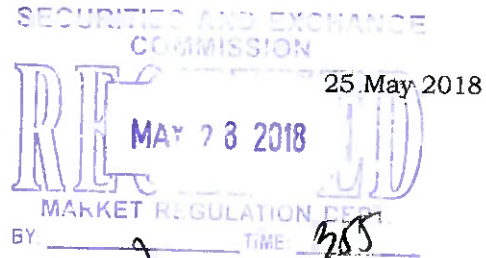


**SECURITIES AND EXCHANGE COMMISSION
MARKETS AND SECURITIES REGULATION**
SEC Bldg.
EDSA, Greenhills
Mandaluyong City



ATTENTION: VICENTE GRACIANO P. FELIZMENIO, JR.
Director, Markets and Securities Regulation

Re: 20-IS Shang Properties, Inc.

Gentlemen:

Further to your letter dated 23 May 2018 respecting the comments of your Office on the Preliminary Information Statement submitted by Shang Properties, Inc. ("SPI"), set forth below are SPI's responses:

1. Summary Compensation Table

- *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 past years, the members of the Board of SPI do not receive any form of compensation, whether in the form per diem, options, etc.*

2. Additional Components of Financial Statements

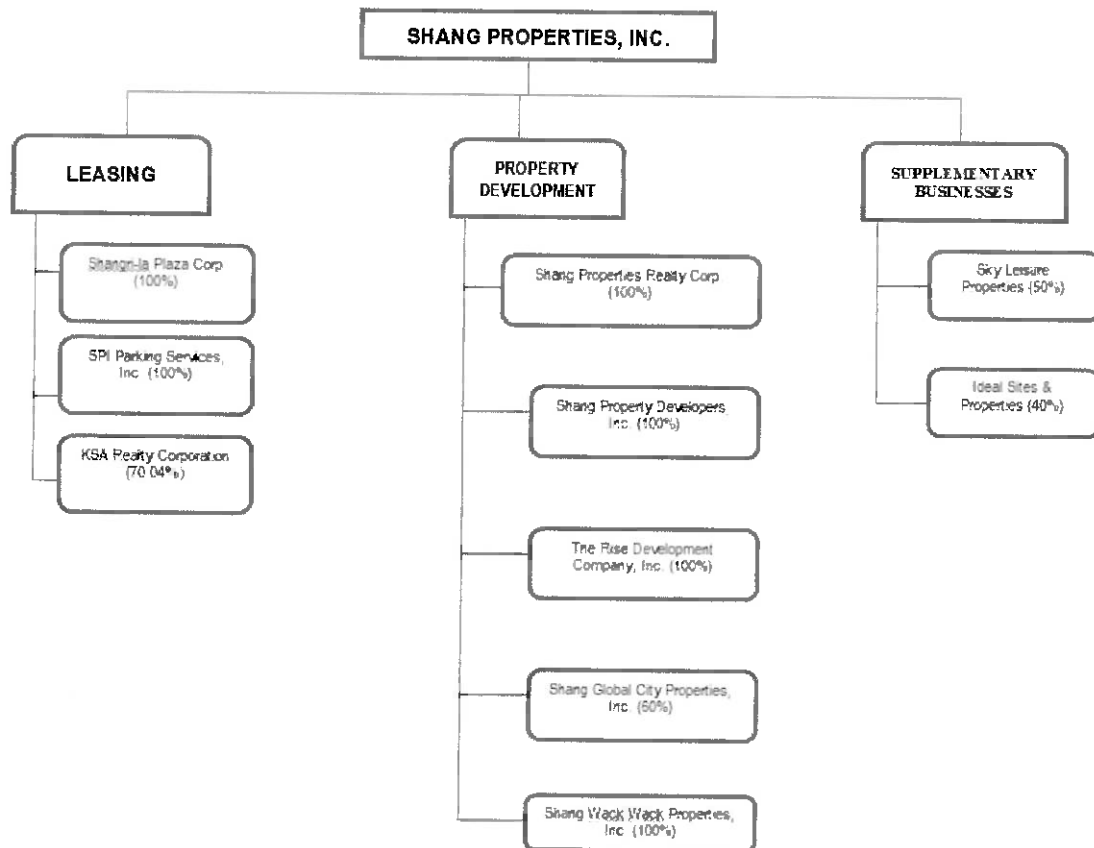
- (i) Map of SPI Group
 - * The map is attached herewith.
- (ii) Financial Soundness Indicators in two comparative periods
 - * The table is attached herewith.

Very truly yours,


FEDERICO G. NOEL, JR.
Corporate Secretary



The Parent Company's subsidiaries and associates follow:



Financial soundness indicators in two comparative periods:

Financial Ratios

| | | Fiscal Year Ended | Fiscal Year Ended |
|--|--|-------------------|-------------------|
| | | December 31, 2017 | December 31, 2016 |
| Liquidity Analysis Ratios: | | | |
| Current Ratio or Working Capital Ratio | Current Assets / Current Liabilities | 2.05 | 2.09 |
| Quick Ratio | (Current Assets - Inventory - Prepayments) / Current Liabilities | 1.91 | 1.90 |
| Solvency Ratio | Total Assets / Total Liabilities | 2.53 | 2.17 |
| Financial Leverage Ratios | | | |
| Debt Ratio | Total Debt/Total Assets | 0.40 | 0.46 |
| Debt-to-Equity Ratio | Total Debt/Total Stockholders' Equity | 0.66 | 0.85 |
| Interest Coverage | Earnings Before Interest and Taxes (EBIT) / Interest Charges | 18.12 | 18.11 |
| Asset to Equity Ratio | Total Assets / Total Stockholders' Equity | 1.66 | 1.85 |
| Profitability Ratios | | | |
| Gross Profit Margin | Sales - Cost of Goods Sold or Cost of Service / Sales | 0.45 | 0.51 |
| Net Profit Margin | Net Profit / Sales | 0.31 | 0.34 |
| Return on Assets | Net Income / Total Assets | 0.06 | 0.05 |
| Return on Equity | Net Income / Total Stockholders' Equity | 0.09 | 0.09 |
| Price/Earnings Ratio | Price Per Share / Earnings Per Common Share | 4.45 | 5.33 |

NOTICE OF ANNUAL STOCKHOLDERS' MEETING
OF
SHANG PROPERTIES, INC.

To be held on 25 June 2018 at 10:00 A.M

To All Stockholders:

Please be advised that the Annual Meeting of the Stockholders of **SHANG PROPERTIES, INC.** (the "**Corporation**") will be held on 25 June 2018 at 10:00 A.M at the Garden Ballroom, Edsa Shangri-La, Manila, No. 1 Gardenway, Ortigas Center, Mandaluyong City.

The Agenda of the meeting is set forth below:

- 1) Call to Order
- 2) Certification of Notice and Quorum
- 3) Approval of the Minutes of the Annual Meeting of the Stockholders held on 20 June 2017
- 4) Report of Management
- 5) Ratification of Acts of Management and the Board of Directors
- 6) Election of the Board of Directors for the year 2018-2019
- 7) Election of External Auditors
- 8) Other Matters
- 9) Adjournment

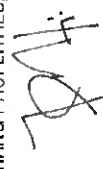
The Board of Directors has fixed the close business hours on **25 May 2018** as the record date for the determination of the stockholders in good standing entitled to notice of and to vote at such meeting.

Minutes of the Stockholders' Meeting and SEC Form 17-A (Annual Report) for the year ended 31 December 2017 as well as the resolutions of the Board of Directors, will be available for examination during office hours at the office of the Corporate Secretary.

In case you cannot personally attend the meeting, you may send a proxy to represent you. Proxies must be filed with and received by the office of the Corporate Secretary of the Corporation before the date set for the annual meeting. In the absence of written specification to the contrary, proxies in favor of, or which may be voted by, the management, will be in favor of the nominees of the management in the election of directors of the Corporation.

Mandaluyong City, Metro Manila, 9th day of May 2018

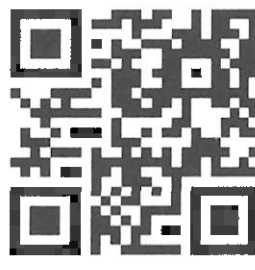
BY ORDER OF THE BOARD OF DIRECTORS
OF SHANG PROPERTIES, INC.



FEDERICO G. NOEL JR.
Corporate Secretary

Our 2017 Annual Report can be viewed via the QR Code (Android & iPhone)

- Go to your mobile app store (App Store or Play Store) using your smartphone
- Search for a free app by typing in **QR Code Reader App**
- Click on the app you want to download and install
- Once installed, simply open the **QR Code Reader App**, point the camera and scan the QR code below
- Once the QR Code is in focus, the App will automatically connect to "Shang Properties, Inc. 2017 Annual Report"
- View and read the Annual Report



QR Code

**NOTICE OF ANNUAL STOCKHOLDERS' MEETING
OF
SHANG PROPERTIES, INC.**

To be held on 25 June 2018 at 10:00 A.M.

To All Stockholders:

Please be advised that the Annual Meeting of the Stockholders of **SHANG PROPERTIES, INC.** (the "Corporation") will be held on 25 June 2018 at 10:00 A.M. at the *Garden Ballroom, Edsa Shangri-La Hotel, Manila, No. 1 Gardenway, Ortigas Center, Mandaluyong City.*

The Agenda of the meeting is set forth below:

- 1) Call to Order
- 2) Certification of Notice and Quorum
- 3) Approval of the Minutes of the Annual Meeting of the Stockholders held on 20 June 2017
- 4) Report of Management
- 5) Ratification of Acts of Management and the Board of Directors
- 6) Election of the Board of Directors for the year 2018-2019
- 7) Election of External Auditors
- 8) Other Matters
- 9) Adjournment

The Board of Directors has fixed the close business hours on **25 May 2018** as the record date for the determination of the stockholders in good standing entitled to notice of and to vote at such meeting.

Minutes of the Stockholders' Meeting and SEC Form 17-A (Annual Report) for the year ended 31 December 2017 as well as the resolutions of the Board of Directors, will be available for examination during office hours at the office of the Corporate Secretary.

In case you cannot personally attend the meeting, you may send a proxy to represent you. Proxies must be filed with and received by the office of the Corporate Secretary of the Corporation before the date set for the annual meeting. In the absence of written specification to the contrary, proxies in favor of, or which may be voted by, the management, will be in favor of the nominees of the management in the election of directors of the Corporation.

Mandaluyong City, Metro Manila, 9th day of May 2018

**BY ORDER OF THE BOARD OF DIRECTORS
OF SHANG PROPERTIES, INC.**


FEDERICO G. NOEL JR.
Corporate Secretary

AGENDA ITEMS

1) Call to Order

2) Certification of Notice and Quorum

The Chairman will call upon the Secretary to present proof that notice of the meeting was sent out to all concerned stockholders of record in accordance with the By-Laws of the Corporation and the relevant rules of the Securities and Exchange Commission ("SEC") and to report on the attendance of the meeting. If there are present in person or by proxy stockholders representing at least majority of the outstanding capital stock of the Corporation entitled to vote, the meeting shall proceed to take up the business at hand.

3) Approval of the Minutes of the Annual Meeting of the Stockholders held on 20 June 2017

The Stockholders will be asked to approve the Minutes of the Annual Meeting of Stockholders held on 20 June 2017.

4) Report of Management

The Chairman will present the Report of Management to the stockholders.

5) Ratification of Acts of Management and the Board of Directors for the year 2017-2018

The Chairman will submit for the consideration and ratification of stockholders all acts and/or resolutions of the Board of Directors and Management of the Corporation for the last Annual Shareholders' meeting up to the present stockholders' meeting.

6) Election of the Board of Directors for the year 2018-2019

Pursuant to the Amended By-Laws of the Corporation, the stockholders present representing at least a majority of the outstanding capital stock of the Corporation entitled to vote, shall elect the Independent Directors and Regular Directors of the Corporation's Board of Directors to serve for the fiscal year 2018-2019 and until their successors are qualified and elected.

7) Election of External Auditors

The stockholders shall vote upon the appointment of the Company's External Auditors for the fiscal year 2018-2019.

8) Other Matters

The meeting will be opened to the discussion of other matters that may be brought up by the stockholders.

9) Adjournment

COVER SHEET

| | | | | | | | | | |
|---|---|---|---|---|---|--|--|--|--|
| 1 | 4 | 5 | 4 | 9 | 0 | | | | |
|---|---|---|---|---|---|--|--|--|--|

SEC Registration Number

[illegible]

(Company's Full Name)

[illegible]

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

ATTY. FEDERICO G. NOEL, JR.
(Contract Person)

(Contract Person)

370-2700
(Company Telephone Number)

(Company Telephone Number)

1 2
Month Day
(Fiscal Year)

Month Day
(Fiscal Year)

| | | | | |
|---|---|---|---|---|
| 2 | 0 | - | I | S |
|---|---|---|---|---|

(Form Type)

(Form Type)

Month Day
(Annual Meeting)

Month Day
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

[illegible]

Domestic

Foreign

To be accomplished by SEC Personnel concerned

| | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|
| | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|

File Number

File Number

LCU

LCU

[illegible]

Document ID

Cashier

Cashier

STAMPS

STAMPS

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
Address of principal office Postal Code 1550
7. Registrant's telephone number, including area code (632) 370-2700
8. The annual meeting of Registrant's stockholders will be held on **25 JUNE 2018 at 10:00 AM** at the
Garden Ballroom, Edsa Shangri-La Hotel, Manila, No. 1 Gardenway, Ortigas Center, Mandaluyong City
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:
01 JUNE 2018, which is fifteen (15) business days prior to the date of the Annual Stockholders' Meeting on 25 JUNE 2018.
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 X 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.

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Date, time and place of meeting of security holders.

The annual meeting of Registrant's stockholders will be held on **25 JUNE 2018 at 10:00 AM** at Edsa Shangri-La Hotel, Manila.

The approximate date on which the Information Statement is first to be sent or given to security holders is on **01 JUNE 2018**, which is fifteen (15) business days prior to the date of the Annual Stockholders' Meeting on **25 JUNE 2018**.

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.

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.

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

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 (P1.00) 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 **25 MAY 2018**.

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.

