

# COVER SHEET

0 0 0 0 0 0 1 4 5 4 9 0

SEC Registration Number

S H A N G   P R O P E R T I E S , I N C .

(Company's Full Name)

A D M I N I S T R A T I O N   O F F I C E   S H A N G R I - L A  
P L A Z A   M A L L , E D S A   C O R . S H A W   B L V D .  
M A N D A L U Y O N G   C I T Y

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

**ATTY. FEDERICO G. NOEL, JR.**

(Contract Person)

**8370-2700**

(Company Telephone Number)

1 2   3 1  
Month   Day  
(Fiscal Year)

D E F - 2 0 I S  
(Form Type)

Month   Day  
(Annual Meeting)

**Not Applicable**

(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

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

☒ Definitive Information Statement

☐ Preliminary Information Statement

2. Name of Registrant as specified in its charter SHANG PROPERTIES, INC.
3. Philippines  
Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number: 145490
5. BIR Tax Identification Code: 000-144-386
6. Level 5, Administration Offices, Shangri-La Plaza Mall  
EDSA cor. Shaw Boulevard, Mandaluyong City 1550  
Address of principal office Postal Code
7. Registrant's telephone number, including area code (632) 8370-2700
8. The annual meeting of Registrant's stockholders will be held on 18 NOVEMBER 2020 at 10:00 A.M. via video conference.  
Date, time and place of the meeting of security holders
9. Approximate date on which the Information Statement is first to be sent or given to security holders:  
27 OCTOBER 2020, which is fifteen (15) business days prior to the date of the Annual Stockholders' Meeting on 18 NOVEMBER 2020.
10. No proxy solicitations will be made by Registrant.
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

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 Registrant's 2,695 treasury shares)

12. Are any or all of registrant's securities listed in a Stock Exchange?

Yes ☒ No ☐

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

The Registrant's Common Shares are listed with the Philippine Stock Exchange.

<b>PART I.</b>
----------------

**INFORMATION REQUIRED IN INFORMATION STATEMENT**

**A. GENERAL INFORMATION**

**Item 1. Date, time and place of meeting of security holders.**

The annual meeting of Registrant's stockholders will be held on **18 NOVEMBER 2020 at 10:00 A.M.** via video conference.

The approximate date on which the Information Statement is first to be sent or given to security holders is on **27 OCTOBER 2020, which is fifteen (15) business days prior to the date of the Annual Stockholders' Meeting on 18 NOVEMBER 2020.**

Registrant's complete mailing address is as follows: **SHANG PROPERTIES, INC.**, Level 5, Administration Offices, Shangri-La Plaza Mall, EDSA cor. Shaw Blvd., Mandaluyong City.

**Item 2. Dissenters' Right of Appraisal**

Any stockholder of the Registrant shall have the right to dissent and demand payment of the fair value of his/her shares as provided under the Corporation Code of the Philippines. There is no matter scheduled to be taken up during the Annual Stockholder's Meeting which would give rise to the exercise of a stockholder's right of appraisal.

**Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

No director or officer of the Registrant or nominee for election as director of Registrant, or associate of any of the foregoing has/have a substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon during the Annual Stockholders Meeting, other than election to office for some of such persons.

No director of the Registrant has informed the Registrant in writing or otherwise that he intends to oppose any action to be taken by the Registrant at the meeting.

**B. CONTROL AND COMPENSATION INFORMATION**

**Item 4. Voting Securities and Principal Holders Thereof**

As of the date of submission of this Information Statement, the Registrant has 4,764,056,287 issued and outstanding common shares all with a par value of One Peso (₱1.00) per share. All shares have identical voting rights. Every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock as of record date. Every stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate his votes and give one candidate/nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal or he may distribute them on the same principle among as many candidates as he shall see fit provided that the total number of votes cast by him shall not exceed the number of shares owned multiplied by the whole number of directors to be elected.

The record date for the Registrant's Annual Stockholders' Meeting is **19 OCTOBER 2020.**

Every stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate his votes and give one candidate/nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal or he may distribute them on the same principle among as many candidates as he shall see fit provided that the total number of votes cast by him shall not exceed the number of shares owned multiplied by the whole number of directors to be elected.

There are no stated conditions precedent to the exercise of cumulative voting rights.

**The Top 20 stockholders of the Issuer as of 30 SEPTEMBER 2020 are:**

<b>Name of Stockholders</b>	<b>Number of Shares Held</b>	<b>Percent to Total Outstanding</b>
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 (PH)	1,009,093,912	21.18%
4.SM Development Corporation	189,550,548	3.98%
5. PCD Nominee Corporation (OA)	60,493,027	1.27%
6. KGMPP Holdings, Incorporated	52,925,445	1.11%
7. CCS Holdings, Incorporated	47,633,492	1.00%
8. Pecanola Company Limited	43,175,495	0.91%
9. Kuok Foundation Overseas Limited	37,023,839	0.78%
10. Kuok Brothers SND. BHD	37,023,839	0.78%

**As of 30 SEPTEMBER 2020, the total number of shareholders of Issuer's common shares is 5,218.**

**Security Ownership of Certain Record and Beneficial Owners of More Than 5%**

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 **30 SEPTEMBER 2020**.

<b>Title of Class</b>	<b>Name, address of record owner and relationship with issuer</b>	<b>Name of Beneficial Owner and Relationship with Record Owner</b>	<b>Citizenship</b>	<b>No. of Shares Held</b>	<b>Percent</b>
Common	Travel Aim Investment B.V. 25/F Kerry Centre 683 King's Road Quarry Bay, HK	R	Foreign	1,648,869,372	34.61%
Common	Ideal Sites & Properties, Inc.	R	Filipino	1,465,144,626	30.75%
Common	PCD Nominee Corporation	R	Filipino	1,009,093,912	21.18%

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. The votes for Ideal Sites and Properties, Inc., are to be cast by the said Company's appointed proxy, who is usually the Chairman of the Issuer's Annual Shareholders Meeting. The Annual Shareholders Meeting of the Issuer is usually chaired by Mr. Edward Kuok Khoon Loong, and in his absence, by Mr. Alfredo Ramos.

PCD Nominee Corporation is a wholly-owned subsidiary of the Philippine Depository & Trust Corp. (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.

**Security Ownership of Management (as of 30 SEPTEMBER 2020)**

<b>Title of Class</b>	<b>Name of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Citizenship</b>	<b>Percent of Class</b>
Common	Edward Kuok Khoon Loong	808,008(D)	Malaysian	0.017%
Common	Alfredo C. Ramos	213,734(D)	Filipino	0.000%
Common	Louis Wong Chi Kong	1,000(D)	British	0.000%
Common	Cynthia R. Del Castillo	1(D)	Filipino	0.000%
Common	Benjamin I. Ramos	2(D)	Filipino	0.000%
Common	Maximo G. 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	0.064%
Common	Wilfred Shan Chen Woo	1,000(D)	Canadian	0.000%
Common	Karlo Marco P. Estavillo	5,000(D)	Filipino	0.000%
Common	Kean Choon Koay	1 (D)	Malaysian	0.000%

As of the reporting of SEC Form 20-IS for 2020, the aggregate ownership of all directors and officers as a group unnamed is **4,050,708** shares or **0.000%** of the outstanding shares of Issuer.

**VOTING TRUST / HOLDERS OF 5% OR MORE**

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

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

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.

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.

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.

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.

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. 5<sup>th</sup> Avenue and 21<sup>st</sup> 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)
- SPI Property Holdings, Inc. (100% owned by the Issuer)
- SPI Property Developers, Inc. (100% owned by the Issuer)

- SPI Land Development Inc. (100% owned by the Issuer)
- Shang Robinsons Properties Inc. (50% owned by the Issuer)

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

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

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

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

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

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

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

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

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

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

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

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

SPI Property Developers, Inc., SPI Property Holdings, Inc., and SPI Land Development Inc. were all incorporated on 09 December 2019 as a holding company.  
was incorporated on 09 December 2019.

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. SPSI's competitors are those entities who are into carpark management and operation. SPSI is in a healthy financial position and has the expertise to efficiently and viably operate its carpark facilities.
- (vi) This section on raw materials and suppliers is not applicable to the Issuer nor to its subsidiaries by reason of the nature of their businesses as herein described.
- (vii) Neither the Issuer nor its subsidiaries operations and businesses are dependent on a single customer, the loss of which would have a material adverse effect on the Issuer and its subsidiaries taken as a whole, by reason of the nature of their businesses as described herein.

