0.31	0.34

Return on Assets	Net Income / Total Assets	0.06	0.05
Return on Equity	Net Income / Total Stockholders' Equity	0.09	0.09
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	4.45	5.33

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

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

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

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

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

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

Not Applicable

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

Not Applicable

Item 7. Information of Independent Accountant and other related matters

a. External Audit Fees and Services

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

	2017	2016
Audit Fees	4,703,601	4,072,287

Tax Consultancy Fees	884,553	565,000
	5,588,154	4,637,287

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

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

None

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

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

The issuer is compliant with the SRC rule 68, as amended, par 3(b)(iv), and has observed the rotation of signing partners for its Independent Public Accountants, Isla Lipana & Co. (Price WaterHouse Coopers Philippines). With respect to Isla Lipana & Co, the signing partner starting FY 2017 is Imelda Ronnie de Guzman - Castro. Isla Lipana & Co is a SEC-accredited external auditing firm, effective until July 15, 2018.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

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

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

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

The Directors, Independent Directors and Executive Officers of the Issuer are as follows (as of 31 March 2018):

Name	Citizenship	Director/ No. of Years	Age	Office Held	Directorship in other reporting (Listed) Companies
Edward <u>Kuok</u> Khoon Loong	Malaysian	Yes /26 yrs.	65	Chairman	None
Alfredo C. Ramos	Filipino	Yes /29 yrs. & 7 mos.	74	Vice Chairman	Anglo Philippine Holdings Corp., The Philodrill Corp., Vulcan and Industrial Mining and Development Corp., Penta Capital Holdings Corp., Philippine Seven Corp.
Cynthia R. Del Castillo	Filipino	Yes /16yrs & 9 mos.	65		Sanitary Wares & Mfg. Corp.
Benjamin I. Ramos	Filipino	Yes /7 yrs. & 7 mos.	48		None
Wilfred Shan Chen Woo	Canadian	Yes/ 6 yrs. & 7 mos.	60		None
Antonio O. Cojuangco***	Filipino	Yes /10 yrs. & 7 mos.	66		None
Ho Shut Kan	New Zealand	Yes /7 yrs & 9 mos.	67		None
Karlo Marco P. Estavillo	Filipino	Yes/1 yr. & 6 mos.	46	Treasurer/ CFO/COO	None
Gregory Allan Dogan	British	Yes/1 yr. & 6 mos.	53	Executive Director	None
Maximo G. Licaucó III	Filipino	Yes/4 yrs & 4 mos.	68		None

Uday Deshpande	Singapore	(No)	55	VP/Group Financial Controller	None
Federico G. Noel, Jr.	Filipino	(No)	56	Corporate Secretary	None
Maria Myla Rae S. Orden	Filipino	(No)	52	Asst. Corp. Secretary	None

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

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

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

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

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

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

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

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

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

Gregory Allan Dogan served as the Chief Executive Officer and President of Shangri-La Hotel Public Company Limited and Shangri-La International Hotel Management Ltd. and as the Chief Operating Officer of Shangri-La International Hotel Management Ltd. He has over 25 years of experience in the hospitality industry. He has also held senior property management positions, including Vice President and General Manager of Makati Shangri-La, Manila. He joined the

Shangri-La Group in 1997 as Executive Assistant Manager of Mactan Island Resort, Cebu. His hospitality career has spanned Asia, Europe, and the Middle East.

Uday Deshpande is the Group Financial Controller. He earned his Bachelor of Commerce degree in the University of Poona India and is a certified Chartered Management Accountant with The Chartered Institute of Management Accountants, UK and The Institute of Chartered Accounts of India. Mr. Deshpande has many years of solid accounting and finance experience from his years of work internationally in Hong Kong, Taiwan, Japan, Europe, Middle East and Singapore.

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

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

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

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

(2) Significant Employees

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

(3) Family Relationships

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

(4) Involvement in Certain Legal Proceedings

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

Item 10. Executive Compensation

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

The following is a summary of the aggregate compensation paid or accrued during the last two (2) fiscal years, i.e. 2016 and 2017 and to be paid in the ensuing fiscal year 2018 to the Company's Chief Executive Officer and four (4) other most highly compensated executive officers who are individually named, and to all other officers and directors of the Company as a group:

OFFICERS/DIRECTORS	FISCAL YEAR	AGGREGATE COMPENSATION (in P)		
		Basic	Bonus	Total
2018		67,188,532.67	26,901,485.92	94,090,018.59
Gregory Allan Dogan				
Karlo Marco P. Estavillo				
Uday Deshpande				
Federico G. Noel, Jr.				
Koay Kean Choon				
Danila Regina I. Fojas				
2017		66,846,557.67	22,498,433.00	89,344,990.67
Gregory Allan Dogan				
Karlo Marco P. Estavillo				
Kin Sun Andrew Ng				
Federico G. Noel, Jr.				
Koay Kean Choon				
Danila Regina I. Fojas				
2016		44,242,709.33	19,551,119.69	63,793,829.02
Karlo Marco P. Estavillo				
Kin Sun Andrew Ng				
Federico G. Noel, Jr.				
Koay Kean Choon				
Danila Regina I. Fojas				

Compensation of Directors

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

Other arrangements with Directors

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

Warrants and options

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

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

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

Following are the stockholders who are known to the Issuer to be directly or indirectly the record and/or beneficial owner of more than 5% of any class of the Issuer's voting shares as of **31 March 2018**.

Title of Class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage
Common	Travel Aim Investment B. V. 25/F Kerry Centre 683 King's Road Quarry Bay, HK	R	Filipino	1,648,869,372	34.61%
Common	Ideal Sites & Properties, Inc.	R	Filipino	1,465,144,626	30.75%
Common	PCD Nominee Corporation (Filipino) G/F, MSE Building 6767 Ayala Avenue Makati City	R	Filipino	1,019,154,924	21.39%

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

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

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

(2) Security Ownership of Management (as of 31 March 2018)

Title of Class	Name of Beneficial Owner	Amount and Nature of beneficial ownership	Citizenship	Percent of Class
Common	Edward Kuok Khoon Loong	808,008(D)	Malaysian	0.016%
Common	Alfredo C. Ramos	157(D)	Filipino	0.000%
Common	Ho Shut Kan	1,570 (D)	New Zealand	0.000%
Common	Cynthia R. Del Castillo	1(D)	Filipino	0.000%
Common	Benjamin I. Ramos	2 (D)	Filipino	0.000%
Common	Maximo G. Licaucó III	1(D)	Filipino	0.000%
Common	Federico G. Noel, Jr.	1(D)	Filipino	0.000%
Common	Antonio O. Cojuangco	3,026,964(D)	Filipino	0.063%
Common	Wilfred Shan Chen Woo	-	Canadian	-
Common	Karlo Marco P. Estavillo	-	Filipino	-
Common	Gregory Allan Dogan	-	British	-

As of the reporting of SEC Form 17-A for 2018, the aggregate ownership of all directors and officers as a group unnamed is 3,842,714 shares or 0.000% of the outstanding shares of Issuer.

(3) Voting trust holders of 5% or more

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

(4) Changes in Control



Isla Lipana & Co.

Independent Auditor's Report

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

Report on the Audit of the Separate Financial Statements

Our Opinion

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

What we have audited

The separate financial statements of the Company comprise:

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

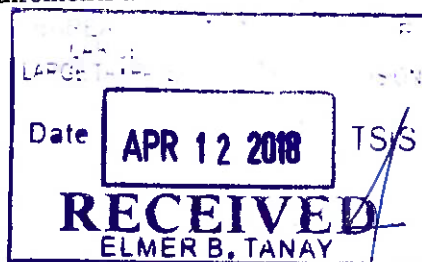
Basis for Opinion

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

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

Independence

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



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Isla Lipana & Co.

Independent Auditor's Report
To the Board of Directors and Shareholders of
Shang Properties, Inc.
Page 2

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

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

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

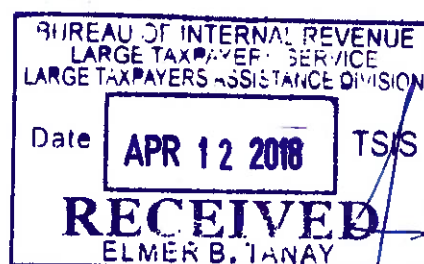
Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether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

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

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

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

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





Isla Lipana & Co.

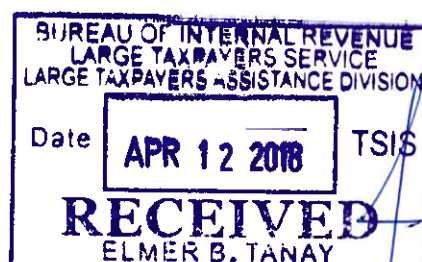
Independent Auditor's Report
To the Board of Directors and Shareholders of
Shang Properties, Inc.
Page 3

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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





Isla Lipana & Co.

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

Other Matter

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

Report on the Bureau of Internal Revenue Requirement

Our audit was conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information in Note 26 to the separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audit of the basic separate financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic separate financial statements taken as a whole.

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

Isla Lipana & Co.

Imelda Ronnie G. Castro

Imelda Ronnie de Guzman-Castro
Partner

CPA Cert. No. 89352

P.T.R. No. 0011287; issued on January 10, 2018 at Makati City

SEC A.N. (individual) as general auditors 0410-AR-3, Category A; effective until February 2, 2019

SEC A.N. (firm) as general auditors 0009-FR-4; Category A; effective until July 15, 2018

T.I.N. 152-015-095

BIR A.N. 08-000745-44-2015; issued on December 8, 2015; effective until December 7, 2018

BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
March 14, 2018





Isla Lipana & Co.

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

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

We have audited the financial statements of Shang Properties, Inc. (the "Company") as at and for the year ended December 31, 2017, on which we have rendered the attached report dated March 14, 2018.

In compliance with SRC Rule 68 and based on the certification received from the Company's corporate secretary and the results of work performed by us, the Company has four thousand six hundred forty three (4,643) shareholders owning one hundred (100) or more shares as at December 31, 2017.

Isla Lipana & Co.

Imelda Ronnie H. Castro

Imelda Ronnie de Guzman-Castro
Partner

CPA Cert. No. 89352

P.T.R. No. 0011287; issued on January 10, 2018 at Makati City

SEC A.N. (individual) as general auditors 0410-AR-3, Category A; effective until February 2, 2019

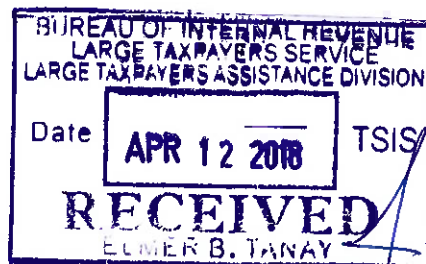
SEC A.N. (firm) as general auditors 0009-FR-4; Category A; effective until July 15, 2018

T.I.N. 152-015-095

BIR A.N. 08-000745-44-2015; issued on December 8, 2015; effective until December 7, 2018

BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
March 14, 2018



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Isla Lipana & Co.

Statement Required by Rule 68, Part I, Section 4,
Securities Regulation Code (SRC),
As Amended on October 20, 2011

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

We have audited the financial statements of Shang Properties, Inc. as at and for the year ended December 31, 2017, on which we have rendered the attached report dated March 14, 2018. The supplementary information shown in the Reconciliation of Retained Earnings Available for Dividend Declaration and Schedule of Philippine Financial Reporting Standards effective as at December 31, 2017, as additional components required by Part I, Section 4 of Rule 68 of the SRC, is presented for purposes of filing with the Securities and Exchange Commission and is not required parts of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in the audit of the basic separate financial statements. In our opinion, the supplementary information has been prepared in accordance with Part 1, Section 4 of Rule 68 of the SRC.

Isla Lipana & Co.

Imelda Ronnie de Guzman-Castro
Partner

CPA Cert. No. 89352

P.T.R. No. 0011287; issued on January 10, 2018 at Makati City

SEC A.N. (individual) as general auditors 0410-AR-3, Category A; effective until February 2, 2019

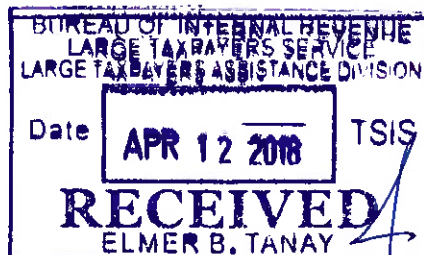
SEC A.N. (firm) as general auditors 0009-FR-4; Category A; effective until July 15, 2018

T.I.N. 152-015-095

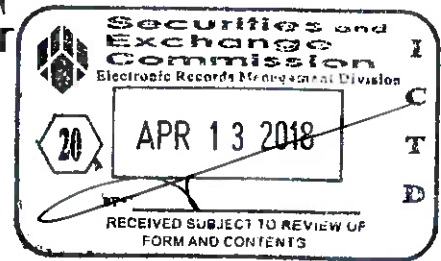
BIR A.N. 08-000745-44-2015; issued on December 8, 2015; effective until December 7, 2018

BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
March 14, 2018



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T: +63 (2) 845 2728, F: +63 (2) 845 2806, www.pwc.com/ph



SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

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

Signature 
Edward Kuok Khoo Loong

Signature 
Wilfred Shan Chen Woo

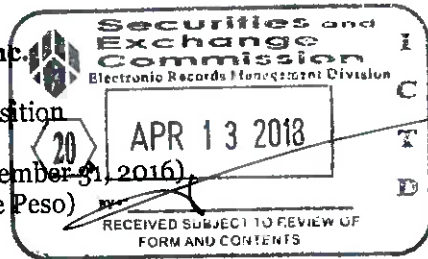
Signature 
Karlo Marco P. Estavillo

SUBSCRIBED AND SWORN TO BEFORE ME in the City
of Mandaluyong this 13 day APR 2018
affiant exhibiting to me his/her 20
as competent evidence of identity.

Signed this 14th day of March

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Page No. 92;
Book No. 19;
Series of 2018

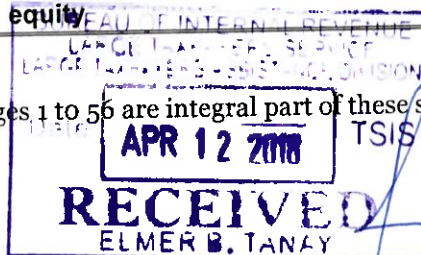
JOVEN G. SELLANO
NOTARY PUBLIC FOR CITY OF MANDALUYONG
COMMISSION NO. 0285-17 UNTIL DECEMBER 31, 2018
ROLL NO. 53970
IBP LIFETIME NO. 011302; 12-28-12; RIZAL
PTR NO. 3388587; 1-3-10; MANDALUYONG
MCLE COMPLIANCE NO. IV - 0014673 14 APRIL 2019
METRO MART COMPLEX, MANDALUYONG CITY

Shang Properties, Inc.