Top Twenty Stockholders of the Issuer

The Top 20 stockholders of the Issuer as of 30 APRIL 2018 are:

| Name of Stockholders | Number of Shares Held | Percent to Total Outstanding |
|------------------------------------|-----------------------|------------------------------|
| 1.Travel Aim Investment B.V | 1,648,869,372 | 34.61% |
| 2.Ideal Sites and Properties, Inc. | 1,465,144,626 | 30.75% |
| 3.PCD Nominee Corporation (PH) | 1,019,360,313 | 21.40% |
| 4.SM Development Corporation | 189,550,548 | 3.98% |
| 5.KGMPP Holdings, Incorporated | 52,925,445 | 1.11% |
| 6.PCD Nominee Corporation | 52,398,301 | 1.10% |
| 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% |
| 11.GGC Holdings, Incorporated | 26,224,322 | 0.55% |
| 12.Kerry Holdings Limited | 26,090,624 | 0.55% |
| 13.Kuok (Singapore) Limited | 24,848,214 | 0.52% |
| 14.Kerry (1989) LTD. | 12,424,107 | 0.26% |
| 15.Kuok Traders (Hong Kong) LTD. | 11,407,363 | 0.24% |
| 16.Federal Homes, Inc. | 4,808,478 | 0.10% |
| 17.Luxhart Assets Limited | 3,975,714 | 0.08% |
| 18.Yan, Lucio W. Yan &/or Clara | 3,142,857 | 0.06% |
| 19.Antonio O. Cojuangco | 3,026,964 | 0.06% |
| 20.Exchange Equity Corporation | 1,570,000 | 0.03% |

As of 30 APRIL 2018, the total number of shareholders of Issuer's common shares is 5,269.

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 APRIL 2018**.

| Title of Class | Name, address of record owner and relationship with issuer | Name of Beneficial Owner and Relationship with Record Owner | Citizenship | No. of Shares Held | Percent |
|----------------|---|---|-------------|--------------------|---------|
| 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 | 1,019,360,313 | 21.40% |

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 APRIL 2018)

| Title of Class | Name of Beneficial Owner | Amount and Nature of beneficial ownership | Citizenship | Percent of Class |
|-----------------------|---------------------------------|--|--------------------|-------------------------|
| Common | Edward Kuok Khoon Loong | 808,008(D) | Malaysian | 0.000% |
| Common | Alfredo C. Ramos | 158(D) | Filipino | 0.000% |
| Common | Cynthia R. Del Castillo | 1(D) | Filipino | 0.000% |
| Common | Karlo Marco P. Estavillo | 1(D) | Filipino | 0.000% |
| Common | Antonio O. Cojuangco | 3,026,964(D) | Filipino | 0.000% |
| Common | Gregory Allan Dogan | 10(D) | British | 0.000% |
| Common | Maximo G. Licauco III | 1(D) | Filipino | 0.000% |
| Common | Wilfred Shan Chen Woo | 1(D) | Canadian | 0.000% |
| Common | Ho Shut Kan | 1,570(D) | New Zealand | 0.000% |
| Common | Benjamin C. Ramos | 2(D) | Filipino | 0.000% |
| Common | Federico G. Noel, Jr. | 1(D) | Filipino | 0.000% |

As of the reporting of SEC Form 20-IS for 2016, the aggregate ownership of all directors and officers as a group unnamed is **3,836,708** shares or **0.00%** 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 28 May 2008, Shang Global City Properties, Inc., of which Issuer's subsidiary Shang Global City Holdings, Inc., is an equity holder to the extent of 40%, entered into a Deed of Absolute Sale with Fort Bonifacio Development Corporation ("FBDC"), for the purchase of a 15,120 sqm. parcel of land within the development in Taguig City, Philippines, known as the Bonifacio Global City. A luxury hotel and condominium development is envisioned to be constructed on this property.

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

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

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

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

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

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

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

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

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.

Business of Issuer

(A) Description of Issuer

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

operation. SPSI is in a healthy financial position and has the expertise to efficiently and viably operate its carpark facilities.

- (vi) This section on raw materials and suppliers is not applicable to the Issuer nor to its subsidiaries by reason of the nature of their businesses as herein described.
- (vii) Neither the Issuer nor its subsidiaries operations and businesses are dependent on a single customer, the loss of which would have a material adverse effect on the Issuer and its subsidiaries taken as a whole, by reason of the nature of their businesses as described herein.
- (viii) On transactions with and/or dependence on related parties:

With Issuer's subsidiaries:

a. With Shangri-La Plaza Corporation (SLPC)

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

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

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

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

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

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

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

Parties. The actual designation of the Parties' respective Allocated Units shall be determined upon completion of the final plans and shall be incorporated in a supplemental agreement to be executed by the Parties. The Parties also agreed that Seventy Five (75) contiguous parking slots shall be allocated to the Issuer. The allocation of the remaining parking slots net of the 75 slots allocated to Issuer shall be eighty percent (80%) to SPRC and twenty percent (20%) to Issuer subject to adjustment based on mutual agreement of the Parties. The actual designation of the parking slots shall be determined upon completion of the final plans and shall be incorporated in a supplemental agreement to be executed by the Parties.

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

With Issuer's affiliates:

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

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

- b. With other affiliates:

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

Between Issuer's Affiliates:

- a. Shang Property Management Services Corporation entered into a Memorandum of Agreement with KSA Realty Corporation, pursuant to which the former shall assist the latter in managing and administering the leasing operations of The Enterprise Center.
- b. Shang Property Management Services Corporation entered into a Memorandum of Agreement with The Enterprise Center Condominium Corporation pursuant to which the former shall assist the latter in managing and administering the condominium development known as The Enterprise Center, specifically with respect to the common areas thereof.
- c. Shang Property Management Services Corporation entered into a Memorandum of Agreement with The St. Francis Shangri-La Place Condominium Corporation pursuant to which the former shall assist the latter in managing and administering the condominium development known as The Enterprise Center, specifically with respect to the common areas thereof.
- d. SPI Parking Services, Inc. entered into a Memorandum of Agreement with KSA Realty Corporation, with conformity of The Enterprise Center Condominium Corporation, to administer, manage and operate the TEC Parking Slots as a pay parking facility under a mutually agreeable remuneration scheme.

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.

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:

| Name | Citizenship | Director/ No. of Years | Age | Office Held | Directorship in other reporting (Listed) Companies |
|--------------------------------|--------------------|---------------------------------------|------------|-------------------------------------|---|
| Edward Kuok Khoon Loong | Malaysian | Yes /26 yrs. | 65 | Chairman | None |
| Alfredo C. Ramos | Filipino | Yes /29 yrs. & 7 mos. | 74 | Vice Chairman | Anglo Philippine Holdings Corp., The Philodrill Corp., Vulcan and Industrial Mining and Development Corp., Penta Capital Holdings Corp., Philippine Seven Corp. |
| Cynthia R. Del Castillo | Filipino | Yes /16yrs & 9 mos. | 65 | | Sanitary Wares & Mfg. Corp. |
| Benjamin I. Ramos | Filipino | Yes /7 yrs. & 7 mos. | 48 | | None |
| Wilfred Shan Chen Woo | Canadian | Yes/ 6 yrs. & 7 mos. | 60 | | None |
| Antonio O. Cojuangco*** | Filipino | Yes /10 yrs. & 7 mos. | 66 | | None |
| Ho Shut Kan | New Zealand | Yes /7 yrs & 9 mos. | 67 | | None |
| Karlo Marco P. Estavillo | Filipino | Yes/1 yr. & 6 mos. | 46 | Treasurer/ CFO/COO | None |
| Gregory Allan Dogan | British | Yes/1 yr. & 6 mos. | 53 | Executive Director | None |
| Maximo G. Licaucio III | Filipino | Yes/4 yrs & 4 mos. | 68 | | None |
| Uday Deshpande | Singapore | (No) | 55 | VP/Group Financial Controller | None |
| Federico G. Noel, Jr. | Filipino | (No) | 56 | Corporate Secretary | None |
| Maria Myla Rae S. Orden | Filipino | (No) | 52 | Asst. Corp. Secretary | None |

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

Alfredo C. Ramos is the Vice Chairman of the Company. He is the Chairman of the Board of Anglo Philippine Holdings, Inc., Anvil Publishing, Inc., Carmen Copper Corporation, NBS Express, Inc. and Vulcan Materials Corporation. He is the Chairman and President of Atlas Consolidated Mining & Development Corporation, The Philodrill Corporation, National Book Store, Inc., Vulcan Industrial & Mining Corporation and United Paragon Mining Corporation. He is also the President of Abacus Book & Card Corporation, Crossings Department Store Corp., Power Books, Inc., and MRT Holdings Inc. He is Vice Chairman of Shangri-La Plaza Corporation, MRT Development Corporation, Metro Rail Transit Corporation and LR Publications, Inc.

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, Air Asia Phil. Inc. and Directorics Philippines Corporation. He is the President and Director of Calatagan Golf Club Inc. and Canlubang Golf and Country Club.

Cynthia Roxas Del Castillo is a Partner at Romulo, Mabanta, Buenaventura, Sayoc & de los Angeles and has been with the firm for over 30 years. She served as Dean of the Ateneo Law School from 1990 to 2000 and as a Professor of Civil Law and Securities Regulation. She holds an LL.B from Ateneo, graduated Valedictorian in 1976 and placed 11th in the 1976 Bar Examinations. She currently serves as Corporate Secretary and Director of other various Philippine corporations.

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

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

Wilfred Shan Chen Woo is 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 a Director of The Philodrill Corporation. He is also President of Filstar Distributors Corporation (Hallmark Licensee) and Area Vice President of National Book Store, Inc.

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

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

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

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

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

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

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

(2) Significant Employees

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

(3) Family Relationships

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

(4) Involvement in Certain Legal Proceedings

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

(4) Involvement in Certain Legal Proceedings

- (E) 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;
- (F) 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;
- (G) 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;
- (H) 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 **25 JUNE 2017 (published on 24 April 2018 in The Manila Times)**. **Pursuant to the initial 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

Gregory Allan Dogan

Maximo G. Licaucó III

Wilfred Shan Chen Woo

Ho Shut Kan

Benjamin C. Ramos

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

(i) On 14 July 1993, a complaint was initially filed before the Pasig Regional Trial Court (RTC-Pasig) by the principal contractor of the Shangri-La Plaza Mall against the Issuer and its Board of Directors for the recovery of the balance of alleged unpaid construction work, compensatory and moral damages, legal fees, and litigation costs. On 27 October 1998, the RTC-Pasig issued

an order directing the parties to arbitrate their dispute under the Arbitration Law. On July 31, 2006, the Arbitral Tribunal that was constituted by the Parties, ordered BF Corporation to file its Statement of Claims, and the Issuer and the other defendants to file their respective Answers thereafter. BF had increased its claims for unpaid billings, change orders, damages, etc., to a total of about P228.6 million, Issuer and the other defendants have put forth counterclaims in the total amount of about P380 million. After due hearings on arbitration and the submission by the Parties of their respective memoranda, the Arbitral Tribunal, in its Decision dated 31 July 2007, ruled that BF is entitled to an award of only P46,905,987.79, while Issuer is entitled to an award of P8,387,484.06. Both Parties have appealed the Decision of the Arbitral Tribunal to the Court of Appeals. The Court of Appeals having issued its Decision on 12 August 2008, both parties have filed petitions for review on certiorari with the Supreme Court. The Supreme Court has yet to release its decision on the case to date.

(ii) On November 23, 2005, Issuer together with The Shang Grand Tower Corporation (a subsidiary of Issuer) (now the Shang Properties Realty Corporation), were named respondents in a case before the Bureau of Legal Affairs of the Intellectual Property Office of the Philippines (BLA-IPPHIL), entitled "ASB Development Corporation v. The Shang Grand Tower Corporation and Edsa Properties Holdings, Inc., for unfair competition, false and fraudulent declaration and damages with application for issuance of a Temporary Restraining Order and Writ of Preliminary Injunction." Complainant ASB alleges that Respondents committed acts of unfair competition and false and fraudulent declaration by the Respondents' use of the terms "St. Francis" for their residential condominium project located along St. Francis St. cor. Shaw Blvd., Mandaluyong City. Issuer is the project owner, while TSGTC is the project developer. On December 19, 2006, the BLA-IPPHIL rendered its decision and ruled that Respondents cannot use the name "St. Francis Towers", but they can use the name "St. Francis - Shangri-La Place". The BLA, however, did not award any damages to ASB stating that no evidence was presented by ASB as to the amount of damages it suffered. Respondents and ASB have both partially appealed the BLA Decision. The Office of the Director General promulgated its Decision on 03 September 2008. ASB appealed said Decision before the Court of Appeals. The Court of Appeals having issued its Decision on 18 December 2009 favoring ASB's position, TSGTC (now SPRC), appealed the same to the Supreme Court. The Supreme Court, in its 21 July 2014 DECISION, which has attained FINALITY, decided in favor of Issuer, and exonerated issuer from charges of unfair competition.

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

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

The Issuer is not involved in any litigation / legal proceedings with any third party other than the two (2) cases described above, up to the latest date.

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

There have been no director resignations since the last Annual Shareholders' Meeting.

Proxy Solicitations

No proxy solicitations will be made by the Registrant.

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. 2016 and 2017 and to be paid in the ensuing fiscal year 2018 to the Company's Chief Executive Officer and four (4) other most highly compensated executive officers who are individually named, and to all other officers and directors of the Company as a group:

| OFFICERS/DIRECTOR | FISCAL YEAR | AGGREGATE COMPENSATION (in P) | | |
|--------------------------|-------------|-------------------------------|----------------------|----------------------|
| | | Basic | Bonus | Total |
| 2018 | | 67,188,532.67 | 26,901,485.92 | 94,090,018.59 |
| Gregory Allan Dogan | | | | |
| Karlo Marco P. Estavillo | | | | |
| Uday Deshpande | | | | |
| Federico G. Noel, Jr. | | | | |
| Koay Kean Choon | | | | |
| Danila Regina I. Fojas | | | | |
| | | | | |
| 2017 | | 66,846,557.67 | 22,498,433.00 | 89,344,990.67 |
| Gregory Allan Dogan | | | | |
| Karlo Marco P. Estavillo | | | | |

| | | | | |
|--------------------------|--|----------------------|----------------------|----------------------|
| Kin Sun Andrew Ng | | | | |
| Federico G. Noel, Jr. | | | | |
| Koay Kean Choon | | | | |
| Danila Regina I. Fojas | | | | |
| | | | | |
| 2016 | | 44,242,709.33 | 19,551,119.69 | 63,793,829.02 |
| Karlo Marco P. Estavillo | | | | |
| Kin Sun Andrew Ng | | | | |
| Federico G. Noel, Jr. | | | | |
| Koay Kean Choon | | | | |
| Danila Regina I. Fojas | | | | |

*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.*

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.