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

**With Issuer's subsidiaries:**

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

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

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

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

On 16 January 2002, the Issuer entered into an agreement with SLPC and SPSI. Under the terms and conditions of the agreement, SPSI will be granted limited usufructuary rights



over the Issuer's parking spaces for a consideration equivalent to a certain percentage of SPSI's gross income less direct and indirect expenses. The agreement has been renewed annually and subsists to date.

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

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

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

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

**With Issuer's affiliates:**

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

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

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.

**FOREIGN OWNERSHIP LEVEL AS OF 30 SEPTEMBER 2020:**

<b><u>Security</u></b>	<b><u>Total Outstanding Shares</u></b>	<b><u>Shares Owned By Foreigners</u></b>	<b><u>Percent of Ownership</u></b>
Common Shares	4,764,056,287	1,870,012,088	39.25%

**Item 5. Directors and Executive Officers****CHANGES IN CONTROL**

As regards changes in control, there are no pending or proposed changes which will affect the Registrant.

The Directors, Independent Directors and Executive Officers of the Registrant with their business experience for the last five years from this disclosure are as follows:

<b>Name</b>	<b>Citizenship</b>	<b>Director/ No. of Years</b>	<b>Age</b>	<b>Office Held</b>	<b>Directorship in other reporting (Listed) Companies</b>
Edward <u>Kuok</u> Khoon Loong	Malaysian	Yes /28 yrs.	67	Chairman	None
Alfredo C. Ramos	Filipino	Yes /32 yrs. & 1 mos.	76	Vice Chairman	Anglo Philippine Holdings Corp., The Philodril Corp., Vulcan and Industrial Mining and Development Corp., Penta Capital Holdings Corp., Philippine Seven Corp.
Cynthia R. Del Castillo	Filipino	Yes /19yrs & 3 mos.	67		Sanitary Wares & Mfg. Corp.
Benjamin I. Ramos	Filipino	Yes /9 yrs. & 10 mos.	50		None

Wilfred Shan Chen Woo	Canadian	Yes/ 9 yrs. & 1 mo.	62		None
Antonio O. Cojuangco***	Filipino	Yes /13 yrs. & 1 mo.	68		None
Louis Chi Kong Wong	British	Yes/1 yr. & 10 mos.	-		None
Karlo Marco P. Estavillo	Filipino	Yes/4 yrs.	49	Treasurer/ CFO/COO	None
Kean Choon Koay	Malaysian	Yes/1 yr. & 5 mos.	65		
Maximo G. Licaucio III	Filipino	Yes/5 yrs & 4 mos.	68		None
Rajeev Garg	Singapore	(No)	46	VP/Group Financial Controller	None
Federico G. Noel, Jr.	Filipino	(No)	58	Corporate Secretary	None
Maria Myla Rae S. Orden*	Filipino	(No)	54	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 11<sup>th</sup> in the 1976 Bar Examinations. She was a former Dean of the Ateneo de Manila University's Law School and the first woman to hold the said position. She currently serves as Corporate Secretary and Director of other various Philippine corporations.

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

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

*27 November 2018. Mr. Wong will serve as member of the Board for the remainder of Mr. Ho's term and until his successor is duly elected and qualified)*

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

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

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

**\*Kean Choon Koay** is the Senior Project Manager of Issuer. He worked as M & E Manager with Kerry Project Management Ltd. Hong Kong and as Senior Project Manager from 2000-2011 for Shangri-La Hotel Management Ltd. (Replaced Mr. Gregory Allan Dogan who resigned as a member of the Board as of 15 February 2019. Mr. Koay Kean Choon will serve as member of the board for the remainder of Mr. Dogan's term and until his successor is duly elected and qualified)

**\*Rajeev Garg** is the new Vice President and Group Financial Controller of the Issuer. He has been with the Kuok Group for a total of 14 years covering various functions including Finance in Shangri-La Dubai, Aberdeen Marina Club, Hong Kong, two (2) Shangri-La Development Projects in Sri Lanka and another development project in Colombo before moving to Issuer.

He holds a Bachelor's Degree in Accounting and Accounting Certificate from the Institute of Chartered Accountants of India and PG Diploma in Management. *(Mr. Rajeev Garg was elected as Vice President and Group Financial Controller of the Issuer as of 06 March 2019.)*

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

**\*Maria Myla Rae S. Orden** is Assistant Corporate Secretary and has been the Assistant General Counsel of the Company for the past 20 years. *(Resigned as of 17 January 2020)*

**\*\*\* 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.

**Nomination of Regular (Non-independent) and Independent Directors**

Pursuant to the SEC approved Amended by-Laws of the Registrant wherein new provisions on the nomination and election of the regular and independent members of the Board of Directors were added in compliance with the SRC and SEC Rules and Regulations, the Registrant duly published in a newspaper of general circulation the Notice to Stockholders calling for nominations for regular and independent members of the Registrant's Board of Directors who shall be elected during the Annual Stockholders Meeting on 18 November 2020 (published on 19 September 2020 in The Manila Times). Pursuant to the nominations received by the Corporate Secretary of Registrant the following names have been forwarded to the Corporate Governance Committee / Nomination Committee for nomination to the Board of Directors during the Annual Stockholders Meeting:

*Edward Kuok Khoon Loong*  
*Alfredo C. Ramos*  
*Cynthia R. Del Castillo*  
*Karlo Marco P. Estavillo*  
*Antonio O. Cojuangco*  
*Maximo G. Licaucó III*  
*Wilfred Shan Chen Woo*  
*Louis Chi Kong Wong*  
*Benjamin C. Ramos*  
*Koay Kean Choon*

Messrs. Maximo G. Licaucó III, Benjamin C. Ramos, and Antonio O. Cojuangco nominated themselves to be voted upon as independent members of the Board during the Annual Stockholders' Meeting on 18 November 2020.

The specific wordings of Article III, Section 2 of the Issuer's Amended By-Laws setting out the following guidelines and procedures for the nomination and election of the Issuer's regular and independent directors are as follows:

Section 2(a). Election of Independent Directors and their qualification. - Pursuant to the provisions of the Securities Regulation Code and the pertinent regulations of the Securities and Exchange Commission, the Corporation's Board of Directors shall have at least two (2) independent directors or such number of independent directors as corresponds to at least twenty (20%) of the Corporation's board size, whichever is

lesser. The independent directors shall be elected in the same manner as the other members of the Board of Directors as provided in these By-Laws.

Section 2(b). Qualification and Disqualification of Independent Director – Any stockholder having at least one (1) share registered in his name may be elected Independent Director, provided, however, that no person shall qualify or be eligible for nomination or election as Independent Director if he is engaged in any business which competes with or is antagonistic to that of the Corporation. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged:

(i) If he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of any corporation (other than one in which the corporation owns at least 40% of the capital stock) engaged in the business which the Board of Directors, by at least three-fourths vote, determines to be competitive or antagonistic to that of the Corporation; or

(ii) If he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of, any other corporation or entity engaged in any line of business of the Corporation, when in the judgment of the Board of Directors, by at least two-thirds (2/3) vote, the laws against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors; or

(iii) If the Board of Directors, in the exercise of its judgment in good faith, determine by at least two-thirds (2/3) vote that he is the nominee of any person set forth in (i) or (ii) above.

In determining whether or not a person is a controlling person, beneficial owner, or the nominee of another, the Board of Directors may take into account such factors as business and family relationship.

For the proper implementation of this provision, all nominations for the election of Independent Directors shall follow the procedure described below."

Section 2 (c). The Board of Directors shall constitute, from among themselves, a Nomination Committee. The Nomination Committee shall have at least three (3) members, one of whom is an independent director. It shall promulgate the guidelines or criteria to govern the conduct of the nominations for both regular and independent directors, which shall include the following:

(i) The nomination of regular and independent directors shall be conducted by the Nomination Committee prior to a stockholders' meeting. All nominations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominee.

(ii) The Nomination Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for regular and independent director/s.