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

	Notes	2017	2016
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	2	250,594,774	895,147,844
Financial assets at fair value through profit or loss	3	3,216,005	4,220,712
Trade and other receivables, net	4	1,247,988,644	180,916,038
Properties held for sale, net	5	45,709,905	49,235,184
Prepayments and other current assets	6	218,295,386	164,793,318
Total current assets		1,765,804,714	1,294,313,096
Non-current assets			
Investments and advances	7	14,160,320,242	14,278,303,032
Investment properties	8	10,947,542,443	9,468,362,674
Available-for-sale financial assets	9	103,340,867	98,740,867
Property and equipment, net	10	41,999,333	36,750,592
Retirement benefit asset	17	14,526,704	4,226,500
Other non-current assets		1,054,424	32,103,024
Total non-current assets		25,268,784,013	23,918,486,689
Total assets		27,034,588,727	25,212,799,785
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Accounts payable and other current liabilities	11	445,969,394	466,826,481
Current portion of long-term loan	12	533,333,333	533,333,333
Dividends payable	13	37,515,266	33,035,177
Total current liabilities		1,016,817,993	1,033,194,991
Non-current liabilities			
Long-term loan, net of current portion	12	2,000,000,000	2,533,333,334
Deposits from tenants		1,269,161	1,269,161
Deferred income tax liabilities, net	18	3,320,237,290	2,861,529,402
Total non-current liabilities		5,321,506,451	5,396,131,897
Total liabilities		6,338,324,444	6,429,326,888
Equity			
Share capital	13	4,764,058,982	4,764,058,982
Share premium	13	1,210,073,869	1,210,073,869
Treasury shares	13	(6,850,064)	(6,850,064)
Other comprehensive loss	9, 17	(5,153,080)	(4,173,687)
Retained earnings	13	14,734,134,576	12,820,363,797
Total equity		20,696,264,283	18,783,472,897
Total liabilities and equity		27,034,588,727	25,212,799,785

The notes on pages 1 to 56 are integral part of these separate financial statements.

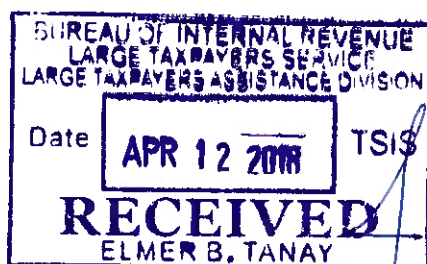


Shang Properties, Inc.

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

	Notes	2017	2016
Revenue			
Rental	8, 21	234,385,257	221,019,268
Sale of condominium units	5	4,819,822	550,278
		239,205,079	221,569,546
Costs and expenses			
Staff costs	14	145,542,436	91,723,673
Taxes and licenses	15	26,739,867	17,383,640
Depreciation and amortization	10	8,591,238	10,063,386
Cost of condominium units sold	5	3,525,279	550,278
Other general and administrative expense	15	84,612,831	56,168,200
		269,011,651	175,889,177
Other income (expense)			
Dividend income	19	1,808,903,762	2,302,262,465
Gain on fair value adjustment of investment properties	8	1,473,390,469	452,527,000
Interest expense	12	(114,661,991)	(128,955,324)
Interest income	2	7,509,399	8,364,211
Other income, net	16	18,204,791	1,652,721
		3,193,346,430	2,635,851,073
Income before provision for income tax		3,163,539,858	2,681,531,442
Provision for income tax	18	(464,052,223)	(138,092,853)
Net income for the year		2,699,487,635	2,543,438,589
Other comprehensive income (loss)			
Item that may be subsequently reclassified to profit or loss			
Increase in fair value of available-for-sale financial assets, net of tax	9	4,620,000	5,497,500
Item that may not be subsequently reclassified to profit or loss			
Remeasurement loss on retirement benefit obligation, net of tax	17	(5,599,393)	(3,824,450)
		(979,393)	1,673,050
Total comprehensive income for the year		2,698,508,242	2,545,111,639
Basic and diluted earnings per share	13	0.57	0.53

The notes on pages 1 to 56 are integral part of these separate financial statements.



Shang Properties, Inc.

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

	Other comprehensive income (loss)					
	Cumulative changes in fair value of available-for-sale financial assets					
	Share capital (Note 13)	Share premium (Note 13)	Treasury shares (Note 13)	Retained earnings (Note 13)	Other comprehensive income (loss)	Total
Balances at January 1, 2016	4,764,058,982	1,210,073,869	(6,850,064)	4,847,500	(10,694,237)	11,062,642,064
Comprehensive income						
Net income for the year	-	-	-	-	-	2,543,438,589
Other comprehensive income (loss)						
Increase in fair value of available-for-sale financial assets	-	-	-	5,497,500	-	5,497,500
Remeasurement loss on retirement benefit obligation, net of tax of P1,639,050	-	-	-	-	(3,824,450)	(3,824,450)
Total comprehensive income (loss)	-	-	-	5,497,500	(3,824,450)	2,543,438,589
Transaction with owners						
Cash dividends declared (Note 13)	-	-	-	-	-	(785,716,856)
Balances at December 31, 2016	4,764,058,982	1,210,073,869	(6,850,064)	10,345,000	(14,518,687)	12,820,363,797
Comprehensive income						
Net income for the year	-	-	-	-	-	2,699,487,635
Other comprehensive income (loss)						
Decrease in fair value of available-for-sale financial assets, net of tax of P1,980,000	-	-	-	4,620,000	-	4,620,000
Remeasurement loss on retirement benefit obligation, net of tax of P2,399,738	-	-	-	-	(5,599,393)	(5,599,393)
Total comprehensive income (loss)	-	-	-	4,620,000	(5,599,393)	2,699,487,635
Transactions with owners						
Cash dividends declared (Note 13)	-	-	-	-	-	(785,716,856)
Balances at December 31, 2017	4,764,058,982	1,210,073,869	(6,850,064)	14,965,000	(20,118,080)	14,734,134,576
						20,696,264,283

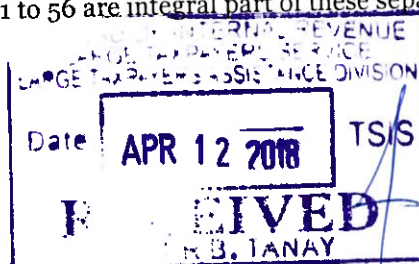
The notes on pages 1 to 56 are integral part of these separate financial statements.

Shang Properties, Inc.

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

	Notes	2017	2016
Cash flows from operating activities		3,163,539,858	2,681,531,442
Income before provision for income tax			
Adjustments for:			
Interest expense	12	114,661,991	128,955,324
Depreciation and amortization	10	8,591,238	10,063,386
Retirement benefit expense	17	7,556,564	7,164,044
Write-off of available-for-sale financial assets	16	2,000,000	-
Loss on fair value adjustment of financial assets at fair value through profit or loss	3	1,004,707	21,828
Unrealized foreign exchange loss (gain), net	2,16	680,746	(565,453)
Gain on sale of property and equipment	16	(811,133)	(254,463)
Interest income	2	(7,509,399)	(8,364,211)
Gain on fair value adjustment of investment properties	8	(1,473,390,469)	(452,527,000)
Dividend income	19	(1,808,903,762)	(2,302,262,465)
Operating income before working capital changes		7,420,341	63,762,432
Changes in working capital:			
Trade and other receivables		(1,067,345,183)	(54,824,811)
Properties held for sale		3,525,279	550,278
Prepayments and other current assets		(58,426,663)	(30,089,541)
Other non-current assets		31,048,600	(31,677,600)
Accounts payable and other current liabilities		(20,857,087)	38,883,487
Cash absorbed by operations		(1,104,634,713)	(13,395,755)
Interest received		7,781,976	9,926,968
Contributions paid to retirement plan		(6,559,266)	(10,024,402)
Retirement benefits paid directly by the Company		(19,296,633)	(1,975,762)
Net cash used in operating activities		(1,122,708,636)	(15,468,951)
Cash flows from investing activities			
Dividends received	19	1,808,903,762	3,005,860,344
Decrease (Increase) in investments and advances	7	117,982,790	(2,248,080,483)
Proceeds from sale of property and equipment		811,139	254,463
Additions to:			
Investment properties	8	(5,789,300)	(3,929,860)
Property and equipment	10	(13,839,985)	(11,752,261)
Net cash provided by investing activities		1,908,068,406	742,352,203
Cash flows from financing activities			
Payments of:			
Cash dividends	13	(781,236,769)	(781,146,540)
Loan principal	12	(533,333,334)	(133,333,333)
Interest	12	(114,661,991)	(129,620,749)
Net cash used in financing activities		(1,429,232,094)	(1,044,100,622)
Net decrease in cash and cash equivalents for the year		(643,872,324)	(317,217,370)
Cash and cash equivalents as at January 1		895,147,844	1,211,799,761
Effects of exchange rate changes on cash and cash equivalents		(680,746)	565,453
Cash and cash equivalents as at December 31	2	250,594,774	895,147,844

The notes on pages 1 to 56 are integral part of these separate financial statements.



Shang Properties, Inc.

Notes to the Separate Financial Statements

As at and for the year ended December 31, 2017

(With comparative figures as at and for the year ended December 31, 2016)

(In the notes, all amounts are shown in Philippine Peso, unless otherwise stated)

Note 1 - General information

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

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

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

The separate financial statements have been approved and authorized for issue on March 14, 2018 by the Company's Board of Directors.

Note 2 - Cash and cash equivalents

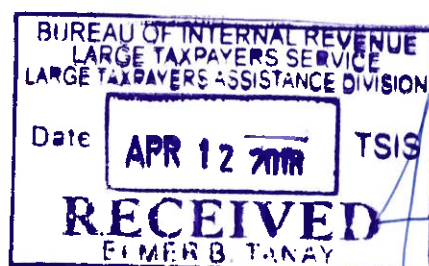
Cash and cash equivalents as at December 31 consist of:

	2017	2016
Cash on hand	87,767	65,663
Cash in banks	24,597,929	400,369,274
Cash equivalents	225,909,078	494,712,907
	250,594,774	895,147,844

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

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

Interest income earned and interest receivable for the year ended and as at December 31, 2017 amounted to P7,509,399 and P56,654, respectively (2016 - P8,364,211 and P329,231, respectively) (Note 4).



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

	2017			2016		
	Foreign currency	Exchange rate	Peso Equivalent	Foreign currency	Exchange rate	Peso Equivalent
US Dollar	369,741	49.92	18,457,470	7,934,434	49.72	394,500,058
HK Dollar	2,000	6.39	12,780	53,401	6.42	342,834
			18,470,250			394,842,892

Realized and unrealized foreign exchange credited/charged to income for the year ended December 31, 2017 amounted to P22,933,177 gain and P680,746 loss, respectively (2016 - nil and P565,453 gain) (Note 16).

Note 3 - Financial assets at fair value through profit or loss

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

	Note	2017	2016
Beginning of year		4,220,712	4,242,540
Loss on fair value adjustments	16	(1,004,707)	(21,828)
End of year		3,216,005	4,220,712

Fair value adjustments of financial assets at fair value through profit or loss values are presented in the statement of total comprehensive income as part of other income (Note 16).

Note 4 - Trade and other receivables, net

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

	Notes	2017	2016
Trade rental receivables	19	54,292,878	51,984,392
Receivables from related parties	19	1,187,925,752	128,378,853
Advances to officers and employees		556,988	754,493
Interest	2	56,654	329,231
Others		7,288,415	2,583,474
		1,195,827,809	132,046,051
Allowance for impairment of other receivables		(2,132,043)	(3,114,405)
		1,193,695,766	128,931,646
		1,247,988,644	180,916,038

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

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

Other receivables pertain to deposits and downpayments to suppliers and contractors which are non-interest bearing and are payable upon demand.

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

The movement in allowance for impairment of other receivables pertains to write-off of other receivables amounting to P982,362. There was no additional provision recognized during the year.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables presented above. There were no trade and other receivables pledged as collaterals as at December 31, 2017 and 2016.

Note 5 - Properties held for sale, net

Properties held for sale consists of condominium units for sale in the ordinary course of business. Movements in properties held for sale for the years ended December 31 are as follows:

	2017	2016
January 1	49,235,184	49,785,462
Recognized cost of condominium units sold	(3,525,279)	(550,278)
December 31	45,709,905	49,235,184

Properties held for sale are stated at cost and no allowance for write-down is provided as at December 31, 2017 and 2016.

The cost of condominium units sold recognized as cost and expense is shown in the statement of total comprehensive income.

Note 6 - Prepayments and other current assets

Prepayments and other current assets as at December 31 consist of:

	2017	2016
Creditable withholding tax	185,856,700	161,818,208
Prepaid expenses	32,438,686	1,661,495
Prepaid taxes	-	1,313,615
	218,295,386	164,793,318

Prepaid expenses pertain to membership fees and dues, subscriptions and insurance.

Note 7 - Investments and advances

Investments and advances at December 31 consist of:

	Ownership %		Amount	
	2017	2016	2017	2016
Subsidiaries:				
Property development:				
Shang Global City Properties, Inc. (SGCPI) (d)	60	60	1,959,000,000	1,959,000,000
Shang Properties Realty Corporation (SPRC)	100	100	950,036,621	950,036,621
Shang Wack Wack Properties, Inc. (SWWPI)	100	100	850,000,000	850,000,000
Shang Property Developers, Inc. (SPDI)	100	100	5,000,000	5,000,000
Leasing:				
KSA Realty Corporation (KSA)	70.04	70.04	4,333,249,902	4,333,249,902
Shangri-la Plaza Corporation (SLPC)	100	100	699,882,830	699,882,830
SPI Parking Services, Inc. (SPSI)	100	100	250,000	250,000
Real estate:				
KPPI Realty Corporation (KRC)	100	100	125,000,000	125,000,000
New Contour Realty, Inc. (NCRI)	100	100	50,000	50,000
Perfect Sites, Inc. (PSI)	100	100	250,000	250,000
Ivory Post Properties, Inc. (IPPI)	100	100	250,000	250,000
Shang Fort Bonifacio Holdings, Inc. (SFBHI)	100	100	500,000	500,000
Shang Global City Holdings, Inc. (SGCHI)	100	100	500,000	500,000
Martin B. Properties, Inc. (MBPI)	100	100	400,000	400,000
Property management:				
KPPI Management Services Corporation (KMSC)	100	100	1,000,000	1,000,000
Shang Property Management Services, Inc. (SPMSI)	100	100	50,000	50,000
Other supplementary business:				
Gipsey, Ltd. (Gipsey)	100	100	2,095,810,078	2,095,810,078
EPHI Logistics Holdings, Inc. (ELHI)	60	60	900,000	900,000
Exemplary Ventures & Interests, Inc.	100	100	250,000	250,000
Guidebo Properties, Inc.	100	100	62,500	62,500
Laguna Hills Property Ventures, Inc.	100	100	62,500	62,500
			11,022,504,431	11,022,504,431
Associate:				
Real estate:				
Ideal Sites and Properties, Inc. (ISPI)	40	40	250,000	250,000
Deposits for future share subscription, and advances to subsidiaries and an associate			4,671,073,496	4,789,056,286
Allowance for impairment losses			(1,533,507,685)	(1,533,507,685)
			14,160,320,242	14,278,303,032

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 Peso as their functional currency.

The Company takes effective and absolute control over key decisions, operating strategies, and key policies of KSA, SGCPI, and ELHI. In compliance with the provisions of PAS 27, "Consolidated and Separate Financial Statements", investment in subsidiary is accounted for using the cost method in these separate financial statements.

The following subsidiaries and associates are owned through:

- (a) TRDCI - A wholly owned subsidiary of KRC.
- (b) SHIL- A wholly owned subsidiary of GipseY.
- (c) SGCPI - 59.4% owned by SGCHI and 0.6% owned by SFBHI. Both SGCHI and SFBHI are wholly owned subsidiaries of the Company.
- (d) Sky Leisure Properties, Inc. (SLPI) - 50% owned by PSI, a wholly owned subsidiary of the Company. SLPI is accounted for as investment in associate in the consolidated financial statements.