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 issuer is compliant with the SRC rule 68, as amended, par 3(b)(iv), and has observed the rotation of signing partners for its Independent Public Accountants, Isla Lipana & Co. (Price WaterHouse Coopers Philippines). With respect to Isla Lipana & Co, the signing partner starting FY 2017 is Imelda Ronnie de Guzman - Castro. Isla Lipana & Co is a SEC-accredited external auditing firm, effective until July 15, 2018. Isla Lipana & Co. (Price WaterHouse Coopers Philippines) **will be recommended for re-appointment as External Auditor for the year 2018-2019 during the Annual Stockholders' Meeting on 25 JUNE 2018.**

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 .**

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

2018

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

2017

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

2016

- During the regular meeting of the Issuer's Board held on 04 March 2016, the Board approved the declaration of P0.095 per share cash dividend to all shareholders of record as of 21 March 2016, to be taken from the unrestricted retained earnings as reflected in the audited financial statements of the Issuer as of 31 December 2015, to be paid on or before 08 April 2016.
- During the regular meeting of the Issuer's Board held on 14 September 2016, the Board approved the declaration of P0.070 per share cash dividend to all shareholders of record as of 30 September 2016, to be taken from the unrestricted retained earnings as reflected in the unaudited financial statements of the Issuer as of 30 June 2016, to be paid on or before 07 October 2015.

D. OTHER MATTERS

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 **20 JUNE 2017** 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 2017**, ratification of the acts of the Board of Directors, election of directors, appointment of the firm of Isla Lipana & Co. (PriceWaterHouseCoopers 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 **20 JUNE 2017** 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 2017**, elect the Board of Directors for the year **2018-2019**, 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 2018-2019.

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

Voting Procedures

The vote of at least a majority of the stockholders present in person 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.

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. Ramo, 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 nomination of 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 31 MARCH 2018, is 39.11% 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 |
|----------------|--------------|---------------|
| | | |
| 2017 | | |
| First Quarter | P3.45 | P3.21 |
| Second Quarter | P3.37 | P3.19 |
| Third Quarter | P3.29 | P3.14 |
| Fourth Quarter | P3.23 | P3.05 |
| | | |
| | | |
| 2016 | | |
| First Quarter | P3.22 | P2.70 |
| Second Quarter | P3.41 | P 3.02 |
| Third Quarter | P3.60 | P 3.17 |

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

High: P3.59
Low: P3.01

The closing price for the Issuer's shares on 30 April 2018 is P3.24.

The high and low of Issuer's shares for 30 April 2018 are as follows:

High: P3.25
Low: P3.17

| |
|-----------------|
| 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 **25th day of May 2018.**

SHANG PROPERTIES, INC.

By:


FEDERICO G. 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

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

- Turnover consists of sales of residential condominium units, revenue from rental and cinema, hotel operations, and other income. Shang Properties' total revenue increased by ₱3.6 billion (B) to ₱14.9B for calendar year 2017 from ₱11.3B total revenue for calendar year 2016. Sales of residential condominium units accounted for ₱8.2B or 55.2% of the total turnover. Revenue from rental and cinema operations amounted to ₱3.0B - higher by ₱88.9 million (M) from last year's ₱2.9B. Shangri-La at the Fort's hotel operations contributed revenue amounting to ₱2.6B or 17.5% of the total turnover, higher by ₱1.2B from last year's ₱1.3B. Other income increased by ₱145.6M mainly due to higher gain on fair value adjustment of investment properties.
- Profit attributable to shareholders pertains to net income from operations after tax of the Group. It went up by ₱440.3M or 15.1% compared with last year.
- Earnings per share of ₱0.703 were higher by 15.1% from last year's ₱0.610.
- Net Asset value per share is calculated by dividing the total net asset of the company (Total asset – Total liabilities) by the number of shares outstanding.
- Net asset value per share increased by 9.1% mainly due to higher income generated during the year and revaluation of the Group's investment properties.
- Price Earnings ratio is a valuation of the company's current share price compared to per share earnings and calculated by dividing the market value per share by the earnings per share. Price earnings ratio is lower by 16.4% at 4.454 this year from 5.328 last year. The Group' year-end share price in 2017 is ₱3.13 from ₱3.25 in 2016.

Results of Operations

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

Calendar Year 2017 Compared to Calendar Year 2016

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

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

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

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

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

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

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

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

Calendar Year 2016 Compared to Calendar Year 2015

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

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

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

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

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

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

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

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

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

Calendar Year 2015 Compared to Calendar Year 2014

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

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

Total Expenses of the Group amounted to ₱3.6B, ₱99.4M lower compared with last year's ₱3.5B mainly due to the net effect of the following:

1. Increase in staff cost by ₱163.9M primarily due to increase in manpower to cover increased operations of ongoing developments.
2. Increase in general and administrative expense by ₱27.8M mainly due to higher administration cost incurred in 2015 for ongoing projects.
3. Increase in depreciation expense by ₱2.1M mainly due to the additional office improvements and transportation equipment.
4. Increase in insurance expense by ₱2.2M particularly due to additional coverage of properties.

The abovementioned increases in expenses are offset by:

5. Lower reimbursable expenses which reduced by ₱17.7M mainly due to lower electricity rates in 2015 compared with 2014.
6. Decrease in interest expense and bank charges by ₱25.5M mainly due to loan repayment during the year.
7. Cost of condominium sales reduced by ₱ 67.8M mostly due to savings in construction cost in One Shangri-La Place Project.

Share in net income of associates was higher by ₱80.4M compared with last year primarily gain in fair value adjustment of investment property of an associated company.

Provision for income tax is higher by ₱193.6 mainly due to higher taxable income generated during the period compared with the same period last year.

Financial Condition

Calendar Year 2017 Compared to Calendar Year 2016

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Calendar Year 2016 Compared to Calendar Year 2015

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Calendar Year 2015 Compared to Calendar Year 2014

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Changes in Financial Condition

Net cash provided by operating activities in 2017 amounted to ₱7.3B. The cash inflows in 2017 and 2016 include collection of revenue from various condominium projects, rental revenue from mall

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

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

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

Information required by Part 111, Paragraph (A) (2) (b) of "Annex C" of SRC Rule 12

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

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

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

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

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

Not Applicable

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

Not Applicable

(B) Information of Independent Accountant and other related matters*a. External Audit Fees and Services*

Below is the aggregate fees billed to the Company by Isla Lipana & Co. and Sycip, Gorres Velayo & Co.:

| | 2017 | 2016 |
|----------------------|------------------|------------------|
| Audit Fees | 4,703,601 | 4,072,287 |
| Tax Consultancy Fees | 884,553 | 565,000 |
| | 5,588,154 | 4,637,287 |

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

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

None

(C) Interim Periods**Item 1. Management Discussion and Analysis of Financial Condition and Results of Operations**Key Performance Indicators

| | | March 31 2018 | March 31 2017 | Change |
|-------------------------------------|-----------|------------------|------------------|--------|
| Turnover | (Php M) | 2,864 | 2,134 | 34.2% |
| Profit attributable to shareholders | (Php M) | 575 | 474 | 21.2% |
| Earnings per share | (Php Ctv) | 0.121 | 0.100 | 21.2% |
| Net asset value per share | (Php) | 6.422 | 5.894 | 17.6% |
| Debt to equity ratio | (Ratio) | 0.642:1 | 0.655:1 | -2.0% |

- Turnover consists of sales of residential condominium units, revenue from rental and cinema, hotel operations, and other income. For three (3) months ended March 31, 2018, Shang Properties' revenue increased by P730.6 million (M) to P2.9 billion (B) from P2.1B revenues during the same period in 2017. Sales of residential condominium units accounted for P1,259.2M or 44% of the total revenue. Revenue from leasing operations amounted to P719.5M or 25.1% of the total revenue and higher by P12.8M from P706.7M of the same period last year. Shangri-La at Fort's hotel operations contributed revenue amounting to P792.2M, higher by P171.1M from P621M of the same period last year. Other income decreased by P19.9M.
- Profit attributable to shareholders that pertains to net income from operations after tax amounted to P574.9M, higher by P100.5M or 21.2% compared with the same period last year.
- Earnings per share showed a variance of 21.2% to P0.121 from last year's P0.100.
- Net asset value per share is calculated by dividing the total net asset of the Group (Total asset – Total liabilities and minority interest) by the number of shares outstanding. Net asset value per share increased by 17.6% mainly due to the higher equity during the period.
- Debt to equity measures the exposure of creditors to that of the stockholders. It gives an indication of how leveraged the group is. It is determined by dividing total debt by stockholder's equity. The Group's financial position remains solid with debt to equity ratio of 0.642:1 as of March 31, 2018 and 0.655:1 as of March 31, 2017.

Financial Condition

Total assets of the Company amounted to ₱60.0B, a decrease of ₱465.6M from total assets of ₱60.4B in December 31, 2017. The following are significant movements in the assets:

- Decrease in cash and cash equivalents by ₱1,421M is mainly due to payment of bank loans and payment to suppliers of condominium projects during the period.
- Increase in receivables by ₱429.7M is mainly due to advances to associated company.
- Increase in input tax and other current assets by ₱135.8M mainly due to higher prepaid assets during the first quarter of 2018 as compared to the end of 2017.
- The recognized deferred tax assets decreased by ₱51.3M mainly due to the recognition of higher percentage of completion of The Rise condominium project.
- Decrease in other noncurrent assets by ₱39.1M due to amortization of deferred input VAT and return of utility deposits during the period.
- Current ratio is 1.83:1 as of March 31, 2018 from 2.05:1 as of December 31, 2017.

Total liabilities decreased by ₱474.4M from ₱23.9B in 2017 to ₱23.5B in 2018 mainly due to the following:

- Decrease in bank loans mainly due to repayments amounting to ₱1,464.3M during the first quarter of 2017.
- Increase in deposit from tenants amounting to ₱33M is mainly due to deposit from new tenants of The Enterprise Center and Mall Operations.
- Increase in income tax payable by ₱121.8M is mainly due to higher taxable income for the period.
- Increase in dividends payable by ₱597.4M due to the declaration of cash dividend on March 20, 2018 to all shareholders of record as March 31, 2018.
- Increase in advance rental by ₱153.2M mainly due to rental from new tenants of The Enterprise Center and Mall Operations.
- Decrease in deferred in lease income by ₱2.6M is mainly due to lower rates used to revalue deposits of the tenants of The Enterprise Center.

Results of Operation

Consolidated net income for the period ended March 31, 2018 amounted to ₱574.9M higher by 21.2% from last year's ₱474.4M.

Turnover increased by ₱730.6M or 34.2% to ₱2.9B in 2018 from ₱2.1B in 2017, mainly due to the following:

- Increase in condominium sales by ₱566.5M mainly due to higher sales recognition from The Rise Makati and Horizon Homes.
- Increase in revenue from hotel services by ₱171.1M mainly due higher occupancy as compared to same period last year.
- Interest income and other income decrease by ₱19.9M mainly due to lower dividend income and interest income received during the period.

Total expenses of the Group amounted to ₱1.9B, higher by ₱449.2M compared with last year's ₱1.5B. This was mainly due to the following:

- Increase in cost of condominium sales by P294.9M is due to higher sales recognition and incremental completion of Shangri-La at the Fort Horizon Homes and The Rise Makati projects.
- Increase in cost of rental and cinema by P29.3M mainly due to higher utility costs, advertising and promotion and repairs and maintenance cost.
- Increase in cost of hotel services by P114.5M due to higher occupancy compared to same period last year.
- Increase in taxes and licenses by P22.9M mainly due to the conveyance tax and higher real property taxes paid during the period.
- Decrease in depreciation by P0.5M mainly due to certain assets that have been fully depreciated.
- Increase in insurance by P0.3M mainly due to payment of fidelity insurance paid for the period.
- Decrease in interest and bank charges by P6.1M mainly due to repayments in bank loans.

Provision for income tax is higher by P83.9M mainly due to higher taxable income generated during the period as compared with the same period last year.