(iii) After the nomination, the Nomination Committee shall prepare a Final List of Candidates for regular and independent directors which shall contain all the following information about all the nominees:

- Names, ages, and citizenship of all nominees;
- Positions and offices that each nominee has held, or will hold if known;
- Term of office and the period during which the nominee has served as director;
- Business experience during the past five (5) years;
- Other directorships held in SEC reporting companies, naming each company;
- Family relationships up to the fourth civil degree either by consanguinity or affinity among directors, executive officers, or persons chosen by the company to become directors or executive officers;

- Involvement in legal proceedings, i.e., a description of any of the following events that occurred during the past five (5) years up to the latest date that are material to an evaluation of the ability of integrity of any director, any nominee for election as director, executive officer, underwriter or control person of the company:
- Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- Any conviction by final judgment, including the nature of the offense, 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;
- Being 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; and
- Being found by a domestic or foreign of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.
- Disclosure if owning directly or indirectly as record and/or beneficial owner of any class of the company's voting securities;
- Disclosure of owning voting trust of more than 5% of the company's securities; and
- Any such other information as may be required to be disclosed by the Securities and Exchange Commission although not expressly provided for above.

The Corporate Governance Committee / Nomination Committee is chaired by Mr. Edward Kuok Khoon Loong, while the Committee Members are Ms. Cynthia N. Del Castillo and Antonio O. Cojuangco.

#### **Involvement in Certain Legal Proceedings**

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

#### **Information on Cases, Judgments, Decrees, etc., Against Registrant's Directors and Executive Officers.**

None of the directors or executive officers of the Registrant 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 five (5) years up to the latest date; None of the directors or executive officers of the Registrant 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; None of the directors or executive officers of the Registrant 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; and None of the directors or executive officers of the Registrant 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.

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

The information above is true during the past five (5) years up to the latest date.

### **Parents of Registrant**

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

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

National Bookstore, Inc., is a closed Philippine company which owns the Philippines' biggest chain of bookstores. The Ramos family controls National Bookstore and has the power to vote its shares.

### **Resignation of Director Since the Last Annual Shareholders' Meeting**

None.

### **Proxy Solicitations**

No proxy solicitations will be made by the Registrant.

### **Item 6. Compensation of Directors and Executive Officers**

The following is a summary of the aggregate compensation paid or accrued during the last two (2) fiscal years, i.e. 2018 and 2019 and to be paid in the ensuing fiscal year 2020 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/DIRECTOR	FISCAL YEAR	AGGREGATE COMPENSATION (in ₱)		
		Basic	Bonus	Total
<b><u>2020</u></b>		<b>78,026,520.00</b>	<b>21,844,891.95</b>	<b>99,871,411.95</b>
Wolfgang Krueger				
Karlo Marco P. Estavillo				
Rajeev Garg				
Federico G. Noel, Jr.				
Koay Kean Choon				
Jose Juan Z. Jugo				
<b><u>2019</u></b>		<b>58,540,326.00</b>	<b>24,097,463.32</b>	<b>82,637,789.32</b>
Gregory Allan Dogan				
Karlo Marco P. Estavillo				
Rajeev Garg				
Federico G. Noel Jr.				
Koay Kean Choon				
Danila Regina I. Fojas				
<b><u>2018</u></b>		<b>69,354,683.58</b>	<b>26,901,485.92</b>	<b>96,256,169.50</b>
Gregory Allan Dogan				
Karlo Marco P. Estavillo				
Uday Deshpande				
Kuoh Hun Hsion				
Federico G. Noel Jr.				
Koay Kean Choon				
Danila Regina I. Fojas				



The figures reported in Item 6 (Compensation of Directors and Executive Officers) comprise the aggregate compensation of **all the officers of SPI**. SPI has a lean organization and has no other officers except as indicated in the table in Item 6. With respect to SPI's Directors, as SPI has consistently disclosed these part years, the members of the Board of SPI do not receive any form of compensation, whether in the form per diem, options, etc.

#### **Item 7. Independent Public Accountants**

The Registrant has had no disagreements with its Accountants Isla Lipana & Co. (Price WaterHouse Coopers Philippines). The representatives of said Accountants will be present during the annual stockholders' meeting, and shall have the opportunity to make a statement if they desire to do so. They shall also be available to respond to appropriate questions.

The Registrant is compliant with the SRC rule 68, as amended, par 3(b)(iv), and has observed the rotation of signing partners for its Independent Public Accountants, Isla Lipana & Co. (Price WaterHouse Coopers Philippines). With respect to Isla Lipana & Co, the signing partner starting FY 2018 is Imelda Ronnie de Guzman - Castro. Isla Lipana & Co is a SEC-accredited external auditing firm, effective until 20 June 2021 and **will be recommended for re-appointment as External Auditor for the year 2020-2021 during the Annual Stockholders' Meeting on 18 NOVEMBER 2020.**

#### **AUDIT COMMITTEE**

Pursuant to the provisions of Registrant's Manual of Corporate Governance, the Registrant has an Audit Committee which is chaired by **Maximo G. Licauco III who is an independent director. The members of the Committee are Benjamin I. Ramos and Cynthia del Castillo.**

#### **(B) 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.:

	<b>2019</b>	<b>2018</b>
Audit Fees	4,393,050	4,393,050
Tax Consultancy Fees	-	-
	<b>4,393,050</b>	<b>4,393,050</b>

No other service was provided by external auditors to the Company for the fiscal years 2019 and 2018.

##### **b. 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"**

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

**Not Applicable.**

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

**The Group's external auditor for the last 2 years is Isla Lipana & Co. There were no disagreements with Isla Lipana & Co. on any accounting and financial disclosure matters.**

- (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 8. Compensation Plans**

No actions will be taken by Registrant during the Annual Stockholders Meeting as regards any bonus, profit sharing or other compensation plan, contract or arrangement in which any director, nominee for election as a director, or executive officer of the registrant will participate, any pension or retirement plan in which any such person will participate, or the granting or extension to any such person of any option/s, warrant/s or right/s to purchase any securities. The members of the board are not paid per diem for their attendance to board meetings.

**C. ISSUANCE AND EXCHANGE OF SECURITIES**

**Item 9. Authorization or Issuance of Securities Other than for Exchange**

The merger of Registrant and Kuok Philippine Properties, Inc. ("KPPI"), with the Registrant as the surviving entity, and KPPI as the absorbed entity, was duly approved by the SEC on 25 July 2007. Pursuant to the Plan of Merger of Registrant and KPPI, as approved by the Board of Directors of Registrant, all KPPI shareholders as of the date of approval by the Securities and Exchange Commission of the Merger ("Record Date"), were entitled to exchange every seven (7) of their KPPI shares with one (1) share of the Registrant. Fractional shares (shares less than 7) held by the qualified KPPI shareholders were paid by the Registrant in cash. The shares of the Registrant which was issued to the KPPI shareholders was taken from out of an increase in the Authorized Capital Stock of the Registrant from ₱6,000,000,000.00 (representing 6,000,000,000 common shares at ₱1.00 par value per share) to ₱8,000,000,000.00 (representing 8,000,000,000 common shares at ₱1.00 par value per share), which increase in the Authorized Capital Stock has been duly approved by the SEC. All shares issued to KPPI shareholders have been duly listed with the Philippine Stock Exchange.

Only common shares were issued which shall enjoy the same rights (dividend, voting, and other rights) as those common shares of the Registrant already issued and outstanding. No preferred shares will be issued on account of the increase in the Authorized Capital Stock.

As regards dividends, the dividend policy of the Registrant is as set forth in Article VIII of its By-Laws which states that dividends shall be declared and paid out of the unrestricted retained earnings which shall be payable in cash, property, or stock to all shareholders on the basis of outstanding stock held by them, as often and at such times as the Board of Directors may determine and in accordance with existing laws.

The pre-emptive rights of all common shareholders of the Registrant (old and new) are denied in Article Seventh of the Articles of Incorporation of Registrant, which states that "No holder of shares of the Corporation shall have, as such holder, any pre-emptive right to acquire, purchase, or subscribe to any share of the capital stock of the Corporation which it may issue or sell, whether out of the number of shares authorized by these Articles of Incorporation as originally filed, or by any amendment thereof, or out of the shares of the capital stock of the Corporation acquired by it after the issuance thereof."

There are no provisions in the By-Laws of Registrant that would delay, defer, or prevent a change in control of the Registrant.

**No dividends in arrears or defaults in principal interest**

The Registrant has no dividends in arrears or defaults in principal or interest in respect of any of their respective securities.