There has been no movement in the allowance for impairment losses as at December 31, 2017 and 2016.

There are no significant restrictions on the ability of the subsidiaries and associates to transfer cash assets, pay dividends or pay advances to the Company and between subsidiaries.

The summarized financial information of subsidiaries with significant non-controlling interest as at and for the year ended December 31, 2017 are as follows:

	KSA	SGCPI
Total current assets	594,778,251	3,953,925,285
Total non-current assets	9,962,972,699	11,061,060,452
Total assets	10,557,750,950	15,014,985,737
Total current liabilities	(439,208,900)	(1,906,038,036)
Total non-current liabilities	(2,436,086,642)	(5,658,792,998)
Total liabilities	(2,875,295,542)	(7,564,831,034)
Net assets	7,682,455,408	7,450,154,703
Non-controlling interest share in net assets	2,301,663,639	2,980,061,881
Revenue	1,773,208,013	7,165,524,915
Cost and expenses	(67,751,093)	(5,439,309,248)
Income before provision for income tax	1,705,456,920	1,726,215,667
Provision for income tax	(382,225,433)	(516,525,165)
Net income for the year	1,323,231,487	1,209,690,502
Other comprehensive income (loss)	(15,304)	195,406
Total comprehensive income for the year	1,323,216,183	1,209,885,908
Non-controlling interest share in total comprehensive income for the year	396,435,568	483,876,201

	KSA	SGCPI
Cash flows provided by (used in):		
Operating activities	1,058,253,844	6,046,520,678
Investing activities	(352,972,946)	(711,652,376)
Financing activities	(800,000,000)	(4,390,745,685)
Net effect of exchange rate changes on cash and cash equivalents	(8,223)	(724,842)
Net increase (decrease) in cash and cash equivalents	(94,727,325)	944,122,617

The summarized financial information of subsidiaries with significant non-controlling interest as at and for the year ended December 31, 2016 are as follows:

	KSA	SGCPI
Total current assets	712,831,966	9,322,413,117
Total non-current assets	9,027,611,303	7,974,380,823
Total assets	9,740,443,269	17,296,793,940
Total current liabilities	(455,891,690)	(2,943,260,906)
Total non-current liabilities	(2,125,312,354)	(8,097,282,639)
Total liabilities	(2,581,204,044)	(11,040,543,545)
Net assets	7,159,239,225	6,256,250,395
Non-controlling interest share in net assets	2,144,908,072	2,502,500,158
Revenue	1,150,984,943	4,715,986,158
Cost and expenses	(71,730,214)	(3,742,626,589)
Income before provision for income tax	1,079,254,729	973,359,569
Provision for income tax	(202,336,918)	(294,542,143)
Net income for the year	876,917,811	678,817,426
Other comprehensive income	-	-
Total comprehensive income for the year	876,917,811	678,817,426
Non-controlling interest share in total comprehensive income for the year	327,292,999	278,664,629
Cash flows provided by (used in):		
Operating activities	951,903,530	2,159,978,086
Investing activities	(38,108,390)	(2,006,906,058)
Financing activities	(920,000,099)	448,211,378
Net effect of exchange rate changes on cash and cash equivalents	17,156	(5,801,156)
Net increase (decrease) in cash and cash equivalents	(6,187,803)	601,283,406

The summarized financial information of the associate as at and for the years ended December 31 are as follows:

	2017	2016
Total current assets	748,533	913,379
Total non-current assets	1,474,155	1,540,092
Total assets	2,222,688	2,453,471
Total current liabilities	5,355,525	5,469,967
Total non-current liabilities	374	4,883
Total liabilities	5,355,899	5,474,850
Net liabilities	3,133,211	3,021,379
Revenue	347,938	111,899
Cost and expenses	(393,106)	(732,632)
Loss before provision for income tax	(45,168)	(620,733)
Benefit from (Provision for) income tax	(727)	3,548
Net loss	(45,895)	(617,185)
Other comprehensive income	-	-
Total comprehensive loss	(45,895)	(617,185)
Cash flows provided by (used in)		
Operating activities	(245,586)	184,844
Investing activities	77,711	77,711
Net increase (decrease) in cash and cash equivalents	(167,875)	262,555

Note 8 - Investment properties

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

	Land	Building	Total
January 1, 2016	8,509,659,000	502,246,814	9,011,905,814
Gain on fair value adjustment	452,527,000	-	452,527,000
Capitalized subsequent expenditure	-	3,929,860	3,929,860
December 31, 2016	8,962,186,000	506,176,674	9,468,362,674
Gain (Loss) on fair value adjustment	1,482,231,679	(8,841,210)	1,473,390,469
Capitalized subsequent expenditure	2,223,950	3,565,350	5,789,300
December 31, 2017	10,446,641,629	500,900,814	10,947,542,443

The Company's investment properties consist of parcels of land, carpark building and condominium units in Mandaluyong City. The land and carpark building are being leased out to subsidiaries and third parties.

As at December 31, 2017 and 2016, the fair values of the land and carpark building are based on valuations performed by an independent external appraiser duly certified by the management. The valuation models are in accordance with that recommended by the International Valuation Standards Committee. The fair value of the condominium units is based on internal appraisals.

The Company 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 2 for condominium spaces and Level 3 for parcels of land and carpark building. The current use of these properties is their highest and best use.

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

Property	Fair value as at December 31, 2017	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability -weighted average)	Relationship of unobservable inputs to fair value
Land where the main wing and east wing of Shangri-La Plaza mall is located	5,242,631,000	Direct income capitalization	Rental value	P1,120 to P2,400 per square meter	The higher the rental value and occupancy rate, the higher the fair value.
			Occupancy rate	90%	
			Expense-revenue ratio	26%	The higher the expense- revenue ratio and discount rate, the lower the fair value.
			Discount rate	9%	

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

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

The following are the significant unobservable inputs:

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

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

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

	2017	2016
Rental revenue	234,385,257	221,019,268
Direct operating expenses	(32,726,522)	(22,694,151)
Profit arising from investment properties carried at fair value	201,658,735	198,325,117

Direct operating expenses include real property taxes and expenses related to carpark operation.

There are no restrictions on the Company's title on investment properties and no investment properties pledged as security for liabilities.

Note 9 - Available-for-sale financial assets

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

	2017	2016
At cost - unquoted	79,274,352	79,274,352
At fair value - quoted		
Acquisition cost	9,101,515	9,121,515
Cumulative changes in fair value	14,965,000	10,345,000
	24,066,515	19,466,515
	103,340,867	98,740,867

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

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

In 2017, the Company wrote-off quoted AFS with acquisition cost amounting to P2,000,000 (Note 16).

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

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

Note 10 - Property and equipment, net

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

	Building improvements	Leasehold improvements	Transportation equipment	Furniture, fixtures and other equipment	Total
Cost					
January 1, 2016	38,029,452	13,676,483	25,656,880	30,460,941	107,823,756
Additions	94,788	-	7,685,660	3,971,813	11,752,261
Disposals	-	-	(846,429)	-	(846,429)
December 31, 2016	38,124,240	13,676,483	32,496,111	34,432,754	118,729,588
Additions	-	199,280	9,605,950	4,034,755	13,839,985
Write-off	-	-	-	(365,279)	(365,279)
Disposals	-	-	(3,099,458)	(2)	(3,099,460)
December 31, 2017	38,124,240	13,875,763	39,002,603	38,102,228	129,104,834
Accumulated Depreciation					
January 1, 2016	11,512,241	13,676,483	21,940,477	25,632,838	72,762,039
Depreciation	4,993,530	-	2,156,070	2,913,786	10,063,386
Disposals	-	-	(846,429)	-	(846,429)
December 31, 2016	16,505,771	13,676,483	23,250,118	28,546,624	81,978,996
Depreciation	2,195,065	33,213	3,177,190	3,185,770	8,591,238
Write-off	-	-	-	(365,279)	(365,279)
Disposals	-	-	(3,099,454)	-	(3,099,454)
December 31, 2017	18,700,836	13,709,696	23,327,854	31,367,115	87,105,501
Net book values at					
December 31, 2016	21,618,469	-	9,245,993	5,886,130	36,750,592
December 31, 2017	19,423,404	166,067	15,674,749	6,735,113	41,999,333

As at December 31, 2017, the Company has fully depreciated property and equipment still in use with acquisition cost of P65,042,164 (2016 - P44,091,919).

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

Note 11 - Accounts payable and other current liabilities

	Notes	2017	2016
Trade			
Payable to contractors and suppliers		44,347,825	44,347,825
Accrued expenses		37,951,204	30,377,695
Accrued interest	12	13,663,900	15,814,767
Accounts payable		11,686,351	17,038,755
Non-trade			
Payable to related parties	19	320,128,361	355,088,213
Payable to regulatory agencies		4,816,481	3,342,881
Output value added tax		2,212,102	-
Others		11,163,170	816,345
		445,969,394	466,826,481

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

Accrued expenses pertain mainly to productivity bonus and management fees.

Note 12 - Long-term loan

Long-term loan as at December 31 are as follows:

	2017	2016
Current portion	533,333,333	533,333,333
Non-current portion	2,000,000,000	2,533,333,334
	2,533,333,333	3,066,666,667

Movements of the Company's long-term loan at December 31 follow:

	2017	2016
Balances at Jan 1	3,066,666,667	3,200,000,000
Payments	(533,333,334)	(133,333,333)
Balances at Dec 31	2,533,333,333	3,066,666,667

On July 30, 2012, the Company obtained a ten-year loan facility from a local bank amounting to P5,000,000,000 payable in 24 equal quarterly installments, commencing on the 17th quarter from the initial borrowing date at a fixed interest rate at 4% per annum for the three years effective September 17, 2015.

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

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

Total drawdown from the facility amounted to P3,200,000,000 as at December 31, 2017 and 2016.

The repayments of long-term debt as at December 31 are scheduled as follows:

Year	2017	2016
2017	-	533,333,333
2018	533,333,333	533,333,333
2019	533,333,333	533,333,333
2020	533,333,333	533,333,333
2021	533,333,333	533,333,333
2022	400,000,001	400,000,002
	2,533,333,333	3,066,666,667

Interest expense charged to profit or loss amounted to P114,661,991 in 2017 (2016 - P128,955,324) as shown in the statement of total comprehensive income. Accrued interest as at December 31, 2017 amounted to P13,663,900 and (2016 - P15,814,767) (Note 11).

Note 13 - Equity

(a) Share capital, share premium and treasury shares

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

	Shares	Amount
Authorized, at P1 par value per share		
Common shares	8,000,000,000	8,000,000,000
Issued and outstanding shares		
Common shares	4,764,058,982	4,764,058,982
Share premium	1,210,073,869	1,210,073,869
	5,974,132,851	5,974,132,851

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

(b) Retained earnings

As at December 31, 2017, excess retained earnings amounted to P9,970,075,594 (2016 - P8,056,304,815). The Company annually declares dividends in compliance with SEC Memorandum Circular No. 11, Series of 2008.

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

Date of declaration	Shareholders of record as at	Payment date	Total	Per share
2017				
March 15	March 31	April 7	452,382,432	0.095
August 29	September 15	September 22	333,334,424	0.070
			785,716,856	0.165
2016				
March 4	March 21	March 21	452,382,432	0.095
September 14	September 30	September 20	333,334,424	0.070
			785,716,856	0.165

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

(c) Earnings per share

Basic and diluted earnings per share, which are the same due to absence of dilutive potential common shares, for the years ended December 31 are as follows:

	2017	2016
Net income for the year	2,699,487,635	2,543,438,589
Weighted average number of shares outstanding	4,761,918,337	4,761,918,337
Earnings per share	0.57	0.53

Note 14 - Staff costs

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

	Note	2017	2016
Salaries and wages		120,509,720	75,334,909
Employee benefits		14,834,970	7,133,234
Retirement benefit costs	17	7,556,564	7,164,044
Others		2,641,182	2,091,486
		145,542,436	91,723,673

Note 15 - Other general and administrative expenses

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

	Note	2017	2016
Professional fees		44,788,860	26,901,534
Transportation and travel		6,450,085	3,437,190
Carpark expense		5,986,655	5,310,511
Rent	21	4,159,029	3,961,008
Repairs and maintenance		4,888,099	3,074,945
Telephone and communication		3,518,968	2,564,226
Janitorial, security and other services		2,419,166	2,419,792
Membership fees and dues		2,694,727	1,918,678
Supplies		1,957,873	1,614,952
Condominium dues		1,956,697	958,053
Entertainment, amusement and recreation		1,742,197	815,030
Utilities		1,630,727	1,068,133
Insurance		603,666	494,739
Reproduction charges		291,338	272,895
Others		1,524,744	1,356,514
		84,612,831	56,168,200

Taxes and licenses pertaining to payment for business taxes, permits, real property taxes and other taxes incurred by the Company in 2017 amounted to P26,739,867 (2016 - P17,383,640) as shown in the statement of total comprehensive income.

Note 16 - Other income, net

The components of other income (expense) for the years ended December 31 are as follows:

	Notes	2017	2016
Foreign exchange gain, net	2	22,252,431	565,453
Banner income		200,000	414,185
Bank charges		(286,812)	(185,493)
Gain on sale of property and equipment		811,133	254,463
Loss on fair value adjustments of financial assets at fair value through profit and loss	3	(1,004,707)	(21,828)
Write-off of available-for-sale financial assets		(2,000,000)	-
Others		(1,767,254)	625,941
		18,204,791	1,652,721

Note 17 - Retirement benefit asset

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

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

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

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

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

a) Investment risk

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

b) Interest rate risk

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

c) Longevity risk

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

d) Salary risk

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

Management performs an Asset-Liability Matching Study (ALM) annually. The overall investment policy and strategy of the Company's defined benefit plan is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay retirement benefits as they fall due while also mitigating the various risk of the plan. The Company's current strategic investment strategy consists of 87.83% treasury investments, 17.16% corporate investments and 0.01% cash.

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

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

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

	2017	2016
Discount rate	5.62%	5.14%
Salary increase rate	3.50%	3.00%

The details of the retirement benefit asset and expense as at and for the years ended December 31 are as follows:

	2017	2016
Retirement benefit asset	14,526,704	4,226,500
Retirement benefit expense	7,556,564	7,164,044

The amounts of retirement benefit asset recognized in the statement of financial position are determined as follows:

	2017	2016
Fair value of plan assets	90,889,416	82,258,239
Present value of defined benefit obligation	76,362,712	78,031,739
Retirement benefit asset	14,526,704	4,226,500

The movements in the remeasurement loss on defined benefit plan under other comprehensive loss for the years ended December 31 are as follows:

	2017	2016
January 1		
Remeasurements	(20,740,983)	(15,277,483)
	(7,999,131)	(5,463,500)
Deferred income tax effect	(28,740,114)	(20,740,983)
	8,622,034	6,222,296
December 31	(20,118,080)	(14,518,687)

Below is the analysis of the movement in the retirement benefit asset for the years ended December 31:

	2017	2016
Beginning of year	4,226,500	4,853,882
Remeasurement gain	(7,999,131)	(5,463,502)
Contributions	6,559,266	10,024,402
Benefits payment by the Company	19,296,633	1,975,762
Retirement expense	(7,556,564)	(7,164,044)
End of year	14,526,704	4,226,500

The components of retirement expense for the years ended December 31 recognized in the statement of total comprehensive income are as follows:

	Note	2017	2016
Current service cost		8,010,382	7,397,030
Net interest cost		(453,818)	(232,986)
Pension expense	14	7,556,564	7,164,044

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

	2017	2016
January 1	78,031,739	66,446,280
Net interest cost	3,295,555	2,714,741
Current service cost	8,010,382	7,397,030
Actual benefits paid by the Company	(19,296,633)	(1,975,762)
Remeasurement (gains) losses from:		
Experience adjustments	5,368,866	8,007,593
Changes in financial assumptions	340,700	(5,645,542)
Change in demographic assumptions	612,103	1,087,399
December 31	76,362,712	78,031,739

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

	2017	2016
January 1	82,258,239	71,300,162
Interest income	3,749,373	2,947,727
Losses on return on plan assets	(1,677,462)	(2,014,052)
Contributions	6,559,266	10,024,402
December 31	90,889,416	82,258,239

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

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

	2017	2016
Cash in banks	9,572	2,796,780
Investments in debt instruments:		
Treasury notes and bonds	79,825,390	61,364,646
Corporate notes and bonds	11,054,454	18,096,813
	90,889,416	82,258,239

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

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

Expected contribution to post-employment benefit plans for the year ending December 31, 2018 amounts to P8,875,619.

