

COVER SHEET

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S.E.C. Registration Number

[illegible]

(Company's Full Name)

A	D	M	I	N	O	F	F	I	C	E	,	S	H	A	N	G	R	I	-	L	A	P	L	A	Z	A	
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

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

Contact Person

Company Telephone

1	2
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Month

3	1
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Day

Fiscal Year

SEC FORM 17-Q

FORM TYPE

Any day in June

Any day in June

Month Day
Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.



Amended Articles Number/Section

4,764,058,982

Total No. of Stockholders

Total Amount of Borrowings

Php. 6.147B
(As of March 31, 2021)

(As of March 31, 2021)

Domestic

Foreign

Top be accomplished by SEC Personnel concerned

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE

1. For the quarterly period ended : 31 March 2021
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) 8370-2700
8. Issuer's telephone number, including area code _____
9. Former name, former address and former fiscal year, if changed since last report: _____
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA.

Title of each Class
Common Stock

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

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

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

Philippine Stock Exchange

12. Indicate by check mark whether the registrant:

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

Yes ☒ No ☐

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

Yes ☒ No ☐

PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached.

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

Please see attached.

SIGNATURES

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

SHANG PROPERTIES, INC.
Issuer

By:


KARLO MARCO P. ESTAVILLO
Treasurer/Chief Financial Officer


RAJEEV GARG
Group Financial Controller

Date of Signing: 17 May 2021

i) SEC Number: 145490

File Number: _____

SHANG PROPERTIES, INC.

(Company's Full Name)

Admin Office, Shangri-La Plaza
EDSA cor. Shaw Boulevard, Mandaluyong City

(Company Address)

(632) 8370 3700

(Telephone Number)

March 31, 2021

(Quarter Ending)

SEC Form 17-Q Quarterly Report

(Form Type)

-

(Amendments)

PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

SHANG PROPERTIES, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	Unaudited March 31, 2021	Audited December 31, 2020
ASSETS			
Current Assets			
Cash and cash equivalents	3	1,637,781,493	1,549,970,914
Financial assets at fair value through profit or loss	4	32,679,478	33,626,210
Receivables-net	5	5,592,317,692	4,996,338,314
Properties held for sale	6	3,375,411,202	3,413,065,216
Prepaid taxes and other current assets	7	1,795,237,508	1,663,214,222
Total Current Assets		12,433,427,373	11,656,214,876
Non-Current Assets			
Investment in and advances to an associate and a joint venture	8	2,495,444,937	2,317,911,271
Investment properties	10	34,967,730,806	34,913,873,065
Available-for-sale (AFS) financial assets	11	797,568,496	797,568,496
Property and equipment - net	12	11,418,345,944	11,684,592,560
Goodwill		269,870,864	269,870,864
Deferred income tax assets		562,443,680	465,150,772
Other noncurrent assets	13	171,063,751	1,064,775,797
Total Non-Current Assets		50,682,468,477	51,513,742,825
Total Assets		63,115,895,850	63,169,957,701
LIABILITIES & STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and other current liabilities	14	5,104,406,795	5,683,994,606
Current portion of:			
Installment payable		142,751,079	142,751,080
Bank loans	15	4,549,999,999	4,283,333,333
Deposits from tenants	16	580,117,832	614,727,181
Deferred lease income		35,126,836	41,298,111
Income tax payable		230,993,290	124,336,401
Dividends payable		52,579,005	74,031,392
Total Current Liabilities		10,695,974,837	10,964,472,104
Non-Current Liabilities			
Accrued employee benefits		82,210,273	89,798,059
Bank loans- net of current portion	15	1,597,224,576	1,596,172,131
Deferred income tax liabilities		8,003,018,445	8,018,041,563
Advance rental - net of current portion		232,961,590	232,961,590
Deposit from tenants - net of current portion	16	525,226,686	540,045,750
Deferred lease income - net of current portion		54,099,337	54,099,337
Total Non-Current Liabilities		10,494,740,907	10,531,118,430
TOTAL LIABILITIES		21,190,715,744	21,495,590,534
Stockholders' Equity			
Capital stock - Peso 1 par value	17	4,764,058,982	4,764,058,982
Additional paid-in capital	17	834,439,607	834,439,607
Treasury shares		(6,850,064)	(6,850,064)
Equity reserves		(141,132,606)	(141,132,606)
Other components of equity		181,817,899	219,550,748
Retained earnings		30,440,056,262	30,053,959,054
Minority interest		5,852,790,026	5,950,341,446
Total equity		41,925,180,106	41,674,367,167
Total Liabilities and Equity		63,115,895,850	63,169,957,701

(See accompanying notes to unaudited consolidated financial statements)

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

	UNAUDITED	
	FOR THE QUARTER ENDED	
	March 31, 2021	March 31, 2020
REVENUES		
Condominium sales	502,963,458	646,305,525
Rental and cinema	488,863,927	755,383,445
Hotel operations	185,302,688	642,921,021
	<u>1,177,130,073</u>	<u>2,044,609,991</u>
COST OF SALES AND SERVICES		
Cost of condominium sales	256,934,240	361,114,949
Cost of rental and cinema	(7,959,389)	23,917,391
Cost of hotel operations	397,547,365	579,196,848
	<u>646,522,216</u>	<u>964,229,188</u>
GROSS INCOME	<u>530,607,857</u>	<u>1,080,380,803</u>
OPERATING EXPENSES		
Staff costs	207,160,127	112,167,810
Taxes, licenses and fees	78,287,160	70,134,809
Depreciation	7,715,209	7,465,119
Insurance	4,339,571	5,033,816
General and administrative	126,509,746	256,901,826
	<u>424,011,813</u>	<u>451,703,380</u>
OTHER INCOME		
Interest income	32,653,678	150,434,062
Foreign exchange gains-net	1,406,093	683,156
Other income - net	131,896,206	41,923,584
	<u>165,955,797</u>	<u>193,040,802</u>
INCOME BEFORE SHARE IN PROFIT OF ASSOCIATED COMPANIES	<u>272,551,841</u>	<u>821,718,225</u>
SHARE IN PROFIT OF AN ASSOCIATED COMPANY	<u>175,681,499</u>	<u>68,493,452</u>
INTEREST EXPENSE AND BANK CHARGES	<u>(26,245,081)</u>	<u>(36,673,922)</u>
INCOME BEFORE INCOME TAX	<u>421,988,259</u>	<u>853,537,755</u>
Provision for income tax	<u>(43,594,714)</u>	<u>(179,344,454)</u>
INCOME BEFORE MINORITY INTEREST	<u>378,393,545</u>	<u>674,193,301</u>
NET LOSS (INCOME) ATTRIBUTABLE TO MINORITY INTEREST	<u>7,703,673</u>	<u>(57,954,942)</u>
NET INCOME	<u>386,097,218</u>	<u>616,238,359</u>
RETAINED EARNINGS, beg.	<u>30,440,056,262</u>	<u>29,329,234,157</u>
LESS: CASH DIVIDENDS	<u>-</u>	<u>-</u>
RETAINED EARNINGS, end.	<u>30,440,056,262</u>	<u>29,945,472,516</u>
BASIC AND DILUTED EARNINGS PER SHARE	<u>0.08</u>	<u>0.13</u>

(See accompanying notes to unaudited consolidated financial statements)

SHANG PROPERTIES, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Equity Holders of Shang Properties, Inc.							Total
	Capital stock	Additional Paid-in Capital	Treasury Stock	Equity Reserves	Other Components of Equity	Retained Earnings	Non-controlling Interest	
Balances as of January 1, 2020	4,764,058,982	834,439,607	(6,850,064)	(141,132,606)	236,182,771	29,329,234,157	6,254,206,023	41,270,138,870
Cumulative translation adjustment	-	-	-	-	(18,838,835)	-	-	(18,838,835)
Cash dividends	-	-	-	-	-	-	(149,800,000)	(149,800,000)
Net income for the period	-	-	-	-	-	616,238,359	57,954,942	674,193,301
Balances as of March 31, 2020	4,764,058,982	834,439,607	(6,850,064)	(141,132,606)	217,343,936	29,945,472,516	6,162,360,965	41,775,693,336
Balances as of January 1, 2021	4,764,058,982	834,439,607	(6,850,064)	(141,132,606)	219,550,748	30,053,959,054	5,950,341,446	41,674,367,167
Cumulative translation adjustment	-	-	-	-	(37,732,849)	(10)	32,253	(37,700,606)
Cash dividends	-	-	-	-	-	-	(89,880,000)	(89,880,000)
Net income for the period	-	-	-	-	-	386,097,218	(7,703,673)	378,393,545
Balances as of March 31, 2021	4,764,058,982	834,439,607	(6,850,064)	(141,132,606)	181,817,899	30,440,056,262	5,852,790,026	41,925,180,106

(See accompanying notes to unaudited consolidated financial statements)

SHANG PROPERTIES, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	March 31, 2021	March 31, 2020
Cash flows from operating activities		
Income before provision for income tax	421,988,259	853,537,755
Adjustments for:		
Depreciation and amortization	7,715,209	278,739,070
Interest expense	19,434,602	36,420,702
Retirement benefit expense	(7,587,786)	3,309,085
Loss on fair value adjustment of financial assets at fair value through profit or loss	946,732	6,213,265
Cumulative translation adjustment	37,732,859	-
Share in net profits of associates	(175,681,499)	(68,493,452)
Unrealized foreign exchange gain	1,406,093	683,156
Dividend income	(1,528)	(34,099)
Interest income	(32,653,678)	(154,582,626)
Operating income before working capital changes	273,299,263	955,792,856
Changes in working capital:		
Trade and other receivables	(595,979,376)	743,948,767
Properties held for sale	37,654,013	(285,992,879)
Prepaid taxes and other current assets	(132,023,312)	(364,831,755)
Real estate development projects	-	(89,745,131)
Other non-current assets	299,791,700	(4,376,950)
Accounts payable and other current liabilities	(87,287,960)	(79,284,063)
Installment payable	-	337,151
Advance Rental	39,969,193	(3,883,402)
Deposits from tenants	55,599,687	27,280,959
Net cash generated from (used in) operations	(108,976,792)	899,245,553
Income tax paid	-	(231,897,924)
Interest received	35,764,243	150,675,740
Net cash provided by (used in) operating activities	(10,150,373)	818,023,369
Cash flows from investing activities		
Additions to:		
Financial assets at fair value through other comprehensive income	-	(18,619,170)
Investments in and advances to a joint venture	(1,852,166)	(3,181,137)
Investment properties	(53,857,738)	(11,729,371)
Property and equipment	(2,381,465)	(10,958,849)
Deposit for a future project	-	(91,530,000)
Dividends received	1,528	34,099
Net cash used in investing activities	(58,089,841)	(135,984,428)
Cash flows from financing activities		
Payments of:		
Loan principal	-	(1,794,627,758)
Interest	(19,329,781)	(34,990,003)
Cash dividends payable (paid) to:		
Shareholders	-	286,129,811
Non-controlling shareholders of subsidiaries	(89,880,000)	(149,800,000)
Proceeds from loan avallment, net of debt issue costs	266,666,667	-
Net cash used in financing activities	157,456,886	(1,693,287,950)
Net increase (decrease) in cash and cash equivalents for the period	89,216,672	(1,011,249,009)
Cash and cash equivalents at beginning of the period	1,549,970,914	2,640,088,900
Effects of exchange rate changes on cash and cash equivalents	(1,406,093)	(683,156)
Cash and cash equivalents at end of the period	1,637,781,493	1,628,156,735

(See accompanying notes to unaudited consolidated financial statements)

Shang Properties, Inc. and Subsidiaries

Notes to the Interim Consolidated Financial Statements

(All amounts are shown in Philippine Peso unless otherwise stated)

Note 1 - General information

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

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

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

COVID-19 Pandemic

During the first quarter of 2020, local and worldwide social and economic activities were severely affected by the spread and threat of COVID-19 pandemic. The Group took actions to minimize risk to its employees, including restricting travel and instituting extensive work from home protocols in response to the enhanced community quarantine (ECQ) mandated by the Philippine government. Measures have been implemented to protect the health and safety of its employees, clients and partners, to support business continuity and to manage financial impact to a minimum. These measures have caused disruptions to businesses and economic activities, and their impact on businesses continues to evolve. The ECQ began on March 16, 2020 and was further extended and modified by the government up to June 15, 2020. While quarantine measures over highly urbanized cities in the National Capital Region (NCR) were relaxed following the proclamation of a modified enhanced community quarantine effective May 16, 2020, and subsequently, a general community quarantine effective June 1, 2020, operations across various industries remain below full capacity in several areas.

As a result, the Group (as a lessor) has provided rent concessions to assist their tenants in coping with the business disruption caused by the national lockdown imposed during the pandemic. The rent concessions are assessed by the Group's tenant management division on a quarterly basis and are subject to reassessment if same consideration should still be applied depending on the current situation of the tenants. These rent concessions are recognized as reduction in the Group's Rental and cinema revenue. The Group continues to pay close attention to the developments on the pandemic and will evaluate its impact on the financial position and operating results of the Group. Measures to manage financial and business risks are in place to ensure that the impact of events that expose the Company to risks arising from COVID-19, if any, are kept to a minimal extent.

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 (3) main segments as follows:

(a) Property development

This business segment pertains to the development and sale of condominium units. The subsidiaries operating in this segment are as follows:

- Shang Properties Realty Corporation ("SPRC") is the developer of The Shang Grand Tower Project (TSGT), located in Makati City, The St. Francis Shangri-La Place Project (TSFSP) and the One Shangri-La Place Project (OSP), both located in Mandaluyong City.
- Shang Property Developers, Inc. ("SPDI") is the developer of Shang Salcedo Place Project (SSP), located in Makati City.
- The Rise Development Company Inc. ("TRDCI") is the developer of The Rise Makati Project, located in Makati City.
- Shang Wack Wack Properties, Inc. ("SWWPI") is the developer of Shang Residences at Wack Wack Project, located in Mandaluyong City.

(b) Hotel operation

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

(c) Leasing

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

As disclosed in Note 10, in 2019, the Parent Company started construction of a project located in the City of Mandaluyong. The project is being constructed on a parcel of land registered in the Parent Company's name. The construction of the project is ongoing and is expected to be completed in 2023. Upon completion, the project will be subsequently leased out to third parties and related parties.

(d) Other Business Segments

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 2021, 2020 and 2019. There is no need to present reconciliation since measure of segment assets, liabilities and results of operations are consistent with those of the consolidated financial statements.

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

There are no changes in the Group's reportable segments and related strategies and policies in 2021, 2020 and 2019.