## **Cash Dividends Declared By The Issuer During The Two Most Recent Years**

### **Cash Dividends**

#### **2020**

- During the regular meeting of the Issuer's Board held on 01 April 2020, the Board approved the declaration of P0.11250 per share cash dividend to all shareholders of record as of 17 April 2020 to be taken from the unrestricted retained earnings as reflected in the audited financial statements of the Issuer as of 31 December 2019 to be paid on or before 24 April 2020.
- During the regular meeting of the Issuer's Board held on 20 August 2020, the Board approved the declaration of P0.04400 per share cash dividend to all shareholders of record as of 08 September 2020 to be taken from the unrestricted retained earnings as reflected in the audited financial statements of the Issuer as of 30 June 2020 to be paid on or before 18 September 2020.

#### **2019**

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

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

### **Item 15. Action with respect to Reports**

**As of the submission of this PRELIMINARY Information Statement, for the agenda during the annual stockholders' meeting, the shareholders shall be requested to:**

- (i) approve the minutes of the Annual Stockholders' Meeting held on **19 JUNE 2020** which minutes reflect the following: call to order, proof of notice of meeting, certification of quorum, approval of minutes of the previous annual stockholders' meeting, approval of the Management's report of operations **for 2019**, ratification of the acts of the Board of Directors, election of directors, appointment of the firm of Isla Lipana & Co. (Price WaterHouse Coopers Philippines) as the Registrant's External Auditors, and adjournment.
- (ii) ratify the acts of Management and the Board of Directors since the Annual Stockholders' Meeting held **19 JUNE 2019** up to the date of this year's Annual Stockholders' Meeting. The items covered with respect to this general ratification are the acts of Board of Directors in the ordinary course of business, with those acts of significance having been subject of prior disclosures to the SEC.
- (iii) approve and ratify the Registrant's Audited Financial Statements as of **31 December 2019**, elect the Board of Directors for the year **2020-2021**, elect the Registrant's external auditors.
- (iv) approve the appointment of the Issuer's External Auditors Isla Lipana & Co. (Price Waterhouse Coopers Philippines) for the fiscal year **2020-2021**.

As of this **PRELIMINARY** Information Statement, other than the above, no other action shall be taken during the annual stockholders' meeting.

#### **Item 16. Matters Not Required to be Submitted**

All matters or actions to be taken up in the meeting will require the vote of the stockholders as of the record date.

#### **Item 17. Amendment of Charter, Bylaws or Other Documents**

To prevent contamination and spread of the COVID 19 virus and to ensure that the health and safety of the shareholders, directors, and other persons, the Registrant has set its guidelines and internal procedure which will allow them to participate and vote in absentia through remote modes of communication pursuant to the SRC Revised Rule and Revised Corporation Code.

*A stockholder may propose the holding of a special meeting and items to be included in the agenda.*

#### **Item 18. Other Proposed Action**

None

#### **Item 19. Voting Procedures**

The vote of at least a majority of the stockholders who participates through remote communication or by proxy and entitled to vote, a quorum being present, shall be required for approval or election. The votes shall be taken and counted viva voce, by the secretary of the Meeting through video conference.

#### **CORPORATE GOVERNANCE MANUAL**

In August 2002, the Board of Directors of the Issuer adopted its Corporate Governance Manual which it submitted to the Securities and Exchange Commission. The Manual includes provisions on:

- Compliance System
- Duties and responsibilities of Compliance Officer
- Plan for Compliance including the general responsibilities and qualifications of:
  - Board of Directors
  - Board Committees
  - Corporate Secretary
  - External Auditor
  - Internal Auditor
- Communication Process
- Training Process
- Reportorial/Disclosure System
- Monitoring Assessment

On August 3, 2005, the Board of Directors of Issuer approved the amendment of Issuer's Manual of Corporate Governance such as to add thereto provisions for the creation of a nomination committee for both regular and independent directors of Issuer, in compliance with the relevant provision of the Securities and Regulation Code.

On 17 August 2009, the Issuer's Board of Directors approved further revisions to the Issuer's Manual on Corporate Governance such as to render the same compliant with SEC Memorandum Circular No. 6, Series of 2009.

On 24 June 2014, this Issuer's Board of Directors approved the latest revisions to the Corporation's Manual on Corporate Governance in compliance with the SEC Memorandum Circular No. 9, Series of 2014.

During its meeting held on 15 March 2017, the Board approved the Issuer's 2017 Manual of Corporate Governance pursuant to Sec Memo Circular No. 19, Series of 2016.

### **Internal Control**

In performing their duties, the Registrant's Board of Directors also acknowledge their responsibility for the Registrant's system of internal financial control. The system is designed with a view to provide reasonable assurance against any material misstatement or loss. This aims to ensure that assets of the Registrant are safeguarded, proper accounting records are maintained and that the financial information used within the business and for publication is reliable. The control system also includes clearly drawn lines of accountability and delegation of authority and comprehensive reporting and analysis against approved annual budgets.

Regular reports are also be prepared for the Board to ensure that Directors are supplied with all the information they require in timely and appropriate manner.

### **Audit Committee**

Pursuant to its Corporate Governance Manual, the Board created an Audit Committee in August 2002. The membership in said committee is compliant with the composition set forth in the Issuer's Manual of Corporate Governance. The Committee acts in an advisory capacity and makes recommendation to the Board. It also review the findings and plans of the internal and external auditors of the Registrant and liaises, on behalf of the Board, with the auditors. The Committee meets regularly to review audit reports, status of the Registrant's audits, internal controls, interim and final financial statements prior to recommending them to the Board for approval.

The Audit Committee is scheduled to meet at least three times a year. The Committee is chaired by Maximo G. Licauco III. Its members are Benjamin I. Ramos, Cynthia R. del Castillo.

### **Corporate Governance Committee (Subsumed the functions of the Nomination Committee)**

Pursuant to its Corporate Governance Manual, the Board created a Corporate Governance Committee which absorbed all the functions of the Nomination Committee. The Corporate Governance Committee/Nomination Committee is chaired by Mr. Edward Kuok Khoon Loong, while the Committee Members are Ms. Cynthia N. Del Castillo and Antonio O. Cojuangco. The procedure for the nomination of regular and independent directors is detailed in the Issuer's amended Manual on Corporate Governance as well as in Issuer's amended By-Laws.

### **Nomination of Independent Director/s**

The screening of nominations for independent directors shall be conducted by the Corporate Governance Committee prior to a stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominee.

The Corporate Governance Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent director/s.

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

In compliance with PSE Memorandum No. 2010-0505 which requires the disclosure of the level of public ownership of the Issuer, as of 30 SEPTEMBER 2020, is 34.55% of the Issuer's total issued and outstanding shares is publicly owned in accordance with the PSE's guidelines for the computation of public ownership.

### **MARKET INFORMATION**

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

Year	High	Low
<b>2020</b>		
First Quarter	3.31	2.45
Second Quarter	2.99	2.55
Third Quarter	2.74	2.65
<b>2019</b>		
First Quarter	P3.20	P3.00
Second Quarter	P3.09	P2.95
Third Quarter	P3.47	P2.95
Fourth Quarter	P3.33	P3.03
<b>2018</b>		
First Quarter	P3.59	P3.01
Second Quarter	P3.52	P3.13
Third Quarter	P3.30	P3.15
Fourth Quarter	P3.20	P3.04

The high and low of Issuer's shares for the period 01 January 2020 to 31 March 2020 are as follows:

**High:     ₱3.31**  
**Low:      ₱2.45**

The high and low of Issuer's shares for the period 01 July 2020 to 30 September 2020 are as follows:

**High:     ₱2.74**  
**Low:      ₱2.65**

The closing price for the Issuer's shares on 30 SEPTEMBER 2020 is ₱2.65

The high and low of Issuer's shares for 30 September 2020 are as follows:

**High:     ₱2.69**  
**Low:      ₱2.65**

- (b) Describe any restriction that limits the ability to pay dividends on common equity or that are likely to do so in the future.

#### **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.

**PART II.**

**INFORMATION REQUIRED IN A PROXY FORM**

Part II and its required disclosures are not relevant to the Registrant since Registrant will not be requesting or soliciting proxies.

**UNDERTAKING**

REGISTRANT UNDERTAKES TO PROVIDE WITHOUT CHARGE TO EACH PERSON SOLICITED, ON THE WRITTEN REQUEST OF ANY SUCH PERSON, A COPY OF THE REGISTRANT'S ANNUAL REPORT ON SEC FORM 17-A, AND SHALL INDICATE THE NAME AND ADDRESS OF THE PERSON TO WHOM SUCH WRITTEN REQUEST IS TO BE DIRECTED. AT THE DISCRETION OF MANAGEMENT, A CHARGE MAY BE MADE FOR EXHIBITS, PROVIDED SUCH CHARGE IS LIMITED TO REASONABLE EXPENSES INCURRED BY THE REGISTRANT IN FURNISHING SUCH EXHIBITS.