The weighted average duration of the defined benefit obligation is 9.32 years.

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

	2017	2016
Less than a year	25,198,406	27,831,770
Between 1 and 5 years	47,515,466	24,808,792
Between 5 and 10 years	29,640,215	48,910,979
Over 10 years	87,142,559	99,751,418
	189,496,646	201,302,959

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

	Increase (Decrease)	
	2017	2016
Discount rate		
Increase by 1.0%	73,324,632	74,643,704
Decrease by 1.0%	79,719,958	81,812,749
Salary increase rate		
Increase by 1.0%	80,297,415	82,302,145
Decrease by 1.0%	72,737,402	74,141,231

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

Note 18 - Income taxes

Income tax expense for the years ended December 31 follows:

	2017	2016
Current	4,924,594	5,952,566
Deferred	459,127,629	132,140,287
	464,052,223	138,092,853

Deferred income tax assets and liabilities as at December 31, 2017 and 2016 are determined using the income tax rate in the period in which the temporary differences are expected to be recovered or settled. The analysis of deferred income tax assets and liabilities as at December is as follows:

	2017	2016
Deferred income tax assets:		
Expected to be recovered after more than 12 months	9,540,015	13,513,750
Expected to be recovered within 12 months	19,511,518	27,328,105
	29,051,533	40,841,855
Deferred income tax liability:		
Expected to be recovered after more than 12 months	3,349,288,823	2,902,201,621
Expected to be settled within 12 months	-	169,636
	3,349,288,823	2,902,371,257
Net deferred income tax liabilities	3,320,237,290	2,861,529,402

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

	2017	2016
Deferred income tax assets:		
MCIT		
Accrued expenses	9,000,102	13,051,229
Unamortized past service cost	13,956,782	22,342,656
Allowance for impairment of receivables	5,250,812	4,513,648
Unrealized foreign exchange loss	639,613	934,322
	204,224	-
	29,051,533	40,841,855
Deferred income tax liabilities:		
Unrealized gain on cumulative fair value adjustments of		
Investment properties	3,342,950,812	2,900,933,671
AFS financial assets	1,980,000	-
Retirement benefit asset	4,358,011	1,267,950
Unrealized foreign exchange gain	-	169,636
	3,349,288,823	2,902,371,257
Net deferred income tax liabilities	3,320,237,290	2,861,529,402

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

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

	2017	2016
January 1	(2,861,529,402)	(2,733,105,665)
Credited to profit or loss	(459,127,626)	(132,140,287)
Charged to other comprehensive income	419,738	3,716,550
December 31	(3,320,237,290)	(2,861,529,402)

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

Year incurred	Year of expiry	2017	2016
2014	2017	-	122,733,809
2015	2018	72,882,120	72,882,120
2016	2019	82,401,766	82,401,766
2017	2020	146,790,411	-
		302,074,297	278,017,695
Unrecognized DTA at 30%		90,622,289	83,405,309

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

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

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

	2017	2016
Tax at statutory rate of 30%	949,061,957	804,459,433
Additions (reductions) to income tax resulting from:		
Unrecognized NOLCO	44,037,123	24,720,530
Expired MCIT	4,051,127	693,953
Other non-deductible expenses	6,599,958	(262,971)
Loss on fair value adjustment of financial assets at		
financial assets at fair value through profit and loss	301,412	6,548
Interest income subjected to final tax rate	(2,252,819)	(845,900)
Dividend income	(542,671,129)	(690,678,740)
Actual provision for income tax	459,127,629	138,092,853

In 2017 and 2016, the Company used the itemized deduction in claiming deductions against the taxable income.

Note 19 - Related party transactions

In the normal course of business, the Company transacts with related parties. The following are the significant transactions and outstanding balances with related parties as at and for the years ended December 31:

	2017		2016		
	Transactions	Outstanding receivables (payables)	Transactions	Outstanding receivables (payables)	Terms and conditions
Subsidiaries:					
Rental income (a)	134,122,654	24,826,831	127,111,816	23,565,127	Balances to be collected in cash and are due generally within 60 days. These are non-interest bearing and are not covered by any security.
Cost sharing (b)	32,793,682	26,131,495	30,765,421	20,141,546	
Administrative recharges by the Company	109,784,517	88,397,665	127,746,540	70,038,390	Balances to be collected in cash and are due generally within 30 days. These are non-interest bearing and are not covered by any security.
Dividend income	1,800,579,630	19,250,000	2,298,929,630	13,100,000	
Administrative recharges to the Company	27,660,629	(319,243,746)	28,630,410	(316,537,109)	Balances are to be settled in cash and are generally due within 30 days. These balances are non-interest bearing and not covered by any guarantee.
Deposit (d)	-	-	35,478,912	(35,478,912)	
Rental expense (e)	4,159,029	(352,910)	3,961,008	(336,105)	
Affiliate by common key management personnel:					
Rental income (a)	95,734,467	29,466,047	89,546,223	28,419,265	Balances to be collected in cash and are due generally within 60 days. These are non-interest bearing and are not covered by any security.
Dividend income	8,324,132	4,235,000	3,327,500	-	
Advances (c)	1,027,858,763	1,027,858,763	-	-	Balances are to be collected in cash and are generally due within 30 days. These balances are non-interest bearing and not covered by any guarantee.
Administrative recharges by the Company	36,836,610	22,052,829	67,682,295	25,098,917	
Administrative recharges to the Company	21,456,946	(531,705)	38,721,361	(1,662,500)	Balances are to be settled in cash and are generally due within 30 days. These balances are non-interest bearing and not covered by any guarantee.
Condominium dues (f)	718,406	-	958,053	(1,073,587)	

	2017		2016		Terms and conditions
	Transactions	Outstanding receivables (payables)	Transactions	Outstanding receivables (payables)	
Retirement fund					
Contributions	6,559,266	-	10,024,402	-	Refer to Note 17.
Key management personnel:					
Salaries and other short-term employee benefits	56,068,262	-	23,248,767	-	Salaries and wages are settled in cash at the period incurred. Other short-term benefits are payable within the current year. There were no stock options or other long-term benefits provided in 2017 and 2016 nor amounts due to/from key management as at December 31, 2017 and 2016.
Post-employment benefits	3,360,630	33,960,782	2,340,436	25,492,351	Refer to Note 17.

Significant agreements with related parties are as follows:

- a) The Company has the following rental agreements with its subsidiaries and affiliate:
 - A portion of the Company's land where the main wing of the mall is located is being leased to SLPC for a period of 25 years from January 6, 1993. On September 19, 2017, the agreement was renewed by both parties to another 5 years until January 6, 2023. Rental income is calculated at 10% of SLPC's annual rental revenue from mall operations plus 50% of the carpark's net income.
 - On January 16, 2002, SPSI entered into an agreement with the Company and SLPC. Under the agreement, SPSI is granted limited usufructuary rights over the parking spaces of the Company and SLPC for a consideration equivalent to 95% of the SPSI's gross revenue less direct and indirect expenses relating to the Company's parking facilities. The agreement is effective until December 31, 2002 and shall be renewed automatically on a yearly basis.
 - A portion of the Company's land is being leased by EDSA Shangri-La Hotel and Resort Inc. (ESHRI), where the EDSA Shangri-La Manila Hotel (the Hotel) is located. The lease is for a period of 25 years commencing on August 28, 1992 and renewable for another 25 years at the option of ESHRI. On August 16, 2017, the agreement was renewed by ESHRI to another 25 years until August 27, 2042. Rental revenue is based on a fixed percentage of the Hotel's room, food and beverage, dry goods and other service revenue.
- b) On January 1, 2001, the Company entered into a cost sharing agreement with its related parties for the services rendered by the officers of the Company to them.
- c) On June 19 and September 7, 2017, Classic Elite Holdings Limited, an affiliate with common key management personnel, advanced cash amounting to P1,027,858,763 from the Company.

- d) Deposit refers to the downpayment made by the Company for the purchase of condominium unit.
- e) The Company leases its office space from SLPC for a period of three years that ended on May 16, 2016 and was extended for another three years that will end on May 17, 2019. The Company agrees to pay SLPC for a fixed monthly rental amounting to P408.40 per square meter with an annual escalation of 5%.

On March 1, 2017, the Company leased a unit in Horizon Homes from SGCPI for a period of three years that will end on February 28, 2019. The Company agrees to pay SGCPI for a monthly fixed rental amounting to P219,223 inclusive of condominium dues of P48,631.

- f) The Company pays dues to The St. Francis Shangri-La Place Condominium Corporation for real property tax, association dues and condominium dues for condominium units owned by the Company in The St. Francis Shangri-La Place.

There were no write-offs or provisions made in relation to related party transactions and balances as at and for the years ended December 31, 2017 and 2016.

Note 20 - Provisions and contingencies

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

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

The arbitration hearing, during which both the Company and the principal contractor were given the opportunity to present their witnesses, commenced in December 2006 and ended with the decision of the Arbitral Tribunal promulgated on July 31, 2007. In its decision, the Arbitral Tribunal awarded to the principal contractor the sum of P46,905,987, and to the Company, the sum of P8,387,484 (net award to the principal contractor was P38,518,503).

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

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

The Company has no other pending or threatened litigation or claim or any matter involving a contingent liability which are being contested by the Company and its legal counsels.

Note 21 - Lease commitments

(a) Company as a lessor

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

Rental revenues for the years ended December 31 are as follows:

	Note	2017	2016
Percentage basis	19	229,857,121	216,658,039
Fixed monthly rental		4,528,136	4,361,229
		<u>234,385,257</u>	<u>221,019,268</u>

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

	2017	2016
Within one year	4,747,214	4,509,327
More than one year but not more than five years	8,609,859	13,605,478
	<u>13,357,073</u>	<u>18,114,805</u>

(b) Company as a lessee

The Company leases its office space from SLPC and incurred rent expense amounting to P4,159,029 in 2017 (2016 - P3,961,008) (Note 19). In March 2017, the Company leased a unit in Horizon Homes from SGCPI and incurred rent expense of P2,192,259. Total future minimum lease payments for this non-cancellable operating lease as at December 31 are:

	2017	2016
Within one year	6,997,970	4,126,558
More than one year but not more than five years	2,105,949	4,331,755
	<u>9,103,919</u>	<u>8,458,313</u>

Note 22 - Net debt reconciliation

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

	Notes	2017	2016
Long-term loan, January 1	12	3,066,666,667	3,200,000,000
Cash flows		(533,333,334)	(133,333,333)
Long-term loan, December 31	12	2,533,333,333	3,066,666,667
Cash and cash equivalents	2	(250,594,774)	(895,147,844)
Net debt		2,282,738,559	2,171,518,823

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

Note 23 - Financial risk and capital management

23.1 Financial risk management

The Company'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 Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by the Company'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 Company's risk management plans for the years ended December 31, 2017 and 2016.

23.1.1 Market risk

(a) Foreign exchange risk

The Company'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 asset is not expected to have a significant impact on the financial position or results of operations of the Company.

The Company's foreign currency denominated cash in banks and cash equivalents as at December 31, 2017 and 2016 and net foreign exchange gains/losses for the years ended December 31, 2017 and 2016 are disclosed in Note 2.

(b) Price risk

The Company's exposure to price risk is minimal and limited only to financial assets at fair value through profit or loss (Note 3), investment properties (Note 8) and quoted available-for-sale financial assets (Note 9) presented in the statement of financial position. Changes in market prices of these financial assets are not expected to have a significant impact on the financial position or results of operations of the Company.

(c) *Cash flow and fair value interest risk*

Interest rate risk refers to risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company's interest-bearing financial instruments include long-term loan (Note 12). These financial instruments are not exposed to fair value interest rate risk as these are carried at amortized cost. Likewise, these instruments are not exposed to variability in cash flows as these carry fixed interest rate.

The sensitivity analysis has been determined based on the exposure to interest rates for non-derivative financial instruments 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 Company's best estimate the reasonably possible change in interest rates.

At December 31, 2017, if interest rates on bank loans had been 100 basis points lower or higher with all other variables held constant, post-tax profit for the year would have been higher by/lower by P11,466,199 (2016 - higher by/lower by P12,895,532), mainly as a result of higher/lower interest expense on floating-rate bank loans. Management uses 100 basis points as threshold in assessing the potential impact of interest rate in the operations.

23.1.2 Credit risk

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

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

	Fully performing	Past due but not impaired	Impaired	Total
2017				
Current assets				
Cash and cash equivalents	250,594,774	-	-	250,594,774
Trade and other receivables	86,073,987	1,161,914,657	2,132,043	1,250,120,687
Non-current assets				
Refundable deposits	1,054,424	-	-	1,054,424
	337,723,185	1,161,914,657	2,132,043	1,501,769,885
2016				
Current assets				
Cash and cash equivalents	895,147,844	-	-	895,147,844
Trade and other receivables	65,232,654	115,683,384	3,114,405	184,030,443
Non-current assets				
Refundable deposits	425,424	-	-	425,424
	960,805,922	115,683,384	3,114,405	1,079,603,711

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

(a) Cash and cash equivalents

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

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

	2017	2016
Universal banks	222,616,231	557,618,505
Commercial bank	27,890,776	337,463,676
	250,507,007	895,082,181

The remaining cash in the statement of financial position pertains to cash on hand which is not exposed to credit risk (Note 2).

(b) Trade and other receivables

The Company's rental income is concentrated mainly to its related parties and is subject to normal credit terms. Credit risk is minimized since the related parties are paying on normal credit terms and no history of default. The Company also enter into lease agreements with recognized and creditworthy third parties. It is the policy of the Company that all customers who trade on credit terms are subjected to credit verification procedures and are required to put up security deposits and pay advance rentals, if necessary. The Company does not offer credit terms to third parties without the specific approval of management. In addition, receivable balances are monitored on an on-going basis with the result that the exposure of the Company to bad debts is not significant.

The credit exposure on receivables from related parties is considered to be minimal as there is no history of defaults and collections are expected to be made within 30 to 60 days. The maximum amount exposed to credit risk on due from related parties is equal to the carrying amount in the statements of financial position (Note 19). The balances due from related parties are considered as high grade financial assets.

As at December 31, 2017, included in the Company's receivables balance are debtors' accounts with carrying amounts of P1,161,914,657 (2016 - P115,683,384), which are past due for which the Company has not provided an allowance for doubtful accounts as there has not been a significant change in credit quality and the amounts are still considered recoverable. These are considered high grade financial assets.