The segment assets, liabilities and results of operations of the reportable segments of the Group as of and for the year ended March 31, 2021 are as follows:

	Property development	Hotel operation	Leasing	Others	Total segments	Eliminations	Consolidated
Revenues:							
Condominium sales	502,963,458	-	-	-	502,963,458	-	502,963,458
Rental and cinema	4,569,768	-	504,507,592	-	509,077,360	(20,213,433)	488,863,927
Hotel operations	-	185,302,688	-	-	185,302,688	-	185,302,688
Cost of sales and services:							
Condominium sales	(256,934,240)	-	-	-	(256,934,240)	-	(256,934,240)
Rental and cinema	-	-	9,135,539	-	9,135,539	(1,176,150)	7,959,389
Hotel operations	-	(397,547,365)	-	-	(397,547,365)	-	(397,547,365)
Gross profit or revenues	250,598,986	(212,244,677)	513,643,131	-	551,997,440	(21,389,583)	530,607,857
Operating Expenses:							
Staff costs	(20,400,272)	-	(193,137,885)	(13,136,045)	(226,674,202)	19,514,075	(207,160,127)
Taxes and licenses	(42,762,493)	(11,220,951)	(19,637,722)	(4,665,994)	(78,287,160)	-	(78,287,160)
Depreciation and amortization	(1,134,801)	-	(59,274,335)	(118,851)	(60,527,987)	52,812,776	(7,715,209)
Insurance	(431,251)	(9,821,335)	(84,987)	(1,998)	(4,339,571)	-	(4,339,571)
General and administrative expenses	(33,353,600)	(57,504,521)	(54,102,743)	(2,884,215)	(147,845,079)	21,335,333	(126,509,746)
Other income (expense)							
Interest income	29,400,711	18,183	3,206,400	28,384	32,653,678	-	32,653,678
Foreign exchange gains – net	1,036,508	(742,397)	1,109,743	(27,647,770)	(26,243,916)	27,650,009	1,406,093
Share in net income of an associate	-	-	175,681,499	-	175,681,499	-	175,681,499
Other income, net	6,642,122	8,316,621	343,967,695	106,381,238	461,530,107	(329,634,082)	131,896,025
Interest expense and bank charges	(66,933)	(14,220,136)	(11,953,235)	(4,777)	(26,245,081)	-	(26,245,081)
Income before income tax	189,528,977	(291,419,213)	699,417,561	57,949,972	651,699,730	(229,711,470)	421,988,259
Provision for income tax	(48,113,768)	72,404,241	(69,259,910)	(2,685,045)	(47,654,482)	4,059,768	(43,594,714)
Net income for the year	141,415,210	(219,014,973)	626,380,81	55,264,929	604,045,247	(225,651,702)	378,393,545
Segment assets	13,032,602,719	9,391,086,406	47,831,637,732	9,475,424,301	79,730,751,157	(18,110,300,245)	61,620,450,913
Associate companies	-	-	-	1,495,444,937	1,495,444,937	-	1,495,444,937
Total assets	13,062,602,719	9,391,086,406	47,831,637,732	10,970,869,238	81,226,196,094	(18,110,300,245)	63,115,895,850
Segment liabilities	7,311,824,397	2,751,544,320	14,972,867,955	8,281,256,277	33,317,491,949	(12,126,776,205)	21,190,715,744
Capital expenditures for the year	-	-	2,359,849	21,616	2,381,465	-	2,381,465

The segment assets, liabilities and results of operations of the reportable segments of the Group as of and for the year ended December 31, 2020 are as follows:

	Property development	Hotel operation	Leasing	Others	Total segments	Eliminations	Consolidated
Revenues							
Condominium sales	3,009,081,539	-	864,966	-	3,009,946,505	-	3,009,946,505
Rental and cinema	29,819,750	-	2,188,581,255	-	2,218,401,005	(89,620,954)	2,128,780,051
Hotel operation	-	1,081,762,155	-	-	1,081,762,155	-	1,081,762,155
Cost of sales and services							
Condominium sales	(1,683,687,995)	-	(1,312,500)	-	(1,685,000,495)	-	(1,685,000,495)
Rental and cinema	-	-	(95,573,669)	-	(95,573,669)	(4,674,713)	(100,248,382)
Hotel operation	-	(1,851,378,118)	-	-	(1,851,378,118)	-	(1,851,378,118)
Gross income	1,355,213,294	(769,615,963)	2,092,560,052	-	2,678,157,383	(94,295,667)	2,583,861,716
Operating expenses	(375,549,074)	(488,814,726)	(968,701,023)	(63,512,466)	(1,896,577,289)	397,888,017	(1,498,689,272)
Other income	521,852,549	336,110	1,623,049,579	1,482,381,069	3,627,619,307	(2,932,883,089)	694,736,218
Share in net gains of associates and a joint venture	-	-	185,533,552	-	185,533,552	-	185,533,552
Interest expense and bank charges	(382,615)	(54,598,512)	(84,664,886)	(559)	(139,646,572)	-	(139,646,572)
Income before income tax	1,501,134,154	(1,312,693,091)	2,847,777,274	1,418,868,044	4,455,086,381	(2,629,290,739)	1,825,795,642
Provision for income tax	(447,929,063)	366,508,509	(330,694,493)	(6,915,883)	(419,030,930)	14,815,070	(404,215,860)
Net income for the year	1,053,205,091	(946,184,582)	2,517,082,781	1,411,952,161	4,036,055,451	(2,614,475,669)	1,421,579,782
Segment assets	13,068,010,430	9,634,940,936	46,277,865,491	11,016,135,980	79,996,952,837	(18,144,906,407)	61,852,046,430
Associate companies	-	-	-	1,317,911,271	1,317,911,271	-	1,317,911,271
Total assets	13,068,010,430	9,634,940,936	46,277,865,491	12,334,047,251	81,314,864,108	(18,144,906,407)	63,169,957,701
Segment liabilities	7,442,505,419	2,776,383,880	15,062,265,919	8,323,004,905	33,604,160,123	(12,108,569,589)	21,495,590,534
Capital expenditures for the year	2,676,259	136,712,429	380,212,784	285,714	519,887,186	-	519,887,186

Note 3 - Cash and cash equivalents

Cash and cash equivalents consist of:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash on hand	3,266,288	7,086,224
Cash in banks	678,243,946	817,325,094
Cash equivalents	956,271,279	725,559,596
	1,637,781,493	1,549,970,914

Cash in banks earned interest at respective bank deposit rates ranging from 0.05% to 0.25%.

Cash equivalents are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Short term investments earn interest ranging from 0.09% to 2.75%.

Interest income earned amounted to P628,315 and P12,956,641 for the quarter ended March 31, 2021 and the year ended December 31, 2020, respectively.

Note 4 - Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represent shares of stock of various locally listed companies and valued based on current bid prices in an active market (Level 1 valuation). Movements in the account for the quarter ended March 31, 2021 and the year ended December 31, 2020 respectively are as follows:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
At January 1	33,626,210	36,278,844
Loss on fair value adjustment	(946,732)	(2,652,634)
At December 31	32,679,478	33,626,210

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

Note 5 - Receivables, net

Trade and other receivables, net, as at March 31, 2021 and December 31, 2020 consist of:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade		
Installment contracts receivable	2,641,721,562	3,044,359,832
Rent	229,600,656	249,776,897
Receivables from guests and concessionaires	33,789,191	53,866,187
Non-trade		
Related parties	2,631,040,535	1,604,238,974
Advances to officers and employees	4,102,489	4,225,928
Interest	1,206,159	4,316,725
Others	73,707,978	58,574,091
	5,615,168,570	5,019,358,634
Allowance for impairment of receivables	(22,850,878)	(23,020,320)
	5,592,317,692	4,996,338,314

Installment contracts receivable arises from sale of condominium units with average term ranging from one to five years. This arises when the revenue recognized to date under the percentage-of-completion method exceeds the total collections from the buyer. The amounts due from the condominium buyers are subject to either bank financing or in-house financing.

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

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

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

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

Note 6 - Properties held for sale

Properties held for sale consist of:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Condominium units held for sale	410,853,281	497,742,705
Construction in-progress	2,964,557,921	2,915,322,511
	3,375,411,202	3,413,065,216

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

Note 7 - Prepaid taxes and other current assets

Prepaid taxes and other current assets consist of:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Advances to contractors and suppliers	934,842,034	888,508,872
Creditable withholding tax (CWT)	442,704,409	420,217,281
Prepaid commission	122,041,517	119,207,410
Input value added tax (VAT)	46,858,196	93,813,135
Prepaid property tax	88,455,220	62,647,224
Inventories	22,904,080	13,303,359
Deferred input VAT	17,828,037	6,031,092
Refundable deposits	2,332,728	2,897,511
Prepaid insurance	9,565,515	13,486,737
Other prepaid expenses	107,706,171	43,101,601
	1,795,237,507	1,663,214,222

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

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

Prepaid commission pertains to the excess of the commission paid to property consultants and brokers over the commission expense recognized for the year based on the percentage of completion.

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

Inventories consist of food, beverages and other recreational consumable items for the hotel operation. The inventories are stated at cost. There is no allowance for decline in value of inventories.

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

Note 8 - Investments in and advances to associates and a joint venture

Investment in an associate and a joint venture consist of:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Investment in a joint venture		
At January 1	1,317,778,398	1,121,482,600
Additions to investment	1,852,167	10,762,246
Share in net income	175,681,499	185,533,552
At December 31	1,495,312,064	1,317,778,398
Advances to a joint venture	1,000,000,000	1,000,000,000
Investments in immaterial associates		
Acquisition costs	132,873	132,873
	2,495,444,937	2,317,911,271

Note 9 - Non-controlling interests

The proportion of equity interest held by the non-controlling interest (NCI) of KSA and SGCPI, the Group's subsidiaries with NCI that are deemed material, are as follows:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
KSA	29.96%	29.96%
SGCPI	40.00%	40.00%

On June 20, 2016, the Parent Company acquired 207,082 KSA common shares from Ocmador Philippines, B.V. for a purchase price amounting to P1,419,610,919. The Parent Company accounted for the increase in ownership in KSA from 52.90% to 70.04% as equity transaction. The difference between the considerations paid and the carrying amount of the NCI acquired is recognized directly in equity reserves amounting to P141,132,606.

Note 10 - Investment properties; Real estate development projects**10.1 Investment properties**

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

	Land	Building	Total
At December 31, 2019	15,253,910,599	17,649,466,169	32,903,376,768
Transfers due to change in use			
Properties held for sale	-	155,196,774	155,196,774
Real estate development project	652,036,324	835,577,337	1,487,613,661
Capitalized subsequent expenditures	-	367,685,862	367,685,862
At December 31, 2020	15,905,946,923	19,007,926,142	34,913,873,065
Gain (loss) on fair value adjustment	-	-	-
Capitalized subsequent expenditures	-	53,857,741	53,857,741
At March 31, 2021	15,905,946,923	19,061,783,883	34,967,730,806

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.

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.

10.2 Real estate development projects

Real estate development projects account includes construction cost related to the Parent Company and TRDCI as follows:

(a) Parent Company

In 2019, the Parent Company started construction of a project located in the City of Mandaluyong. The project is being constructed on a parcel of land registered in the Parent Company's name. The construction of the project is ongoing and is expected to be completed in 2023. Upon completion, the project will be subsequently leased out to third parties and related parties. In 2019, construction costs amounting to P811,971,396 were incurred. Project management costs in 2019 amounting to P45,181,174 was reclassified from "construction in-progress" under properties held for sale to "real estate development projects" (Note 6). As at December 31, 2019, total related capitalized costs amounted to P857,152. Construction costs allocated to the retail portion of The Rise Makati that is intended for leasing are included in Real estate development project. Project management costs in 2019 amounting to P181,634,711 were reclassified from "construction in-progress" under properties held for sale to "real estate development projects" (Note 6). As at December 31, 2019, total related capitalized costs amounted to P630,461,091. Such costs were transferred to Investment properties in 2020 (Note 10.1).

(b) TRDCI

Construction costs allocated to the retail portion of The Rise Makati that is intended for leasing are included in Real estate development project. Project management costs in 2019 amounting to P181,634,711 were reclassified from "construction in-progress" under properties held for sale to "real estate development projects" (Note 6). As at December 31, 2019, total related capitalized costs amounted to P630,461,091. Such costs were transferred to Investment properties in 2020 (Note 10.1).

Note 11 - Financial assets at fair value through other comprehensive income, net

Financial assets at fair value through other comprehensive income (FVOCI), net as at March 31, 2020 and December 31, 2019 are presented below.

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Unquoted	488,429,727	488,429,727
Quoted	9,101,515	9,101,515
	497,531,242	497,531,242
Cumulative changes in fair value	300,037,254	300,037,254
	797,568,496	797,568,496

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

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

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

Note 12 - Property and equipment, net

Details of property and equipment and their movements during the period are as follows:

	Building and building improvements	Transportation equipment	Furniture, fixtures and other equipment	Total
Cost				
At January 1, 2021	9,434,803,085	48,693,212	6,982,848,189	16,466,344,486
Additions	1,114,841	-	1,266,624	2,381,465
Disposals	(1,890,000)	-	-	(1,890,000)
Reclassification	-	-	(100,893)	(100,893)
At March 31, 2021	9,434,027,926	48,693,212	6,984,013,920	16,466,735,058
Accumulated depreciation and amortization				
At January 1, 2021	1,336,454,869	34,335,012	3,410,962,045	4,781,751,926
Depreciation and amortization	31,540,052	1,462,566	233,735,462	266,738,080
Disposals	-	-	-	-
Reclassification	-	-	(100,892)	(100,892)
At March 31, 2021	1,367,994,921	35,797,578	3,644,596,615	5,048,389,114
Cost				
At January 1, 2020	9,455,442,784	54,141,601	6,978,260,203	16,487,844,588
Additions	48,499,753	12,500	103,689,071	152,201,324
Adjustments	(69,139,452)	-	(96,829,658)	(165,969,110)
Disposals	-	(5,460,889)	(2,271,427)	(7,732,316)
At December 31, 2020	9,434,803,085	48,693,212	6,982,848,189	16,466,344,486
Accumulated depreciation and amortization				
At January 1, 2020	1,210,331,138	32,686,558	2,433,337,312	3,676,355,008
Depreciation and amortization	126,123,731	6,755,274	979,795,829	1,112,674,834
Disposals	-	(5,106,820)	(2,171,096)	(7,277,916)
At December 31, 2020	1,336,454,869	34,335,012	3,410,962,045	4,781,751,926
Net book values at				
At March 31, 2021	8,066,033,005	12,895,634	3,339,417,305	11,418,345,944
At December 31, 2020	8,098,348,216	14,358,200	3,571,886,144	11,684,592,560

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

Note 13 - Other non-current assets

Other non-current assets as at March 31, 2021 and December 31, 2020 consist of:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Deposit for a future project	19,212,500	887,888,000
Refundable deposits	133,165,763	136,967,397
Deferred input VAT	8,963,909	30,198,822
Retirement benefit asset	9,721,579	9,721,578
	171,063,751	1,064,775,797

On December 12, 2019, the Parent Company set aside funds amounting to P422,000,000 representing the first installment for a 50% share in an investment. In 2020, the Parent Company set aside additional funds amounting to P465,888,000 for the second installment. Such costs were transferred to Receivable from a Joint Venture in 2021.

Refundable deposits are cash paid by the Group for construction of condominium units and deposits to utility companies which are expected to be returned after a specified period of time, or when certain conditions are satisfied.

Deferred input VAT represents non-current portion of VAT arising from the purchase of capital goods on credit.