Robust Growth Prospects with Robinson's Land Corporation

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

Financial Soundness Indicators

| | End of March 2018 | End of December 2017 |
|---|------------------------------|---------------------------------|
| Current Ratio ¹ | 1.83:1 | 2.05:1 |
| Debt-to-equity ratio ² | 0.64:1 | 0.66:1 |
| Asset-to-equity ratio ³ | 1.64:1 | 1.66:1 |
| | 1Q 2018 ⁷ | 1Q 2017 |
| Interest rate coverage ratio ⁴ | 12.32:1 | 8.44:1 |
| Return on assets ⁵ | 3.82% | 3.08% |
| Return on equity ⁶ | 6.30% | 5.70% |

¹Current assets/current liabilities

²Total liabilities/stockholders' equity

³Total asset/stockholders' equity

⁴Income before interest and taxes/interest expense

⁵Net Income/average total assets

⁶Net Income/average stockholders' equity

⁷1Q Net income after tax annualized/average of end March 2018 and end December 2017 assets and equity

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

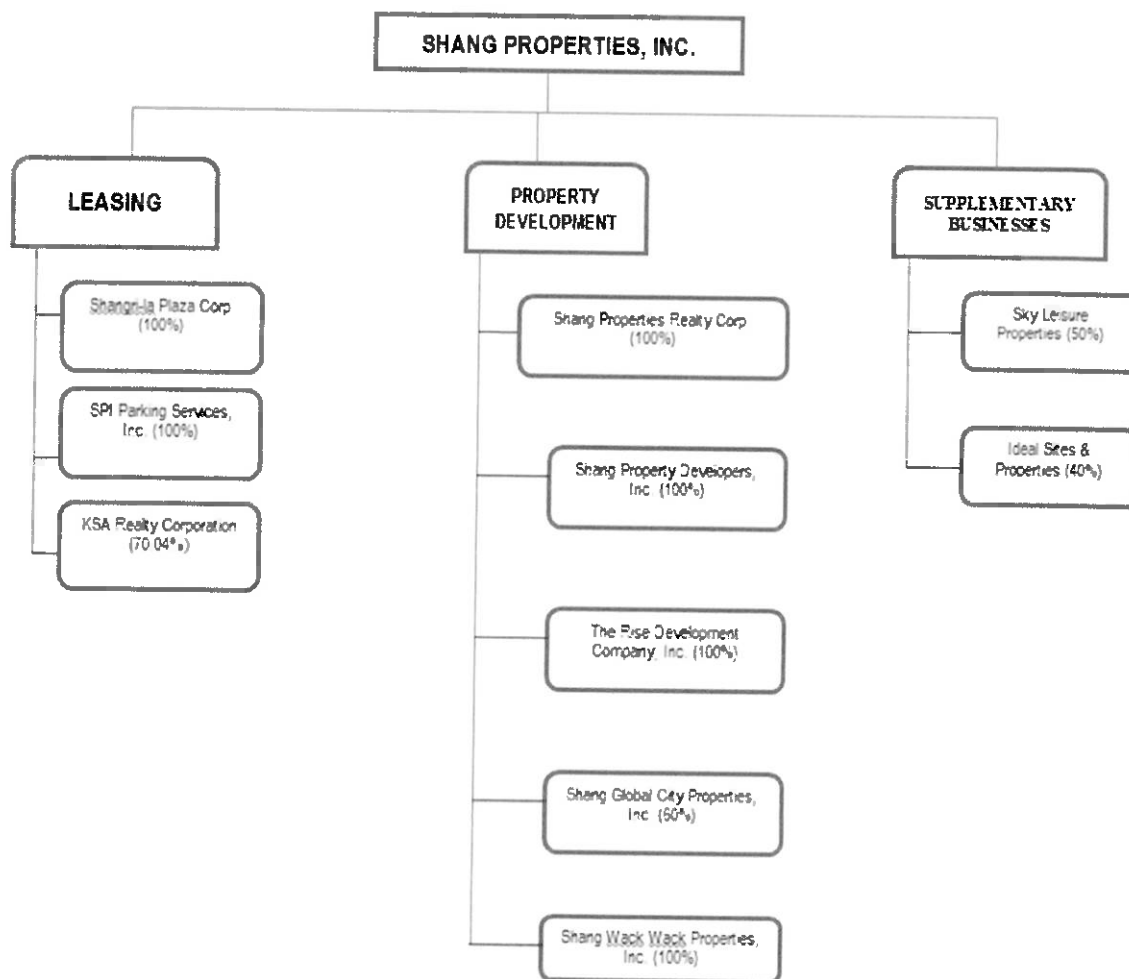
- There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely result in the registrant's liquidity increasing or decreasing in any material way.
- There are no known events that will trigger direct or contingent financial obligation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

Item 3. Other Required Disclosures

A.) The attached interim financial reports were prepared in accordance with Philippine Financial Reporting Standard. The accounting policies and methods of computation followed in these interim financial statements are the same compared with the audited financial statements for the period ended December 31, 2017.

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.

The Parent Company's subsidiaries and associates follow:



Item 4. Financial soundness indicators in two comparative periods:

Financial Ratios

| | | Fiscal Year Ended | Fiscal Year Ended |
|--|--|-------------------|-------------------|
| | | December 31, 2017 | December 31, 2016 |
| Liquidity Analysis Ratios: | | | |
| Current Ratio or Working Capital Ratio | Current Assets / Current Liabilities | 2.05 | 2.09 |
| Quick Ratio | (Current Assets - Inventory - Prepayments) / Current Liabilities | 1.91 | 1.90 |
| Solvency Ratio | Total Assets / Total Liabilities | 2.53 | 2.17 |
| Financial Leverage Ratios | | | |
| Debt Ratio | Total Debt/Total Assets | 0.40 | 0.46 |
| Debt-to-Equity Ratio | Total Debt/Total Stockholders' Equity | 0.66 | 0.85 |
| Interest Coverage | Earnings Before Interest and Taxes (EBIT) / Interest Charges | 18.12 | 18.11 |
| Asset to Equity Ratio | Total Assets / Total Stockholders' Equity | 1.66 | 1.85 |
| Profitability Ratios | | | |
| Gross Profit Margin | Sales - Cost of Goods Sold or Cost of Service / Sales | 0.45 | 0.51 |
| Net Profit Margin | Net Profit / Sales | 0.31 | 0.34 |
| Return on Assets | Net Income / Total Assets | 0.06 | 0.05 |
| Return on Equity | Net Income / Total Stockholders' Equity | 0.09 | 0.09 |
| Price/Earnings Ratio | Price Per Share / Earnings Per Common Share | 4.45 | 5.33 |

Trusted Since 1898

The Manila Times

www.manilatimes.net

REPUBLIC OF THE PHILIPPINES)
CITY OF MANILA (S.S.

AFFIDAVIT OF PUBLICATION

I, **Evelyn A. Fauni**, of legal age, married, Filipino
of Sampaguita Compound Calsadang
Cavite in the Philippines, after having been
according to law, do hereby depose and

NOTICE TO SHAREHOLDERS OF SHANG PROPERTIES, INC.

Pursuant to the Amended By-Laws of Shang Properties, Inc. (the "Corporation"), all interested shareholders of the Corporation may now submit the names of their nominees for **Independent Directors** and **Regular Directors** of the Corporation's Board of Directors who shall be elected during the Annual Shareholders' Meeting to be held on **25 JUNE 2018** at **EDSA Shangri-La Manila, No. 1 Garden Way, Ortigas Center, Mandaluyong City**. All nominations should be submitted on or before **25 May 2018** to the Corporate Secretary at the following address:

FEDERICO G. NOEL, JR.
Shang Properties, Inc.
Level 5, Shangri-La Plaza Mall
Edsa cor. Shaw Blvd., Mandaluyong City

All nominations should contain at least the following information:

- 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 Corporation 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;
- 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;
- Being found by a domestic or foreign court 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 Corporation's voting securities;
- Disclosure if owning voting trust of more than 5% of the Corporation's securities; and
- Should not have any of the disqualifications laid down by prevailing laws, rules, and regulations.

All nominations shall be subject to pre-screening by the Corporation's Nomination Committee which shall prepare the final list of nominees.

Interested shareholders may also submit on or before **25 May 2018**, their proposals for matters to form part of the Agenda for the Annual Shareholders Meeting.

By Order of the Nomination Committee.

(SGD.) **FEDERICO G. NOEL, JR.**
Corporate Secretary

MT - Apr. 24, 2018

he Vice President for Finance of **The**
as, a newspaper which is published
rinted in English and Edited in Metro
culated nationwide daily from Monday to
ostal address at 2/F Sitio Grande, 409 A.
e, Intramuros, Manila

NOTICE TO SHAREHOLDERS OF SHANG PROPERTIES, INC.

and in **The Manila Times** newspaper in
PRIL 24, 2018

whereof, I signed this Affidavit in Manila,
day of _____, 2018

PR 25 2018


EVELYN A. FAUNI
Affiant

APR 25 2018

subscribe and sworn to before me this _____ day
of _____, 2018 in MANILA, Philippines, affiant
exhibiting to me her **Driver's License No. R03-00-
292351** issued at Imus Cavite valid until November
16, 2018 And **SSS ID No. 03-918-996-16**



Doc. No. 448
Page No. 91
Book No. XVIII
Series of 2018

ATTY. RAHIMA S. AYUNAN

Roll of Attorneys No. 67226

Notary Public for the City of Manila

Until December 31, 2018; Commission No. 2617-140

IBP No. 030495 / Issued on January 10, 2018 at City of Davao

PIR No. MLA 6910754 / Issued on January 3, 2018 at City of Manila

MCL E Certificate for compliance

Room 205A 2 Floor Sitio Grande Bldg. 409-A Soriano Ave.,
Brgy. 656 Zone 69 Intramuros, City of Manila, Philippines 8000

THE MANILA TIMES PUBLISHING CORPORATION

2/F Sitio Grande, 409-A Soriano Ave., Intramuros, Manila

COVER SHEET

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 0 | 0 | 0 | 0 | 0 | 0 | 1 | 4 | 5 | 4 | 9 | 0 |
|---|---|---|---|---|---|---|---|---|---|---|---|

SEC Registration Number

[illegible]

(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)

370-2700

(Company Telephone Number)

1 2 3 1
Month Day
 (Fiscal Year)

| | | | | | |
|--|---|---|---|---|--|
| | 1 | 7 | - | Q | |
|--|---|---|---|---|--|

(Form Type)

| | |
|--|--|
| | |
|--|--|

Month Day
(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Dept Requiring this Doc.

Amended Articles Number/Section

Amended Articles Number/Section

The diagram shows a rectangular domain with a central square hole. The domain is defined by the region $-b \leq x \leq b$ and $-c \leq y \leq c$, excluding the central square hole $-a \leq x \leq a$ and $-a \leq y \leq a$. The outer boundary is a rectangle with width $2b$ and height $2c$. The inner boundary of the hole is a square with side length $2a$. The domain is divided into four quadrants by the x and y axes. The boundaries are labeled with a , b , and c .

total No. of Stockholders

Domestic Foreign

Domestic

Foreign

To be accomplished by SI-C Personnel concerned

| | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|
| | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|

File Number

File Number

ICU

ICU

[illegible]

Document ID

Cashier

Cashier

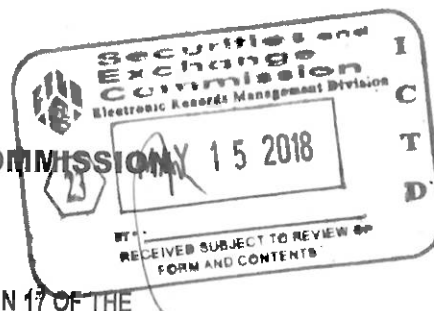
STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE



1. For the quarterly period ended : 31 March 2018
2. Commission Identification Number : 145490
3. BIR Tax Identification Number : 000-144-386

SHANG PROPERTIES, INC.

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

9. Former name, former address and former fiscal year, if changed since last report:
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA.

Title of each Class Common Stock

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

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

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

Philippine Stock Exchange

12. Indicate by check mark whether the registrant:

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

Yes ☒ No ☐

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

Yes ☒ No ☐

PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached.

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

Please see attached.

SIGNATURES

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

SHANG PROPERTIES, INC.

Issuer

By:


KARLO MARCO P. ESTAVILLO
Treasurer/Chief Financial Officer


UDAY DESHPANDE
Vice President/Group Financial Comptroller

Date of Signing: 15 May 2018

PART 1 – FINANCIAL INFORMATION

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

Key Performance Indicators

| | | March 31 2018 | March 31 2017 | Change |
|-------------------------------------|-----------|------------------|------------------|--------|
| Turnover | (Php M) | 2,864 | 2,134 | 34.2% |
| Profit attributable to shareholders | (Php M) | 575 | 474 | 21.2% |
| Earnings per share | (Php Ctv) | 0.121 | 0.100 | 21.2% |
| Net asset value per share | (Php) | 6.422 | 5.894 | 17.6% |
| Debt to equity ratio | (Ratio) | 0.642:1 | 0.655:1 | -2.0% |

- Turnover consists of sales of residential condominium units, revenue from rental and cinema, hotel operations, and other income. For three (3) months ended March 31, 2018, Shang Properties' revenue increased by P730.6 million (M) to P2.9 billion (B) from P2.1B revenues during the same period in 2017. Sales of residential condominium units accounted for P1,259.2M or 44% of the total revenue. Revenue from leasing operations amounted to P719.5M or 25.1% of the total revenue and higher by P12.8M from P706.7M of the same period last year. Shangri-La at Fort's hotel operations contributed revenue amounting to P792.2M, higher by P171.1M from P621M of the same period last year. Other income decreased by P19.9M.
- Profit attributable to shareholders that pertains to net income from operations after tax amounted to P574.9M, higher by P100.5M or 21.2% compared with the same period last year.
- Earnings per share showed a variance of 21.2% to P0.121 from last year's P0.100.
- Net asset value per share is calculated by dividing the total net asset of the Group (Total asset – Total liabilities and minority interest) by the number of shares outstanding. Net asset value per share increased by 17.6% mainly due to the higher equity during the period.
- Debt to equity measures the exposure of creditors to that of the stockholders. It gives an indication of how leveraged the group is. It is determined by dividing total debt by stockholder's equity. The Group's financial position remains solid with debt to equity ratio of 0.642:1 as of March 31, 2018 and 0.655:1 as of March 31, 2017.

Financial Condition

Total assets of the Company amounted to P60.0B, a decrease of P465.6M from total assets of P60.4B in December 31, 2017. The following are significant movements in the assets:

- Decrease in cash and cash equivalents by ₱1,421M is mainly due to payment of bank loans and payment to suppliers of condominium projects during the period.
- Increase in receivables by ₱429.7M is mainly due to advances to associated company.
- Increase in input tax and other current assets by ₱135.8M mainly due to higher prepaid assets during the first quarter of 2018 as compared to the end of 2017.
- The recognized deferred tax assets decreased by ₱51.3M mainly due to the recognition of higher percentage of completion of The Rise condominium project.
- Decrease in other noncurrent assets by ₱39.1M due to amortization of deferred input VAT and return of utility deposits during the period.
- Current ratio is 1.83:1 as of March 31, 2018 from 2.05:1 as of December 31, 2017.

Total liabilities decreased by ₱474.4M from ₱23.9B in 2017 to ₱23.5B in 2018 mainly due to the following:

- Decrease in bank loans mainly due to repayments amounting to ₱1,464.3M during the first quarter of 2017.
- Increase in deposit from tenants amounting to ₱33M is mainly due to deposit from new tenants of The Enterprise Center and Mall Operations.
- Increase in income tax payable by ₱121.8M is mainly due to higher taxable income for the period.
- Increase in dividends payable by ₱597.4M due to the declaration of cash dividend on March 20, 2018 to all shareholders of record as March 31, 2018.
- Increase in advance rental by ₱153.2M mainly due to rental from new tenants of The Enterprise Center and Mall Operations.
- Decrease in deferred in lease income by ₱2.6M is mainly due to lower rates used to revalue deposits of the tenants of The Enterprise Center.