As at December 31, 2017, receivables of P2,132,043 (2016 - P3,114,405), are impaired. These receivables were fully provided for with an allowance for impairment. The individually impaired receivables mainly relate to counterparties which are in unexpectedly difficult economic situations and considered as satisfactory grade financial assets.

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

23.1.3 Liquidity risk

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

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

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

	0 - 90 days	91 - 180 days	181 - 360 days	Total
At December 31, 2017				
Long-term loan	133,333,333	133,333,333	266,666,667	533,333,333
Accounts payable and other current liabilities*	438,940,811	-	-	438,940,811
Dividends payable	-	37,515,266	-	37,515,266
Deposits from tenants	-	-	1,269,161	1,269,161
Future interest payable	23,671,233	22,356,164	178,849,315	224,876,712
	595,945,377	193,204,763	446,785,143	1,235,935,283
At December 31, 2016				
Long-term loan	133,333,333	133,333,333	266,666,667	533,333,333
Accounts payable and other current liabilities*	463,483,600	-	-	463,483,600
Dividends payable	-	33,035,177	-	33,035,177
Deposits from tenants	-	-	1,269,161	1,269,161
Future interest payable	28,931,507	27,616,438	276,164,384	332,712,329
	625,748,440	193,984,948	544,100,212	1,363,833,600

*Excluding payable to government agencies and output value added tax

23.2 Capital management

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

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

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

	2017	2016
Net debt		
Long-term loan	2,533,333,333	3,066,666,667
Less: cash and cash equivalents	(250,594,774)	(895,147,844)
	2,282,738,559	2,171,518,823
Total equity	20,696,264,283	18,783,472,897
Gearing ratio	11.03%	11.56%

The Company was able to meet its capital management objectives.

23.3 Fair value of financial assets and liabilities

The table below summarizes the carrying amounts and fair values of financial assets and liabilities at December 31 as follows:

	2017		2016	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Financial assets at fair value through profit or loss	3,216,005	3,216,005	4,220,712	4,220,712
Loans and receivables				
Cash and cash equivalents	250,594,774	250,594,774	895,147,844	895,147,844
Trade and other receivables	1,247,988,644	1,247,988,644	180,916,038	180,916,038
Available-for-sale financial assets	103,340,867	103,340,867	98,740,867	98,740,867
Total assets	1,605,140,290	1,605,140,290	1,179,025,461	1,179,025,461
Financial liabilities at amortized cost				
Long-term loan	2,533,333,333	2,533,333,333	3,066,666,667	3,066,666,667
Accounts payable and other current liabilities*	438,940,811	438,940,811	463,483,600	463,483,600
Dividends payable	37,515,266	37,515,266	33,035,177	33,035,177
Deposits from tenants	1,269,161	1,269,161	1,269,161	1,269,161
Total liabilities	3,011,058,571	3,011,058,571	3,564,454,605	3,564,454,605

*Excluding payable to government agencies and output value added tax

These carrying amounts approximate fair values at reporting dates due to the short-term nature of financial assets and liabilities. The fair value of quoted equity securities is based on quoted market prices as of the reporting date. The fair value of unquoted available-for-sale financial assets cannot be reliably determined, thus, they are carried at cost less allowance for impairment, if any.

Since the long-term loan is interest-bearing, the Company believes the fair value of the bank loan approximates its carrying amount (Note 12).

23.4 Fair value hierarchy

The Company follows the fair value measurement hierarchy to disclose the fair values of its financial assets and liabilities. At December 31, 2017 and 2016, the Company's financial assets at fair value through profit or loss and available-for-sale financial assets quoted in an active market are classified under Level 1 category and investment properties is classified under Level 2 and 3 category. The non-listed AFS financial assets are measured at cost since there is no active market from which the fair value can be obtained (Note 9).

Note 24 - Significant accounting estimates, assumption and judgments

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 Company 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 Company and which may cause adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

24.1 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 Company determines the amount within a range of reasonable fair value estimates. In making its judgment, the Company considers information from a variety of sources including:

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

The significant method and assumptions used by the appraisers in estimating fair values of investment properties are disclosed in Note 8. The fair values, which are also the values of investment properties as at December 31, 2017 and 2016 are disclosed in Note 8.

Fair value gain on investment property represents significant amounts both in value of property and income. Any +/- 1% change in (assumption) increases/decreases total assets and income before tax by P109.48 million (2016 – P94.68 million).

(b) Useful lives of property and equipment

The useful life of each item of the Company'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 or investment property would increase the recorded operating expenses and decrease non-current assets.

In 2017 and 2016, there were no changes in the estimated useful lives of property and equipment and investment properties. As at December 31, 2017, property and equipment have a carrying value of P41,999,333 (2016 - P36,750,592) (Note 10).

(c) Determining retirement benefit obligation

The Company maintains a qualified defined benefit retirement plan. The calculations of retirement costs of the Company 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 Company believes that the assumptions used are reasonable, differences in actual experience or changes in assumptions may materially affect the Company's retirement obligation and future expense.

In determining the long-term rates of return, the Company considers the nature of the plans' investments, an expectation for the plans' investment strategies, historical rates of return and current economic forecasts. The Company evaluates the expected long-term rate of return annually and adjusts such rate as necessary. The possible effects of sensitivities surrounding the actuarial assumption at the reporting date are presented in Note 17.

24.2 Critical accounting judgments

(a) Assessing control over subsidiaries (Note 7)

The Company or its subsidiaries makes an assessment whether or not it controls an investee by considering all relevant facts and circumstances that indicates that the Company or its subsidiaries 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. The Company has determined that it controls its subsidiaries.

(b) Assessing significant influence over associates (Note 7)

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

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

The Company determines whether a property is to be classified as a property held for sale, 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 Company 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 Company, 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 Company.

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

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

The carrying values of properties held for sale, investment properties, and property and equipment as at December 31, 2017 and 2016 are disclosed in Notes 5, 8 and 10, respectively.

(d) Recoverability of investment and advances

The Company's investments and advances 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.

Management believes that the current level of allowance for impairment losses as at December 31, 2017 and 2016 is sufficient to cover non-recoverable amount.

(e) Impairment of non-financial assets

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

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

(f) Operating lease commitments - Company as lessor

The Company owns parcels of land and a carpark building located in Mandaluyong City which are leased out to its subsidiaries, an affiliate, and third parties. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the fair value of the asset, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases. The carrying values of such properties are disclosed in Note 8.

(g) Income tax (Note 18)

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 Company 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 Company 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 Company expects to generate sufficient future taxable profits to allow all of its recognized deferred tax assets to be utilized. Deferred tax assets recognized and recognized as at December 31, 2017 and 2016 are disclosed in Note 18.

(h) Contingencies (Note 20)

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

Note 25 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

25.1 Basis of preparation

The separate financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippines 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 separate 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, quoted available-for-sale financial assets and investment properties.

The preparation of separate 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 Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 24.

The Company has also prepared consolidated financial statements in accordance with PFRS for the Parent company and its Subsidiaries (the "Group"). In the consolidated financial statements, subsidiary undertakings - which are those companies in which the Group, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations - have been fully consolidated.

Users of these separate financial statements should read them together with the Group's consolidated financial statements as at and for the years ended December 31, 2017 and 2016 in order to obtain full information on the financial position, results of operations and changes in financial position of the Company as a whole. The consolidated financial statements of the Group can be obtained from SEC or from the Parent's website: www.shangproperties.com

Changes in accounting policies and disclosures

(a) New standards, amendments to existing standards and interpretations adopted

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

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

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

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

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

Classification and measurement of financial assets

Investments in debt instruments

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

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

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

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

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

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

Investments in equity instruments

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

For all other equities within the scope of PFRS 9, the standard allows entities to make an irrevocable election on initial recognition, on an instrument-by-instrument basis, to present changes in fair value in OCI rather than profit or loss (except for equities that give an investor significant influence over an investee according to PAS 28, which can only be accounted for under PFRS 9 if they are measured at

cost of an investment, in which case they are recognized in OCI. There is no recycling of amounts from OCI to profit or loss - for example, on sale of an equity investment - nor are there any impairment requirements. The Company however, can transfer the cumulative gain or loss within equity.

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

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

Classification and measurement of financial liabilities

PFRS 9 will have no impact on the Company'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 Company does not have any such liabilities. The de-recognition rules have been transferred from PAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

Impairment of financial assets

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under PAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at FVOCI, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Company expects no change in the allowance for impairment losses provided amounting to P2,132,043 as at December 31, 2017 (2016 - P3,114,405).

Hedge accounting

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

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

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

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

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

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

The Company intends to adopt the standard on January 1, 2018 but has assessed that there will be no effect on its financial statements as a result of adoption of this standard as its operations are mainly leasing, which are all fixed in amount and the period covered is defined.

- 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 Company has initially assessed that the adoption of the new standard will not have an impact on the separate 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 Company has opted to apply such guidance only to contracts entered into (or changed) on or after the date of initial application. Existing lease contracts will not be reassessed and such expedient will be consistently applied to all contracts.

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

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

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

25.2 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.

25.3 Financial instruments

25.3.1 Classification

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

(a) Financial assets

The Company 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 Company holds financial assets classified as at fair value through profit or loss, loans and receivables and available-for-sale financial assets as at December 31, 2017 and 2016.

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

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

The Company's investments in listed equity shares are classified under this category (Note 3).

(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 Company's loans and receivables comprise cash and cash equivalents (Note 2), and trade and other receivables (Note 4) as presented in the 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 Company's investments in various listed and unlisted local entities are classified under this category (Note 9).

(b) Financial liabilities

The Company classifies its financial liabilities 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 Company's long-term loan (Note 12) and accounts payable and other current liabilities (excluding payable to government agencies and output value added tax) (Note 11) are classified under financial liabilities at amortized cost.

25.3.2 Recognition and measurement

(a) Initial recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date (the date on which the Company 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 Company recognizes a financial liability in the statement of financial position when the Company becomes a party to the contractual provision of the instrument. Financial liabilities at amortized cost are initially recognized at fair value.

(b) Subsequent measurement

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

Available-for-sale financial assets and financial assets and liabilities 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 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 Company'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 as "gains and losses from investment securities."

25.3.3 Impairment

The Company 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 Company 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 Company 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 Company 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 Company 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 profit or loss.

25.3.4 Derecognition

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company 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.

25.3.5 Offsetting

Financial assets and liabilities are offset and the net amount reported in the 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 Company or the counterparty. There are no offsetting arrangements as at December 31, 2017 and 2016.

25.4 Trade and other receivables

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

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the 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 receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of total comprehensive income within other general and administrative expenses. When a trade receivable is uncollectible, 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 statement of total comprehensive income.

Refer to Note 25.3 for other relevant accounting policies on trade and other receivables.

25.5 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 represent 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.

Properties held for sale are derecognized when they are sold or there are no future benefits to the Company. 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.

25.6 Prepayments and other current assets

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.

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. The Company's creditable withholding taxes are part of the prepaid taxes under prepaid expenses and other current assets in the balance sheet. Creditable withholding taxes are derecognized when utilized or applied against income tax due.

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.

25.7 Investments and advances

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company 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 Company. They are deconsolidated from the date that control ceases.

Investment in a subsidiary in the separate financial statements are accounted for using the cost method in accordance with PAS 27 (Amended), Separate Financial Statements. Under this method, income from investment is recognized in profit or loss only to the extent that the investor receives distributions from accumulated profits of the investee arising after the acquisition date. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as reduction of the cost of the investment.

The Company recognizes dividend income from investments in profit or loss when its right to receive dividends has been established.

When the Company ceases to have control, any retained interest in the entity is remeasured 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, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Company 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.

(b) Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Distributions received are charged to profit or loss as dividend income.

Investment in associate is initially recognized at cost. It is subsequently carried in the separate financial statements at cost, less allowance for impairment losses.

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.

Impairment of investment in subsidiaries and associates is presented in Note 25.10.

(c) Deposits for future share subscriptions

Deposits for future share subscriptions represents amounts received from subsidiaries which will be settled by way of issuance of the Company's own shares at a future date. These are recognized upon receipt of cash and measured at face value or nominal amount.

Deposit for future share subscription is derecognized once share has been issued.

Refer to Note 25.4 for relevant accounting policies on advances to subsidiaries and associate.

25.8 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 Company's investment property, principally comprising of properties in Mandaluyong City are held for capital appreciation and is not occupied by the Company. The Company has adopted the fair value model for its investment property (Note 8).

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 Company 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 Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the profit or loss during the financial period in which they are incurred.

Changes in fair values are recognized in the statement of total comprehensive income within gain/loss on fair value adjustment of investment properties.

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

Removal of an item within investment property is triggered by a change in use, by sale or disposal. If an investment property becomes owner-occupied, it is reclassified as property and equipment (Note 25.9), and its fair value at the date of reclassification becomes its cost for accounting purposes. Gain or loss arising from disposal is determined as the difference between the net disposal proceeds and the carrying amount of the asset. Gain or loss on disposal is recognized in profit or loss in the period of the disposal.

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

Impairment of investment properties is presented in Note 25.10.

25.9 Property and equipment

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

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 25.3).

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 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 statement of total comprehensive income.

25.10 Impairment of nonfinancial assets

Asset that has an indefinite useful life such as investment in a subsidiaries and associates not subject to amortization is evaluated regularly for impairment. Assets that have definite useful lives and are subject to amortization 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that are previously impaired are reviewed for possible reversal of the impairment at each reporting date. Subsequent reversals are credited to other income in the statement of total comprehensive income.

The Company determines at each reporting date whether there is any objective evidence that the investment in subsidiaries and associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the subsidiaries and associate and its carrying value and recognizes the amount in profit or loss. An allowance is set-up for any substantial and presumably permanent decline in value of investments.

25.11 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 other current liabilities are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, these are presented as non-current liabilities.

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

Relevant accounting policies for classification, recognition, measurement and derecognition of accounts payable and other current liabilities are presented in Note 25.3.

25.12 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.

Borrowings are classified as current liabilities unless the Company 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. As at December 31, 2017 and 2016, there are no capitalized borrowing costs as there are no qualifying assets.

25.13 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 Company 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 Company is the current bid price. These instruments are included in Level 1. The financial assets at fair value through profit or loss and available-for-sale financial assets are classified under Level 1 category.

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

The Company 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 Company are classified under Level 2 and 3 category.

25.14 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 Company 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.

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

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized. The Company 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, associates and joint arrangements 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, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Company is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Company 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 Company reassesses at each reporting the need to recognize previously unrecognized deferred income tax asset.

25.15 Provisions

Provisions are recognized when: the Company 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 statement of total comprehensive income within the same line item in which the original provision was charged.

25.16 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 Company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity 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.

(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 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.

25.17 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.

25.18 Employee benefits

(a) Retirement benefits

The Company 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 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 Company measures the resulting asset at the lower of: (a) such amount determined; and (b) the present value of any economic benefits available to the Company 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 Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates: (a) when the Company 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 Company 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 Company 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.

25.19 Revenue and expense recognition

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

(a) Rental income

Rental income from operating leases (the Company 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 Company 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.

(b) Sale of condominium units and cost of condominium units sold

Revenue is recognized when the substantial risks and rewards are transferred to the buyer which coincides with actual delivery of title and/or when the right of exclusive use is conveyed to the buyer.

Cost of condominium units sold is recognized simultaneously with revenue. Cost of condominium units sold pertains only to the cost of the property as all other expenses are shouldered by the buyer.