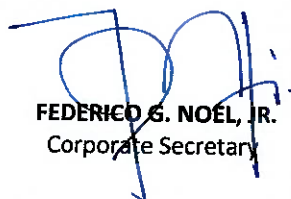
**PART III.**

**SIGNATURE PAGE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Mandaluyong this **8<sup>th</sup> day of October 2020**.

**SHANG PROPERTIES, INC.**

By:

  
**FEDERICO S. NOEL, JR.**  
Corporate Secretary

## **ADDENDUM TO THE ANNUAL REPORT**

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

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

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

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

(2) Management's Discussion and Analysis

(a) Full Fiscal Years

#### **Key Performance Indicators**

		<b>31-Dec</b>		<b>%</b>
		<b>2019</b>	<b>2018</b>	<b>Change</b>
Turnover	(Php M)	11,362	11,180	1.63%
Profit Attributable to shareholders	(Php M)	3,056	3,012	1.46%
Earnings per share	(Php Ctv)	0.642	0.633	1.42%
Net Asset Value per share	(Php)	7.353	6.884	6.81%
Price Earnings Ratio	(Times)	4.984	4.929	1.11%

- Turnover consists of revenue from condominium sales, rental and cinema, and hotel operations. Shang Properties' gross revenue increased by P182M to P11.362B in 2019 from P11.180B in 2018. Sales of residential condominium units of P4.428B accounted for 39% of the Group's turnover in 2019. Revenue from rental and cinema operations amounted to P3.353B, higher by P336M from last year's P3.017B. Hotel operations of Shangri-La at the Fort contributed revenue amounting to P3.580B or 30% of turnover in 2019, higher by P408M from last year's P3.172B.
- Profit attributable to shareholders pertains to net income from operations of the Group, net of minority shareholders' share. It went up by P44M or 1.46% compared with last year.
- Earnings per share of P0.642 were higher by 1.42% from last year's P0.633.
- Net Asset value per share is calculated by dividing the total net asset of the company (Total asset – Total liabilities) by the number of shares outstanding.
- Net asset value per share increased by 6.81% mainly due to increase of P1.935B in Installment Contracts Receivable coming from sales of condominium units during the year and additional Investment in and Advances to a Joint Venture of P1.121B.
- Price Earnings ratio is a valuation of the company's current share price compared to earnings per share and calculated by dividing the market value per share by the earnings per share. Price earnings ratio is higher by 1.11% at 4.984 times this year from 4.929 times last year. The Group' year-end share price in 2019 is P3.20 from P3.12 in 2018.

### **Results of Operations**

#### ***Calendar Year 2019 Compared to Calendar Year 2018***

Shang Properties' consolidated net income attributable to shareholders for the year ended December 31, 2019 amounted to ₱3.056B, ₱44M higher than the ₱3.012B posted in the same period last year.



Increase in Turnover by ₱182M or 1.62% to ₱11.362B in 2019 from ₱11.180B in 2018, mainly due to higher revenue from rental and cinema and hotel operations of Shangri-La at the Fort, partially offset by the decrease in revenue from condominium sales.

1. Increase in revenue from rental and cinema by ₱336M mainly due to higher occupancy rate of both office leasing at The Enterprise Center and mall operations of Shangri-La Plaza. Rental yield of office leases also increase during the year, due to rental escalations of new and renewed leases.
2. Increase in revenue from hotel operations by ₱409M is mainly due to higher occupancy of the Shangri-La at the Fort Hotel and also higher average daily rate this year compared to last year.
3. Decrease in condominium sales by ₱563M is mainly due to fewer available units for sale as the Group's Shang Salcedo Place project became fully sold out during the year and The Rise Makati project already at handover stage.

Cost of sales and services of the Group amounted to ₱6.079B, lower by ₱192M compared with last year's ₱6.271B due to the following:

1. Decrease in cost of rental and cinema by ₱77M mainly due to higher recovery of common area expenses of Group's Mall operations. Reimbursements from tenants increased during the year due to increase in CUSA rates charged by the Mall and also due to lower electricity rates.
2. Increase in cost of hotel services by ₱189M due to higher occupancy compared to same period last year.
3. Decrease in cost of condominium sales by ₱304M mainly due to lower sales across all projects.

Operating expenses of the Group amounted to ₱1.252B higher by ₱64M or 5.4% from last year's ₱1,188M mainly due to the net effect of the following:

1. Higher staff cost by ₱38M due to annual salary adjustments and increase in number of employees of the Group.
2. Increase in taxes and licenses by ₱6M mainly due to documentary stamp tax paid during the year on the transfer of real estate property purchased by the Group.
3. Increase in depreciation and amortization by ₱11M due to additional office improvements made and purchase of vehicles and other equipment for the year.
4. Increase in insurance expense by ₱14M is mainly due to additional property insurance coverage obtained by Shangri-La at the Fort during the year.
5. Decrease in other general and administrative expenses by ₱5M mainly due to decrease in Advertising and Promotions of Shangri-La at the Fort and The Rise Makati project as it nears completion stage.

Other income decreased by ₱853M mainly due to lower gain on fair value adjustment of investment properties as a significant adjustment was made in the previous year, as appraised by an independent appraiser.

Decrease in interest expense and bank charges by ₱86M mainly due to payment of lower interest rate on bank loans of Shangri-La at the Fort and Shang Properties Inc. and also lower loan balance due to principal payments during the year.

Provision for income tax is lower by ₱217M mainly due to lower taxable income generated during the year.

#### ***Calendar Year 2018 Compared to Calendar Year 2017***

Shang Properties' consolidated net income attributable to shareholders for the year ended December 31, 2018 amounted to ₱3.012B, ₱334M lower than the ₱3.346B posted in the same period last year.

Decrease in Turnover by ₱2.590B or 18.81% to ₱11.180B in 2018 from ₱13.770B in 2017, mainly due to net effect of decrease in revenue from condominium sales and increase in revenue from rental and cinema and hotel operations of Shangri-La at the Fort.

1. Decrease in condominium sales by ₱3.201B is mainly due to fewer available units for sale due to completed projects.
2. Increase in rental and cinema revenue by ₱36M mainly due to higher rental yield of The Enterprise Center.
3. Increase in revenue from hotel operations by ₱575M is mainly due to higher occupancy this year compared to last year.

Cost of sales and services of the Group amounted to ₱6.270B, lower by ₱1.338B compared with last year's ₱7.608B due to the following:

1. Decrease in cost of condominium sales by ₱1.726B mainly due to lower sales across all projects, particularly Horizon Homes and Shang Salcedo Place as only few units were left for sale this year.
2. Increase in cost of rental and cinema by ₱24M mainly due to higher utility costs, advertising and promotion, janitorial, security and other services and insurance of Shangri-La Mall this year compared to same period last year.
3. Increase in cost of hotel services by ₱365M due to higher occupancy compared to same period last year.

Operating expenses of the Group amounted to ₱1.188B lower by ₱35M or -2.83% from last year's ₱1,222.8M mainly due to the net effect of the following:

1. Decrease in general and administrative expenses is mainly due to lower commission expenses paid by Shangri-La at the Fort this year and lower condominium dues paid to One Shangri-La Place Condominium Corporation as units have been turned over to unit owners.
2. Increase in taxes and licenses by ₱15M mainly due to higher real property taxes and documentary stamp tax paid during the year.
3. Increase in depreciation by ₱3M mainly due to additional office improvements made and purchase of other equipment for the year.
4. Decrease in insurance expense by ₱2M is mainly due to additional insurance coverage obtained during the year.

Other income increased by ₱390M mainly due to higher gain on fair value adjustment of investment properties and gain on fully depreciated assets.

Increase in interest and bank charges by ₱27M mainly due to payment of interest on bank loans of Shangri-La at the Fort and Shang Properties Inc.

Provision for income tax is lower by ₱193M mainly due to lower taxable income generated during the year.

#### ***Calendar Year 2017 Compared to Calendar Year 2016***

Increase in Turnover by ₱3.427B or 33.14% to ₱13.770B in 2017 from ₱10.343B in 2016, mainly due to the net effect of higher revenue from condominium sales, rental and cinema and hotel operations of Shangri-La at the Fort.