Results of Operation

Consolidated net income for the period ended March 31, 2018 amounted to ₱574.9M higher by 21.2% from last year's ₱474.4M.

Turnover increased by ₱730.6M or 34.2% to ₱2.9B in 2018 from ₱2.1B in 2017, mainly due to the following:

- Increase in condominium sales by ₱566.5M mainly due to higher sales recognition from The Rise Makati and Horizon Homes.
- Increase in revenue from hotel services by ₱171.1M mainly due higher occupancy as compared to same period last year.

- Interest income and other income decrease by ₱19.9M mainly due to lower dividend income and interest income received during the period.

Total expenses of the Group amounted to ₱1.9B, higher by ₱449.2M compared with last year's ₱1.5B. This was mainly due to the following:

- Increase in cost of condominium sales by ₱294.9M is due to higher sales recognition and incremental completion of Shangri-La at the Fort Horizon Homes and The Rise Makati projects.
- Increase in cost of rental and cinema by ₱29.3M mainly due to higher utility costs, advertising and promotion and repairs and maintenance cost.
- Increase in cost of hotel services by ₱114.5M due to higher occupancy compared to same period last year.
- Increase in taxes and licenses by ₱22.9M mainly due to the conveyance tax and higher real property taxes paid during the period.
- Decrease in depreciation by ₱0.5M mainly due to certain assets that have been fully depreciated.
- Increase in insurance by ₱0.3M mainly due to payment of fidelity insurance paid for the period.
- Decrease in interest and bank charges by ₱6.1M mainly due to repayments in bank loans.

Provision for income tax is higher by ₱83.9M mainly due to higher taxable income generated during the period as compared with the same period last year.

Robust Growth Prospects with Robinson's Land Corporation

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

Financial Soundness Indicators

| | End of March 2018 | End of December 2017 |
|---|----------------------|-------------------------|
| Current Ratio ¹ | 1.83:1 | 2.05:1 |
| Debt-to-equity ratio ² | 0.64:1 | 0.66:1 |
| Asset-to-equity ratio ³ | 1.64:1 | 1.66:1 |
| | 1Q 2018 ⁷ | 1Q 2017 |
| Interest rate coverage ratio ⁴ | 12.32:1 | 8.44:1 |
| Return on assets ⁵ | 3.82% | 3.08% |
| Return on equity ⁶ | 6.30% | 5.70% |

¹Current assets/current liabilities

²Total liabilities/stockholders' equity

³Total asset/stockholders' equity

⁴Income before interest and taxes/interest expense

⁵Net Income/average total assets

⁶Net Income/average stockholders' equity

⁷1Q Net income after tax annualized/average of end March 2018 and end December 2017 assets and equity

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

- There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely result in the registrant's liquidity increasing or decreasing in any material way.
- There are no known events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of obligation.
- There are no off material balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
- There are no material commitments for capital expenditures.

- There are no known trends, events or uncertainties that have had or that are reasonably expected to have material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- There are no significant elements of income or loss that did not arise from the registrant's continuing operations.
- There are no material changes in periodical reports.
- There are no seasonal aspects that had a material effect on the financial statements.

Item 3. Other Required Disclosures

A.) The attached interim financial reports were prepared in accordance with Philippine Financial Reporting Standard. The accounting policies and methods of computation followed in these interim financial statements are the same compared with the audited financial statements for the period ended December 31, 2017.

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

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

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

E.) There are no significant events happened subsequent to March 31, 2018 up to the date of this report that needs disclosure herein.

F.) For the required disclosure as per SEC letter dated October 29, 2008 on the evaluation of the company's risk exposure and financial instruments profile please see Note 10 of the attached interim financial statement.

Shang Properties, Inc. and Subsidiaries

Consolidated Financial Statements
March 31, 2018 and 2017

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

| | Notes | Unaudited March 31 2018 | Audited December 31 2017 |
|---|-------|----------------------------|-----------------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 3 | 3,609,749,671 | 5,030,757,380 |
| Financial assets at fair value through profit or loss | | 45,893,360 | 45,969,343 |
| Receivables | | 4,602,288,021 | 4,172,582,346 |
| Properties held for sale | | 6,519,156,152 | 6,235,573,215 |
| Input tax and other current assets | | 1,190,854,990 | 1,055,041,731 |
| Total Current Assets | | 15,967,942,194 | 16,539,924,015 |
| Noncurrent Assets | | | |
| Investment in associates and joint venture | | 502,905,985 | 501,935,625 |
| Investment properties | 4 | 30,623,047,367 | 30,100,203,443 |
| Real estate development projects | | 235,745,363 | 513,192,742 |
| Available-for-sale financial assets | | 513,192,742 | 11,947,734,418 |
| Property and equipment | 5 | 11,620,656,408 | 269,870,864 |
| Goodwill | | 269,870,864 | 192,738,742 |
| Deferred income tax assets - net | | 141,445,260 | 192,738,742 |
| Other noncurrent assets | | 108,393,458 | 147,446,504 |
| Total Noncurrent Assets | | 44,015,257,447 | 43,908,867,700 |
| TOTAL ASSETS | | 59,983,199,640 | 60,448,791,715 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Current Liabilities | | | |
| Accounts payable and other current liabilities | | 6,271,728,998 | 6,110,250,197 |
| Current portion of: | | | |
| Installment payable | | 610,013,032 | 636,511,197 |
| Bank loans | | 400,000,000 | 583,333,333 |
| Deposits from tenants | | 482,522,355 | 506,636,400 |
| Deferred lease income | | 28,137,086 | 28,137,086 |
| Income tax payable | | 306,059,319 | 37,515,266 |
| Dividends payable | | 634,864,636 | 184,217,378 |
| Total Current Liabilities | | 8,733,325,425 | 8,086,600,858 |
| Non-Current Liabilities | | | |
| Accrued employee benefits | | 52,376,521 | 52,214,078 |
| Bank loans- net of current portion | | 6,495,160,624 | 7,776,139,370 |
| Deferred income tax liabilities - net | | 7,131,019,046 | 7,179,085,729 |
| Advance rental - net of current portion | | 359,894,869 | 206,667,999 |
| Deposit from tenants - net of current portion | | 654,766,500 | 597,630,623 |
| Deferred lease income - net of current portion | | 23,620,893 | 26,211,780 |
| Total Noncurrent Liabilities | | 14,716,838,453 | 15,837,949,579 |
| Total Liabilities | | 23,450,163,880 | 23,924,550,437 |
| Stockholder's Equity | | | |
| Share Capital- P1 par value | | 4,764,058,982 | 4,764,058,982 |
| Share premium | | 834,439,607 | 834,439,607 |
| Treasury shares | | (6,850,064) | (6,850,064) |
| Other components of equity | | (150,006,138) | (150,927,698) |
| Retained earnings | | 25,004,629,865 | 25,027,307,247 |
| Equity attributable to non-controlling interest | | 6,086,763,509 | 6,056,213,206 |
| Total Equity | | 36,533,035,761 | 36,524,241,280 |
| TOTAL LIABILITIES AND EQUITY | | 59,983,199,636 | 60,448,791,717 |

(See accompanying notes to consolidated financial statements)

SHANG PROPERTIES INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

| | UNAUDITED | |
|---|--------------------------------|-----------------------|
| | FOR THE THREE (3) MONTHS ENDED | |
| | 31-Mar-18 | 31-Mar-17 |
| REVENUES | | |
| Condominium sales | 1,259,222,942 | 692,636,692 |
| Rental and cinema | 719,491,487 | 706,720,546 |
| Hotel operation | 792,153,594 | 621,046,345 |
| | 2,770,868,023 | 2,020,403,584 |
| COST OF SALES AND SERVICES | | |
| Condominium sales | 732,484,693 | 437,580,958 |
| Rental and cinema | 59,343,039 | 30,066,834 |
| Hotel operation | 770,374,607 | 655,805,049 |
| | 1,562,202,339 | 1,123,452,841 |
| GROSS INCOME | 1,208,665,684 | 896,950,742 |
| OPERATING EXPENSES | | |
| General and administrative | 172,203,044 | 178,365,666 |
| Taxes and licenses | 87,937,430 | 65,051,768 |
| Depreciation and amortization | 3,385,568 | 3,902,859 |
| Insurance | 481,360 | 125,034 |
| | 264,007,402 | 247,445,326 |
| OTHER INCOME | | |
| Interest income | 53,111,206 | 56,682,443 |
| Foreign exchange gains – net | 23,060,178 | 15,430,463 |
| Other income – net | 17,077,024 | 40,997,869 |
| INCOME BEFORE SHARE IN PROFIT (LOSS) OF ASSOCIATED COMPANIES | 1,037,906,690 | 762,616,490 |
| SHARE IN LOSSES OF AN ASSOCIATED COMPANY | (2,529,643) | (1,690,261) |
| INTEREST EXPENSE AND BANK CHARGES | 84,020,708 | 90,105,010 |
| INCOME BEFORE TAX | 951,356,340 | 670,821,221 |
| PROVISION FOR INCOME TAX | (241,002,665) | (157,062,908) |
| INCOME BEFORE MINORITY INTEREST | 710,353,674 | 513,758,313 |
| MINORITY INTEREST | (135,410,297) | (39,348,065) |
| NET INCOME | 574,943,377 | 474,410,247 |
| RETAINED EARNINGS, beg. | 25,027,307,239 | 22,466,858,147 |
| LESS: CASH DIVIDENDS | (597,620,751) | (452,585,603) |
| RETAINED EARNINGS, end. | 25,004,629,866 | 22,488,682,791 |
| BASIC AND DILUTED EARNINGS PER SHARE | 0.12 | 0.10 |

See accompanying notes to consolidated financial statement

SHANG PROPERTIES INC. & SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Amounts expressed in Php)

(Unaudited)

| | Notes | Capital stock Pesos | Additional paid-in capital Pesos | Treasury Stock Pesos | Other components of equity Pesos | Retained Earnings Pesos | Non-controlling Interest Pesos | Total Pesos |
|-----------------------------------|-------|------------------------|--|----------------------------|---|-------------------------------|--------------------------------------|----------------|
| Balance as of January 1, 2017 | | 4,764,058,982 | 834,439,607 | (6,850,064) | (142,015,638) | 22,466,858,146 | 5,421,977,200 | 33,338,468,233 |
| Cumulative translation adjustment | | - | - | - | 54,655 | - | - | 54,655 |
| Cash dividends | 7 | - | - | - | - | (452,585,603) | (104,860,000) | (557,445,603) |
| Net income for the period | | - | - | - | - | 474,410,246 | 39,348,065 | 513,758,310 |
| Balance as of March 31, 2017 | | 4,764,058,982 | 834,439,607 | (6,850,064) | (141,960,983) | 22,488,682,789 | 5,356,465,265 | 33,294,835,596 |
| Balance as of January 1, 2018 | | 4,764,058,982 | 834,439,607 | (6,850,064) | (150,927,698) | 25,027,307,247 | 6,056,213,206 | 36,524,241,280 |
| Cumulative translation adjustment | | - | - | - | 921,560 | - | - | 921,560 |
| Cash dividends | 7 | - | - | - | - | (597,620,751) | (104,860,000) | (702,480,751) |
| Net income for the period | | - | - | - | - | 574,943,377 | 135,410,297 | 710,353,675 |
| Balance as of March 31, 2018 | | 4,764,058,982 | 834,439,607 | (6,850,064) | (150,006,138) | 25,004,629,865 | 6,086,763,509 | 36,533,035,764 |

(See accompanying notes to consolidated financial statements)

SHANG PROPERTIES INC. & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts expressed in Php)

| | March 31, 2018 | March 31, 2017 |
|---|---------------------------|---------------------------|
| | (Unaudited) | (Unaudited) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Income before income tax | 951,356,340 | 670,821,219 |
| Adjustment for: | | |
| Interest income | (53,111,206) | (56,682,443) |
| Interest expense | 83,830,258 | 89,861,388 |
| Depreciation and amortization | 3,385,568 | 3,902,859 |
| Cumulative translation adjustment | 921,560 | 54,655 |
| Dividend income | (7,707) | (19,521,030) |
| Change in fair value of financial assets at FVPL | 75,983 | (1,872,947) |
| Share in profit (loss) of associate companies | 2,529,643 | 1,690,260 |
| Unrealized foreign exchange losses (gains) - net | (23,060,178) | (15,430,763) |
| Operating income before working capital changes | 965,920,262 | 672,823,199 |
| Decrease (increase) in: | | |
| Receivables | (429,705,675) | 249,534,585 |
| Properties held for sale | (283,582,937) | (534,411,578) |
| Input tax and other current assets | (135,813,259) | (140,052,170) |
| Increase (decrease) in: | | |
| Accounts payable and other current liabilities | 370,251,413 | 487,108,480 |
| Deferred lease income | (2,590,887) | (1,436,759) |
| Accrued employee benefits | 162,443 | (2,519,906) |
| Net cash generated from (used in) from operations | 484,641,359 | 441,551,741 |
| Interest received | 53,638,232 | 58,137,526 |
| Net cash provided by operating activities | 538,279,590 | 499,689,267 |

CASH FLOWS FROM INVESTING ACTIVITIES

| | | |
|--|----------------------|----------------------|
| Additions to: | | |
| Investment properties | (522,843,924) | 10,835,976 |
| Property and equipment | 72,598,577 | (638,972,773) |
| Investment in associates | (970,360) | (1,296,254) |
| Decrease in real estate development projects | — | — |
| Decrease in other assets | 90,346,528 | (4,724,827) |
| Dividends received | 7,707 | 19,521,030 |
| Net cash used in investing activities | (360,861,472) | (154,158,202) |

CASH FLOWS FROM FINANCING ACTIVITIES

| | | |
|---|------------------------|----------------------|
| Proceeds from loan availment, net of debt issue costs | — | — |
| Payments of: | | |
| Loan principal | (1,464,312,079) | — |
| Interest | (85,064,377) | (38,973,645) |
| Cash dividends paid to: | | |
| Stockholders | (271,382) | (194,660) |
| Non-controlling interest | (104,860,000) | (104,860,000) |
| Increase in deposits from tenants | 33,021,832 | 8,386,629 |
| Net cash used in financing activities | (1,621,486,007) | (921,215,170) |

EFFECTS OF EXCHANGE RATE CHANGES ON CASH

| | | |
|---|------------------------|----------------------|
| AND CASH EQUIVALENTS | 23,060,178 | 15,430,763 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (1,421,007,710) | 416,459,889 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 5,030,757,380 | 4,041,169,742 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 3,609,749,670 | 4,457,629,631 |

(See accompanying notes to consolidated financial statements)

SHANG PROPERTIES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE THREE (3) MONTHS ENDED MARCH 31, 2018 AND 2017

Note 1 - General information

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

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

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

Note 2 - Segment information

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

(a) Property development

This business segment pertains to the sale of condominium units.