Note 14 - Accounts payable and other current liabilities

Accounts payable and other current liabilities consist of:

	March 31, 2020 (Unaudited)	December 31, 2020 (Audited)
Trade:		
Accounts payable	382,580,206	575,234,991
Advance rentals	128,819,768	168,788,961
Accrued expenses	1,961,956,534	1,933,704,763
Customers' deposits from:		
Condominium sales	319,198,818	460,174,363
Hotel guests	122,915,151	149,627,017
Retention payables	584,713,899	596,429,280
Reservation payables	22,066,665	14,424,466
Advances from condominium unit buyers	282,805,598	302,158,966
Contract liabilities	84,156,789	22,428,105
Payable to contractors and suppliers	58,088,116	58,088,116
Construction bonds	62,428,820	62,695,015
Non-trade:		
Payable to related parties	14,295,672	172,556,667
Deferred output VAT	753,125,134	801,945,912
Payable to government agencies	26,388,188	43,852,775
Output VAT	68,285,209	53,347,319
Others	232,582,228	268,537,889
	5,104,406,795	5,683,994,606

Accounts payable and accrued expenses are non-interest bearing and are normally settled within 30 to 60 days and within the next financial year, respectively.

Advance rentals pertain to the three-month rent collected from tenants to be applied to the last three (3) months of the lease term.

In December 2020, SGCPPI started to implement a restructuring program and a provision for restructuring amounting to P33.99 million was recognized for the termination benefits of redundated employees. The related provision was recognized under operating expenses in the statements of total comprehensive income (Note 22).

Customers' deposits from condominium buyers represent initial collections (e.g. down payments) received from the buyers which shall be applied as payment of the transaction price when the sales contract meets the requirements of PFRS 15 for revenue recognition purposes while deposits from hotel guests are advances made by guests in relation to their stay in the hotel and will be applied against the guests' hotel charges upon their check-out.

Retention payables represent the portion of contractor billings which will be paid upon satisfaction by the contractors of the conditions specified in the contracts or until the defects have been corrected.

Reservation payables pertain to cash paid by the buyers of condominium units for the reservation of the units purchased. These shall be considered as part of the down payment on the units purchased upon execution of the contracts or income if the reservation is forfeited when the buyer did not push through with the purchase.

Advances from condominium unit buyers pertain to the amounts received in advance from the condominium unit buyers of TSFSP, OSP, SSP and The Rise Makati for utilities, maintenance, and repairs of common areas. These will be paid to the condominium corporation of the respective projects when demanded.

Contract liabilities represent any excess collections received from buyers over the revenue recognized based on the percentage of completion method. The amount is expected to be applied against revenue in the following year.

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

Construction bonds pertain to cash deposits posted by tenants as security for any expenses or damages that may be incurred by SLPC to the leased premises or common areas that may be sustained in relation to construction activities conducted by the tenants during fit-out, as well as during renovation period of the lease. It is normally returned to the tenants within six months after completion of their construction activities.

Deferred output VAT is the result of the difference in the application of installment method between the accounting policy of the Group and the tax regulations. It will be reclassified to output VAT payable when the collections from condominium unit buyers warrant recognition of revenue.

Payable to government agencies are expected to be settled within the next financial year.

Output VAT represents tax due and payable after deducting the corresponding input VAT.

Other accrued expenses consist of accruals for advertising and promotions, insurance, other employee related costs and other general and administrative expenses. Other current liabilities pertain mainly to taxes and insurance.

Note 15 - Bank loans

Bank loans as consist of:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Current portion		
Parent Company	3,899,999,999	3,833,333,333
SGCPI	650,000,000	450,000,000
	4,549,999,999	4,283,333,333
Non-current portion		
SGCPI	1,197,224,575	1,196,172,130
Parent Company	400,000,001	400,000,001
	1,597,224,576	1,596,172,131
	6,147,224,575	5,879,505,464

Movements in the bank loans are as follows:

	March 31, 2020 (Unaudited)	December 31, 2020 (Audited)
At beginning of period	5,879,505,464	5,927,961,091
Amortized debt issue cost	1,052,444	4,877,706
Proceeds from loan availment, net of unamortized debt issue costs	266,666,667	2,550,000,000
Payments	-	(2,603,333,333)
At end of period	6,147,224,575	5,879,505,464

(a) Parent Company

On July 30, 2012, the Parent Company obtained a 10-year loan facility from a local bank amounting to P5.00 billion payable in 24 equal quarterly installments, commencing on the 17th quarter from the initial borrowing date at a fixed interest rate of 4.00% per annum for the three (3) years effective September 17, 2015.

The loan agreement requires the Parent Company to comply with certain covenants and financial ratios until the loans are fully paid. Failure to comply with the covenants will render the full amount of loans due and demandable. As at December 31, 2020, the Parent Company has not reached with the debt-service coverage ratio requirement specified in the loan agreement. The Parent Company, however, was able to secure a waiver from the bank on the immediate declaration of the loan as due and demandable.

Total drawdown from the above facility amounted to P3.70 billion as at December 31, 2020 and 2019. As at December 31, 2020, the outstanding balance of the loan amounted to P933 million (2019 - 1.47 billion).

(b) SGCPI

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

The principal amount of the loan shall be payable in 24 equal quarterly consecutive installments commencing on the 17th quarter from the initial drawdown, with the last installments in an amount sufficient to fully pay the . Interest shall be paid on each interest payment date for the relevant interest period based on three-month treasury bill rate as published in the Bankers Association of the Philippines Peso Bloomberg Valuation (PHP BVAL). The interest shall be based on the higher between the PHP BVAL rate plus spread of 0.75% per annum and the Bangko Sentral ng Pilipinas (BSP) overnight borrowing rate minus spread of 0.95% per annum. The SGCPI has the option to prepay the principal amount and to fix the interest rate.

The Company is required to maintain a ratio of debt to tangible net worth, not exceeding 2.5:1 and debt service cover ratio, greater than 1.1:1. As at December 31, 2020 and 2019, the ratios of debt to tangible net worth are 0.17:1 and 0.18:1, respectively, and debt service cover ratio of -2.10:1 and 14.21:1, respectively. As at December 31, 2019, the Company has complied with these covenants. As at December 31, 2020, the SGCPI has not reached with the debt-service coverage ratio requirement specified in the loan agreement. The SGCPI, however, was able to secure a waiver from the bank on the immediate declaration of the loan as due and demandable.

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

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

Note 16 - Deposits from tenants

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

Note 17 - Equity

Details of share capital and share premium are as follows:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Authorized, at P1 par value per share		
Common shares	8,000,000,000	8,000,000,000
Issued and outstanding shares		
Common shares	4,764,058,982	4,764,058,982
Share premium	834,439,607	834,439,607
	5,598,498,589	5,598,498,589

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

The Parent Company is listed in the Philippine Stock Exchange. It was registered on June 13, 1991 with total listed shares of 4,764,058,982 which was initially issued at P1.18 per share.

Note 18 - Financial risk and capital management

18.1 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the Group's management under policies approved by its Board of Directors. These policies cover financing structure, foreign exchange and interest rate risk management, guarantees and credit support, as well as treasury control framework. There are no changes in the Group's risk management plans for the years ended March 31, 2021 and December 31, 2020.

18.1.1 Market risk

(a) Foreign exchange risk

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

The Group's foreign currency denominated cash in banks and cash equivalents as at and net foreign exchange gains for the years ended March 31, 2021 and December 31, 2020 are disclosed in Note 3.

(b) Price risk

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

(c) Cash flow and fair value interest rate risk

Interest rate risk refers to risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's interest-bearing financial instruments include bank loans (Note 15). Loans amounting to P1,847,224,575 as at March 31, 2021 (2020 – P1,646,172,130) are based on the higher between the PHP BVAL rate plus 0.75% per annum and the BSP overnight borrowing rate. A loan amounting to P4,300,000 as at March 31, 2021 (2020 - P4,233,333,334) has an interest rate

subject to repricing every 30 to 180 days as agreed by the parties.

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

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

At December 31, 2020, if interest rates on bank loans had been 100 basis points lower or higher with all other variables held constant, post-tax profit for the year would have been higher by/lower by P58,795,054 mainly as a result of lower/higher interest expense on floating-rate bank loans. Management uses 100 basis points as threshold in assessing the potential impact of interest rate in the operations.

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

18.1.2 Credit risk

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

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

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

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

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

	Performing	Under performing	Non-Performing	Total
2021				
Current assets				
Cash and cash equivalents	1,637,781,493	-	-	1,637,781,493
Trade and other receivables	5,592,317,693	-	22,850,878	5,615,168,571
Financial assets at fair value through profit or loss	32,679,478	-	-	32,679,478
Refundable deposits	2,332,728	-	-	2,332,728
Non-current assets				
Advances to a joint venture	1,000,000,000	-	-	1,000,000,000
Refundable deposits	133,165,763	-	-	133,165,763
Financial assets at FVOCI	797,568,496	-	-	797,568,496
	9,195,845,651	-	22,850,878	9,218,696,529
2020				
Current assets				
Cash and cash equivalents	1,542,884,690	-	-	1,542,884,690
Trade and other receivables	4,996,338,314	-	23,020,320	5,019,358,634
Financial assets at fair value through profit or loss	33,626,210	-	-	33,626,210
Refundable deposits	2,897,511	-	-	2,897,511
Non-current assets				
Advances to a joint venture	1,000,000,000	-	-	1,000,000,000
Refundable deposits	136,967,397	-	-	136,967,397
Financial assets at FVOCI	797,568,496	-	-	797,568,496
	8,510,282,618	-	23,020,320	8,533,302,938

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

Allowance for impairment of receivables as at December 31, 2020 amounted to P23,030,320 (2019 - P14,498,427). Apart from the financial assets covered by allowance, the remaining financial assets are classified as high performing.

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

(a) Cash and cash equivalents

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

(b) Receivables

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

Trade receivables

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

Non-trade receivables

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

(c) Refundable deposits

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

d) Financial assets at fair value through profit or loss and financial assets at FVOCI

The Group adheres to fixed limits and guidelines in its dealings with counterparties of its investments in financial assets at fair value through profit or loss and financial assets at FVOCI. The Group's maximum exposure to credit risk as at March 31, 2020 and December 31, 2019 is equal to the carrying values of its financial assets. Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

18.1.3 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.

18.2 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 2021 and 2020.

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 is presented below:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Net debt		
Long-term loan	6,147,224,575	5,879,505,463
Less: cash and cash equivalents	(1,637,781,493)	1,549,970,914
	5,509,443,082	4,329,534,549
Capital		
Total equity	41,925,180,106	41,674,367,167
Less: Non-controlling interest	(5,852,790,026)	5,950,341,446
	36,072,390,080	35,724,025,721
Gearing ratio	15.27%	12.12%

The Group was able to meet its capital management objectives.

18.3 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, 2021 and December 31, 2020:

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
2021				
Assets measured at fair value				
Financial assets at fair value through profit or loss	32,679,478	-	-	32,679,478
Investment properties:				
Land	-	-	15,905,946,923	15,905,946,923
Buildings	-	-	19,061,783,883	19,061,783,883
Financial assets at FVOCI:				
Quoted	27,950,000	-	-	27,950,000
Unquoted	-	-	769,618,496	769,618,496
Assets for which fair values are disclosed				
Financial asset at amortized cost				
Refundable deposits	-	135,498,491	-	135,498,491
Liabilities for which fair values are disclosed				
Installment payable	-	142,751,079	-	142,751,079
Deposits from tenants	-	1,105,344,518	-	1,105,344,518

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
2020				
Assets measured at fair value				
Financial assets at fair value through profit or loss	33,626,210	-	-	33,626,210
Investment properties:				
Land	-	-	15,905,946,923	15,905,946,923
Buildings	-	-	19,007,926,142	19,007,926,142
Financial assets at FVOCI:				
Quoted	27,950,000	-	-	27,950,000
Unquoted	-	-	769,618,496	769,618,496
Assets for which fair values are disclosed				
Financial asset at amortized cost				
Refundable deposits	-	136,967,397	-	136,967,397
Liabilities for which fair values are disclosed				
Installment payable	-	142,751,080	-	142,751,080
Deposits from tenants	-	1,154,772,931	-	1,154,772,931

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 2021 and 2020.

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

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

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

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

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

(c) Installment contracts receivable

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

(d) Refundable deposits and deposits from tenants

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

(e) 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 19 - Summary of significant accounting and financial reporting policies

19.1 Basis of preparation

The accompanying consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards, as modified by the application of the following financial reporting reliefs for real estate companies issued by the Securities and Exchange Commission in response to the COVID19 pandemic:

- Assessing whether the transaction price includes significant financing component (SFC);
- Impact of implementing IFRIC Agenda Decision on Over Time Transfers of Constructed Goods under PAS 23, Borrowing Cost.

The reliefs cover only current-year transactions and events and do not impact the comparative periods. The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by SEC.

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

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.

19.2 Changes in accounting policy and disclosures

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

The Company has adopted certain amendments for the first-time effective January 1, 2020:

- Definition of Material - Amendments to PAS 1 and PAS 8
- Definition of a Business - Amendments to PFRS 3
- Interest Rate Benchmark Reform – Amendments to PFRS 7, PFRS 9 and PAS 39
- Revised Conceptual Framework for Financial Reporting
- Covid-19-related Rent Concessions – Amendments to PFRS 16

The amendments listed above did not have material impact on the amounts recognized in the current and prior periods and is not expected to significantly impact future periods.

(b) Deferral of implementation of amendment to existing standard and interpretations

i. Deferral of the following provisions of PIC Q&A Nos. 2018-12 and 2018-14 until December 31, 2020

On October 29, 2018 and February 8, 2019, the SEC issued SEC Memorandum Circular No. 14 Series of 2018 and SEC Memorandum Circular No. 3 Series of 2019, respectively, providing relief to the Real Estate industry by deferring the application of the following provisions of PIC Q&A for a period of three years until December 31, 2020. In SEC Memorandum Circular 34 Series of 2020 issued on December 15, 2020, the SEC concluded that the relief for the following provisions would remain until December 31, 2020 only and shall be effective January 1, 2021. The Group availed the following reliefs:

- a. Accounting for Common Usage Service Area (CUSA) charges discussed in PIC Q&A No. 2018-12-H, which was approved by the FRSC on February 14, 2018

The PIC Q&A 2018-12 concluded in its principal vs. agent analysis of the real estate developers' performance obligation based on the definition of control as well as the indicators of control based on the fact pattern that the entity acts as a principal for the provision of air-conditioning services, common use service areas and administration and handling services. The conclusion of PIC Q&A No. 2018-12H allows the consideration of an alternative presentation wherein CUSA may be presented outside of topline revenues if these are not considered as main source of revenue and are not material or as "Other income" net of costs if the gross amount of revenue and related costs are not individually material. Currently, CUSA charges to mall tenants are presented as a reduction to costs and expenses in the consolidated statement of total comprehensive income (Note 31.23).

- b. Accounting for Cancellation of Real Estate Sales discussed in PIC Q&A 2018-14, which was approved by the FRSC on October 10, 2018

The PIC Q&A 2018-14 provided two (2) acceptable approaches to account for the sales cancellation and repossession of property which are to recognize the repossessed property at its fair value less cost to repossess, or to recognize the repossessed property at its fair value plus repossession cost. PIC, in its letter to the industry dated November 11, 2020, concluded that a third option to record repossessed inventory at cost upon cancellation is allowed, based on the view that such cancellation is treated as a modification of the contract (i.e., from non-cancellable to being cancellable).