(c) 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 Company 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 tax.

(d) Dividend income

Dividend income is recognized when the right to receive payment is established.

(e) Other income

Other income is recognized when earned.

(f) Cost and expenses

Cost and expenses are recognized when these are incurred.

25.20 Leases

(a) Company 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 statement of financial position (Note 25.8).

(b) Company 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.

25.21 Foreign currency transactions and translation

(a) Functional and presentation currency

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

(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.

25.22 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.

25.23 Contingencies

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

25.24 Events after the reporting period

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

25.25 Reclassification

To conform with current year presentation, movement of deposits from tenants amounting to P183,256, which was previously reported in the 2016 financial statements as part of financing activities, was reclassified to operating activities in the statements of cash flows.

The reclassification has no impact on the Company's total comprehensive income for 2016.

Note 26 - Supplementary information required by Bureau of Internal Revenue (BIR)

The following information required by Revenue Regulations No. 15-2010 is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

(a) Output value-added tax (VAT)

Output VAT declared for the year ended December 31, 2017 and the revenues upon which the same was based consist of:

	Gross amount of revenues	Output VAT
Subject to 12% VAT Rental revenue	234,385,256	28,126,231

(b) Input VAT

Movements in input VAT for the year ended December 31, 2017 follow:

Beginning balance	5,222,836
Current year's purchases:	
Goods for resale/manufacture or further processing	
Capital goods subject to amortization	680,250
Services lodged under other accounts	13,456,180
Input tax applied against output tax	(16,944,160)
Total input VAT	2,415,106

(c) Importations

There were no customs, import, duties and tariff fees for the year ended December 31, 2017 since the Company is not engaged in importation activities.

(d) Excise tax

There were no transactions subject to excise tax for the year ended December 31, 2017.

(e) Documentary stamp tax

Documentary stamp taxes paid for the year ended December 31, 2017 amounted to P5,756,638 which mainly pertain to taxes on dividends and cash advances.

(f) All other local and national taxes

All other local and national taxes accrued and paid for the year ended December 31, 2017 consist of:

Local	
Real property tax	11,731,255
Mayor's permit	1,840,888
Community tax	10,500
Barangay clearance	1,165
	13,583,808
National	
BIR registration	500
Others	176,662
	13,760,970

The local and national taxes are presented as part of taxes and licenses in the statement of total comprehensive income.

(g) Withholding taxes

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

	Paid	Accrued	Total
Creditable withholding tax	21,443,520	7,519,566	28,963,086
Withholding tax on compensation	61,166,857	3,212,226	64,379,083
Expanded withholding tax	5,029,310	648,723	5,678,033
Final withholding taxes	50,185,721	241,048	50,426,769
Fringe benefit tax	2,262,084	714,483	2,976,567
	118,643,972	4,816,480	123,460,452

(h) Tax assessments and cases

There are no outstanding tax assessments and cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR as at December 31, 2017.

Shang Properties, Inc.

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

Unappropriated Retained Earnings beginning	12,820,363,797
Fair value adjustment of investment properties in prior years, net of tax	(7,254,442,009)
Unappropriated Retained Earnings, as adjusted, beginning	5,565,921,788
Net income based on the face of audited financial statements	2,699,487,635
Less: Non-actual/unrealized income net of tax	-
Equity in net income of associate/joint venture	-
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	-
Unrealized actuarial gain	-
Fair value adjustment	-
Fair value adjustment of Investment property resulting to gain	(1,031,373,328)
Adjustment due to deviation from PFRS/GAAP – gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted under the PFRS	-
Add: Non-actual losses	-
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP – loss	-
Loss on fair value adjustment of investment property (after tax)	-
Net income actually earned during the period	1,668,114,307
Add (Less):	
Realized remeasurement loss during the year	-
Dividends declarations during the year	(785,716,856)
Appropriations of retained earnings	-
Reversal of appropriateness	-
Other reserves from restatement due to PAS19 Revised	-
Treasury shares	882,397,451
TOTAL RETAINED EARNINGS, END	
AVAILABLE FOR DIVIDEND	6,448,319,239

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

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

		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements				
Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions*		✓	
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts*		✓	

		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 9, PFRS 7 and PAS 39: Hedge Accounting*		✓	
	Amendments to PFRS 9 and PFRS 7: Mandatory Effective Date and Transition Disclosures*		✓	
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments*		✓	
	Amendments to PFRS 9, PFRS 7 and PAS 39: Hedge Accounting*		✓	
	Amendments to PFRS 9 and PFRS 7: Mandatory Effective Date and Transition Disclosures*		✓	
	Amendments to PFRS 9: Prepayment Features with Negative Compensation*		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception for Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*		✓	
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Acquisition of an Interest in a Joint Operation			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		

		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception for Investment Entities			✓
	Amendment to PFRS 12: Clarification on the scope of the standard			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers*		✓	
	Amendments to PFRS 15: Clarifications to PFRS 15*		✓	
PFRS 16	Leases*		✓	
PFRS 17	Insurance contracts*			✓
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 16 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses		✓	
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Acceptable Methods of Depreciation and Amortization	✓		

		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Contributions from Employees or Third Parties	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment to PAS 21: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendments to PAS 27: Use of Equity Method in Separate Financial Statements			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendments of PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception for Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contributions of Assets between an Investor and its Associate or Joint Venture*		✓	
	Amendment to PAS 28: Measuring an associate or joint venture at fair value*		✓	
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures*		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓

		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 16 and PAS 38: Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to IFRIC 9 and PAS 39: Embedded Derivatives	✓		
	Amendments to PAS 39: Novation of Derivatives			✓
	Amendments to PFRS 9, PFRS 7 and PAS 39: Hedge Accounting*		✓	
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Transfers of Investment Property*		✓	

		Adopted	Not Adopted	Not Applicable
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to IFRIC 14: Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate*		✓	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration*			✓

		Adopted	Not Adopted	Not Applicable
IFRIC 23	Uncertainty over Income Tax Treatments*		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

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

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

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: SHANG PROPERTIES INC.

CURRENT ADDRESS: 5TH FLOOR SHANGRI-LA PLAZA MALL, MANDALUYONG CITY

TEL. NO.: 370-2700

FAX NO.: 370-2699

COMPANY TYPE: DEVELOPER

PSIC: 7012

If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Balance Sheet

FINANCIAL DATA	2017 (in P'000)	2016 (in P'000)
A. ASSETS (A.1 + A.2 + A.3 + A.4 + A.5 + A.6 + A.7 + A.8 + A.9 + A.10)	27,034,589	25,212,800
A.1 Current Assets (A.1.1 + A.1.2 + A.1.3 + A.1.4 + A.1.5)	1,765,805	1,294,313
A.1.1 Cash and cash equivalents (A.1.1.1 + A.1.1.2 + A.1.1.3)	250,595	895,148
A.1.1.1 On hand	65	55
A.1.1.2 In domestic banks/entities	250,530	895,093
A.1.1.3 In foreign banks/entities		
A.1.2 Trade and Other Receivables (A.1.2.1 + A.1.2.2)	1,247,989	180,916
A.1.2.1 Due from domestic entities (A.1.2.1.1 + A.1.2.1.2 + A.1.2.1.3 + A.1.2.1.4)	1,247,989	180,916
A.1.2.1.1 Due from customers (trade)	54,293	51,984
A.1.2.1.2 Due from related parties	1,187,926	128,379
A.1.2.1.3 Others, specify (A.1.2.1.3.1 + A.1.2.1.3.2)	7,902	3,667
A.1.2.1.3.1 Installment receivable	0	0
A.1.2.1.3.2 Others	7,902	3,667
A.1.2.1.4 Allowance for doubtful accounts (negative entry)	(2,132)	(3,114)
A.1.2.2 Due from foreign entities, specify (A.1.2.2.1 + A.1.2.2.2 + A.1.2.2.3 + A.1.2.2.4)	0	0
A.1.2.2.1		
A.1.2.2.2		
A.1.2.2.3		
A.1.2.2.4 Allowance for doubtful accounts (negative entry)		
A.1.3 Inventories (A.1.3.1 + A.1.3.2 + A.1.3.3 + A.1.3.4 + A.1.3.5 + A.1.3.6)	0	0
A.1.3.1 Raw materials and supplies		
A.1.3.2 Goods in process (including unfinished goods, growing crops, unfinished seeds)		
A.1.3.3 Finished goods		
A.1.3.4 Merchandise/Goods in transit		
A.1.3.5 Unbilled Services (in case of service providers)		
A.1.3.6 Others, specify (A.1.3.6.1 + A.1.3.6.2)	0	0
A.1.3.6.1		
A.1.3.6.2		
A.1.4 Financial Assets other than Cash/Receivables/Equity investments (A.1.4.1 + A.1.4.2 + A.1.4.3 + A.1.4.4 + A.1.4.5 + A.1.4.6)	3,216	4,221
A.1.4.1 Financial Assets at Fair Value through Profit or Loss - issued by domestic entities: (A.1.4.1.1 + A.1.4.1.2 + A.1.4.1.3 + A.1.4.1.4 + A.1.4.1.5)	3,216	4,221
A.1.4.1.1 National Government		
A.1.4.1.2 Public Financial Institutions		
A.1.4.1.3 Public Non-Financial Institutions		
A.1.4.1.4 Private Financial Institutions		
A.1.4.1.5 Private Non-Financial Institutions	3,216	4,221
A.1.4.2 Held to Maturity Investments - issued by domestic entities: (A.1.4.2.1 + A.1.4.2.2 + A.1.4.2.3 + A.1.4.2.4 + A.1.4.2.5)	0	0
A.1.4.2.1 National Government		
A.1.4.2.2 Public Financial Institutions		
A.1.4.2.3 Public Non-Financial Institutions		
A.1.4.2.4 Private Financial Institutions		
A.1.4.2.5 Private Non-Financial Institutions		

NOTE:

This special form is applicable to Investment Companies and Publicly-held Companies (enumerated in Section 17.2 of the Securities Regulation Code (SRC), except banks and insurance companies). As a supplemental form to PHFS, it shall be used for reporting Consolidated Financial Statements of Parent corporations and their subsidiaries.

Domestic corporations are those which are incorporated under Philippine laws or branches/subsidiaries of foreign corporations that are licensed to do business in the Philippines where the center of economic interest or activity is within the Philippines. On the other hand, foreign corporations are those that are incorporated abroad, including branches of Philippine corporations operating abroad.

Financial Institutions are corporations principally engaged in financial intermediation, facilitating financial intermediation, or auxiliary financial services. Non-Financial institutions refer to corporations that are primarily engaged in the production of market goods and non-financial services.

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: SHANG PROPERTIES INC.

CURRENT ADDRESS: 5TH FLOOR SHANGRI-LA PLAZA MALL, MANDALUYONG CITY

TEL. NO.: 370-2700

FAX NO.: 370-2699

COMPANY TYPE: DEVELOPER

PSIC: 7012

If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Balance Sheet

FINANCIAL DATA	2017 (in P'000)	2016 (in P'000)
A.1.4.3 Loans and Receivables - issued by domestic entities: (A.1.4.3.1 + A.1.4.3.2 + A.1.4.3.3 + A.1.4.3.4 + A.1.4.3.5)		
A.1.4.3.1 National Government		
A.1.4.3.2 Public Financial Institutions		
A.1.4.3.3 Public Non-Financial Institutions		
A.1.4.3.4 Private Financial Institutions		
A.1.4.3.5 Private Non-Financial Institutions		
A.1.4.4 Available-for-sale financial assets - issued by domestic entities: (A.1.4.4.1 + A.1.4.4.2 + A.1.4.4.3 + A.1.4.4.4 + A.1.4.4.5)		
A.1.4.4.1 National Government		
A.1.4.4.2 Public Financial Institutions		
A.1.4.4.3 Public Non-Financial Institutions		
A.1.4.4.4 Private Financial Institutions		
A.1.4.4.5 Private Non-Financial Institutions		
A.1.4.5 Financial Assets issued by foreign entities: (A.1.4.5.1+A.1.4.5.2+A.1.4.5.3+A.1.4.5.4)		
A.1.4.5.1 Financial Assets at fair value through profit or loss		
A.1.4.5.2 Held-to-maturity investments		
A.1.4.5.3 Loans and Receivables		
A.1.4.5.4 Available-for-sale financial assets		
A.1.4.6 Allowance for decline in market value (negative entry)		
A.1.5 Other Current Assets (state separately material items) (A.1.5.1 + A.1.5.2 + A.1.5.3)	264,005	214,029
A.1.5.1 Properties held for sale	45,710	49,235
A.1.5.2 Prepayment and other current assets	218,295	164,793
A.1.5.3		
A.2 Property, plant, and equipment (A.2.1 + A.2.2 + A.2.3 + A.2.4 + A.2.5 + A.2.6 + A.2.7 + A.2.8)	41,999	36,751
A.2.1 Land		
A.2.2 Building and improvements including leasehold improvement	52,000	51,801
A.2.3 Machinery and equipment (on hand and in transit)		
A.2.4 Transportation/motor vehicles, automotive equipment, autos and trucks, and delivery equipment	39,003	32,496
A.2.5 Others, specify (A.2.5.1 + A.2.5.2 + A.2.5.3 + A.2.5.4 + A.2.5.5)	38,102	34,433
A.2.5.1 Property, or equipment used for education purposes		
A.2.5.2 Construction in progress		
A.2.5.3 Furnitures, fixtures and other equipment	38,102	34,433
A.2.5.4		
A.2.5.5		
A.2.6 Appraisal increase, specify (A.2.6.1 + A.2.6.2 + A.2.6.3 + A.2.6.4 + A.2.6.5)	0	0
A.2.6.1		
A.2.6.2		
A.2.6.3		
A.2.6.4		
A.2.6.5		
A.2.7 Accumulated Depreciation (negative entry)	(87,106)	(81,979)
A.2.8 Impairment Loss or Reversal (if loss, negative entry)		
A.3 Investments accounted for using the equity method (A.3.1 + A.3.2 + A.3.3 + A.3.4)	14,160,320	14,278,303
A.3.1 Equity in domestic subsidiaries/affiliates	14,160,320	14,278,303
A.3.2 Equity in foreign branches/subsidiaries/affiliates		
A.3.3 Others, specify (A.3.3.1 + A.3.3.2 + A.3.3.3 + A.3.3.4 + A.3.3.5)	0	0
A.3.3.1		
A.3.3.2		
A.3.3.3		
A.3.3.4		
A.3.3.5		
A.4 Investment Property	10,947,542	9,468,363
A.5 Biological Assets		
A.6 Intangible Assets	0	0
A.6.1 Major item/s, specify (A.6.1.1 + A.6.1.2)	0	0
A.6.1.1		
A.6.1.2		
A.6.2 Others, specify (A.6.2.1 + A.6.2.2)	0	0
A.6.2.1		
A.6.2.2		
A.7 Assets Classified as Held for Sale		
A.8 Assets included in Disposal Groups Classified as Held for Sale		

SPECIAL FORM FOR CONSOLIDATED FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: SHANG PROPERTIES INC.
CURRENT ADDRESS: 5TH FLOOR SHANGRI-LA PLAZA MALL, MANDALUYONG CITY
TEL. NO.: 370-2700 FAX NO.: 370-2699
COMPANY TYPE: DEVELOPER PSIC: 7012