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

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

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

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

(b) Hotel operation

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

(c) Leasing

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

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

Except for the rental revenue from ESHRI, all revenues come from transactions with third parties. There are no revenues derived from a single external customer above 10% of total revenue in 2018 and 2017. There is no need to present reconciliation since measure of segment assets, liabilities and results of operations are consistent with those of the financial statements.

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

There are no changes in the Group's reportable segment and related strategy and policies in 2018 and 2017.

The segment assets, liabilities and results of operations of the reportable segments of the Group as of and for the year ended March 31, 2018 are as follows:

| | Property Development | Rental and Cinema | Hotel Operations | Others | Total Segments | Eliminations | Consolidated |
|---|-------------------------|----------------------|---------------------|----------------|-----------------|-------------------|-----------------|
| Revenues: | | | | | | | |
| Condominium sales | ₱1,259,222,942 | ₱- | ₱- | ₱- | ₱1,259,222,942 | ₱- | ₱1,259,222,942 |
| Rental and cinema | - | 776,604,702 | - | - | 776,604,702 | (57,113,215) | 719,491,487 |
| Hotel operations | - | - | 794,365,553 | - | 794,365,553 | (2,211,958) | 792,153,594 |
| Cost of sales and services: | | | | | | | |
| Condominium sales | (732,484,693) | - | - | - | (732,484,693) | - | (732,484,693) |
| Rental and cinema | - | (58,284,309) | - | - | (58,284,309) | (1,058,731) | (59,343,040) |
| Hotel operations | - | - | (770,374,607) | - | (770,374,607) | - | (770,374,607) |
| Gross income | 526,738,249 | 718,320,393 | 23,990,946 | - | 1,269,049,588 | (60,383,905) | 1,208,665,684 |
| Other income | 11,144,807 | 353,419,422 | - | 8,778,997 | 373,343,227 | (356,266,203) | 17,077,024 |
| Staff costs | (19,182,198) | (80,019,885) | - | (2,032,226) | (101,234,309) | 8,867,706 | (92,366,603) |
| General and administrative expenses | (13,994,727) | (65,603,508) | - | (2,196,100) | (79,836,441) | - | (79,836,441) |
| Taxes and licenses | (57,989,499) | (29,345,999) | - | (601,936) | (87,937,430) | - | (87,937,430) |
| Depreciation and amortization | (38,366) | (47,367,419) | - | (240,949) | (47,646,735) | (44,261,167) | (3,385,568) |
| Insurance | (340,018) | (126,539) | - | (14,803) | (481,360) | - | (481,360) |
| Segment results | 446,338,252 | 849,276,465 | 23,990,946 | 5,650,877 | 1,325,256,540 | (452,043,568) | 961,735,305 |
| Interest income | 49,792,224 | 3,047,388 | - | 271,594 | 53,111,206 | - | 53,111,206 |
| Foreign exchange gains – net | 17,972,218 | 5,069,756 | - | (91,883,029) | (68,841,055) | 91,901,234 | 23,060,178 |
| Share in net income of associates and joint venture | - | - | - | (2,529,643) | (2,529,643) | - | (2,529,643) |
| Interest expense and bank charges | (51,898,601) | (32,118,163) | - | (3,944) | (84,020,708) | - | (84,020,708) |
| Provision for income tax | (132,745,503) | (101,487,732) | - | (2,021,886) | (236,255,120) | (4,747,545) | (241,002,665) |
| Net income for the year | ₱329,458,590 | ₱723,787,713 | ₱23,990,946 | ₱(90,516,030) | ₱986,721,219 | ₱(364,889,879) | ₱710,353,674 |
| Segment assets | ₱12,039,767,073 | ₱41,080,495,109 | ₱13,900,201,438 | ₱6,996,962,458 | ₱74,182,288,900 | ₱(14,537,132,421) | ₱59,480,293,657 |
| Associate companies | - | - | - | 502,905,985 | 502,905,985 | - | 502,905,985 |
| Total assets | ₱12,039,767,073 | ₱41,080,495,109 | ₱13,900,201,438 | ₱7,499,868,442 | ₱74,685,194,885 | ₱(14,537,132,421) | ₱59,983,199,641 |
| Segment liabilities | ₱7,092,326,370 | ₱12,600,795,466 | ₱6,284,276,476 | ₱5,789,662,674 | ₱31,931,926,808 | ₱(8,316,900,102) | ₱23,450,163,883 |
| Capital expenditures for the year | ₱ 818,009 | ₱9,676,637 | ₱(82,275,114) | ₱(818,009) | ₱(72,598,477) | ₱- | ₱(72,598,477) |

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

| | Property Development | Rental and Cinema | Hotel Operations | Others | Total Segments | Eliminations | Consolidated |
|---|-------------------------|-------------------|------------------|----------------|-----------------|------------------|-----------------|
| Revenues: | | | | | | | |
| Condominium sales | ₱8,192,197,299 | ₱- | ₱- | ₱- | ₱8,192,197,299 | ₱- | ₱8,192,197,299 |
| Rental and cinema | - | 3,213,206,569 | - | - | 3,213,206,569 | (231,885,155) | 2,951,321,414 |
| Hotel operations | - | - | 2,596,696,685 | - | 2,596,696,685 | - | 2,596,696,685 |
| Cost of sales and services: | | | | | | | |
| Condominium sales | (4,726,826,668) | - | - | - | (4,726,826,668) | - | (4,726,826,668) |
| Rental and cinema | - | (218,799,404) | - | - | (218,799,404) | (4,159,029) | (222,938,433) |
| Hotel operations | - | - | (2,658,648,660) | - | (2,658,648,660) | - | (2,658,648,660) |
| Gross income | 3,465,370,361 | 2,994,427,165 | 161,951,975 | - | 6,397,845,821 | (236,044,184) | 6,161,801,637 |
| Gain on fair value adjustments of investment properties | (440,547,000) | 559,703,983 | - | 1,473,390,469 | 1,592,547,452 | (932,380,223) | (660,167,229) |
| Other income | 82,157,479 | 33,172,247 | - | 2,010,586,242 | 2,125,915,968 | (1,960,592,359) | 165,323,609 |
| Staff costs | (142,992,270) | (319,727,957) | - | (10,342,898) | (473,063,125) | 30,657,241 | (442,405,884) |
| General and administrative expenses | (190,912,048) | (295,090,408) | (322,975,081) | (2,160,519) | (811,138,056) | 240,338,444 | (570,799,612) |
| Taxes and licenses | (95,895,508) | (90,761,302) | - | (1,515,358) | (188,172,168) | - | (188,172,168) |
| Depreciation and amortization | (7,809,935) | (345,553,888) | - | (34,505) | (353,397,828) | 332,969,055 | (20,428,773) |
| Insurance | (200,697) | (782,578) | - | (10,803) | (994,078) | - | (994,078) |
| Segment results | 2,669,170,382 | 2,535,387,262 | (384,927,056) | 3,469,912,628 | 8,289,543,986 | (2,525,052,026) | 5,764,491,960 |
| Interest income | 211,539,790 | 18,848,178 | - | 664,111 | 231,052,079 | - | 231,052,079 |
| Foreign exchange gains – net | 2,794,395 | 22,334,009 | - | (4,665,286) | 20,463,118 | 4,666,892 | 25,130,010 |
| Share in net income of associates and joint venture | - | - | - | (4,099,987) | (4,099,987) | - | (4,099,987) |
| Interest expense and bank charges | (188,570,012) | (28,438,846) | - | (114,954,005) | (331,962,863) | - | (331,962,863) |
| Provision for income tax | (756,502,288) | (531,339,659) | - | (465,441,298) | (1,753,283,245) | 288,754,009 | (1,464,529,236) |
| Net income for the year | ₱1,938,433,037 | ₱2,016,790,944 | ₱(384,927,056) | ₱2,881,416,163 | ₱6,451,713,088 | ₱(2,231,631,125) | ₱4,220,081,963 |
| Segment assets | ₱11,729,438,058 | ₱28,087,222,598 | ₱11,554,781,316 | ₱9,088,747,020 | ₱60,460,188,992 | ₱(513,332,901) | ₱59,946,856,091 |
| Associate companies | - | - | - | 501,935,625 | 501,935,625 | - | 501,935,625 |
| Total assets | ₱11,729,438,058 | ₱28,087,222,598 | ₱11,554,781,316 | ₱9,590,682,645 | ₱60,962,124,617 | ₱(513,332,901) | ₱60,448,791,716 |
| Segment liabilities | ₱6,978,354,123 | ₱10,899,297,278 | ₱7,316,184,909 | ₱6,405,705,759 | ₱31,599,542,069 | ₱(7,674,991,633) | ₱23,924,550,436 |
| Capital expenditures for the year | ₱599,206 | ₱483,478,274 | ₱25,132,508 | ₱400,622 | ₱509,610,610 | ₱- | ₱509,610,610 |

Note 3 - Cash and cash equivalents

Cash and cash equivalents as at March 31, 2018 and December 31, 2017 consist of:

| | 2018 | 2017 |
|------------------|---------------|---------------|
| Cash on hand | 20,373,446 | 27,236,204 |
| Cash in banks | 535,255,718 | 352,515,924 |
| Cash equivalents | 3,056,120,507 | 4,651,005,252 |
| | 3,609,749,671 | 5,030,757,380 |

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

Note 4 - Investment properties

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

| | Land | Building | Total |
|--------------------------------------|----------------|----------------|----------------|
| January 1, 2017 | 10,309,700,807 | 18,669,797,822 | 28,979,498,629 |
| Gain (Loss) on fair value adjustment | 1,482,231,724 | (822,064,495) | 660,167,229 |
| Capitalized subsequent expenditure | 2,223,950 | 465,078,635 | 467,302,585 |
| Transfer to properties held for sale | - | (6,765,000) | (6,765,000) |
| December 31, 2017 | 11,794,156,481 | 18,306,046,962 | 30,100,203,443 |
| Gain (Loss) on fair value adjustment | - | - | - |
| Capitalized subsequent expenditure | 500,545,000 | 22,276,172 | 522,843,924 |
| Transfer to properties held for sale | - | - | - |
| March 31, 2018 | 12,294,701,481 | 18,328,323,134 | 30,623,047,367 |

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

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

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

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

Note 5 - Property and Equipment

This account consists of:

| | Building and building improvement | Transportation Equipment | Furniture, Fixtures and other Office Equipment | Total |
|---|---|-----------------------------|---|-------------------------|
| Net book value as at January 1, 2018 | ₱5,644,902,257 | ₱28,085,425 | ₱6,280,453,352 | ₱11,947,734,418 |
| Additions | — | | 17,334,149 | 17,334,149 |
| Depreciation | (229,398,481) | (1,457,827) | (23,605,125) | (254,479,432) |
| Reclassification | (89,932,626) | — | (1,894,895) | (1,894,795) |
| Net book value as at March 31, 2018 | ₱5,325,571,151 | ₱22,378,809 | ₱6,274,182,275 | ₱ 11,620,656,409 |

Note 6 - Financial risk and capital management

6.1 Financial risk management

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

6.1.1 Market risk

(a) Foreign exchange risk

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

The Group's foreign currency denominated cash in banks and cash equivalents as at and net foreign exchange gains for the period ended March 31, 2018 and December 31, 2017.

(b) Price risk

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

(c) Cash flow and fair value interest rate risk

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

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

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

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

6.1.2 Credit risk

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

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

The table below shows the credit quality of significant financial assets (i.e., cash and cash equivalents, and trade and other receivables) as at March 31, 2018 and December 31, 2017:

| | Fully performing | Past due but not impaired | Impaired | Total |
|-----------------------------|------------------|---------------------------|------------|---------------|
| 2018 | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 3,609,749,671 | - | - | 3,609,749,671 |
| Trade and other receivables | 4,609,362,098 | - | 7,074,077 | 4,602,288,021 |
| Non-current assets | | | | |
| Refundable deposits | 108,393,458 | - | - | 108,393,458 |
| | 7,397,348,004 | 1,260,804,285 | 12,252,379 | 8,670,404,668 |
| 2017 | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 5,003,521,176 | - | - | 5,003,521,176 |
| Trade and other receivables | 2,307,392,518 | 1,260,804,285 | 12,252,379 | 3,580,449,182 |
| Non-current assets | | | | |
| Refundable deposits | 86,434,310 | - | - | 86,434,310 |
| | 7,397,348,004 | 1,260,804,285 | 12,252,379 | 8,670,404,668 |

Trade and other receivables exclude advances to contractors and suppliers.

(a) Cash and cash equivalents

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

(b) Receivables

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

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

The credit exposure on due from related parties is considered to be minimal as there is no history of defaults and collections are expected to be made within 30 to 60 days. The maximum amount exposed to credit risk on due from related parties is equal to the carrying amount in the

consolidated statement of financial position. The balances due from related parties are considered as high grade financial assets.

None of the financial assets that are fully performing has been renegotiated in 2018 and 2017.

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

As at March 31, 2018, receivables of P7,074,076 (2017 – P12,252,379) are impaired. These receivables were fully provided for with an allowance for impairment. The individually impaired receivables mainly relate to counterparties which are in unexpectedly difficult economic situations and considered as satisfactory grade financial assets.

The carrying amounts of cash and cash equivalents, and trade and other receivables as at March 31, 2018 and December 31, 2017 approximate their fair values due to the short maturities and nature of such items.