Currently, upon cancellation of the real estate sales, the Group recognizes the repossessed inventory at its carrying amount and derecognizes the related receivables and gross profit previously recognized. This is in accordance with the third option allowed by the PIC. The adoption of this provision did not have a material impact in the Group's financial statements.

ii. *Deferral of the following provisions of PIC Q&A 2018-12 and IFRIC Agenda Decision on Over Time Transfer of Constructed Good (PAS 23, Borrowing Costs) until December 31, 2023*

On December 15, 2020, the SEC issued SEC Memorandum Circular No. 34 Series of 2020 to further extend the deferral provided under SEC under Memorandum Circular Nos. 14-2018, 3-2019 and 4-2020 for another period of three (3) years or until December 31, 2023, to afford the industry reasonable time to evaluate the impact thereto or as the SEC will later prescribe. This decision is pursuant to RA 11494, Bayanihan to Recover as One Act which allows the SEC to adopt measures to enable companies to cope with the impact of the Covid-19 pandemic. The Group availed the following reliefs:

a. *Assessing whether the transaction price includes SFC*

There is SFC in the contracts to sell when there is a mismatch between the POC of real estate projects and schedule of payments. PIC, in its response to the industry dated November 11, 2020, allows the Real Estate Industry to provide support to their specific payments schemes that there is no SFC, if the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance.

In the event of the existence of SFC, interest income would be recognized when the POC is ahead of the customer payments and interest expense would be recognized when the customer payments are ahead of the POC. The Group has initially assessed, however, that the timing difference arising from existing sales contracts does not necessarily result in a significant financing component.

b. *Impact of implementing IFRIC Agenda Decision on Over Time Transfers of Constructed Goods under PAS 23, Borrowing Cost*

In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue will be recognized over time under par. 35(c) of IFRS 15. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under IAS 23 considering that these inventories are ready for their intended sale in their current condition.

Had the Group adopted the IFRIC agenda decision, borrowing costs capitalized as part of real estate inventories related to projects with pre-selling activities should have been expensed out in the period incurred. A restatement would have impact on interest expense and bank charges, cost of sales and services, income tax expense, properties held for sale, deferred income tax liabilities, net and opening balance of retained earnings.

(c) *New standards, amendments and interpretations not yet adopted*

A number of new standards, amendments to standards and interpretations to existing standards are effective for annual periods after January 1, 2020 and have not been early adopted nor applied by the Group in preparing these financial statements. None of these standards are expected to have significant effect on the consolidated financial statements of the Group.

19.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2021 and 2020. 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 %		
	2021	2020	2019
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
SPI Property Holdings, Inc. (SPI-PHI)	100	100	-
SPI Property Developers, Inc. (SPI-PDI)	100	100	-
SPI Land Development, Inc. (SPI-LDI)	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
Sky Leisure Properties, Inc. (SLPI)	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.

The summarized financial information of subsidiaries with significant non-controlling interest as at and for the period ended March 31, 2021 and year ended December 31, 2020 are disclosed in Note 9.

(a) Subsidiaries

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

The Group also assesses the existence of control where it does not have more than 50% of the voting power by virtue of de facto control. De facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group control over the investee.

Whenever the Group obtains control of one or more other entities, it assesses whether the acquired group of net assets constitutes a business. In assessing whether a transaction is an acquisition of a business or assets, the Group identifies the elements in the acquired group, assesses the capability of the acquired group to produce outputs, and assesses the capability of a market participant to produce outputs if missing elements exist. If the assets acquired are not a business, the Group accounts for the transaction or other event as an asset acquisition.

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

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is not accounted for within equity.

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

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

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

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

(b) 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.

(c) Associates and joint ventures

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

Interests in joint ventures are accounted for using the equity method, after initially being recognized at cost in the consolidated statement of financial position.

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

When the Group increases its stake in an existing associate and gains control in that investment, the investment becomes a subsidiary. When the entity obtains control of the investment (an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee) that was previously accounted for under equity method, the carrying amount of the investment in associate is derecognized and the assets and liabilities acquired are recognized in the Group's consolidated financial statements at acquisition date.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

The Group determines at each reporting date whether there is any objective evidence that the investment is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investments and its carrying value and recognizes the amount adjacent to 'share in net earnings of associates' in the consolidated statement of total comprehensive income. The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 19.13.

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

19.4 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.

19.5 Financial instruments

19.5.1 Classification of financial assets

The Group classifies its financial assets in the following measurement categories:

- ☐ those to be measured subsequently at fair value either through other comprehensive income ("OCI") or through profit or loss, and
- ☐ those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

31.5.2 Measurement of financial assets

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising from derecognition is recognized directly in profit or loss and presented in other income, net, together with foreign exchange gains and losses. Impairment losses are presented in other general and administrative expenses in the consolidated statements of total comprehensive income.

The Group's financial assets at amortized cost consist of cash and cash equivalents (Note 3), trade and other receivables (Note 5), refundable deposits under prepaid taxes and other current assets (Note 7) and other non-current assets (Note 13) in the consolidated statements of financial position.

- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other income, net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income, net, and impairment expenses are presented in other general and administrative expenses in the consolidated statements of total comprehensive income.

The Group does not have debt instruments at FVOCI as at December 31, 2020.

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

The Group does not have debt instruments at FVTPL as at December 31, 2020.

Equity instruments

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

The Group's financial assets measured at FVOCI represent unquoted shares of stock of related parties and quoted investments in various golf club shares and stocks. These are separately shown in the consolidated statements of financial position (Note 11).

Dividends are recognized when the Group's right to receive payment is established, it is probable the economic benefits will flow to the entity and the amount can be measured reliably. Dividends are recognized in profit and loss unless they clearly represent recovery of a part of the cost of the investment, in which case they are included in other comprehensive income. Changes in fair value are recognized in other comprehensive income and are never recycled to profit and loss, even if the asset is sold or impaired.

19.5.3 Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of counterparties over a period of 36 months before January 1, 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has assessed that the impact of forward-looking information on the loss rates applied is immaterial.

Impairment losses on receivables are presented in other general and administrative expenses consolidated statement of total comprehensive income. Subsequent recoveries are credited to other income.

19.5.4 Classification and measurement of 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. The Group did not measure its financial liabilities at fair value through profit or loss as at December 31, 2020.

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, contract liabilities, customers' deposits, reservation payable, output VAT, deferred output VAT and payable to government agencies) (Note 14), installment payable, deposits from tenants (Note 16), dividends payable, accrued employee benefits (excluding retirement benefits) and bank loans (Note 15) are classified under financial liabilities at amortized cost.

19.5.5 Initial recognition

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.

19.5.6 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.

19.5.7 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.

19.5.8 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty. There are no offsetting arrangements as at December 31, 2020 and 2019.

19.6 Trade and other receivables

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

The Group applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized within operating expenses in the consolidated statement of total comprehensive income. When a receivable remains uncollectible after the Group has exerted all legal remedies, it is written-off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written-off are credited against other general and administrative expenses in the consolidated statement of total comprehensive income.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before January 1, 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Refer to Note 19.5 for other relevant accounting policies on trade and other receivables.

19.7 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.

19.8 Prepaid taxes and other assets

Input VAT, which represents 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 12 months after the reporting period.

Restricted fund represents cash deposit with a third party for a purchase of a property. Restricted fund is derecognized upon full payment to the third party. The Group then determines whether the property is to be classified as property held for sale, an investment property, or property and equipment depending on the usage of the property.

19.9 Investment properties

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

The Group's investment property, principally comprising of properties in Mandaluyong and Makati City are held for capital appreciation and is not occupied by the Group. The Group has adopted the fair value model for its investment properties (Note 10).

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

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

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

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

Removal of an item within investment property is triggered by a change in use, by sale or disposal. If an investment property becomes owner-occupied, it is reclassified as property and equipment (Note 19.11), and its fair value at the date of reclassification becomes its cost for accounting purposes. Gain or loss arising from disposal is determined as the difference between the net disposal proceeds and the carrying amount of the asset. Gain or loss on disposal is recognized in profit or loss in the period of the disposal.

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

Impairment of investment properties is discussed in Note 19.13.

19.10 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.

19.11 Property and equipment

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

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

Land rights are not depreciated. Depreciation and amortization of property and equipment are calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives (in years), as follows:

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 19.13).

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

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

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

19.12 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 cash generating units (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.

19.13 Impairment of non-financial assets

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

19.14 Accounts payable and other current liabilities

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

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

Relevant accounting policies for classification, recognition, measurement and derecognition of accounts payable and other current liabilities and financial liabilities at amortized cost are presented in Note 19.5.

19.15 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.

19.16 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 within interest expense and bank charges in the consolidated statement of total comprehensive income.

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. The Group decided to avail relief issued by the SEC per Memorandum Circular No. 4-2020. The SEC provided for the relief to the real estate industry by deferring the implementation of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) until December 31, 2020 (Note 19.2).

19.17 Fair value measurement

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

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

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

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

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

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

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

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

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

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

Specific valuation techniques used to value financial instruments include:

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

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

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

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

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

19.19 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.

19.20 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 include 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.

19.21 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.

19.22 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.

19.23 Income and expense recognition

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or as an agent. The Group has concluded that it is acting as the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has inventory risk and pricing latitude.

The following specific recognition criteria must be met before revenue and expenses are recognized;

(a) Revenue

Revenue from condominium sales

The Group develops and sells condominium units. Under a contract to sell a condominium unit, the object is the property itself, which is the normal output of a real estate business. In addition, this contract contains information such as the contracting parties' rights and payment terms, which are essential elements for a valid revenue contract. The Group assesses that contract must be signed by the contracting parties to make it enforceable prior to revenue recognition. Also, the developer assesses the commercial substance of the contract and the probability that it will collect the consideration. Collectability of the contract price is demonstrated by the buyer's commitment to pay, which is supported by the buyer's initial and continuous investments that motivates the buyer to honor its obligation.

Contracts to sell condominium units are written on a lump sum payment basis or installment basis which include 10-20% reservation, down payments with installment terms ranging from 1-5 years.

The Group satisfies its performance obligation as it develops the property. In accordance with PFRS 15 and Philippine Interpretations Committee (PIC) 2016-04, the Group considers that the Group's performance does not create the asset with an alternative use to the Group and it has an enforceable right to payment for performance completed to date. Therefore, revenue is recognized over time, i.e. as the related obligations are fulfilled, measured principally using the output method on the basis of the estimated completion of a physical proportion of the contract work. Land and materials delivered on site, such as steels, rebars and elevators, which are yet to be installed/attached to the main structure, are excluded from the percentage-of-completion.

Revenue is measured at the transaction price agreed under the contract, except for contracts where the timing difference between the construction period and payment by the customer exceeds one year. In such contracts, the Group assessed that it is necessary to adjust the transaction price for the effects of a significant financing component as required by PIC Q&A 2018-12, but the Group decided not to adjust the transaction price and availed the relief issued by the SEC per Memorandum Circular No. 3-2019 dated February 8, 2019. The SEC provided relief to the real estate industry by deferring the application of the provisions of PIC Q&A 2018-12 for a period of three (3) years until January 1, 2021. For completed projects, revenue from condominium sales are recognized in full (ie. point in time) once the Group assessed that the contract meets all criteria for revenue recognition.

Under the sales contract, customers are required to pay the transaction price (in the form of progress billings) over a certain period of time. Any excess (deficit) of collections over the recognized revenue are recognized as contract liabilities under accounts payable and other current liabilities (installment contracts receivable under Trade and other receivables, net) as shown in the consolidated statement of financial position.

Payments received from potential buyer to provide exclusive rights to buy a specific condominium unit under certain conditions and up to specified period are treated initially as a liability and are recognized as part of "customers' deposits" under accounts payable and other liabilities. These deposits are applied as payment of the transaction price as soon as the revenue recognition criteria are met.

Cost of condominium sales include upfront costs such as land costs and connection fees, which are accounted for as fulfillment costs, and development costs which contribute to the construction progress of the development project. Fulfillment costs are recognized as contract assets arising from fulfillment costs to the extent that such costs give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered. These costs are included in properties held for sale in the consolidated statement of financial position. Such contract assets are amortized as cost of condominium sales consistent with the revenue recognition method applied, subject to impairment up to the extent that the carrying amount of the asset exceeds (a) the remaining amount of consideration that the Group expects to receive; less (b) direct costs that have not been recognized as expenses. Development costs are recognized as expense as the work to which they relate is performed.

Incremental costs of obtaining a contract to sell condominium units include commissions paid to sales or marketing agents. Fixed monthly living allowance, transportation allowance provided to real estate agents and commissions paid prior to signing of contracts to sell are expensed outright. Commissions paid after signing of contracts are recognized as contract assets arising from costs to obtain a contract presented as 'prepaid commission' under prepaid expenses and other current assets in the consolidated statement of financial position. These are amortized as cost of condominium sales consistent with the revenue recognition method applied.

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

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

Condominium units arising from cancellation of contracts to sell are initially measured by the Group based on its original carrying amount at the time it was sold. The Group decided to avail the relief issued by the SEC per Memorandum Circular No. 3-2019 dated February 8, 2019 deferring the application of the provisions of PIC Q&A 2018-14 for a period of three (3) years until January 1, 2021.

Critical accounting judgment - 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 a 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.

NRV has been assessed to be higher than cost based on circumstances or conditions as at December 31, 2020 and 2019. Accordingly, no write-down is deemed necessary.

Critical accounting judgment - Collectability of the transaction price

Identification of a "contract" for particular real estate sale transaction in the context of PFRS 15 requires certain judgments based on the collectability of the transaction price. Collectability of the transaction 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 Company considers that initial and continuing investments by the buyer of about 10% would demonstrate the buyer's commitment to pay, based on historical data.

(b) *Rental*

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

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

(c) *Hotel operations*

Hotel revenue from room rentals, food and beverage sales, and other ancillary services are recognized when the services are rendered. Revenue from other ancillary services include, among others, business center and car rental, laundry service, telephone service and health club services. The services rendered are distinct performance obligations, for which prices invoiced to the guests are representative of their stand-alone selling prices. These obligations are fulfilled over time when they relate to room rentals, that is over the stay within the hotel, at a point in time for other goods or services, when they have been delivered or rendered.

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

(d) *Interest income and expense*

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

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

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

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

(e) *Dividend income*

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

(f) *Other income*

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

(g) Cost and expenses

Cost and expenses are recognized when these are incurred.

CUSA charges to mall tenants are presented as a reduction to costs and expenses in the consolidated statement of total comprehensive income. The Group decided to avail the relief issued by the SEC per Memorandum Circular No. 3-2019 dated February 8, 2019. The SEC provided relief to the real estate industry by deferring the application of the provisions of PIC Q&A 2018-12-H for a period of three (3) years until January 1, 2021. (Note 19.2)

19.24 Leases

(a) Group is the lessor

Rental income from operating lease is recognized on a straight-line basis over the term of the relevant lease or based on a certain percentage of gross revenue of the lessees, whichever is applicable. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term. Assets under these arrangements are classified as investment property in the consolidated statement of financial position (Note 19.9).

(b) Group is the lessee

The Group has adopted PFRS 16 Leases using the modified retrospective approach from January 1, 2019, as permitted under the specific transition provisions in the standard (Note 19.2).