If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Balance Sheet

FINANCIAL DATA	2017 (in P'000)	2016 (in P'000)
A.9 Long-term receivables (net of current portion) (A.9.1 + A.9.2 + A.9.3)	0	0
A.9.1 From domestic entities, specify (A.9.1.1 + A.9.1.2 + A.9.1.3)	0	0
A.9.1.1		
A.9.1.2		
A.9.1.3		
A.9.2 From foreign entities, specify (A.9.2.1 + A.9.2.2 + A.9.2.3)	0	0
A.9.2.1		
A.9.2.2		
A.9.2.3		
A.9.3 Allowance for doubtful accounts, net of current portion (negative entry)		
A.10 Other Assets (A.10.1 + A.10.2 + A.10.3 + A.10.4 + A.10.5)	118,922	135,070
A.10.1 Deferred charges - net of amortization		
A.10.2 Advance/Miscellaneous deposits	0	0
A.10.3		
A.10.4 Others, specify (A.10.4.1 + A.10.4.2 + A.10.4.3 + A.10.4.4 + A.10.4.5)	118,922	135,070
A.10.4.1 Available-for-sale financial assets	103,341	98,741
A.10.4.2 Retirement benefit asset	14,527	4,227
A.10.4.3 Refundable deposit	1,054	32,103
A.10.4.4		
A.10.4.5		
A.10.5 Allowance for write-down of deferred charges/bad accounts (negative entry)		
B. LIABILITIES (B.1 + B.2 + B.3 + B.4 + B.5)	6,338,324	6,429,327
B.1 Current Liabilities (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5 + B.1.6 + B.1.7)	1,016,818	1,033,195
B.1.1 Trade and Other Payables to Domestic Entities (B.1.1.1 + B.1.1.2 + B.1.1.3 + B.1.1.4 + B.1.1.5 + B.1.1.6)	979,303	1,000,160
B.1.1.1 Loans/Notes Payables	533,333	533,333
B.1.1.2 Trade Payables	56,034	61,387
B.1.1.3 Payables to Related Parties	320,128	355,088
B.1.1.4 Advances from Directors, Officers, Employees and Principal Stockholders		
B.1.1.5 Accruals, specify material items (B.1.1.5.1 + B.1.1.5.2 + B.1.1.5.3)	51,615	46,192
B.1.1.5.1 Accrued expenses	51,615	46,192
B.1.1.5.2 Advances from condominium unit buyers	0	0
B.1.1.5.3		
B.1.1.6 Others, specify (B.1.1.6.1 + B.1.1.6.2 + B.1.1.6.3)	18,192	4,159
B.1.1.6.1 Withholding and other taxes payable	4,816	3,343
B.1.1.6.2 Outout tax payable	2,212	0
B.1.1.6.3 Others	11,163	816
B.1.2 Trade and Other Payables to Foreign Entities (specify) (B.1.2.1 + B.1.2.2 + B.1.2.3)	0	0
B.1.2.1		
B.1.2.2		
B.1.2.3		
B.1.3 Provisions		
B.1.4 Financial Liabilities (excluding Trade and Other Payables and Provisions) (B.1.4.1 + B.1.4.2 + B.1.4.3 + B.1.4.4 + B.1.4.5)	0	0
B.1.4.1		
B.1.4.2		
B.1.4.3		
B.1.4.4		
B.1.4.5		
B.1.5 Liabilities for Current Tax	0	0
B.1.6 Deferred Tax Liabilities		
B.1.7 Others, specify (If material, state separately; indicate if the item is payable to public/private or financial/non-financial institutions) (B.1.7.1 + B.1.7.2 + B.1.7.3 + B.1.7.4 + B.1.7.5 + B.1.7.6)	37,515	33,035
B.1.7.1 Dividends declared and not paid at balance sheet date	37,515	33,035
B.1.7.2 Acceptances Payable		
B.1.7.3 Liabilities under Trust Receipts		
B.1.7.4 Portion of Long-term Debt Due within one year		
B.1.7.5 Deferred Income		
B.1.7.6 Any other current liability in excess of 5% of Total Current Liabilities, specify:	0	0
B.1.7.6.1		
B.1.7.6.2		
B.1.7.6.3		

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: SHANG PROPERTIES INC.
CURRENT ADDRESS: 5TH FLOOR SHANGRI-LA PLAZA MALL, MANDALUYONG CITY
TEL. NO.: 370-2700 FAX NO.: 370-2699
COMPANY TYPE: DEVELOPER PSIC: 7012

If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Balance Sheet

FINANCIAL DATA	2017 (In P'000)	2016 (In P'000)
B.2 Long-term Debt - Non-current Interest-bearing Liabilities (B.2.1 + B.2.2 + B.2.3 + B.2.4 + B.2.5)	2,000,000	2,533,333
B.2.1 Domestic Public Financial Institutions		
B.2.2 Domestic Public Non-Financial Institutions		
B.2.3 Domestic Private Financial Institutions	2,000,000	2,533,333
B.2.4 Domestic Private Non-Financial Institutions		
B.2.5 Foreign Financial Institutions		
B.3 Indebtedness to Affiliates and Related Parties (Non-Current)		
B.4 Liabilities Included in the Disposal Groups Classified as Held for Sale		
B.5 Other Liabilities (B.5.1 + B.5.2)	3,321,506	2,862,799
B.5.1 Deferred income tax liabilities - net	3,320,237	2,861,529
B.5.2 Others, specify (B.5.2.1 + B.5.2.2 + B.5.2.3 + B.5.2.4 + B.5.2.5)	1,269	1,269
B.5.2.1 Accrued Retirement Benefits Cost	0	0
B.5.2.2 Deposits from tenants	1,269	1,269
B.5.2.3		
B.5.2.4		
B.5.2.5		
C. EQUITY (C.3 + C.4 + C.5 + C.6 + C.7 + C.8 + C.9 + C.10)	20,696,264	18,783,473
C.1 Authorized Capital Stock (no. of shares, par value and total value; show details) (C.1.1+C.1.2+C.1.3)	8,000,000	8,000,000
C.1.1 Common shares 8,000,000,000 shares at P1 par value per share in 2017 and 2016	8,000,000	8,000,000
C.1.2 Preferred Shares		
C.1.3 Others		
C.2 Subscribed Capital Stock (no. of shares, par value and total value) (C.2.1 + C.2.2 + C.2.3)	4,764,059	4,764,059
C.2.1 Common shares 4,764,058,982 shares at P1 par value per share in 2017 and 2016	4,764,059	4,764,059
C.2.2 Preferred Shares		
C.2.3 Others		
C.3 Paid-up Capital Stock (C.3.1 + C.3.2)	4,764,059	4,764,059
C.3.1 Common shares	4,764,059	4,764,059
C.3.2 Preferred Shares		
C.4 Additional Paid-in Capital / Capital in excess of par value / Paid-in Surplus	1,210,074	1,210,074
C.5 Minority Interest		
C.6 Others, specify (C.6.1 + C.6.2 + C.6.3)	(12,003)	(11,024)
C.6.1 Treasury shares	(6,850)	(6,850)
C.6.2 Cumulative changes in fair values of AFS	14,965	10,345
C.6.3 Other Comprehensive Income (Loss)	(20,118)	(14,519)
C.7 Appraisal Surplus/Revaluation Increment in Property/Revaluation Surplus		
C.8 Retained Earnings (C.8.1 + C.8.2)	14,734,135	12,820,364
C.8.1 Appropriated		
C.8.2 Unappropriated	14,734,135	12,820,364
C.9 Head / Home Office Account (for Foreign Branches only)		
C.10 Cost of Stocks Held in Treasury (negative entry)		
TOTAL LIABILITIES AND EQUITY (B + C)	27,034,589	25,212,800

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: SHANG PROPERTIES INC.
CURRENT ADDRESS: LEVEL 5 SHANGRI-LA PLAZA MALL, MANDALUYONG CITY
TEL. NO.: 370-2700 FAX NO.: 370-2699
COMPANY TYPE: DEVELOPER PSIC: 7012

If these are based on consolidated financial statements, please so indicate in the caption.

Table 2. Income Statement

FINANCIAL DATA	2017 (in P'000)	2016 (in P'000)	2015 (in P'000)
A. REVENUE / INCOME (A.1 + A.2 + A.3)	3,547,500	2,986,561	3,954,231
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining, utilities, trade, services, etc.) (from Primary Activity)			
A.2 Share in the Profit or Loss of Associates and Joint Ventures accounted for			
A.3 Other Revenue (A.3.1 + A.3.2 + A.3.3 + A.3.4 + A.3.5)	239,205	221,570	270,887
A.3.1 Rental Income from Land and Buildings	234,385	221,019	212,740
A.3.2 Receipts from Sale of Merchandise (trading) (from Secondary Activity)			
A.3.3 Sale of Real Estate or other Property and Equipment	4,820	550	58,147
A.3.4 Royalties, Franchise Fees, Copyrights (books, films, records, etc.)			
A.3.5 Others, specify (A.3.5.1 + A.3.5.2 + A.3.5.3 + A.3.5.4 + A.3.5.5 + A.3.5.6 + A.3.5.7 + A.3.5.8)	0	0	0
A.3.5.1 Rental Income, Equipment			
A.3.5.2 Management Fee			
A.3.5.3			
A.3.5.4			
A.3.5.5			
A.3.5.6			
A.3.5.7			
A.3.5.8			
A.4 Other Income (non-operating) (A.4.1 + A.4.2 + A.4.3 + A.4.4)	3,308,295	2,764,992	3,683,344
A.4.1 Interest Income	7,509	8,364	8,543
A.4.2 Dividend Income	1,808,904	2,302,262	3,150,415
A.4.3 Gain / (Loss) from selling of Assets, specify (A.4.3.1 + A.4.3.2 + A.4.3.3 + A.4.3.4)	0	0	0
A.4.3.1 Gain on sale of financial assets at fair value through profit or loss	0	0	0
A.4.3.2 Gain on sale of subsidiary	0	0	0
A.4.3.3			
A.4.3.4			
A.4.4 Others, specify (A.4.4.1 + A.4.4.2 + A.4.4.3 + A.4.4.4)	1,491,882	454,365	524,385
A.4.4.1 Increase in fair value of investment property	1,473,390	452,527	521,897
A.4.4.2 Others	18,492	1,838	2,488
A.4.4.3			
A.4.4.4			
B. COST OF GOODS SOLD (B.1 + B.2 + B.3)	0	0	0
B.1 Cost of Goods Manufactured (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5)			
B.1.1 Direct Material Used			
B.1.2 Direct Labor			
B.1.3 Other Manufacturing Cost / Overhead			
B.1.4 Goods in Process, Beginning			
B.1.5 Goods in Process, End (negative entry)			
B.2 Finished Goods, Beginning			
B.3 Finished Goods, End (negative entry)			
C. COST OF SALES (C.1 + C.2 + C.3)	3,525	550	28,372
C.1 Purchases	3,525	550	28,372
C.2 Merchandise Inventory, Beginning			
C.3 Merchandise Inventory, End (negative entry)			
D. GROSS PROFIT (A - B - C)	3,543,975	2,986,011	3,925,859

NOTE: Pursuant to SRC Rule 68.1 (as amended in Nov. 2005), for fiscal years ending December 31, 2005 up to November 30, 2006, a comparative format of only two (2) years may be filed to give temporary relief for covered companies as the more complex PFRSs will be applied for the first time in these year end periods. After these first time applications, the requirement of three (3) year comparatives shall resume for year end reports beginning December 31, 2006 and onwards.

Control No.: _____
Form Type: PHFS1

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: SHANG PROPERTIES INC.
CURRENT ADDRESS: LEVEL 5 SHANGRI-LA PLAZA MALL, MANDALUYONG CITY
TEL. NO.: 370-2700 FAX NO.: 370-2699
COMPANY TYPE: DEVELOPER PSIC: 7012
If these are based on consolidated financial statements, please so indicate in the caption.

Table 2. Income Statement

FINANCIAL DATA	2017 (in P'000)	2016 (in P'000)	2015 (in P'000)
E. OPERATING EXPENSES (E.1 + E.2 + E.3 + E.4)	265,486	175,339	151,552
E.1 Selling or Marketing Expenses			
E.2 Administrative Expenses	230,155	147,892	126,805
E.3 General Expenses	35,331	27,447	24,747
E.4 Other Expenses, specify (E.4.1 + E.4.2 + E.4.3 + E.4.4 + E.4.5 + E.4.6 + E.4.7 + E.4.8 + E.4.9 + E.4.10)	0	0	0
E.4.1 Provision for impairment of goodwill	0	0	0
E.4.2			
E.4.3			
E.4.4			
E.4.5			
E.4.6			
E.4.7			
E.4.8			
E.4.9			
E.4.10			
F. FINANCE COSTS (F.1 + F.2 + F.3 + F.4 + F.5)	114,949	129,141	162,420
F.1 Interest on Short-Term Promissory Notes			
F.2 Interest on Long-Term Promissory Notes	114,662	128,955	155,425
F.3 Interest on bonds, mortgages and other long-term loans			
F.4 Amortization			
F.5 Other interests, specify (F.5.1 + F.5.2 + F.5.3 + F.5.4 + F.5.5)	287	185	6,996
F.5.1 Bank charges	287	185	6,996
F.5.2 Loss on sale of land	0	0	0
F.5.3			
F.5.4			
F.5.5			
G. NET INCOME (LOSS) BEFORE TAX (D - E - F)	3,163,540	2,681,531	3,611,887
H. INCOME TAX EXPENSE (negative entry)	(464,052)	(138,093)	(158,841)
I. INCOME(LOSS) AFTER TAX	2,699,488	2,543,439	3,453,045
J. Amount of (i) Post-Tax Profit or Loss of Discontinued Operations; and (ii) Post-Tax Gain or Loss Recognized on the Measurement of Fair Value less Cost to Sell or on the Disposal of the Assets or Disposal Group(s) constituting the Discontinued Operation (If any)			
J.1			
J.2			
K. PROFIT OR LOSS ATTRIBUTABLE TO MINORITY INTEREST			
L. PROFIT OR LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	2,699,488	2,543,439	3,453,045
M. EARNINGS (LOSS) PER SHARE			
M.1 Basic	0.567	0.534	0.725
M.2 Diluted			

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: SHANG PROPERTIES INC.

CURRENT ADDRESS: LEVEL 5 SHANGRI-LA PLAZA MALL, MANDALUYONG CITY

TEL. NO.: 370-2700

FAX NO.: 370-2699

COMPANY TYPE : DEVELOPER

PSIC: 7012

If these are based on consolidated financial statements, please so indicate in the caption.