(c) Refundable deposits

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

6.1.3 Liquidity risk

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

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

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

| | 0 - 90 days | 91 - 180 days | 181 - 360 days | Total |
|---|---------------|---------------|----------------|---------------|
| At March 31, 2018 | | | | |
| Bank loans | 183,333,333 | 133,333,333 | 83,333,334 | 400,000,000 |
| Accounts payable and other current liabilities* | 3,104,802,009 | 709,815,315 | 210,066,618 | 4,024,683,942 |
| Deposits from tenants | - | - | 482,522,355 | 482,522,355 |
| Installment payable | 159,127,799 | 159,127,799 | 291,757,434 | 610,013,032 |
| Dividends payable | 597,349,370 | 37,515,266 | - | 634,864,636 |
| Future interest payable | 66,778,637 | 81,171,464 | 169,132,180 | 317,082,281 |
| | 4,111,391,148 | 1,120,963,177 | 1,236,811,921 | 6,469,166,246 |
| At December 31, 2017 | | | | |
| Bank loans | 183,333,333 | 133,333,333 | 266,666,667 | 583,333,333 |
| Accounts payable and other current liabilities* | 3,104,802,009 | - | 210,066,618 | 3,314,868,627 |
| Deposits from tenants | - | - | 506,636,400 | 506,636,400 |
| Installment payable | 159,127,799 | 159,127,799 | 318,255,599 | 636,511,197 |
| Dividends payable | - | 37,515,266 | - | 37,515,266 |
| Future interest payable | 70,977,275 | 66,778,637 | 269,201,981 | 406,957,893 |
| | 3,518,240,416 | 396,755,035 | 1,570,827,265 | 5,485,822,716 |

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

6.2 Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes in the Group's strategies and policies during 2018 and 2017.

The Group monitors capital using a gearing ratio, which is net debt, including long-term loan less cash and cash equivalents, divided by capital. Capital pertains to total equity less non-controlling interest. The gearing ratio as at March 31, 2018 and December 31, 2017 is presented below:

| | 2018 | 2017 |
|---------------------------------|----------------|----------------|
| Net debt | | |
| Long-term loan | 6,895,160,624 | 8,359,472,703 |
| Less: cash and cash equivalents | 3,609,749,671 | 5,030,757,380 |
| | 3,285,410,953 | 3,328,715,323 |
| Capital | | |
| Total equity | 36,533,035,761 | 36,524,241,280 |
| Less: Non-controlling interest | 6,086,763,509 | 6,056,213,206 |
| | 30,443,272,252 | 30,468,028,074 |
| Gearing ratio | 10.79% | 10.93% |

The Group was able to meet its capital management objectives.

6.3 Fair value measurement

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

| | Fair value measurement using | | | Total |
|--|---|---|--|----------------|
| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | |
| 2018 | | | | |
| <i>Assets measured at fair value</i> | | | | |
| Financial assets at fair value through profit or loss | 45,893,360 | - | - | 45,969,343 |
| Investment properties: | | | | |
| Land | - | - | 12,287,588,419 | 12,287,588,419 |
| Buildings | - | - | 18,335,458,947 | 18,335,458,947 |
| AFS financial assets: | | | | |
| Quoted | 24,352,000 | - | - | 24,352,000 |
| <i>Assets for which fair values are disclosed</i> | | | | |
| Loans and receivables | | | | |
| Refundable deposits | - | 64,177,918 | - | 64,177,918 |
| <i>Liabilities for which fair values are disclosed</i> | | | | |
| Installment payable | - | 610,013,032 | - | 610,013,032 |
| Deposits from tenants | - | 1,137,288,855 | - | 1,137,288,855 |

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

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

There have been no assets and liabilities transferred among Level 1, Level 2 and Level 3 during 2018 and 2017.

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

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

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

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

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

(c) Installment contracts receivable

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

(d) Refundable deposits and deposits from tenants

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

(e) Available-for-sale financial assets

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

(f) Bank loans

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

Note 7 - Significant accounting judgments, estimates and assumptions

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

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

7.1 Critical accounting estimates and assumptions

(a) Determination of fair values of investment properties

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

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

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

(b) Useful lives of property and equipment

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

In 2018 and 2017, there were no changes in the estimated useful lives of property and equipment. As at March 31, 2018, property and equipment have a carrying value of P11.62 billion (2017 - P11.95 billion).

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

The Group's revenue and cost recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue from condominium sales, recognized based on the percentage-of-completion, are

measured principally by reference to the estimated completion of a physical proportion of the contract work. The total project costs are estimated by the project development engineers and are independently reviewed by the Group's third party consultants. At each reporting date, these estimates are reviewed and revised to reflect the current conditions, when necessary.

The Group has following on-going projects with its percentage of completion as at March 31, 2018 and December 31, 2017:

| Projects | 2018 | 2017 |
|---|--------|------|
| Horizon Homes at Shangri-La at the Fort | 99.27% | 98% |
| Shang Salcedo Place | 96% | 95% |
| The Rise Makati | 39.12% | 35% |

(d) Determining retirement benefit obligation

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

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

In determining the long-term rates of return, the Group considers the nature of the plans' investments, an expectation for the plans' investment strategies, historical rates of return and current economic forecasts. The Group evaluates the expected long-term rate of return annually and adjusts such rate as necessary.

7.2 Critical accounting judgments

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

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

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

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

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

(b) Revenue recognition

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

- Collectability of contract price

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

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

- Stage of completion of the condominium

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

(c) Assessing significant influence over associates

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

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

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

(e) Recoverability of investments in associates

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

Given profit projections upon completion of investment property development project of SLPI, the Group has assessed that there are no impairment indicators with respect to the investments in associates as at March 31, 2018 and December 31, 2017.

(f) Impairment of goodwill

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

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

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

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

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

The following are the key assumptions used:

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

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

(g) Impairment of non-financial assets

The Group reviews its non-financial assets, such as properties held for sale, investments in associates, real estate development projects, property and equipment and investment properties.

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

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

(h) Classification of leases as operating lease

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

(i) Income taxes

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

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

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

(j) Contingencies

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

Note 8- Summary of significant accounting and financial reporting policies

8.1 Basis of preparation

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

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

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

8.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

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

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

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

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

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

Classification and measurement of financial assets

Investments in debt instruments

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

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

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

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

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

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

Investments in equity instruments

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

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

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

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

Classification and measurement of financial liabilities

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

Impairment of financial assets

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under PAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at FVOCI, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group expects no change in the allowance for impairment losses provided amounting to P7,074.076 as at March 31, 2018 and P12,252,379 as at December 31, 2017.

Hedge accounting

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

The new hedge accounting rules will not have a significant impact on the Group as there are no formal hedge accounting relationships as of March 31, 2018 and December 31, 2017.

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

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

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

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

In 2016, PIC Q&A 2016-04, 'Application of PFRS 15 "Revenue from contracts with customers" on sale of residential properties under pre-completion contracts', was issued in conjunction with PFRS 15. This clarifies that sales of residential properties under pre-completion stage (based on specific fact patterns presented in the interpretation) meet the

criteria for revenue recognition over time. This applies to sale of a residential property unit under pre-completion stage (i.e., construction is on-going or has not yet commenced) by a real estate developer that enters into a Contract to Sell (CTS) with a buyer, and the developer has determined that the contract is within the scope of PFRS 15 by satisfying all the criteria for revenue recognition in PFRS 15. The Group assesses that for its revenue from condominium sales, the same policy, will be applied upon adoption of the new standard and PIC Q&A.

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

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

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

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

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

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

8.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at March 31, 2018 and December 31, 2017. The subsidiaries' financial statements are prepared for the same reporting year as the Parent Company. The Group uses uniform accounting policies, any difference between subsidiaries and the Parent Company are adjusted properly.

The Group is composed of the subsidiaries listed below:

| Nature and name of entity | Ownership % | | |
|--|-------------|-------|-------|
| | 2018 | 2017 | 2016 |
| Property development: | | | |
| Shang Properties Realty Corporation (SPRC) | 100 | 100 | 100 |
| Shang Property Developers, Inc. (SPDI) | 100 | 100 | 100 |
| The Rise Development Corporation, Inc. (TRDCI) | 100 | 100 | 100 |
| Shang Wack Wack Properties, Inc. (SWWPI) | 100 | 100 | 100 |
| Hotel operation: | | | |
| Shang Global City Properties, Inc. (SGCPI) | 60 | 60 | 60 |
| Leasing: | | | |
| SPI Parking Services, Inc. (SPSI) | 100 | 100 | 100 |
| Shangri-la Plaza Corporation (SLPC) | 100 | 100 | 100 |
| KSA Realty Corporation (KSA) | 70.04 | 70.04 | 70.04 |
| Real estate: | | | |
| Ivory Post Properties, Inc. (IPPI) | 100 | 100 | 100 |
| KPPI Realty Corporation (KRC) | 100 | 100 | 100 |
| Martin B. Properties, Inc. (MBPI) | 100 | 100 | 100 |
| New Contour Realty, Inc. (NCRI) | 100 | 100 | 100 |
| Perfect Sites, Inc. (PSI) | 100 | 100 | 100 |
| Shang Fort Bonifacio Holdings, Inc. (SFBHI) | 100 | 100 | 100 |
| Shang Global City Holdings, Inc. (SGCHI) | 100 | 100 | 100 |
| Property management: | | | |
| KPPI Management Services Corporation (KMSC) | 100 | 100 | 100 |
| Shang Property Management Services, Inc. (SPMSI) | 100 | 100 | 100 |
| Other supplementary business: | | | |
| Gipsey, Ltd. (Gipsey) | 100 | 100 | 100 |
| Silver Hero Investments Limited (SHIL) | 100 | 100 | 100 |
| EPHI Logistics Holdings, Inc. (ELHI) | 60 | 60 | 60 |

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

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

(a) Subsidiaries

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

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

relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies.

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in

profit or loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(d) Associates

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

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

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

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

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

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

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

8.4 Cash and cash equivalents

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

8.5 Financial instruments

8.5.1 Classification

The classification depends on the purpose for which the financial assets and liabilities were acquired. Management determines the classification of its financial assets and liabilities at initial recognition.

The Group classifies its financial assets and liabilities according to the categories described as follows.

(a) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The Group holds financial assets classified as at fair value through profit or loss, loans and receivables and available-for-sale financial assets as at March 31, 2018 and December 31, 2017.

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

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

The Group's investments in listed equity shares are classified under this category.

(ii) Loans and receivables

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

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

(a) Available-for-sale financial assets

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

(b) Financial liabilities

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

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

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

8.5.2 Recognition and measurement

(a) Initial recognition and measurement

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

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

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

(b) Subsequent measurement

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

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

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

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

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

8.5.3 Day 1 difference

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

8.5.4 Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(a) Financial assets at fair value through profit and loss and available-for-sale financial assets

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

and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in profit or loss.

(b) Loans and receivables

For loans and receivables category, the Group first assesses whether there is objective evidence of impairment exists individually for receivables that are individually significant, and collectively for receivables that are not individually significant using the criteria above. If the Group determines that no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses those for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in profit or loss. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

8.5.5 Derecognition

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

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

8.5.6 Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events

and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty. There are no offsetting arrangements as at March 31, 2018 and December 31, 2017.

8.6 Trade and other receivables

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

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

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

8.7 Properties held for sale

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

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

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

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

8.8 Prepaid taxes and other current assets

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

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

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

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

8.9 Investment properties

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

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

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

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

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

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

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

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

8.10 Real estate development projects

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

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

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

8.11 Property and equipment

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

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

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

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

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

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

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

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

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

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

8.12 Goodwill

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

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

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

8.13 Impairment of non-financial assets

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

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

8.14 Accounts payable and other current liabilities

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

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

8.15 Deposits from tenants

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

8.16 Borrowings and borrowing costs

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

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid,

including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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

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

8.17 Fair value measurement

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

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

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

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

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

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

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

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

tenants are included in Level 2. If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3.

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

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

Specific valuation techniques used to value financial instruments include:

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

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

8.18 Current and deferred income tax

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

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial

statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

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

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

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

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

8.19 Provisions

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time

value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

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

8.20 Equity

(a) Share capital

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

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

(b) Treasury shares

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

(c) Retained earnings

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

(d) Dividend distribution

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

8.21 Earnings per share

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

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

8.22 Employee benefits

(a) Retirement benefits

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

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

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

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

(b) Termination benefits

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

(c) Short-term employee benefits

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

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

8.23 Revenue and expense recognition

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

(a) Condominium sales

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

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

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

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

Commissions paid to sales or marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Accordingly, when the POC method is used, commissions are likewise charged to expense in the period the related revenue is recognized.

Commission expense is included under cost of sales and services - condominium sales account in the consolidated statement of total comprehensive income.

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

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

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

(b) Rental

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

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

(c) Hotel operation

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

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

(d) Interest income and expense

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

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

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

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

(e) Dividend income

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

(f) Other income

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

(g) Cost and expenses

Cost and expenses are recognized when these are incurred.

8.24 Leases

(a) Group is the lessor

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

(b) Group is the lessee

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

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

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

8.25 Foreign currency transactions and translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

8.26 Related party relationships and transactions

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

8.27 Segment reporting

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

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

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

8.28 Contingencies

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

8.29 Events after the reporting period

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

SHANG PROPERTIES, INC. AND SUBSIDIARIES

AGING OF RECEIVABLES

As of March 31, 2018

| TENANTS | TOTAL RECEIVABLES | CURRENT | 1-30 DAYS | 31-60 DAYS | 61-90 DAYS | OVER 90 DAYS |
|---|----------------------|---------------|------------|---------------|---------------|-----------------|
| Mall Tenants | 204,268,172 | 163,320,033 | 4,626,939 | 4,312,499 | 3,567,733 | 28,440,968 |
| EDSA Shangri-La Hotel & Resort | 25,991,470 | 8,932,473 | 17,058,997 | — | — | — |
| TECC Tenants | 9,802,963 | (742,979) | 2,082,709 | 396,043 | 8,067,190 | — |
| Installment Contracts Receivables & Others | 1,444,648,765 | 1,444,648,765 | — | — | — | — |
| | 1,684,711,370 | 1,616,158,292 | 23,768,645 | 4,708,542 | 11,634,923 | 28,440,968 |

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


KARLO MARCO P. ESTAVILLO
Treasurer

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)

370-2700

(Company Telephone Number)

1 2 3 1
Month Day
(Fiscal Year)

1 7 - C
(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

STAMPS

Remarks: Please use BLACK ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 11 OF THE REVISED SECURITIES ACT (RSA) AND RSA RULE 11(a)-1(b)(3) THEREUNDER



1. 14 March 2018
Date of Report (Date of earliest event reported)
2. SEC Identification Number: 145490
3. BIR Tax Identification No.: 000-144-386
4. SHANG PROPERTIES, INC.
Exact name of Issuer as specified in its charter
5. Philippines
Province, Country or other jurisdiction
of incorporation or organization
6. (SEC Use Only)
Industry Classification Code
7. Unit 506, 5th Level Shangri-La Plaza Mall
EDSA corner Shaw Boulevard, Mandaluyong City
Address of principal office
- 1550
Postal Code
8. (632) 370-2700
Registrant's telephone number, including area code
9. _____
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class

Number of Shares of Common Stock Outstanding

Common Stock P1.00 par value

4,764,058,982

11. Indicate the item numbers reported herein.

During the regular meeting of the Issuer's Board of Directors held on 14 March 2018, the Board approved the following:

ITEM No. 9

i) CASH DIVIDENDS

The declaration of P0.12550 per share cash dividend to all shareholders of record as of 31 March 2018 to be taken from the unrestricted retained earnings as reflected in the audited financial statements of the Issuer as of 31 December 2017 to be paid on or before 16 April 2018.


ii) **Approval of Audited Financial Statements**

During the regular meeting of the Issuer's Board of Directors held on 14 March 2018, the Board passed resolutions to approve the audited financial statements of the Issuer for the year ended 31 December 2017.