Aside from exemptions in the standard for short-term and low-value leases which are recognized as operating leases under the provisions of PAS 17, lease payments are discounted using the interest rate implicit in the lease. Payments for leases of properties and office equipment are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Accounting policies applied until December 31, 2018

Leases, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is apportioned between the liability and finance charges using the effective interest method. Finance charges are reflected in the consolidated statement of total comprehensive income through profit or loss. Rental obligations, net of finance charges, are included in liabilities in the consolidated statement of financial position. The property and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Leases, in which substantially all the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged in the consolidated statement of total comprehensive income through profit or loss on a straight-line basis over the period of the lease.

19.25 Foreign currency transactions and translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

19.26 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 shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

19.27 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 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.

19.28 Contingencies

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

19.29 Events after the reporting period

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

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

Key Performance Indicators

		March 31 2021	March 31 2020	Change
Turnover	(Php M)	1,177.1	2,044.6	-42.4%
Profit attributable to shareholders	(Php M)	386.1	616.2	24.8%
Earnings per share	(Php Ctv)	0.08	0.13	24.8%
Net asset value per share	(Php)	7.575	7.433	2.5%
Debt to equity ratio	(Ratio)	0.51	0.49	-0.6%

- Turnover consists of sales of residential condominium units, revenue from rental and cinema and hotel operations. For three (3) months ended March 31, 2021, Shang Properties' revenue decreased by P867.5 million (M) to P1.18 billion (B) from P2.04B revenues during the same period in 2020. Sales of residential condominium units accounted for P503M or 42.73% of the total revenue and is lower by P143.3M from P646.3M in the same period last year. Revenue from leasing operations amounted to P488.9M or 41.53% of the total revenue and is lower by P266.5M from P755.3M in the same period last year. Shangri-La at Fort's hotel operations contributed revenue amounting to P185.3M or 15.74% of the total revenue and is, lower by P457.6M from P642.9M of the same period last year.
- Profit attributable to shareholders that pertains to net income from operations after tax amounted to P386.1M, lower by P230.1M or 37.3% compared with the same period last year.
- Earnings per share of P0.08 in 2021 is lower by 37.3% compared with the first quarter 2020.
- Net asset value per share is calculated by dividing the total net asset of the Group (Total assets – Total liabilities and equity attributable to non-controlling interest) by the number of shares outstanding. Net asset value per share increased by 2.5% mainly due to income generated during the period.
- Debt to equity measures the exposure of creditors to that of the stockholders. It gives an indication of how leveraged the Group is. It is determined by dividing total debt by stockholder's equity. The Group's financial position remains solid with debt to equity ratio of 0.51:1 as of March 31, 2021 and 0.49:1 as of March 31, 2020.

Financial Condition

Total assets of the Group as of March 31, 2021 amounted to P63.1B, a decrease of P54M from total assets of P63.2B in December 31, 2020. Following are significant movements in assets during the first quarter:

- Cash and Cash Equivalents increased by P87.8M mainly due to short term investments of the Group.

- Financial Assets at Fair Value Through Profit or Loss decreased by ₱946.7K mainly due to decline in value of listed shares owned by the Group.
- Receivables increased by ₱596M mainly due to reclassification from Investment to Bridgetown Project to Receivable from a Joint Venture.
- Properties Held for Sale decreased by ₱37.7M is mainly due adjustments of costs incurred in ongoing developments of Shang Residences Wack Wack projects.
- Input Tax and Other Current Assets increased mainly due to down payments made to contractors of Shang Residences Wack Wack during the first quarter of the year. These will be recouped from future progress billings. Also, included are annual prepaid expenses paid at the beginning of the year and will be amortized monthly.
- Deferred Income Tax Assets increased by ₱97.3M mainly due to deferred tax effect of difference in percentage of completion against taxable income per tax computation.
- Other Noncurrent Assets decreased by ₱893.7M is mainly due to the reclassification of fund for a future project.
- Current ratio is 1.16:1 as of March 31, 2021 from 1.06:1 as of December 31, 2020.

Total liabilities decreased by ₱304.9M from ₱21.5B in 2020 to ₱21.2B in 2021 mainly due to the following:

- Increase in bank loans by ₱268M is mainly due to additional loan availments during the quarter.
- Decrease in Accounts Payable by ₱539.6M is mainly due to decrease in Customers Deposit from Condominium buyers
- Increase in income tax payable by ₱106.7M is mainly due to income tax due on taxable income for the first quarter and last quarter of 2020.
- Decrease in dividends payable by ₱21.5M is due to the payment of cash dividends declared by KSA Realty Corporation. The remaining unpaid balance pertains to dividends of shareholders who are out of the country and remittance was delayed due to the ongoing Enhanced Community Quarantine.
- Decrease in accrued employee benefits by ₱7.6M is mainly due to the accruals for retirement benefits during the period.
- Decrease in Deposit from Tenants by ₱56M is mainly due to refunds made during the quarter.
- Deferred Income Tax Liabilities decreased by ₱15M mainly due to adjustment made on the difference between income and tax treatment in the first quarter of 2021.

Results of Operation

Consolidated net income for the period ended March 31, 2021 amounted to ₱386.1M which is lower by 37.35% from last year's ₱616.2M.

Turnover decreased by ₱867.5M to ₱1.18B in 2021 from ₱2.04B in 2020, mainly due to net effect of the following:

- Decrease in condominium sales by ₱143.3M mainly due to lower units sold during the quarter.
- Decrease in revenue from hotel operations by ₱457.6M mainly due to lower occupancy and lower Average Daily Rate caused by the ongoing travel bans and community quarantine.

Total Cost of Sales and Services of the Group amounted to ₱964M, lower by ₱585.2M compared with last year's ₱1.5B. This was mainly due to the following:

- Decrease in cost of condominium sales as lower number of units were sold during the first quarter.
- Decrease in cost of rental and cinema by ₱21.2M is mainly due to lower utility costs, repairs and maintenance cost and advertising costs due to closure of the mall starting March 16, 2020 due to the Enhanced Community Quarantine mandated by government.
- Decrease in cost of hotel operations by ₱158.0M due to lower occupancy caused by the ongoing travel bans and community quarantine.

Total Operating Expenses of the Group amounted to ₱424M, lower by ₱27.7M compared with last year's ₱451.7M. This was mainly due to the following:

- Decrease in general and administrative expense by ₱35.4M is mainly due to lower advertising and promotion expense incurred.
- Increase in taxes and licenses due to payment of real property taxes of The Rise Common Areas, Machinery, Commercial Units and Parking.
- Increase in depreciation by ₱250K is due to depreciation of additional improvements incurred and equipment bought in 2020 and 1st quarter of 2021.
- Decrease in insurance by ₱694.2K mainly due to lower Property Insurance of SGCPI.

Other Income decreased by ₱27.1M mainly due to lower interest on discounting of receivables of Shang Residences Wack Wack.

Financial Soundness Indicators

	End of March 2021	End of December 2020
Current Ratio ¹	1.16:1	1.06:1
Debt-to-equity ratio ²	0.51:1	0.52:1
Asset-to-equity ratio ³	1.51:1	1.52:1
	1Q 2021	1Q 2020
Interest rate coverage ratio ⁴	17.08	24.27
Return on assets ⁵	2.45%	3.93%
Return on equity ⁶	3.69%	5.94%

¹Current assets/current liabilities

²Total liabilities/stockholders' equity

³Total asset/stockholders' equity

⁴Income before interest and taxes/interest expense

⁵Annualized net income/average total assets⁷

⁶Annualized net income/average stockholders' equity⁷

⁷Annualized net income = 1Q Net income x Average Total Assets = average total assets as of end of March 2020 and end of March 2019

Average Stockholders' Equity = average stockholders' equity as of end of March 2020 and end of March 2019

PART II--OTHER INFORMATION

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

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

Item 3. Other Required Disclosures

- A. The attached interim financial reports were prepared in accordance with Philippine Financial Reporting Standard. The accounting policies and methods of computation followed in these interim financial statements are the same compared with the audited financial statements for the period ended December 31, 2020.
- B. Except as reported in the Management's Discussion and Analysis of Financial Condition and Results of Operations, there were no unusual items affecting assets, liabilities, equity, net income or cash flows for the interim period.
- C. There were no materials changes in estimates of amounts reported in prior period that have material effects in the current interim period.
- D. Except as disclosed in the Management's Discussion and Analysis of Financial Condition and Results of Operations, there were no other issuances, repurchases and repayments of debt and equity securities.
- E. There are no significant events that happened subsequent to March 31, 2021 up to the date of this report that needs disclosure herein.

PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

SHANG PROPERTIES, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	Unaudited March 31, 2021	Audited December 31, 2020
ASSETS			
Current Assets			
Cash and cash equivalents	3	1,637,781,493	1,549,970,914
Financial assets at fair value through profit or loss	4	32,679,478	33,626,210
Receivables-net	5	5,592,317,692	4,996,338,314
Properties held for sale	6	3,375,411,202	3,413,065,216
Prepaid taxes and other current assets	7	1,795,237,508	1,663,214,222
Total Current Assets		12,433,427,373	11,656,214,876
Non-Current Assets			
Investment in and advances to an associate and a joint venture	8	2,495,444,937	2,317,911,271
Investment properties	10	34,967,730,806	34,913,873,065
Available-for-sale (AFS) financial assets	11	797,568,496	797,568,496
Property and equipment - net	12	11,418,345,944	11,684,592,560
Goodwill		269,870,864	269,870,864
Deferred income tax assets		562,443,680	465,150,772
Other noncurrent assets	13	171,063,751	1,064,775,797
Total Non-Current Assets		50,682,468,477	51,513,742,825
Total Assets		63,115,895,850	63,169,957,701
LIABILITIES & STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and other current liabilities	14	5,104,406,795	5,683,994,606
Current portion of:			
Installment payable		142,751,079	142,751,080
Bank loans	15	4,549,999,999	4,283,333,333
Deposits from tenants	16	580,117,832	614,727,181
Deferred lease income		35,126,836	41,298,111
Income tax payable		230,993,290	124,336,401
Dividends payable		52,579,005	74,031,392
Total Current Liabilities		10,695,974,837	10,964,472,104
Non-Current Liabilities			
Accrued employee benefits		82,210,273	89,798,059
Bank loans- net of current portion	15	1,597,224,576	1,596,172,131
Deferred income tax liabilities		8,003,018,445	8,018,041,563
Advance rental - net of current portion		232,961,590	232,961,590
Deposit from tenants - net of current portion	16	525,226,686	540,045,750
Deferred lease income - net of current portion		54,099,337	54,099,337
Total Non-Current Liabilities		10,494,740,907	10,531,118,430
TOTAL LIABILITIES		21,190,715,744	21,495,590,534
Stockholders' Equity			
Capital stock - Peso 1 par value	17	4,764,058,982	4,764,058,982
Additional paid-in capital	17	834,439,607	834,439,607
Treasury shares		(6,850,064)	(6,850,064)
Equity reserves		(141,132,606)	(141,132,606)
Other components of equity		181,817,899	219,550,748
Retained earnings		30,440,056,262	30,053,959,054
Minority interest		5,852,790,026	5,950,341,446
Total equity		41,925,180,106	41,674,367,167
Total Liabilities and Equity		63,115,895,850	63,169,957,701

(See accompanying notes to unaudited consolidated financial statements)

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

	UNAUDITED	
	FOR THE QUARTER ENDED	
	March 31, 2021	March 31, 2020
REVENUES		
Condominium sales	502,963,458	646,305,525
Rental and cinema	488,863,927	755,383,445
Hotel operations	185,302,688	642,921,021
	<u>1,177,130,073</u>	<u>2,044,609,991</u>
COST OF SALES AND SERVICES		
Cost of condominium sales	256,934,240	361,114,949
Cost of rental and cinema	(7,959,389)	23,917,391
Cost of hotel operations	397,547,365	579,196,848
	<u>646,522,216</u>	<u>964,229,188</u>
GROSS INCOME	<u>530,607,857</u>	<u>1,080,380,803</u>
OPERATING EXPENSES		
Staff costs	207,160,127	112,167,810
Taxes, licenses and fees	78,287,160	70,134,809
Depreciation	7,715,209	7,465,119
Insurance	4,339,571	5,033,816
General and administrative	126,509,746	256,901,826
	<u>424,011,813</u>	<u>451,703,380</u>
OTHER INCOME		
Interest income	32,653,678	150,434,062
Foreign exchange gains-net	1,406,093	683,156
Other income - net	131,896,206	41,923,584
	<u>165,955,797</u>	<u>193,040,802</u>
INCOME BEFORE SHARE IN PROFIT OF ASSOCIATED COMPANIES	<u>272,551,841</u>	<u>821,718,225</u>
SHARE IN PROFIT OF AN ASSOCIATED COMPANY	<u>175,681,499</u>	<u>68,493,452</u>
INTEREST EXPENSE AND BANK CHARGES	<u>(26,245,081)</u>	<u>(36,673,922)</u>
INCOME BEFORE INCOME TAX	<u>421,988,259</u>	<u>853,537,755</u>
Provision for income tax	<u>(43,594,714)</u>	<u>(179,344,454)</u>
INCOME BEFORE MINORITY INTEREST	<u>378,393,545</u>	<u>674,193,301</u>
NET LOSS (INCOME) ATTRIBUTABLE TO MINORITY INTEREST	<u>7,703,673</u>	<u>(57,954,942)</u>
NET INCOME	<u>386,097,218</u>	<u>616,238,359</u>
RETAINED EARNINGS, beg.	<u>30,440,056,262</u>	<u>29,329,234,157</u>
LESS: CASH DIVIDENDS	<u>-</u>	<u>-</u>
RETAINED EARNINGS, end.	<u>30,440,056,262</u>	<u>29,945,472,516</u>
BASIC AND DILUTED EARNINGS PER SHARE	<u>0.08</u>	<u>0.13</u>

(See accompanying notes to unaudited consolidated financial statements)

SHANG PROPERTIES, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Equity Holders of Shang Properties, Inc.							Total
	Capital stock	Additional Paid-in Capital	Treasury Stock	Equity Reserves	Other Components of Equity	Retained Earnings	Non-controlling Interest	
Balances as of January 1, 2020	4,764,058,982	834,439,607	(6,850,064)	(141,132,606)	236,182,771	29,329,234,157	6,254,206,023	41,270,138,870
Cumulative translation adjustment	-	-	-	-	(18,838,835)	-	-	(18,838,835)
Cash dividends	-	-	-	-	-	-	(149,800,000)	(149,800,000)
Net income for the period	-	-	-	-	-	616,238,359	57,954,942	674,193,301
Balances as of March 31, 2020	4,764,058,982	834,439,607	(6,850,064)	(141,132,606)	217,343,936	29,945,472,516	6,162,360,965	41,775,693,336
Balances as of January 1, 2021	4,764,058,982	834,439,607	(6,850,064)	(141,132,606)	219,550,748	30,053,959,054	5,950,341,446	41,674,367,167
Cumulative translation adjustment	-	-	-	-	(37,732,849)	(10)	32,253	(37,700,606)
Cash dividends	-	-	-	-	-	-	(89,880,000)	(89,880,000)
Net income for the period	-	-	-	-	-	386,097,218	(7,703,673)	378,393,545
Balances as of March 31, 2021	4,764,058,982	834,439,607	(6,850,064)	(141,132,606)	181,817,899	30,440,056,262	5,852,790,026	41,925,180,106