2. Increase in condominium sales by ₱2.086B mainly due to higher sales recognition from Horizon Homes of Shangri-La at the Fort and The Rise Makati projects.
3. Increase in rental and cinema revenue by ₱89M mainly due to higher rental yield of The Enterprise Center.

4. Increase in revenue from hotel services of Shangri-La at the Fort by ₱1.252B 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.

Cost of sales and services of the Group amounted to ₱7.608B, higher by ₱2.508B compared with last year's ₱5.100B due to the following:

1. Increase in cost of condominium sales by ₱1.221B 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 ₱88M 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 ₱1.199B due to its full operations during the year as compared to only ten (10) months in 2016.

Operating expenses of the Group amounted to ₱1.223B - higher by ₱2M or 0.2% from last year's ₱1.221B mainly due to the net effect of the following:

1. Decrease in staff cost by ₱70M 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 ₱25M mainly due to higher business permits and taxes driven by higher revenue earned.
3. Increase in depreciation by ₱2M mainly due to depreciation of newly purchased transportation equipment.
4. Decrease in insurance expense by ₱17M 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 ₱8M mainly due to lower administration cost incurred due to completion of the projects.

Other income increased by ₱146M mainly due to higher gain on fair value adjustment of investment properties and dividend income received in 2017.

Increase in interest and bank charges by ₱59M mainly due to payment of interest on bank loans of Shangri-La at the Fort.

Provision for income tax is higher by ₱260M mainly due to higher taxable income generated during the year.

### **Financial Condition**

#### ***Calendar Year 2019 Compared to Calendar Year 2018***

Total assets of the Group amounted to ₱63.354B, increased by ₱3.098B from the total assets of ₱60.256B in December 31, 2018. The following are the significant movements in the assets:

Increase in cash and cash equivalents by ₱208M mainly due to collection from sales of condominium projects (The Rise).

Decrease in financial assets at fair value through profit or loss by ₱5M due to loss on fair value adjustment recognized during the year.

Increase in trade and other receivables by ₱1.935B mainly due to additional receivables arising from sales of condominium units from The Rise and Shang Residences at Wack Wack projects.

Decrease in properties held for sale by ₱801M mainly due to portion recognized as cost of sales of The Rise and Shang Residences at Wack Wack projects.

Increase in investment in and advances to an associate and a joint venture by ₱1.121B due to advances to the joint venture with Robinson's Land Corporation (RLC) and the ₱101M share in Net Income of said joint venture taken up during the year. Both RLC and SPI owns 50% of the outstanding shares in the joint venture under the name of Shang Robinsons Properties Inc.

Increase in investment properties by ₱392M is mainly due to the fair value adjustment taken up during the year.

Increase in real estate development projects by ₱992M is due to development cost of the retail portion of The Rise Makati project.

The increase in the Financial Assets at Fair Value through other comprehensive income by ₱21M is mainly due to the fair valuation of unlisted shares of stock being held by the Group as investment.

Decrease in property, plant and equipment by ₱943M is mainly due to periodic depreciation.

Increase in deferred income tax assets by ₱105M is mainly due to the recognition of higher installment sales of Shang Residences at Wack Wack project.

Increase in other noncurrent assets by ₱275M is mainly due to deposits made by SPI for future project developments.

The net increase in total liabilities by ₱894M from ₱21.190B in 2018 to ₱22.083B in 2019 mainly due to the following:

The Net Increase in Accounts Payable by ₱778M is mainly due to higher accrual of expenses and advance rental collected from tenants of The Enterprise Center (TEC).

Net decrease in installment payable by ₱97M is mainly due to quarterly payments during the year.

Decrease in bank loans mainly due to net repayments amounting to ₱55M.

Increase in deferred lease income by ₱18M is mainly due to higher deposits from The Enterprise Center and (TEC) and Shangri-La Plaza.

Increase in income tax payable by ₱89M mainly due to increase in TRDCI's taxable income for the year.

Increase in dividends payable by ₱5M due unclaimed dividend checks paid to shareholders during the year.

Increase in deferred income tax liabilities by ₱209M is mainly due to the recognition of higher percentage of completion of The Rise condominium project.

#### ***Calendar Year 2018 Compared to Calendar Year 2017***

Total assets of the Company amounted to ₱60.255B, decreased by ₱194M from the total assets of ₱60.449B in December 31, 2017. The following are the significant movements in the assets:

Decrease in cash and cash equivalents by ₱2.599B mainly due to repayment of bank loans and additions to investment properties and associates.

Decrease in financial assets at fair value through profit or loss by ₱5M due to loss on fair value adjustment recognized during the year.

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

Decrease in properties held for sale by ₱2.558B due to sale of condominium units of Horizon Homes.

Increase in investment in associates by ₱499M is mainly due to the joint venture with Robinson's Land Corporation (RLC). Both RLC and SPI shall own 50% of the outstanding shares in the joint venture under the name of Shang Robinsons Properties Inc.

Increase in investment properties by ₱2.411B is mainly due to the investment in Sky Leisure Properties Inc and the fair value adjustment in investment properties.

Increase in real estate development projects by ₱260M is due to the additional cost which pertains to the retail portion of The Rise Makati Project.

Increase in the available for sale financial assets by ₱269M is mainly due to the revaluation to fair value of the unlisted shares that were previously carried at cost.

Increase in property, plant and equipment by ₱1.807B is due to reclassification from real estate development cost the completed portion of Shangri-La at the Fort Hotel.

Decrease in deferred income tax assets decreased by ₱70M is mainly due to the recognition of higher percentage of completion of The Rise condominium project.

Decrease in other noncurrent assets by ₱29M is mainly due to the input VAT claimed and return of deposits for utilities by Shangri-La at the Fort.

The net decrease in total liabilities by ₱2.735B from ₱23.925B in 2017 to ₱21.190B in 2018 mainly due to the following:

Net decrease in installment payable by ₱246M is mainly due to quarterly payments during the year.

Decrease in bank loans mainly due to repayments amounting to ₱2.376B.

Increase in deferred lease income by ₱21M mainly due to higher deposits from The Enterprise Center and (TEC) and Shangri-La Plaza.

Decrease in income tax payable by ₱22M mainly due to lower taxable income during the year.

Increase in dividends payable by ₱5M due to declaration of cash dividends during the year.

Increase in accrued employee benefits by ₱5M mainly due to the increase in retirement benefits to be paid based on the actuarial valuation.

#### ***Calendar Year 2017 Compared to Calendar Year 2016***

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

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

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

Increase in receivables by ₱1.230B mainly due to receivables from sale of condominium units, hotel guests and advances to associated company.

Decrease in properties held for sale by ₱4.418B due to recognition of sales of various condominium units.

Decrease in prepaid taxes and other current assets by ₱651M 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 ₱40M mainly due to completion of Shangri-la at the Fort project. In 2017, the cost of the completed portion of the hotel was reclassified to property and equipment.

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

The net decrease in total liabilities by ₱4.509B from ₱28.4B in 2016 to ₱23.9B in 2017 mainly due to the following:

Net decrease in installment payable by ₱134M is mainly due to quarterly payments during the year.

Decrease in bank loans mainly due to repayments amounting to ₱4.677B.

Increase in deferred lease income by ₱13M and advance rental by ₱71M mainly due to higher deposits from new tenants of The Enterprise Center and (TEC) and Shangri-La Plaza.

Increase in income tax payable by ₱106M mainly due to higher taxable income during the year.

Increase in dividends payable by ₱5M due to unclaimed cash dividends during the year.

Increase in accrued employee benefits by ₱11M mainly due to the increase in retirement benefits to be paid based on the actuarial valuation.

#### **Statement of Cash Flows**

Net cash provided by operating activities in 2019 amounted to ₱4.118B. The cash inflows in 2019 and 2018 includes 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. Net cash provided by operating activities in 2018 and 2017 amounted to ₱2.835B and ₱7.272B, respectively.

Net cash used in investing activities in 2019 amounted to ₱2.366B mainly used in the joint venture with Robinsons Land Corp, acquisition of investment properties and deposit for future project amounting to ₱1.020B, ₱1.109B and ₱172M respectively. In 2018, net cash used in investing activities amounted to ₱1.497M mainly used in the joint venture with Robinsons Land Corp, acquisition of investment properties and deposit for future project amounting to ₱1.109B, ₱490M and ₱250M, respectively. Net cash used in investing activities in 2017 amounted to ₱456M mainly used in acquisition of investment property (₱467M) and acquisition of property and equipment (₱42M).