Table 3. Cash Flow Statements

FINANCIAL DATA	2017 (in P'000)	2016 (in P'000)	2015 (in P'000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income (Loss) Before Tax and Extraordinary Items	3,163,540	2,681,531	3,611,887
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities			
Depreciation	8,591	10,063	10,555
Amortization, specify:			
Others, specify:			
Interest expenses	114,662	128,955	155,425
Gain on fair value of investment properties	(1,473,390)	(452,527)	(521,897)
Dividend Income	(1,808,904)	(2,302,262)	(3,150,415)
Gain on sale of property and equipment	(811)	(254)	(601)
Others	(4,829)	(8,930)	(9,286)
Loss on sale of land		0	0
(Gain)/loss on sale of financial assets at fair value through profit or loss	1,005	22	(816)
Write-down of Property, Plant, and Equipment			
Changes in Assets and Liabilities:			
Decrease (Increase) in:			
Receivables	(1,067,345)	(54,825)	835,785
Properties held for sale	3,525	550	28,372
Other Current Assets	(53,502)	(24,137)	(25,445)
Others, specify:			
Increase (Decrease) in:			
Trade and Other Payables	(20,857)	38,700	(229,042)
Income and Other Taxes Payable	-	-	-
Others, specify:			
Retirement Benefit Cost	(18,299)	(4,836)	(14,596)
Interest Received	7,782	9,927	6,868
Deposits from tenants	0	0	0
Income Taxes Paid	(4,925)	(5,953)	(6,419)
A. Net Cash Provided by (Used in) Operating Activities (sum of above rows)	(1,153,757)	16,025	690,376
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase) Decrease in Long-Term Receivables			
(Increase) Decrease in Investment	117,983	(2,248,080)	456,717
Reductions/(Additions) to Property, Plant, and Equipment	(13,840)	(11,752)	(5,039)
Others, specify Dividends Received	1,808,904	3,005,860	2,441,918
Refundable deposits	0	0	0
Others	26,070	(35,353)	(3,738)
B. Net Cash Provided by (Used in) Investing Activities (sum of above rows)	1,939,117	710,675	2,889,857
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Loans	0	0	0
Long-term Debt			
Issuance of Securities			
Others, specify:			
Interest paid	(114,662)	(129,621)	(165,183)
Deposit from Tenant	0	183	87
Payments of:			
(Loans)	(533,333)	(133,333)	(1,895,833)
(Long-term Debt)			
(Stock Subscriptions)			
Others, specify (negative entry):			
Cash dividends paid to shareholders	(781,237)	(781,147)	(733,928)
Effect of exchange rate changes	(681)	565	744
C. Net Cash Provided by (Used in) Financing Activities (sum of above rows)	(1,429,913)	(1,043,352)	(2,794,113)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)	(644,553)	(316,652)	786,120
Cash and Cash Equivalents			
Beginning of year	895,148	1,211,800	425,680
End of year	250,595	895,148	1,211,800

NOTE: Pursuant to SRC Rule 68.1 (as amended in Nov. 2005), for fiscal years ending December 31, 2005 up to November 30, 2006, a comparative format of only two (2) years may be filed to give temporary relief for covered companies as the more complex PFRSs will be applied for the first time in these year end periods. After these first time applications, the requirement of three (3) year comparatives shall resume for year end reports beginning December 31, 2006 and onwards.

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: SHANG PROPERTIES INC.

CURRENT ADDRESS: 5TH LEVEL SHANGR-LA PLAZA MALL, MANDALUYONG CITY

TEL. NO.: 370-2700

FAX NO.: 370-2699

COMPANY TYPE: DEVELOPER

PSIC: 7012

If these are based on consolidated financial statements, please so indicate in the caption.

Table 4. Statement of Changes in Equity

FINANCIAL DATA	(Amount in P'000)					
	Capital Stock	Additional Paid-in Capital	Treasury Shares	Cummulative Changes in Fair Value	Retained Earnings	TOTAL
A. Balance, 2015	4,764,059	1,210,074	(6,850)	(5,847)	11,062,642	17,024,078
A.1 Correction of Error(s)						0
A.2 Changes in Accounting Policy						0
B. Restated Balance	4,764,059	1,210,074	(6,850)	(5,847)	11,062,642	17,024,078
C. Surplus						0
C.1 Surplus (Deficit) on Revaluation of Properties						0
C.2 Surplus (Deficit) on Revaluation of Investments				5,498		5,498
C.3 Currency Translation Differences						0
C.4 Other Surplus (specify)						0
C.4.1 Remeasurement Gains (Losses) on defined benefit				(3,824)		(3,824)
C.4.2						0
C.4.3						0
C.4.4						0
C.4.5						0
D. Net Income (Loss) for the Period					2,543,439	2,543,439
E. Dividends (negative entry)					(785,717)	(785,717)
F. Appropriation for (specify)						0
F.1						0
F.2						0
F.3						0
F.4						0
F.5						0
G. Issuance of Capital Stock						0
G.1 Common Stock						0
G.2 Preferred Stock						0
G.3 Others						0
H. Balance, 2016	4,764,059	1,210,074	(6,850)	(4,174)	12,820,364	18,783,473
H.1 Correction of Error (s)						0
H.2 Changes in Accounting Policy						0
I. Restated Balance						0
J. Surplus						0
J.1 Surplus (Deficit) on Revaluation of Properties						0
J.2 Surplus (Deficit) on Revaluation of Investments				4,620		4,620
J.3 Currency Translation Differences						0
J.4 Other Surplus (specify)						0
J.4.1 Remeasurement Gains (Losses) on defined benefit				(5,599)		(5,599)
J.4.2						0
J.4.3						0
J.4.4						0
J.4.5						0
K. Net Income (Loss) for the Period					2,699,488	2,699,488
L. Dividends (negative entry)					(785,717)	(785,717)
M. Appropriation for (specify)						0
M.1						0
M.2						0
M.3						0
M.4						0
M.5						0
N. Issuance of Capital Stock						0
N.1 Common Stock						0
N.2 Preferred Stock						0
N.3 Others						0
O. Balance, 2017	4,764,059	1,210,074	(6,850)	(5,153)	14,734,135	20,696,264

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: SHANG PROPERTIES INC.
CURRENT ADDRESS: LEVEL 5 SHANGRI-LA PLAZA MALL, MANDALUYONG CITY
TEL. NO.: 635-8300 FAX NO.: 633-4473
COMPANY TYPE : DEVELOPER PSIC: 7012

If these are based on consolidated financial statements, please so indicate in the caption.

Table 5. Details of Income and Expenses, by source
(applicable to corporations transacting with foreign corporations/entities)

FINANCIAL DATA	2017 (in P'000)	2016 (in P'000)	
A. REVENUE / INCOME (A.1 + A.2)			
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining, utilities, trade, services, etc.) (from Primary Activity) (A.1.1 + A.1.2)	n/a		
A.1.1 Domestic			
A.1.2 Foreign			
A.2 Other Revenue (A.2.1 + A.2.2)			
A.2.1 Domestic			
A.2.2 Foreign, specify (A.2.2.1+A.2.2.2+ A.2.2.3+ A.2.2.4+ A.2.2.5+ A.2.2.6+ A.2.2.7+ A.2.2.8+A.2.2.9+A.2.2.10)	n/a		
A.2.2.1			
A.2.2.2			
A.2.2.3			
A.2.2.4			
A.2.2.5			
A.2.2.6			
A.2.2.7			
A.2.2.8			
A.2.2.9			
A.2.2.10			
B. EXPENSES (B.1 + B.2)			
B.1 Domestic			
B.2 Foreign, specify (B.2.1+B.2.2+B.2.3+B.2.4+B.2.5+B.2.6+B.2.7+B.2.8+B.2.9+B.2.10)	n/a		
B.2.1			
B.2.2			
B.2.3			
B.2.4			
B.2.5			
B.2.6			
B.2.7			
B.2.8			
B.2.9			
B.2.10			

SHANG PROPERTIES, INC.
INDEX TO FINANCIAL AND SUPPLEMENTARY
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

Signed financial statements		See Attached
As of and for the year December 31, 2017		
Supplementary schedules		
Schedule A -	Financial Assets	NA
Schedule B -	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	X
Schedule C -	Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements	X
Schedule D -	Intangible Assets - Other Assets	NA
Schedule E -	Long-Term Debt	X
Schedule F -	Indebtedness to Affiliates and Related Parties (Long-Term Loans from Related Companies)	NA
Schedule - G	Guarantees of Securities of Other Issuers	X
Schedule H -	Capital Stock	X
X - Attached		

Shang Properties, Inc. and Subsidiaries
Schedule A. Financial Assets
December 31, 2017

Name of related party	Beginning balance	Additions	Amounts collected	Amounts written off	Current	Non-current	Ending Balance
				None			

Shang Properties, Inc. and Subsidiaries
Schedule B. Amounts receivable from related parties
December 31, 2017

Name of related party	Beginning balance	Additions	Amounts collected	Amounts written off	Current	Non-current	Ending Balance
Classic Elite Holdings Inc	-	1,027,606,487	-	-	1,027,606,487	-	1,027,606,487
Clavall Properties Inc.	12,824	3,716	16,373	-	167	-	167
EDSA Shangri-la Hotel & Resorts, Inc.	2,771,500	12,118,950	11,953,908	-	2,936,542	-	2,936,542
Ideal Sites Property Inc.	5,105,311	6,441	11,463	-	5,100,289	-	5,100,289
Mactan Shangri-la Hotel	209,475	830,031	783,506	-	256,000	-	256,000
Makati Shangri-la Hotel	9,687,569	6,919,653	4,997,706	-	11,609,516	-	11,609,516
One Shangri-la Place Condominium Corp	18,065,513	12,193,755	10,508,258	-	19,751,010	-	19,751,010
Shang Salcedo Place Condominium Corp.	-	13,703,057	-	-	13,703,057	-	13,703,057
The Enterprise Centre Condominium Corp	4,891,339	102,520,681	24,047,500	-	83,364,520	-	83,364,520
The Shang Grand Tower Condominium Corp.	14,578,976	7,188,958	6,051,106	-	15,716,828	-	15,716,828
The St. Francis Shangri-la Place Condominium Corp.	8,383,167	11,228,511	9,030,570	-	10,581,108	-	10,581,108
Others	14,716,362	34,431,366	16,076,355	-	33,071,373	-	33,071,373
Total	78,422,036	1,228,751,606	83,476,745	-	1,223,696,897	-	1,223,696,897

Shang Properties, Inc. and Subsidiaries
Schedule C. Amounts receivable from related parties which are eliminated during the consolidation of financial statements
December 31, 2017

Name of related party	Beginning balance	Additions	Amounts collected	Amounts written off	Current	Not Current	Ending Balance
Shangri-la Plaza Corp.	78,537,512	169,406,636	149,989,636	-	97,425,577	528,936	97,954,512
Shang Property Management Services, Inc.	43,788,735	16,014,228	5,320,434	-	5,655,213	48,827,315	54,482,528
Shang Property Realty Corp.	23,152,501	83,751,746	82,371,291	-	21,832,197	2,700,760	24,532,956
SPi Parking Services, Inc.	9,679,326	37,648,847	35,299,484	-	11,818,359	210,329	12,028,689
KPPI Management Services, Inc.	1,088,845	27,248	-	-	27,248	1,088,845	1,116,093
Shang Global City Holdings Inc.	1,010,072,161	204,165	2,680	-	201,870	1,010,071,776	1,010,273,646
Shang Fort Bonifacio Holdings, Inc.	690,928,539	304,616	4,642	-	300,289	690,928,224	691,228,513
KSA Realty Corp.	1,320,008	8,924,293	8,912,484	-	185	1,331,631	1,331,816
Shang Property Developers Inc.	18,689,334	72,931,871	25,763,413	-	513,549	65,344,244	65,857,792
Silver Hero from SPD	2,317,500,000	-	-	-	-	2,317,500,000	2,317,500,000
Others	3,034,095,475	2,112,353,063	865,865,729	-	116,465,076	2,861,753,715	2,978,218,792
Total	7,228,852,436	2,501,566,713	1,173,529,794	-	254,239,563	7,000,285,775	7,254,525,338

December 31, 2017

None

Shang Properties, Inc. and Subsidiaries
Schedule E. Long-term debt
December 31, 2017

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term Debt" in related balance sheet
Term Loan	16,400,000,000	583,333,333	7,776,139,370
Total	16,400,000,000	583,333,333	7,776,139,370

Shang Properties, Inc. and Subsidiaries
Schedule F. Indebtedness to Affiliates and Related Parties (Long-Term Loans from Related Companies)
December 31, 2017

Name of related party	Beginning balance	Additions	Amounts collected	Amounts written off	Current	Non-current	Ending Balance
				None			

Shang Properties, Inc. and Subsidiaries
Schedule G. Guarantees of Securities of Other Issuers
December 31, 2017

Name of issuing entity	Title of issue of each class of security	Total amount guaranteed and outstanding	Nature of guarantee
Shang Global City Properties, Inc.	Bank loan	50% of total outstanding balance	Guarantee of principal and interest

Shang Properties, Inc. and Subsidiaries
Schedule H. Capital Stock
December 31, 2017

Title of issue	Number of shares authorized	Number of shares issued and outstanding	Number of shares reserved for options, warrants, conversion, and other rights	Number of shares held by affiliates	Number of shares held by directors, officers and employees	Number of shares held by others
Common	8,000,000,000	4,764,058,982	-	3,114,484,998	3,842,714	1,645,731,270
Total	8,000,000,000	4,764,058,982	-	3,114,484,998	3,842,714	1,645,731,270



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

April 12, 2018

SHANG PROPERTIES, INC.
000-144-386-000

Dear Sirs:

We are submitting three (3) copies of the audited financial statements of Shang Properties Inc. (formerly EDSA Properties Holdings Inc.) for the year ended December 31, 2017 duly stamped "received" by the Bureau of Internal Revenue.

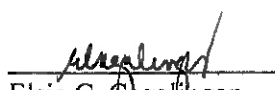
Also enclosed are the following:

1. A CD containing the soft copy of the Special Form for Financial Statements of Publicly-Held and Investment Companies with the following details:

	<u>Parent Company</u>	<u>Consolidated Company</u>
File name and file format	PHFS1 Publicly-Held and Investment Co. (Parent or Individual).XLS	PHFS2 Publicly-Held and Investment Co. (Consolidated AFS).XLS
Size of the file, and	267 KB	271 KB
Last date modified	April 10, 2018	April 10, 2018

2. Certification from the Company's Treasurer or his equivalent that the CD has the basic and material data in the hard copy of the audited financial statements.

Very truly yours,


Elsie C. Cagalingan
Accounting Manager



REPUBLIC OF THE PHILIPPINES)
)S.S.

QUEZON CITY

TREASURER'S CERTIFICATION

I, Karlo Marco P. Estavillo, of legal age, Filipino, and with office address at the Level 5, Shangri-La Plaza Mall, EDSA corner Shaw Boulevard, Mandaluyong City, after being sworn in accordance with law, hereby certify that:

1. I am the Treasurer of **Shang Properties, Inc.** (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines under SEC Certificate of Registration No. A1998-1805, with principal office address at 5/Level, Shangri-La Plaza Mall, EDSA corner Shaw Boulevard, Mandaluyong City.
2. The Financial Statement ("F/S") CD submitted contains the exact data stated in the hard copies of the F/S of the Corporation.
3. I am executing this certification to attest to the truth of the foregoing and in compliance with the reportorial requirements of the SEC.


WITNESS MY HAND on this ____ day of April 2018 at Mandaluyong City.


Karlo Marco P. Estavillo
Treasurer 

APR 12 2018

SUBSCRIBED AND SWORN to before me on this ____ day of _____ at **QUEZON CITY**, Affiant exhibited to me his Passport Number EC4018079 issued on 23 April 2015 and will expire on 22 April 2020.

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Doc. No. 21:
Page No. 49:
Book No. 49:
Series of 2018.


ATTY. BENJAMIN F. ALFONSO
NOTARY PUBLIC
UNTIL December 31, 2018
PIR NO. 5520234, January 3, 2018, QUEZON C.
IBP NO. 019073 12-20-2017 - QUEZON CITY
ROLL NO. 13296
ADM. MATTER NO. NP-046-(2017-2018)
TIN NO. 177-967-619-000
MCLE III-0024526 - December 12, 2017
34 Asset's St. GSIS Village
Project B Quezon City