(See accompanying notes to unaudited consolidated financial statements)

SHANG PROPERTIES, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	March 31, 2021	March 31, 2020
Cash flows from operating activities		
Income before provision for income tax	421,988,259	853,537,755
Adjustments for:		
Depreciation and amortization	7,715,209	278,739,070
Interest expense	19,434,602	36,420,702
Retirement benefit expense	(7,587,786)	3,309,085
Loss on fair value adjustment of financial assets at fair value through profit or loss	946,732	6,213,265
Cumulative translation adjustment	37,732,859	-
Share in net profits of associates	(175,681,499)	(68,493,452)
Unrealized foreign exchange gain	1,406,093	683,156
Dividend income	(1,528)	(34,099)
Interest income	(32,653,678)	(154,582,626)
Operating income before working capital changes	273,299,263	955,792,856
Changes in working capital:		
Trade and other receivables	(595,979,376)	743,948,767
Properties held for sale	37,654,013	(285,992,879)
Prepaid taxes and other current assets	(132,023,312)	(364,831,755)
Real estate development projects	-	(89,745,131)
Other non-current assets	299,791,700	(4,376,950)
Accounts payable and other current liabilities	(87,287,960)	(79,284,063)
Installment payable	-	337,151
Advance Rental	39,969,193	(3,883,402)
Deposits from tenants	55,599,687	27,280,959
Net cash generated from (used in) operations	(108,976,792)	899,245,553
Income tax paid	-	(231,897,924)
Interest received	35,764,243	150,675,740
Net cash provided by (used in) operating activities	(10,150,373)	818,023,369
Cash flows from investing activities		
Additions to:		
Financial assets at fair value through other comprehensive income	-	(18,619,170)
Investments in and advances to a joint venture	(1,852,166)	(3,181,137)
Investment properties	(53,857,738)	(11,729,371)
Property and equipment	(2,381,465)	(10,958,849)
Deposit for a future project	-	(91,530,000)
Dividends received	1,528	34,099
Net cash used in investing activities	(58,089,841)	(135,984,428)
Cash flows from financing activities		
Payments of:		
Loan principal	-	(1,794,627,758)
Interest	(19,329,781)	(34,990,003)
Cash dividends payable (paid) to:		
Shareholders	-	286,129,811
Non-controlling shareholders of subsidiaries	(89,880,000)	(149,800,000)
Proceeds from loan availment, net of debt issue costs	266,666,667	-
Net cash used in financing activities	157,456,886	(1,693,287,950)
Net increase (decrease) in cash and cash equivalents for the period	89,216,672	(1,011,249,009)
Cash and cash equivalents at beginning of the period	1,549,970,914	2,640,088,900
Effects of exchange rate changes on cash and cash equivalents	(1,406,093)	(683,156)
Cash and cash equivalents at end of the period	1,637,781,493	1,628,156,735

(See accompanying notes to unaudited consolidated financial statements)

Shang Properties, Inc. and Subsidiaries

Notes to the Interim Consolidated Financial Statements

(All amounts are shown in Philippine Peso unless otherwise stated)

Note 1 - General information

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

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

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

COVID-19 Pandemic

During the first quarter of 2020, local and worldwide social and economic activities were severely affected by the spread and threat of COVID-19 pandemic. The Group took actions to minimize risk to its employees, including restricting travel and instituting extensive work from home protocols in response to the enhanced community quarantine (ECQ) mandated by the Philippine government. Measures have been implemented to protect the health and safety of its employees, clients and partners, to support business continuity and to manage financial impact to a minimum. These measures have caused disruptions to businesses and economic activities, and their impact on businesses continues to evolve. The ECQ began on March 16, 2020 and was further extended and modified by the government up to June 15, 2020. While quarantine measures over highly urbanized cities in the National Capital Region (NCR) were relaxed following the proclamation of a modified enhanced community quarantine effective May 16, 2020, and subsequently, a general community quarantine effective June 1, 2020, operations across various industries remain below full capacity in several areas.

As a result, the Group (as a lessor) has provided rent concessions to assist their tenants in coping with the business disruption caused by the national lockdown imposed during the pandemic. The rent concessions are assessed by the Group's tenant management division on a quarterly basis and are subject to reassessment if same consideration should still be applied depending on the current situation of the tenants. These rent concessions are recognized as reduction in the Group's Rental and cinema revenue. The Group continues to pay close attention to the developments on the pandemic and will evaluate its impact on the financial position and operating results of the Group. Measures to manage financial and business risks are in place to ensure that the impact of events that expose the Company to risks arising from COVID-19, if any, are kept to a minimal extent.

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 (3) main segments as follows:

(a) Property development

This business segment pertains to the development and sale of condominium units. The subsidiaries operating in this segment are as follows:

- Shang Properties Realty Corporation ("SPRC") is the developer of The Shang Grand Tower Project (TSGT), located in Makati City, The St. Francis Shangri-La Place Project (TSFSP) and the One Shangri-La Place Project (OSP), both located in Mandaluyong City.
- Shang Property Developers, Inc. ("SPDI") is the developer of Shang Salcedo Place Project (SSP), located in Makati City.
- The Rise Development Company Inc. ("TRDCI") is the developer of The Rise Makati Project, located in Makati City.
- Shang Wack Wack Properties, Inc. ("SWWPI") is the developer of Shang Residences at Wack Wack Project, located in Mandaluyong City.

(b) Hotel operation

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

(c) Leasing

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

As disclosed in Note 10, in 2019, the Parent Company started construction of a project located in the City of Mandaluyong. The project is being constructed on a parcel of land registered in the Parent Company's name. The construction of the project is ongoing and is expected to be completed in 2023. Upon completion, the project will be subsequently leased out to third parties and related parties.

(d) Other Business Segments

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 2021, 2020 and 2019. There is no need to present reconciliation since measure of segment assets, liabilities and results of operations are consistent with those of the consolidated financial statements.

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

There are no changes in the Group's reportable segments and related strategies and policies in 2021, 2020 and 2019.

The segment assets, liabilities and results of operations of the reportable segments of the Group as of and for the year ended March 31, 2021 are as follows:

	Property development	Hotel operation	Leasing	Others	Total segments	Eliminations	Consolidated
Revenues:							
Condominium sales	502,963,458	-	-	-	502,963,458	-	502,963,458
Rental and cinema	4,569,768	-	504,507,592	-	509,077,360	(20,213,433)	488,863,927
Hotel operations	-	185,302,688	-	-	185,302,688	-	185,302,688
Cost of sales and services:							
Condominium sales	(256,934,240)	-	-	-	(256,934,240)	-	(256,934,240)
Rental and cinema	-	-	9,135,539	-	9,135,539	(1,176,150)	7,959,389
Hotel operations	-	(397,547,365)	-	-	(397,547,365)	-	(397,547,365)
Gross profit or revenues	250,598,986	(212,244,677)	513,643,131	-	551,997,440	(21,389,583)	530,607,857
Operating Expenses:							
Staff costs	(20,400,272)	-	(193,137,885)	(13,136,045)	(226,674,202)	19,514,075	(207,160,127)
Taxes and licenses	(42,762,493)	(11,220,951)	(19,637,722)	(4,665,994)	(78,287,160)	-	(78,287,160)
Depreciation and amortization	(1,134,801)	-	(59,274,335)	(118,851)	(60,527,987)	52,812,778	(7,715,209)
Insurance	(431,251)	(3,821,335)	(84,987)	(1,998)	(4,339,571)	-	(4,339,571)
General and administrative expenses	(33,353,600)	(57,504,521)	(54,102,743)	(2,884,215)	(147,845,079)	21,335,333	(126,509,746)
Other income (expense)							
Interest income	29,400,711	18,183	3,206,400	28,384	32,653,678	-	32,653,678
Foreign exchange gains – net	1,036,508	(742,397)	1,109,743	(27,647,770)	(26,243,916)	27,650,009	1,406,093
Share in net income of an associate	-	-	175,681,499	-	175,681,499	-	175,681,499
Other income, net	6,642,122	8,316,621	343,967,695	106,381,238	461,530,107	(329,634,082)	131,896,025
Interest expense and bank charges	(66,933)	(14,220,136)	(11,953,235)	(4,777)	(26,245,081)	-	(26,245,081)
Income before income tax	189,528,977	(291,419,213)	699,417,561	57,949,972	651,699,730	(229,711,470)	421,988,259
Provision for income tax	(48,113,768)	72,404,241	(69,259,910)	(2,685,045)	(47,654,482)	4,059,768	(43,594,714)
Net income for the year	141,415,210	(219,014,973)	626,380,81	55,264,929	604,045,247	(225,651,702)	378,393,545
Segment assets	13,032,602,719	9,391,086,406	47,831,637,732	9,475,424,301	79,730,751,157	(18,110,300,245)	61,620,450,913
Associate companies	-	-	-	1,495,444,937	1,495,444,937	-	1,495,444,937
Total assets	13,062,602,719	9,391,086,406	47,831,637,732	10,970,869,238	81,226,196,094	(18,110,300,245)	63,115,895,850
Segment liabilities	7,311,824,397	2,751,544,320	14,972,867,955	8,281,256,277	33,317,491,949	(12,126,776,205)	21,190,715,744
Capital expenditures for the year	-	-	2,359,849	21,616	2,381,465	-	2,381,465

The segment assets, liabilities and results of operations of the reportable segments of the Group as of and for the year ended December 31, 2020 are as follows:

	Property development	Hotel operation	Leasing	Others	Total segments	Eliminations	Consolidated
Revenues							
Condominium sales	3,009,081,539	-	864,966	-	3,009,946,505	-	3,009,946,505
Rental and cinema	29,819,750	-	2,188,581,255	-	2,218,401,005	(89,620,954)	2,128,780,051
Hotel operation	-	1,081,762,155	-	-	1,081,762,155	-	1,081,762,155
Cost of sales and services							
Condominium sales	(1,683,687,995)	-	(1,312,500)	-	(1,685,000,495)	-	(1,685,000,495)
Rental and cinema	-	-	(95,573,669)	-	(95,573,669)	(4,674,713)	(100,248,382)
Hotel operation	-	(1,851,378,118)	-	-	(1,851,378,118)	-	(1,851,378,118)
Gross income	1,355,213,294	(769,615,963)	2,092,560,052	-	2,678,157,383	(94,295,667)	2,583,861,716
Operating expenses	(375,549,074)	(488,814,726)	(968,701,023)	(63,512,466)	(1,896,577,289)	397,888,017	(1,498,689,272)
Other income	521,852,549	336,110	1,623,049,579	1,482,381,069	3,627,619,307	(2,932,883,089)	694,736,218
Share in net gains of associates and a joint venture	-	-	185,533,552	-	185,533,552	-	185,533,552
Interest expense and bank charges	(382,615)	(54,598,512)	(84,664,886)	(559)	(139,646,572)	-	(139,646,572)
Income before income tax	1,501,134,154	(1,312,693,091)	2,847,777,274	1,418,868,044	4,455,086,381	(2,629,290,739)	1,825,795,642
Provision for income tax	(447,929,063)	366,508,509	(330,694,493)	(6,915,883)	(419,030,930)	14,815,070	(404,215,860)
Net income for the year	1,053,205,091	(946,184,582)	2,517,082,781	1,411,952,161	4,036,055,451	(2,614,475,669)	1,421,579,782
Segment assets	13,068,010,430	9,634,940,936	46,277,865,491	11,016,135,980	79,996,952,837	(18,144,906,407)	61,852,046,430
Associate companies	-	-	-	1,317,911,271	1,317,911,271	-	1,317,911,271
Total assets	13,068,010,430	9,634,940,936	46,277,865,491	12,334,047,251	81,314,864,108	(18,144,906,407)	63,169,957,701
Segment liabilities	7,442,505,419	2,776,383,880	15,062,265,919	8,323,004,905	33,604,160,123	(12,108,569,589)	21,495,590,534
Capital expenditures for the year	2,676,259	136,712,429	380,212,784	285,714	519,887,186	-	519,887,186

Note 3 - Cash and cash equivalents

Cash and cash equivalents consist of:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash on hand	3,266,288	7,086,224
Cash in banks	678,243,946	817,325,094
Cash equivalents	956,271,279	725,559,596
	1,637,781,493	1,549,970,914

Cash in banks earned interest at respective bank deposit rates ranging from 0.05% to 0.25%.

Cash equivalents are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Short term investments earn interest ranging from 0.09% to 2.75%.

Interest income earned amounted to P628,315 and P12,956,641 for the quarter ended March 31, 2021 and the year ended December 31, 2020, respectively.

Note 4 - Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represent shares of stock of various locally listed companies and valued based on current bid prices in an active market (Level 1 valuation). Movements in the account for the quarter ended March 31, 2021 and the year ended December 31, 2020 respectively are as follows:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
At January 1	33,626,210	36,278,844
Loss on fair value adjustment	(946,732)	(2,652,634)
At December 31	32,679,478	33,626,210

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

Note 5 - Receivables, net

Trade and other receivables, net, as at March 31, 2021 and December 31, 2020 consist of:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade		
Installment contracts receivable	2,641,721,562	3,044,359,832
Rent	229,600,656	249,776,897
Receivables from guests and concessionaires	33,789,191	53,866,187
Non-trade		
Related parties	2,631,040,535	1,604,238,974
Advances to officers and employees	4,102,489	4,225,928
Interest	1,206,159	4,316,725
Others	73,707,978	58,574,091
	5,615,168,570	5,019,358,634
Allowance for impairment of receivables	(22,850,878)	(23,020,320)
	5,592,317,692	4,996,338,314

Installment contracts receivable arises from sale of condominium units with average term ranging from one to five years. This arises when the revenue recognized to date under the percentage-of-completion method exceeds the total collections from the buyer. The amounts due from the condominium buyers are subject to either bank financing or in-house financing.

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

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

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

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

Note 6 - Properties held for sale

Properties held for sale consist of:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Condominium units held for sale	410,853,281	497,742,705
Construction in-progress	2,964,557,921	2,915,322,511
	3,375,411,202	3,413,065,216

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

Note 7 - Prepaid taxes and other current assets

Prepaid taxes and other current assets consist of:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Advances to contractors and suppliers	934,842,034	888,508,872
Creditable withholding tax (CWT)	442,704,409	420,217,281
Prepaid commission	122,041,517	119,207,410
Input value added tax (VAT)	46,858,196	93,813,135
Prepaid property tax	88,455,220	62,647,224
Inventories	22,904,080	13,303,359
Deferred input VAT	17,828,037	6,031,092
Refundable deposits	2,332,728	2,897,511
Prepaid insurance	9,565,515	13,486,737
Other prepaid expenses	107,706,171	43,101,601
	1,795,237,507	1,663,214,222

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

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

Prepaid commission pertains to the excess of the commission paid to property consultants and brokers over the commission expense recognized for the year based on the percentage of completion.

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

Inventories consist of food, beverages and other recreational consumable items for the hotel operation. The inventories are stated at cost. There is no allowance for decline in value of inventories.