Net cash used in financing activities in 2019 and 2018 amounted to ₱1.539B and ₱3.952B, respectively, mainly used in payments of loan principal, interest and cash dividends. In 2017, net cash used in financing activities amounted to ₱6.029B mainly used in payments of bank loans, interest and cash dividends.

#### **(b) Interim Periods**

#### **Information required by Part III, 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.

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

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

**Not Applicable.**

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

The Group's external auditor for the last 2 years is Isla Lipana & Co. There was no disagreement/s with Isla Lipana & Co. on any accounting and financial disclosure matters.

- (6) 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**

**(B) 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.:

	2019	2018
Audit Fees	4,393,050	4,393,050
Tax Consultancy Fees	-	-
	<b>4,393,050</b>	<b>4,393,050</b>

No other service was provided by external auditors to the Company for the fiscal years 2019 and 2018.

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

None

## Consolidated Audited Financial Statements

The Consolidated Audited Financial Statements of the Group for 2019 are incorporated in the accompanying Exhibits and Schedules.

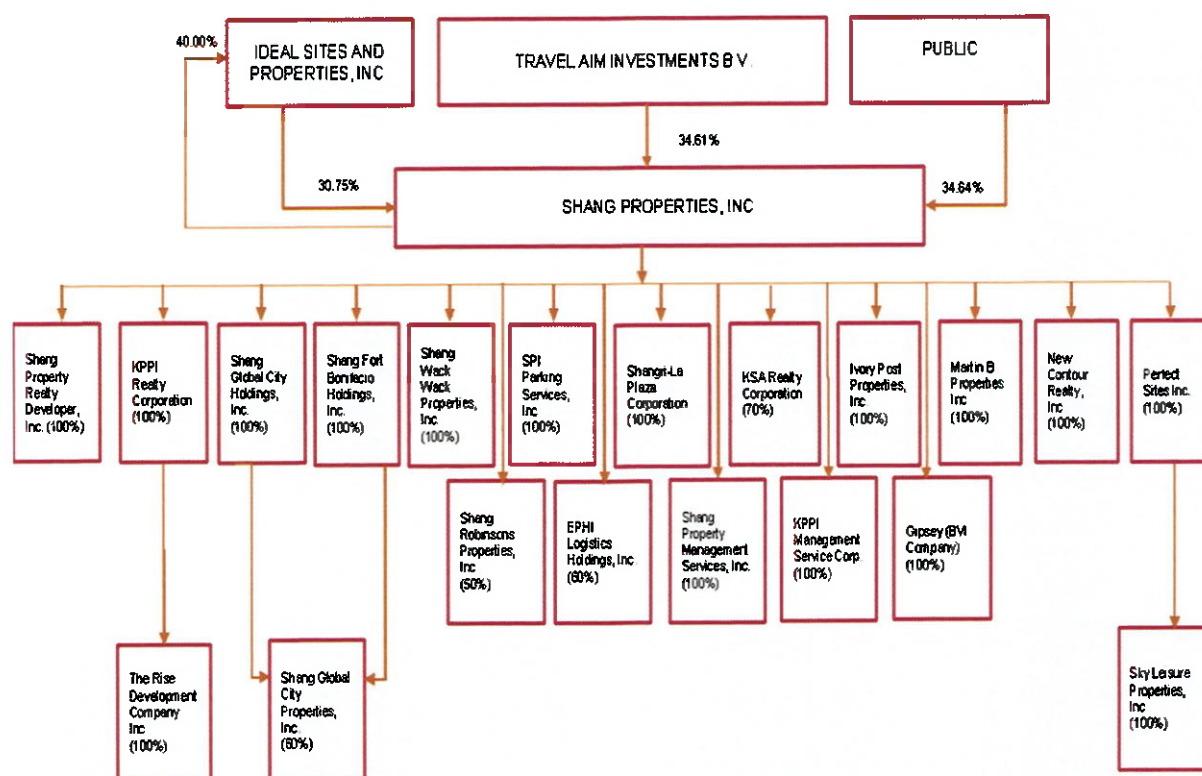
Statements Required by Rule 68 Securities Regulation Code (SRC)

## Other Required Disclosures

- A.) The attached interim financial reports were prepared in accordance with Philippine Financial Reporting Standard. The accounting policies and methods of computation followed in these interim financial statements are the same compared with the audited financial statements for the period ended December 31, 2019.
- B.) Except as reported in the Management's Discussion and Analysis of Financial Condition and Results of Operations, there were no unusual items affecting assets, liabilities, equity, net income or cash flows for the interim period.

### **Shang Properties, Inc. and Subsidiaries**

Map of the Group of Companies within which the Reporting Entity Belongs  
As at December 31, 2019





**Shang Properties, Inc. and Subsidiaries**

**Financial Soundness Indicators**

As at December 31, 2019 and 2018

(With comparative figures as at December 31, 2017)

Ratio	Formula	2019	2018	2017
<b>A. Current and Liquidity Ratios</b>				
1. Current ratio				
Total current assets		12,085,927,703	1.31	2.05
Divided by: Total current liabilities		10,902,208,502		
Current ratio		1.11		
2. Acid test ratio				
Total current assets		12,085,927,703	1.13	1.78
Less: Prepaid taxes and other current assets		1,314,018,515		
Quick assets		10,771,909,188		
Divided by: Total current liabilities		10,902,208,502		
Acid test ratio		0.99		
<b>B. Solvency ratio</b>				
Net income		3,421,768,693	0.22	0.21
Add: Depreciation*		1,114,177,178		
Net income before depreciation		4,535,945,871		
Divided by: Total liabilities		22,083,374,186		
Solvency ratio		0.21		
<b>C. Debt to equity ratio</b>				
Total liabilities		22,083,374,186	0.54	0.66
Divided by: Total equity		41,270,138,878		
Debt to equity ratio		0.54		
<b>D. Asset to equity ratio</b>				
Total assets		63,353,513,064	1.54	1.66
Divided by: Total equity		41,270,138,878		
Asset to equity ratio		1.54		
<b>E. Debt ratio</b>				
Total liabilities		22,083,374,186	0.35	0.40
Divided by: Total assets		63,353,513,064		
Debt ratio		0.35		

Ratio		Formula		2019	2018	2017
G. Profitability ratios						
1. Return on assets (%)	Net income		3,421,768,693	5.40	5.91	6.98
	Divided by: Total assets		63,353,513,064			
	Return on assets (%)		5.40			
2. Return on equity (%)	Net income		3,421,768,693	8.29	9.11	11.55
	Divided by: Total equity		41,270,138,878			
	Return on equity (%)		8.29			
3. Net profit margin	Net income		3,421,768,693	30.12	31.85	30.65
	Divided by: Total revenues		11,361,826,193			
	Net profit margin (%)		30.12			
H. Earnings per share (EPS) attributable to equity holders of Parent						
	Net income after minority interest		3,056,001,858	0.64	0.63	0.70
	Divided by: Total shares outstanding		4,761,918,337			
	EPS attributable to equity holders of Parent		0.64			
I. Book value per share (BPS) attributable to equity holders of Parent						
	Total equity after minority interest		35,015,932,863	7.35	6.88	6.40
	Divided by: Total shares outstanding		4,761,918,337			
	BPS attributable to equity holders of Parent		7.35			

**Shang Properties, Inc. and Subsidiaries**

Schedule A - Financial Assets  
As at December 31, 2019  
(All amounts in Philippine Peso)

Description of each issue	Number of shares	Amount shown in the Consolidated Statement of Financial Position	Value based on market quotations at statement date	Income (loss) received and accrued
Cash and cash equivalents*		2,640,088,900	2,640,088,900	44,045,396
Trade and other receivables**		5,219,296,083	5,219,296,083	166,691,384
Financial assets at fair value through profit or loss***		36,278,844	41,424,316	5,145,472
Refundable deposits****		136,376,251	136,376,251	-
Financial assets at fair value through other comprehensive income*****				
Quoted shares	8	33,958,500	33,958,500	-
Unquoted shares	298,516	769,709,996	769,709,996	21,969,000
		803,668,496	803,668,496	21,969,000
		8,835,708,574	8,840,854,046	237,851,252

\* See Note 3 to the Consolidated Financial Statements.