SIGNATURES

Pursuant to the requirements of the Revised Securities Act, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SHANG PROPERTIES, INC.
Issuer


FEDERICO G. NOEL, JR.
Corporate Secretary

Date: 14 March 2018

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)

370-2700

(Company Telephone Number)

1 2 3 1
Month Day
(Fiscal Year)

1 7 - C
(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

ICU

Document ID

Cashier

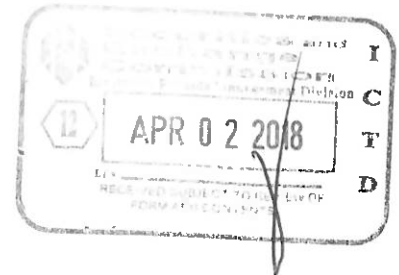
STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 11
OF THE REVISED SECURITIES ACT (RSA)
AND RSA RULE 11(a)-1(b)(3) THEREUNDER



1. 2 April 2018
Date of Report (Date of earliest event reported)
2. SEC Identification Number: 145490 3. BIR Tax Identification No.: 000-144-386
4. SHANG PROPERTIES, INC.
Exact name of Issuer as specified in its charter
5. Philippines
Province, Country or other jurisdiction
of incorporation or organization
6. (SEC Use Only)
Industry Classification Code
7. Unit 506, 5th Level Shangri-La Plaza Mall
EDSA corner Shaw Boulevard, Mandaluyong City
Address of principal office 1550
Postal Code
8. (632) 370-2700
Registrant's telephone number, including area code
9. _____
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 4 and 8 of the RSA

| <u>Title of Each Class</u> | <u>Number of Shares of Common Stock Outstanding</u> |
|----------------------------|---|
|----------------------------|---|

| | |
|------------------------------|---------------|
| Common Stock P1.00 par value | 4,764,058,982 |
|------------------------------|---------------|

11. Indicate the item numbers reported herein.

Issuer received an official copy of the Decision by the Philippine Competition Commission (PCC) to approve the proposed joint venture between Shang Properties, Inc. and Robinsons Land Corporation (RLC) on 22 March 2018.

Description and nature of the transaction including the timetable for implementation, and related regulatory requirements

Issuer and RLC through a joint venture corporation (JVC), shall build and develop a property situated at McKinley Parkway corner 5th Avenue and 21st Drive at Bonifacio Global City, Taguig, Metro Manila. The proposed project is intended to be a mixed-use development to include residential condominium units and commercial retail outlets. The joint venture agreement between Issuer and RLC is subject to approval by the Philippine Competition Commission (PCC). Issuer received official notice of such approval by the PCC on March 22, 2018.

Rationale for the transaction including the benefits which are expected to be accrued to the Issuer as a result of the transaction

To jointly develop and sell residential condominium units and/or develop and operate serviced apartments.

TERMS AND CONDITIONS OF THE JOINT VENTURE

Amount of investment and/or interest by the parties involved

Total investment of at least P10,000,000,000.00

Provisions on profit-sharing, arrangements on management and operations

Profit sharing shall be in accordance with shareholding of each party. The JVC shall be managed by a Board of Directors composed of six (6) members. Issuer and RLC shall each nominate 3 members of the Board Directors.

Conditions precedent to closing of transaction, if any

The joint venture is subject to approval by the PCC.

Other salient features of the joint venture agreement

N/A

Effect(s) on the business, financial condition and operations of the Issuer, if any

The proposed joint venture is not expected to have any adverse effect on the business, financial condition and operations of the Issuer.

SIGNATURES

Pursuant to the requirements of the Revised Securities Act, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SHANG PROPERTIES, INC.
Issuer


FEDERICO G. NOEL, JR.
Corporate Secretary

Date: 2 April 2018

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **ANTONIO O. COJUANGCO**, Filipino, of legal age and a resident of 2335 Makopa Street Dasmariñas Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of **SHANG PROPERTIES, INC.**.
2. I am affiliated with the following companies or organizations:

| Company/Organization | Position/ Relationship | Period of Service |
|---------------------------------------|---------------------------|-------------------------|
| Air Asia Phil. Inc. | Chairman <i>Director</i> | March 2011 - present |
| Ballet Philippines, Inc. | Chairman | 1993 - present |
| Canlubang Golf & Country Club | President & Director | March 11 2005 - present |
| Calatagan Golf, Inc. | President & Director | 1993 - present |
| CAP Life Insurance | Chairman | Apr. 2000 - present |
| Cinemalaya Foundation | Chairman | Jan 2006 - present |
| Directories Philippines Corporation | Chairman | Jan 26 2011 - present |
| Mantrade Development Corporation | Chairman | June 1 2010 - present |
| Nabasan Subic Development Corporation | Chairman | Aug 19 2009 - present |
| Radio Veritas | Chairman | July 21 1994 - present |
| Tanghalang Pilipino | Chairman | 2000 - present |

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **SHANG PROPERTIES, INC.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and SEC issuances.
4. I am related to the following director/officer/substantial shareholder of **SHANG PROPERTIES, INC.** other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

| Name of Director/Officer/ Substantial Shareholder | Company | Nature of Relationship |
|--|---------|---------------------------|
| | | |
| | | |
| | | |

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding/I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

| Offense Charged/Investigated | Tribunal or Agency Involved | Status |
|---------------------------------|--------------------------------|--------|
| | | |
| | | |
| | | |

6. (For those in government service/affiliated with a government agency or GOCC) I have required written permission or consent from the (head of the agency/department) to be an independent director _____, pursuant to Office of the President Memorandum Circular No. 17 and section 12, Rule XVIII of the Revised Civil Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation code and its implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of SHANG PROPERTIES, INC. of any changes in the abovementioned information within five days from its occurrence.

Done this MAY 23 2018 day of _____ at MANDALUYONG CITY


ANTONIO O. GOJUANGCO
Affiant

MAY 23 2018
SUBSCRIBED AND SWORN to before me this _____ day of _____ 2018 at MANDALUYONG CITY affiant personally appeared before me and exhibited to me Passport No. EC5284348 issued at DFA Manila on September 10, 2015 expiring on September 9, 2020.

Doc. No. 786 :
Page No. 79 :
Book No. 26 :
Series of 2018.

JOYEN G. SPILLANO
NOTARY PUBLIC FOR CITY OF MANDALUYONG
COMMISSION NO. 0285-17 UNTIL DECEMBER 31, 2018
ROLL NO. 58970
IBP LIFETIME NO. 011302; 12-28-12; RIZAL
PTR NO. 3588527; 1-3-18; MANDALUYONG
MCLE COMPLIANCE NO. 34 - 0017673 24 APRIL 2019
METRO MART COMPLEX, MANDALUYONG CITY

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **BENJAMIN I. RAMOS**, Filipino, of legal age, with address at 79 Sgt. Catolos St. corner New York St., Cubao, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of **SHANG PROPERTIES, INC.**,
2. I am affiliated with the following companies or organizations:

| Company/Organization | Position/Relationship | Period of Service |
|----------------------|-----------------------|-------------------|
| ROI Corp. | President | 6 years |
| | | |
| | | |

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **SHANG PROPERTIES, INC.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and SEC issuances.
4. I am related to the following director/officer/substantial shareholder of **SHANG PROPERTIES, INC.** other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

| Name of Director/Officer/ Substantial Shareholder | Company | Nature of Relationship |
|--|---------|---------------------------|
| Alfredo Ramos | | Uncle |
| Maximo Licauco | | Uncle |
| | | |

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding/I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

| Offense Charged/Investigated | Tribunal or Agency Involved | Status |
|---------------------------------|--------------------------------|--------|
| | | |
| | | |
| | | |

6. (For those in government service/affiliated with a government agency or GOCC) I have required written permission or consent from the (head of the agency/department) to be an independent director _____, pursuant to Office of the President Memorandum Circular No. 17 and section 12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation code and its implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of **SHANG PROPERTIES, INC.** of any changes in the abovementioned information within five days from its occurrence.


Done this 10th day of May, 2018.


BENJAMIN I. RAMOS
Affiant

MAY 16 2018

SUBSCRIBED AND SWORN to before me this _____ day of _____ 2018 at
MANDALUYONG CITY affiant personally appeared before me and exhibited to me _____
SSS ID No. 33-0473944-3 issued at _____ on
_____ expiring on _____.

Doc. No. 487 ;
Page No. 99 ;
Book No. 25 ;
Series of 2018.


JOVEN M. SEVILLA
NOTARY PUBLIC FOR CITY OF MANDALUYONG
COMMISSION NO. 0285-17 UNTIL DECEMBER 31, 2018
ROLL NO. 53970
IBP LIFETIME NO. 011-17/12-28-12; RIZAL
PTR NO. 3389587-1-5-18; MANDALUYONG
MCLE COMPLIANCE NO. IV - 0014673 14 APRIL 2019
METRO MART COMPLEX, MANDALUYONG CITY

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **MAXIMO G. LICAUCO III**, Filipino, of legal age and a resident of 14 Anahao Street, Valle Verde IV, Pasig City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of **SHANG PROPERTIES, INC.**,
2. I am affiliated with the following companies or organizations:

| Company/Organization | Position/ Relationship | Period of Service |
|---------------------------|---------------------------|-------------------|
| FILSTAR DISTRIBUTOS CORP. | President | 25 years |
| LIRAFIL CORPORATION | President | 35 years |
| | | |
| | | |

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **SHANG PROPERTIES, INC.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and SEC issuances.
4. I am related to the following director/officer/substantial shareholder of **SHANG PROPERTIES, INC.** other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

| Name of Director/Officer/ Substantial Shareholder | Company | Nature of Relationship |
|--|---------|---------------------------|
| | | |
| | | |
| | | |

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding/I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

| Offense Charged/Investigated | Tribunal or Agency Involved | Status |
|---------------------------------|--------------------------------|--------|
| | | |
| | | |
| | | |

6. (For those in government service/affiliated with a government agency or GOCC) I have required written permission or consent from the (head of the agency/department) to be an independent director _____, pursuant to Office of the President Memorandum Circular No. 17 and section 12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation code and its implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of SHANG PROPERTIES, INC. of any changes in the abovementioned information within five days from its occurrence.

Done this _____ day of _____ at _____.



MAXIMO G. LICAUCO III
Affiant

SUBSCRIBED AND SWORN to before me this MAY 15 2018 day of _____ 2018 at
~~MANDALUYONG CITY~~ affiant personally appeared before me and exhibited to me Passport No.
EC7161351 issued at DFA NCR East on 19 March 2016 expiring on 18 March 2021.

Doc. No. 389 ;
Page No. 73 ;
Book No. 25 ;
Series of 2018.


JOVEN G. SEVILLANO
NOTARY PUBLIC FOR CITY OF MANDALUYONG
COMMISSION NO. 0285-17 UNTIL DECEMBER 31, 2018
ROLL NO. 53970
IBP LIFETIME NO. 011302; 12-28-12; RIZAL
PTR NO. 3388587; 1-3-18; MANDALUYONG
MCLE COMPLIANCE NO. IV - 0014673 14 APRIL 2019
METRO MART COMPLEX, MANDALUYONG CITY

CERTIFICATION

I, **FEDERICO G. NOEL, JR.**, of legal age and with business address at Administration Offices, Shangri-La Plaza Mall, EDSA corner Shaw Boulevard, Mandaluyong City, being the duly elected Corporate Secretary of **SHANG PROPERTIES, INC.** (the "Corporation"), under oath, do hereby certify that:

1. None of the incumbent members of the Board of Directors and Executive Officers of the Corporation are connected with or work for any government agency body.
2. This Certification is issued in compliance with the requirement of the Markets and Securities Regulation Department of the Securities and Exchange Commission.

IN WITNESS WHEREOF, I have signed this Certification this 9th of May 2018 at the City of Mandaluyong.


FEDERICO G. NOEL, JR.
Corporate Secretary

REPUBLIC OF THE PHILIPPINES)
IN THE CITY OF MANDALUYONG)S.S.

SUBSCRIBED AND SWORN to before me in the City of Mandaluyong this 16 day of MAY 2018 by **FEDERICO G. NOEL, JR.**, having satisfactorily proven to me his identity through his Philippine Passport No. P6098076A issued by the DFA Manila on 20 February 2018 and valid until 19 February 2028, and who personally appeared before me and signed the foregoing Certification, and acknowledge that he executed the same freely and voluntarily; that he is acting as the authorized representative of Shang Properties, Inc. and that he has the authority to sign in such capacity.

Doc. No. 420 ;
Page No. 89 ;
Book No. 29 ;
Series of 2018.

JOVEN G. SPILLANO
NOTARY PUBLIC FOR CITY OF MANDALUYONG
COMMISSION NO. 0285-17 UNTIL DECEMBER 31, 2018
ROLL NO. 53970
IBP LIFETIME NO. 011302; 12-28-12; RIZAL
PTR NO. 3388587; 1-3-18; MANDALUYONG
MCLE COMPLIANCE NO. IV - 0014673 14 APRIL 2019
METRO MART COMPLEX, MANDALUYONG CITY