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

Note 8 - Investments in and advances to associates and a joint venture

Investment in an associate and a joint venture consist of:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Investment in a joint venture		
At January 1	1,317,778,398	1,121,482,600
Additions to investment	1,852,167	10,762,246
Share in net income	175,681,499	185,533,552
At December 31	1,495,312,064	1,317,778,398
Advances to a joint venture	1,000,000,000	1,000,000,000
Investments in immaterial associates		
Acquisition costs	132,873	132,873
	2,495,444,937	2,317,911,271

Note 9 - Non-controlling interests

The proportion of equity interest held by the non-controlling interest (NCI) of KSA and SGCPI, the Group's subsidiaries with NCI that are deemed material, are as follows:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
KSA	29.96%	29.96%
SGCPI	40.00%	40.00%

On June 20, 2016, the Parent Company acquired 207,082 KSA common shares from Ocmador Philippines, B.V. for a purchase price amounting to P1,419,610,919. The Parent Company accounted for the increase in ownership in KSA from 52.90% to 70.04% as equity transaction. The difference between the considerations paid and the carrying amount of the NCI acquired is recognized directly in equity reserves amounting to P141,132,606.

Note 10 - Investment properties; Real estate development projects

10.1 Investment properties

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

	Land	Building	Total
At December 31, 2019	15,253,910,599	17,649,466,169	32,903,376,768
Transfers due to change in use			
Properties held for sale	-	155,196,774	155,196,774
Real estate			
development project	652,036,324	835,577,337	1,487,613,661
Capitalized subsequent expenditures	-	367,685,862	367,685,862
At December 31, 2020	15,905,946,923	19,007,926,142	34,913,873,065
Gain (loss) on fair value adjustment	-	-	-
Capitalized subsequent expenditures	-	53,857,741	53,857,741
At March 31, 2021	15,905,946,923	19,061,783,883	34,967,730,806

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.

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.

10.2 Real estate development projects

Real estate development projects account includes construction cost related to the Parent Company and TRDCI as follows:

(a) Parent Company

In 2019, the Parent Company started construction of a project located in the City of Mandaluyong. The project is being constructed on a parcel of land registered in the Parent Company's name. The construction of the project is ongoing and is expected to be completed in 2023. Upon completion, the project will be subsequently leased out to third parties and related parties. In 2019, construction costs amounting to P811,971,396 were incurred. Project management costs in 2019 amounting to P45,181,174 was reclassified from "construction in-progress" under properties held for sale to "real estate development projects" (Note 6). As at December 31, 2019, total related capitalized costs amounted to P857,152. Construction costs allocated to the retail portion of The Rise Makati that is intended for leasing are included in Real estate development project. Project management costs in 2019 amounting to P181,634,711 were reclassified from "construction in-progress" under properties held for sale to "real estate development projects" (Note 6). As at December 31, 2019, total related capitalized costs amounted to P630,461,091. Such costs were transferred to Investment properties in 2020 (Note 10.1).

(b) TRDCI

Construction costs allocated to the retail portion of The Rise Makati that is intended for leasing are included in Real estate development project. Project management costs in 2019 amounting to P181,634,711 were reclassified from "construction in-progress" under properties held for sale to "real estate development projects" (Note 6). As at December 31, 2019, total related capitalized costs amounted to P630,461,091. Such costs were transferred to Investment properties in 2020 (Note 10.1).

Note 11 - Financial assets at fair value through other comprehensive income, net

Financial assets at fair value through other comprehensive income (FVOCI), net as at March 31, 2020 and December 31, 2019 are presented below.

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Unquoted	488,429,727	488,429,727
Quoted	9,101,515	9,101,515
	497,531,242	497,531,242
Cumulative changes in fair value	300,037,254	300,037,254
	797,568,496	797,568,496

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

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

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

Note 12 - Property and equipment, net

Details of property and equipment and their movements during the period are as follows:

	Building and building improvements	Transportation equipment	Furniture, fixtures and other equipment	Total
Cost				
At January 1, 2021	9,434,803,085	48,693,212	6,982,848,189	16,466,344,486
Additions	1,114,841	-	1,266,624	2,381,465
Disposals	(1,890,000)	-	-	(1,890,000)
Reclassification	-	-	(100,893)	(100,893)
At March 31, 2021	9,434,027,926	48,693,212	6,984,013,920	16,466,735,058
Accumulated depreciation and amortization				
At January 1, 2021	1,336,454,869	34,335,012	3,410,962,045	4,781,751,926
Depreciation and amortization	31,540,052	1,462,566	233,735,462	266,738,080
Disposals	-	-	-	-
Reclassification	-	-	(100,892)	(100,892)
At March 31, 2021	1,367,994,921	35,797,578	3,644,596,615	5,048,389,114
Cost				
At January 1, 2020	9,455,442,784	54,141,601	6,978,260,203	16,487,844,588
Additions	48,499,753	12,500	103,689,071	152,201,324
Adjustments	(69,139,452)	-	(96,829,658)	(165,969,110)
Disposals	-	(5,460,889)	(2,271,427)	(7,732,316)
At December 31, 2020	9,434,803,085	48,693,212	6,982,848,189	16,466,344,486
Accumulated depreciation and amortization				
At January 1, 2020	1,210,331,138	32,686,558	2,433,337,312	3,676,355,008
Depreciation and amortization	126,123,731	6,755,274	979,795,829	1,112,674,834
Disposals	-	(5,106,820)	(2,171,096)	(7,277,916)
At December 31, 2020	1,336,454,869	34,335,012	3,410,962,045	4,781,751,926
Net book values at				
At March 31, 2021	8,066,033,005	12,895,634	3,339,417,305	11,418,345,944
At December 31, 2020	8,098,348,216	14,358,200	3,571,886,144	11,684,592,560

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

Note 13 - Other non-current assets

Other non-current assets as at March 31, 2021 and December 31, 2020 consist of:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Deposit for a future project	19,212,500	887,888,000
Refundable deposits	133,165,763	136,967,397
Deferred input VAT	8,963,909	30,198,822
Retirement benefit asset	9,721,579	9,721,578
	171,063,751	1,064,775,797

On December 12, 2019, the Parent Company set aside funds amounting to P422,000,000 representing the first installment for a 50% share in an investment. In 2020, the Parent Company set aside additional funds amounting to P465,888,000 for the second installment. Such costs were transferred to Receivable from a Joint Venture in 2021.

Refundable deposits are cash paid by the Group for construction of condominium units and deposits to utility companies which are expected to be returned after a specified period of time, or when certain conditions are satisfied.

Deferred input VAT represents non-current portion of VAT arising from the purchase of capital goods on credit.

Note 14 - Accounts payable and other current liabilities

Accounts payable and other current liabilities consist of:

	March 31, 2020 (Unaudited)	December 31, 2020 (Audited)
Trade:		
Accounts payable	382,580,206	575,234,991
Advance rentals	128,819,768	168,788,961
Accrued expenses	1,961,956,534	1,933,704,763
Customers' deposits from:		
Condominium sales	319,198,818	460,174,363
Hotel guests	122,915,151	149,627,017
Retention payables	584,713,899	596,429,280
Reservation payables	22,066,665	14,424,466
Advances from condominium unit buyers	282,805,598	302,158,966
Contract liabilities	84,156,789	22,428,105
Payable to contractors and suppliers	58,088,116	58,088,116
Construction bonds	62,428,820	62,695,015
Non-trade:		
Payable to related parties	14,295,672	172,556,667
Deferred output VAT	753,125,134	801,945,912
Payable to government agencies	26,388,188	43,852,775
Output VAT	68,285,209	53,347,319
Others	232,582,228	268,537,889
	5,104,406,795	5,683,994,606

Accounts payable and accrued expenses are non-interest bearing and are normally settled within 30 to 60 days and within the next financial year, respectively.

Advance rentals pertain to the three-month rent collected from tenants to be applied to the last three (3) months of the lease term.

In December 2020, SGCP started to implement a restructuring program and a provision for restructuring amounting to P33.99 million was recognized for the termination benefits of redundated employees. The related provision was recognized under operating expenses in the statements of total comprehensive income (Note 22).

Customers' deposits from condominium buyers represent initial collections (e.g. down payments) received from the buyers which shall be applied as payment of the transaction price when the sales contract meets the requirements of PFRS 15 for revenue recognition purposes while deposits from hotel guests are advances made by guests in relation to their stay in the hotel and will be applied against the guests' hotel charges upon their check-out.

Retention payables represent the portion of contractor billings which will be paid upon satisfaction by the contractors of the conditions specified in the contracts or until the defects have been corrected.

Reservation payables pertain to cash paid by the buyers of condominium units for the reservation of the units purchased. These shall be considered as part of the down payment on the units purchased upon execution of the contracts or income if the reservation is forfeited when the buyer did not push through with the purchase.

Advances from condominium unit buyers pertain to the amounts received in advance from the condominium unit buyers of TSFSP, OSP, SSP and The Rise Makati for utilities, maintenance, and repairs of common areas. These will be paid to the condominium corporation of the respective projects when demanded.

Contract liabilities represent any excess collections received from buyers over the revenue recognized based on the percentage of completion method. The amount is expected to be applied against revenue in the following year.

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

Construction bonds pertain to cash deposits posted by tenants as security for any expenses or damages that may be incurred by SLPC to the leased premises or common areas that may be sustained in relation to construction activities conducted by the tenants during fit-out, as well as during renovation period of the lease. It is normally returned to the tenants within six months after completion of their construction activities.

Deferred output VAT is the result of the difference in the application of installment method between the accounting policy of the Group and the tax regulations. It will be reclassified to output VAT payable when the collections from condominium unit buyers warrant recognition of revenue.

Payable to government agencies are expected to be settled within the next financial year.

Output VAT represents tax due and payable after deducting the corresponding input VAT.

Other accrued expenses consist of accruals for advertising and promotions, insurance, other employee related costs and other general and administrative expenses. Other current liabilities pertain mainly to taxes and insurance.

Note 15 - Bank loans

Bank loans as consist of:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Current portion		
Parent Company	3,899,999,999	3,833,333,333
SGCPI	650,000,000	450,000,000
	4,549,999,999	4,283,333,333
Non-current portion		
SGCPI	1,197,224,575	1,196,172,130
Parent Company	400,000,001	400,000,001
	1,597,224,576	1,596,172,131
	6,147,224,575	5,879,505,464

Movements in the bank loans are as follows:

	March 31, 2020 (Unaudited)	December 31, 2020 (Audited)
At beginning of period	5,879,505,464	5,927,961,091
Amortized debt issue cost	1,052,444	4,877,706
Proceeds from loan availment, net of unamortized debt issue costs	266,666,667	2,550,000,000
Payments	-	(2,603,333,333)
At end of period	6,147,224,575	5,879,505,464

(a) Parent Company

On July 30, 2012, the Parent Company obtained a 10-year loan facility from a local bank amounting to P5.00 billion payable in 24 equal quarterly installments, commencing on the 17th quarter from the initial borrowing date at a fixed interest rate of 4.00% per annum for the three (3) years effective September 17, 2015.

The loan agreement requires the Parent Company to comply with certain covenants and financial ratios until the loans are fully paid. Failure to comply with the covenants will render the full amount of loans due and demandable. As at December 31, 2020, the Parent Company has not reached with the debt-service coverage ratio requirement specified in the loan agreement. The Parent Company, however, was able to secure a waiver from the bank on the immediate declaration of the loan as due and demandable.

Total drawdown from the above facility amounted to P3.70 billion as at December 31, 2020 and 2019. As at December 31, 2020, the outstanding balance of the loan amounted to P933 million (2019 - 1.47 billion).

(b) SGCPI

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

The principal amount of the loan shall be payable in 24 equal quarterly consecutive installments commencing on the 17th quarter from the initial drawdown, with the last installments in an amount sufficient to fully pay the . Interest shall be paid on each interest payment date for the relevant interest period based on three-month treasury bill rate as published in the Bankers Association of the Philippines Peso Bloomberg Valuation (PHP BVAL). The interest shall be based on the higher between the PHP BVAL rate plus spread of 0.75% per annum and the Bangko Sentral ng Pilipinas (BSP) overnight borrowing rate minus spread of 0.95% per annum. The SGCPI has the option to prepay the principal amount and to fix the interest rate.

The Company is required to maintain a ratio of debt to tangible net worth, not exceeding 2.5:1 and debt service cover ratio, greater than 1.1:1. As at December 31, 2020 and 2019, the ratios of debt to tangible net worth are 0.17:1 and 0.18:1, respectively, and debt service cover ratio of -2.10:1 and 14.21:1, respectively. As at December 31, 2019, the Company has complied with these covenants. As at December 31, 2020, the SGCPI has not reached with the debt-service coverage ratio requirement specified in the loan agreement. The SGCPI, however, was able to secure a waiver from the bank on the immediate declaration of the loan as due and demandable.

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

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

Note 16 - Deposits from tenants

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

Note 17 - Equity

Details of share capital and share premium are as follows:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Authorized, at P1 par value per share		
Common shares	8,000,000,000	8,000,000,000
Issued and outstanding shares		
Common shares	4,764,058,982	4,764,058,982
Share premium	834,439,607	834,439,607
	5,598,498,589	5,598,498,589

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

The Parent Company is listed in the Philippine Stock Exchange. It was registered on June 13, 1991 with total listed shares of 4,764,058,982 which was initially issued at P1.18 per share.

Note 18 - Financial risk and capital management

18.1 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the Group's management under policies approved by its Board of Directors. These policies cover financing structure, foreign exchange and interest rate risk management, guarantees and credit support, as well as treasury control framework. There are no changes in the Group's risk management plans for the years ended March 31, 2021 and December 31, 2020.

18.1.1 Market risk

(a) Foreign exchange risk

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

The Group's foreign currency denominated cash in banks and cash equivalents as at and net foreign exchange gains for the years ended March 31, 2021 and December 31, 2020 are disclosed in Note 3.

(b) Price risk

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

(c) Cash flow and fair value interest rate risk

Interest rate risk refers to risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's interest-bearing financial instruments include bank loans (Note 15). Loans amounting to P1,847,224,575 as at March 31, 2021 (2020 – P1,646,172,130) are based on the higher between the PHP BVAL rate plus 0.75% per annum and the BSP overnight borrowing rate. A loan amounting to P4,300,000 as at March 31, 2021 (2020 - P4,233,333,334) has an interest rate

subject to repricing every 30 to 180 days as agreed by the parties.

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

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

At December 31, 2020, if interest rates on bank loans had been 100 basis points lower or higher with all other variables held constant, post-tax profit for the year would have been higher by/lower by P58,795,054 mainly as a result of lower/higher interest expense on floating-rate bank loans. Management uses 100 basis points as threshold in assessing the potential impact of interest rate in the operations.