\*\* See Note 5 to the Consolidated Financial Statements.

\*\*\* See Note 4 to the Consolidated Financial Statements.

\*\*\*\* See Notes 7 and 15 to the Consolidated Financial Statements.

\*\*\*\*\* See Note 12 to the Consolidated Financial Statements.

**Shang Properties, Inc. and Subsidiaries**

**Schedule B - Amounts Receivable from Directors, Officers,  
Employees, Related Parties and Principal Stockholders  
(Other than Related Parties)  
As at December 31, 2019  
(All amounts in Philippine Peso)**

Name and designation of debtor	Beginning balance	Deduction			Current	Non-current	Ending balance
		Additions	Amount collected	Amount written-off			
Classic Elite Holdings Inc.	1,143,935,277	252,277	-	-	1,144,187,554	-	1,144,187,554
One Shangri-la Place Condominium Corp.	32,798,339	15,054,831	(4,990,014)	-	42,863,156	-	42,863,156
Shang Salcedo Place Condominium Corp.	5,866,256	21,239,103	6,748,594	-	33,853,953	-	33,853,953
EDSA Shangri-la Hotel & Resorts, Inc.	33,875,646	122,089,170	(123,976,302)	-	31,988,514	-	31,988,514
Makati Shangri-la Hotel	9,075,519	58,342,212	(40,393,721)	-	27,024,010	-	27,024,010
The St. Francis Shangri-la Place Condominium Corp.	19,679,937	17,831,056	(13,119,525)	-	24,391,468	-	24,391,468
The Shang Grand Tower Condominium Corp.	21,578,947	7,239,295	(6,278,008)	-	22,540,234	-	22,540,234
Ideal Sites Property, Inc.	5,700,000	4,580	-	-	5,704,580	-	5,704,580
Mactan Shangri-la Hotel	367,093	1,437,997	(1,579,530)	-	225,560	-	225,560
The Enterprise Centre Condominium Corp.	18,173,772	32,945,079	(42,917,496)	-	8,201,355	-	8,201,355
Shang Robinsons Properties, Inc.	31,145,067	36,017,060	(39,771,469)	-	27,390,658	-	27,390,658
Others	54,630,090	133,010,525	(91,785,532)	-	95,855,083	-	95,855,083
	1,376,825,943	445,463,186	(358,063,003)	-	1,464,226,126	-	1,464,226,125

See Notes 4 and 28 to the Consolidated Financial Statements.

**Shang Properties, Inc. and Subsidiaries**

Schedule C - Amounts Receivable from Related Parties  
which are eliminated during the Consolidation of Financial Statements  
As at December 31, 2019  
(All amounts in Philippine Peso)

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Shangri-la Plaza Corp.	80,441,007	2,423,940,965	(605,483,517)	-	1,898,898,455	-	1,898,898,455
Shang Property Management Services, Inc.	74,531,584	-	(74,531,584)	-	-	-	-
Shang Properties Realty Corporation	10,618,498	-	(10,618,498)	-	-	-	-
SPI Parking Services, Inc.	19,594,308	-	(2,865,836)	-	16,728,472	-	16,728,472
KPPI Management Services Corporation	12,111,279	12,561,547	-	-	24,672,826	-	24,672,826
Shang Global City Holdings, Inc.	1,915,793	17,891	-	-	1,933,684	-	1,933,684
Shang Fort Bonifacio Holdings, Inc.	2,886,451	1,107,981,205	-	-	1,110,867,656	-	1,110,867,656
KSA Realty Corporation	1,998,515,432	-	-	-	1,998,515,432	-	1,998,515,432
Shang Property Developers, Inc.	1,661,984,806	-	-	-	1,661,984,806	-	1,661,984,806
Silver Hero from SPD	2,317,500,000	-	-	-	2,317,500,000	-	2,317,500,000
The Rise Development Company, Inc.	-	500,000,000	-	-	500,000,000	-	500,000,000
Others	7,053,722,406	1,303,413,359	(5,117,367,122)	-	3,239,768,643	-	3,239,768,643
Total	13,233,821,564	5,347,914,967	(5,810,866,557)	-	12,770,869,974	-	12,770,869,974

See Note 28 to the Consolidated Financial Statements.

**Shang Properties, Inc. and Subsidiaries**

**Schedule D - Intangible Assets - Other Assets**

**As at December 31, 2019**

**(All amounts in Philippine Peso)**

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
<b>Not applicable</b>						

**Shang Properties, Inc. and Subsidiaries**

Schedule E - Long-Term Debt  
As at December 31, 2019  
(All amounts in Philippine Peso)

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"
10-year loan with fixed interest rate of 4.00% per annum	1,341,666,667	408,333,333	933,333,334
10-year loan with interest based on the higher between the PHP BVAL rate plus spread of 0.75% per annum and the Bangko Sentral ng Pilipinas (BSP) overnight borrowing rate minus spread of 0.95% per annum	1,441,294,424	-	1,441,294,424
6-month loan with fixed interest rate of 5.75% per annum	1,000,000,000	1,000,000,000	-
6-month loan with fixed interest rate of 6.00% per annum	1,100,000,000	1,100,000,000	-
6-month loan with fixed interest rate of 5.40% per annum	125,000,000	125,000,000	-
6-month loan with fixed interest rate of 5.30% per annum	170,000,000	170,000,000	-
3-month loan with fixed interest rate of 4.75% per annum	250,000,000	250,000,000	-
3-month loan with fixed interest rate of 4.15% per annum	500,000,000	500,000,000	-
	5,927,961,091	3,553,333,333	2,374,627,758

See Note 17 to the Consolidated Financial Statements.

**Shang Properties, Inc. and Subsidiaries**

**Schedule F - Indebtedness to Related Parties**

**As at December 31, 2019**

**(All amounts in Philippine Peso)**

<b>Name of affiliate</b>	<b>Beginning balance</b>	<b>Ending balance</b>
Shangri-La International Hotel Management Limited	16,000,538	18,971,458
St. Francis Shangri-La Place Condominium Corporation	147,247	276,552
The Enterprise Center Condominium Corporation	1,693,679	1,293,930
Others	95,509,311	79,947,313
	<b>113,350,775</b>	<b>100,489,253</b>

See Notes 16 and 28 to the Consolidated Financial Statements.



**Shang Properties, Inc. and Subsidiaries**

**Schedule G - Guarantees of Securities of Other Issuers**

**As at December 31, 2019**

**(All amounts in Philippine Peso)**

Name of issuing entity of securities guaranteed by the company for which statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by the company for which statement is filed	Nature of guarantee
Not applicable				

**Shang Properties, Inc. and Subsidiaries**

Schedule H - Share Capital  
As at December 31, 2019  
(All amounts in Philippine Peso)

Title of issue	Number of shares authorized	Number of Shares issued and outstanding	Number of shares reserved for options, warrants, conversions, and other rights	Number of shares held by		
				Affiliates	Directors, officers, and employees	Others
Issued shares:						
Common shares	8,000,000,000	4,764,058,982	-	-	-	-
Outstanding shares:						
Common shares	-	4,764,058,982	-	3,114,016,694	4,053,136	1,645,989,152
Total	-	4,764,058,982	-	3,114,016,694	4,053,136	1,645,989,152

See Note 19 to the Consolidated Financial Statements.

**Shang Properties, Inc.**

Reconciliation of Retained Earnings Available for Dividend Declaration

As at December 31, 2019

(All amounts in Philippine Peso)

<b>Unappropriated Retained Earnings beginning</b>		27,108,948,851
Fair value adjustment of investment properties in prior years, net of tax		(12,836,244,548)
<b>Unappropriated Retained Earnings, as adjusted, beginning</b>		14,272,704,303
<b>Net income based on the face of audited financial statements</b>	3,421,768,693	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	(70,865,980)	
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	(193,688,171)	
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)	-	
Fair value adjustment	3,601,830	
Adjustment due to deviation from PFRS/GAAP – loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
<b>Net income actually earned during the period</b>	3,160,816,372	3,160,816,372
Add (Less):		
Realized remeasurement loss during the year		-
Dividends declarations during the year		(1,234,184,549)
Appropriations of retained earnings		-
Reversal of appropriateness		-
Other reserves from restatement due to PAS19 Revised		-
Treasury shares		(6,850,064)
<b>TOTAL RETAINED EARNINGS ATTRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY, END</b>		
<b>AVAILABLE FOR DIVIDEND</b>		16,192,486,062