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

18.1.2 Credit risk

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

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

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

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

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

	Performing	Under performing	Non-Performing	Total
2021				
Current assets				
Cash and cash equivalents	1,637,781,493	-	-	1,637,781,493
Trade and other receivables	5,592,317,693	-	22,850,878	5,615,168,571
Financial assets at fair value through profit or loss	32,679,478	-	-	32,679,478
Refundable deposits	2,332,728	-	-	2,332,728
Non-current assets				
Advances to a joint venture	1,000,000,000	-	-	1,000,000,000
Refundable deposits	133,165,763	-	-	133,165,763
Financial assets at FVOCI	797,568,496	-	-	797,568,496
	9,195,845,651	-	22,850,878	9,218,696,529
2020				
Current assets				
Cash and cash equivalents	1,542,884,690	-	-	1,542,884,690
Trade and other receivables	4,996,338,314	-	23,020,320	5,019,358,634
Financial assets at fair value through profit or loss	33,626,210	-	-	33,626,210
Refundable deposits	2,897,511	-	-	2,897,511
Non-current assets				
Advances to a joint venture	1,000,000,000	-	-	1,000,000,000
Refundable deposits	136,967,397	-	-	136,967,397
Financial assets at FVOCI	797,568,496	-	-	797,568,496
	8,510,282,618	-	23,020,320	8,533,302,938

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

Allowance for impairment of receivables as at December 31, 2020 amounted to P23,030,320 (2019 - P14,498,427). Apart from the financial assets covered by allowance, the remaining financial assets are classified as high performing.

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

(a) Cash and cash equivalents

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

(b) Receivables

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

Trade receivables

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

Non-trade receivables

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

(c) Refundable deposits

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

d) Financial assets at fair value through profit or loss and financial assets at FVOCI

The Group adheres to fixed limits and guidelines in its dealings with counterparties of its investments in financial assets at fair value through profit or loss and financial assets at FVOCI. The Group's maximum exposure to credit risk as at March 31, 2020 and December 31, 2019 is equal to the carrying values of its financial assets. Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

18.1.3 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.

18.2 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 2021 and 2020.

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 is presented below:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Net debt		
Long-term loan	6,147,224,575	5,879,505,463
Less: cash and cash equivalents	(1,637,781,493)	1,549,970,914
	5,509,443,082	4,329,534,549
Capital		
Total equity	41,925,180,106	41,674,367,167
Less: Non-controlling interest	(5,852,790,026)	5,950,341,446
	36,072,390,080	35,724,025,721
Gearing ratio	15.27%	12.12%

The Group was able to meet its capital management objectives.

18.3 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, 2021 and December 31, 2020:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
2021				
Assets measured at fair value				
Financial assets at fair value through profit or loss	32,679,478	-	-	32,679,478
Investment properties:				
Land	-	-	15,905,946,923	15,905,946,923
Buildings	-	-	19,061,783,883	19,061,783,883
Financial assets at FVOCI:				
Quoted	27,950,000	-	-	27,950,000
Unquoted	-	-	769,618,496	769,618,496
Assets for which fair values are disclosed				
Financial asset at amortized cost				
Refundable deposits	-	135,498,491	-	135,498,491
Liabilities for which fair values are disclosed				
Installment payable	-	142,751,079	-	142,751,079
Deposits from tenants	-	1,105,344,518	-	1,105,344,518

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
2020				
Assets measured at fair value				
Financial assets at fair value through profit or loss	33,626,210	-	-	33,626,210
Investment properties:				
Land	-	-	15,905,946,923	15,905,946,923
Buildings	-	-	19,007,926,142	19,007,926,142
Financial assets at FVOCI:				
Quoted	27,950,000	-	-	27,950,000
Unquoted	-	-	769,618,496	769,618,496
Assets for which fair values are disclosed				
Financial asset at amortized cost				
Refundable deposits	-	136,967,397	-	136,967,397
Liabilities for which fair values are disclosed				
Installment payable	-	142,751,080	-	142,751,080
Deposits from tenants	-	1,154,772,931	-	1,154,772,931

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 2021 and 2020.

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

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

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

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

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

(c) Installment contracts receivable

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

(d) Refundable deposits and deposits from tenants

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

(e) 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 19 - Summary of significant accounting and financial reporting policies

19.1 Basis of preparation

The accompanying consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards, as modified by the application of the following financial reporting reliefs for real estate companies issued by the Securities and Exchange Commission in response to the COVID19 pandemic:

- Assessing whether the transaction price includes significant financing component (SFC);
- Impact of implementing IFRIC Agenda Decision on Over Time Transfers of Constructed Goods under PAS 23, Borrowing Cost.

The reliefs cover only current-year transactions and events and do not impact the comparative periods. The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by SEC.

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

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.

19.2 Changes in accounting policy and disclosures

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

The Company has adopted certain amendments for the first-time effective January 1, 2020:

- Definition of Material - Amendments to PAS 1 and PAS 8
- Definition of a Business - Amendments to PFRS 3
- Interest Rate Benchmark Reform – Amendments to PFRS 7, PFRS 9 and PAS 39
- Revised Conceptual Framework for Financial Reporting
- Covid-19-related Rent Concessions – Amendments to PFRS 16

The amendments listed above did not have material impact on the amounts recognized in the current and prior periods and is not expected to significantly impact future periods.

(b) Deferral of implementation of amendment to existing standard and interpretations

i. Deferral of the following provisions of PIC Q&A Nos. 2018-12 and 2018-14 until December 31, 2020

On October 29, 2018 and February 8, 2019, the SEC issued SEC Memorandum Circular No. 14 Series of 2018 and SEC Memorandum Circular No. 3 Series of 2019, respectively, providing relief to the Real Estate industry by deferring the application of the following provisions of PIC Q&A for a period of three years until December 31, 2020. In SEC Memorandum Circular 34 Series of 2020 issued on December 15, 2020, the SEC concluded that the relief for the following provisions would remain until December 31, 2020 only and shall be effective January 1, 2021. The Group availed the following reliefs:

- a. Accounting for Common Usage Service Area (CUSA) charges discussed in PIC Q&A No. 2018-12-H, which was approved by the FRSC on February 14, 2018

The PIC Q&A 2018-12 concluded in its principal vs. agent analysis of the real estate developers' performance obligation based on the definition of control as well as the indicators of control based on the fact pattern that the entity acts as a principal for the provision of air-conditioning services, common use service areas and administration and handling services. The conclusion of PIC Q&A No. 2018-12H allows the consideration of an alternative presentation wherein CUSA may be presented outside of topline revenues if these are not considered as main source of revenue and are not material or as "Other income" net of costs if the gross amount of revenue and related costs are not individually material. Currently, CUSA charges to mall tenants are presented as a reduction to costs and expenses in the consolidated statement of total comprehensive income (Note 31.23).

- b. Accounting for Cancellation of Real Estate Sales discussed in PIC Q&A 2018-14, which was approved by the FRSC on October 10, 2018

The PIC Q&A 2018-14 provided two (2) acceptable approaches to account for the sales cancellation and repossession of property which are to recognize the repossessed property at its fair value less cost to repossess, or to recognize the repossessed property at its fair value plus repossession cost. PIC, in its letter to the industry dated November 11, 2020, concluded that a third option to record repossessed inventory at cost upon cancellation is allowed, based on the view that such cancellation is treated as a modification of the contract (i.e., from non-cancellable to being cancellable).

Currently, upon cancellation of the real estate sales, the Group recognizes the repossessed inventory at its carrying amount and derecognizes the related receivables and gross profit previously recognized. This is in accordance with the third option allowed by the PIC. The adoption of this provision did not have a material impact in the Group's financial statements.

ii. *Deferral of the following provisions of PIC Q&A 2018-12 and IFRIC Agenda Decision on Over Time Transfer of Constructed Good (PAS 23, Borrowing Costs) until December 31, 2023*

On December 15, 2020, the SEC issued SEC Memorandum Circular No. 34 Series of 2020 to further extend the deferral provided under SEC under Memorandum Circular Nos. 14-2018, 3-2019 and 4-2020 for another period of three (3) years or until December 31, 2023, to afford the industry reasonable time to evaluate the impact thereto or as the SEC will later prescribe. This decision is pursuant to RA 11494, Bayanihan to Recover as One Act which allows the SEC to adopt measures to enable companies to cope with the impact of the Covid-19 pandemic. The Group availed the following reliefs:

a. *Assessing whether the transaction price includes SFC*

There is SFC in the contracts to sell when there is a mismatch between the POC of real estate projects and schedule of payments. PIC, in its response to the industry dated November 11, 2020, allows the Real Estate Industry to provide support to their specific payments schemes that there is no SFC, if the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance.

In the event of the existence of SFC, interest income would be recognized when the POC is ahead of the customer payments and interest expense would be recognized when the customer payments are ahead of the POC. The Group has initially assessed, however, that the timing difference arising from existing sales contracts does not necessarily result in a significant financing component.

b. *Impact of implementing IFRIC Agenda Decision on Over Time Transfers of Constructed Goods under PAS 23, Borrowing Cost*

In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue will be recognized over time under par. 35(c) of IFRS 15. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under IAS 23 considering that these inventories are ready for their intended sale in their current condition.

Had the Group adopted the IFRIC agenda decision, borrowing costs capitalized as part of real estate inventories related to projects with pre-selling activities should have been expensed out in the period incurred. A restatement would have impact on interest expense and bank charges, cost of sales and services, income tax expense, properties held for sale, deferred income tax liabilities, net and opening balance of retained earnings.

(c) *New standards, amendments and interpretations not yet adopted*

A number of new standards, amendments to standards and interpretations to existing standards are effective for annual periods after January 1, 2020 and have not been early adopted nor applied by the Group in preparing these financial statements. None of these standards are expected to have significant effect on the consolidated financial statements of the Group.

19.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2021 and 2020. 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 %		
	2021	2020	2019
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
SPI Property Holdings, Inc. (SPI-PHI)	100	100	-
SPI Property Developers, Inc. (SPI-PDI)	100	100	-
SPI Land Development, Inc. (SPI-LDI)	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
Sky Leisure Properties, Inc. (SLPI)	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.

The summarized financial information of subsidiaries with significant non-controlling interest as at and for the period ended March 31, 2021 and year ended December 31, 2020 are disclosed in Note 9.

(a) Subsidiaries

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

The Group also assesses the existence of control where it does not have more than 50% of the voting power by virtue of de facto control. De facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group control over the investee.

Whenever the Group obtains control of one or more other entities, it assesses whether the acquired group of net assets constitutes a business. In assessing whether a transaction is an acquisition of a business or assets, the Group identifies the elements in the acquired group, assesses the capability of the acquired group to produce outputs, and assesses the capability of a market participant to produce outputs if missing elements exist. If the assets acquired are not a business, the Group accounts for the transaction or other event as an asset acquisition.

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

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is not accounted for within equity.

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

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

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

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

(b) 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.

(c) Associates and joint ventures

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

Interests in joint ventures are accounted for using the equity method, after initially being recognized at cost in the consolidated statement of financial position.

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

When the Group increases its stake in an existing associate and gains control in that investment, the investment becomes a subsidiary. When the entity obtains control of the investment (an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee) that was previously accounted for under equity method, the carrying amount of the investment in associate is derecognized and the assets and liabilities acquired are recognized in the Group's consolidated financial statements at acquisition date.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

The Group determines at each reporting date whether there is any objective evidence that the investment is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investments and its carrying value and recognizes the amount adjacent to 'share in net earnings of associates' in the consolidated statement of total comprehensive income. The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 19.13.

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

19.4 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.

19.5 Financial instruments

19.5.1 Classification of financial assets

The Group classifies its financial assets in the following measurement categories:

- ☐ those to be measured subsequently at fair value either through other comprehensive income ("OCI") or through profit or loss, and
- ☐ those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

31.5.2 Measurement of financial assets

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising from derecognition is recognized directly in profit or loss and presented in other income, net, together with foreign exchange gains and losses. Impairment losses are presented in other general and administrative expenses in the consolidated statements of total comprehensive income.

The Group's financial assets at amortized cost consist of cash and cash equivalents (Note 3), trade and other receivables (Note 5), refundable deposits under prepaid taxes and other current assets (Note 7) and other non-current assets (Note 13) in the consolidated statements of financial position.

- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other income, net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income, net, and impairment expenses are presented in other general and administrative expenses in the consolidated statements of total comprehensive income.

The Group does not have debt instruments at FVOCI as at December 31, 2020.

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

The Group does not have debt instruments at FVTPL as at December 31, 2020.

Equity instruments

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

The Group's financial assets measured at FVOCI represent unquoted shares of stock of related parties and quoted investments in various golf club shares and stocks. These are separately shown in the consolidated statements of financial position (Note 11).

Dividends are recognized when the Group's right to receive payment is established, it is probable the economic benefits will flow to the entity and the amount can be measured reliably. Dividends are recognized in profit and loss unless they clearly represent recovery of a part of the cost of the investment, in which case they are included in other comprehensive income. Changes in fair value are recognized in other comprehensive income and are never recycled to profit and loss, even if the asset is sold or impaired.

19.5.3 Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of counterparties over a period of 36 months before January 1, 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has assessed that the impact of forward-looking information on the loss rates applied is immaterial.

Impairment losses on receivables are presented in other general and administrative expenses consolidated statement of total comprehensive income. Subsequent recoveries are credited to other income.

19.5.4 Classification and measurement of 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. The Group did not measure its financial liabilities at fair value through profit or loss as at December 31, 2020.

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, contract liabilities, customers' deposits, reservation payable, output VAT, deferred output VAT and payable to government agencies) (Note 14), installment payable, deposits from tenants (Note 16), dividends payable, accrued employee benefits (excluding retirement benefits) and bank loans (Note 15) are classified under financial liabilities at amortized cost.

19.5.5 Initial recognition

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.

19.5.6 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.

19.5.7 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.

19.5.8 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty. There are no offsetting arrangements as at December 31, 2020 and 2019.

19.6 Trade and other receivables

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

The Group applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized within operating expenses in the consolidated statement of total comprehensive income. When a receivable remains uncollectible after the Group has exerted all legal remedies, it is written-off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written-off are credited against other general and administrative expenses in the consolidated statement of total comprehensive income.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before January 1, 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Refer to Note 19.5 for other relevant accounting policies on trade and other receivables.

19.7 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.

19.8 Prepaid taxes and other assets

Input VAT, which represents 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 12 months after the reporting period.

Restricted fund represents cash deposit with a third party for a purchase of a property. Restricted fund is derecognized upon full payment to the third party. The Group then determines whether the property is to be classified as property held for sale, an investment property, or property and equipment depending on the usage of the property.

19.9 Investment properties

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

The Group's investment property, principally comprising of properties in Mandaluyong and Makati City are held for capital appreciation and is not occupied by the Group. The Group has adopted the fair value model for its investment properties (Note 10).

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

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

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

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

Removal of an item within investment property is triggered by a change in use, by sale or disposal. If an investment property becomes owner-occupied, it is reclassified as property and equipment (Note 19.11), and its fair value at the date of reclassification becomes its cost for accounting purposes. Gain or loss arising from disposal is determined as the difference between the net disposal proceeds and the carrying amount of the asset. Gain or loss on disposal is recognized in profit or loss in the period of the disposal.

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

Impairment of investment properties is discussed in Note 19.13.

19.10 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.

19.11 Property and equipment

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

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

Land rights are not depreciated. Depreciation and amortization of property and equipment are calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives (in years), as follows:

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 19.13).

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

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

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

19.12 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 cash generating units (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.

19.13 Impairment of non-financial assets

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

19.14 Accounts payable and other current liabilities

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

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

Relevant accounting policies for classification, recognition, measurement and derecognition of accounts payable and other current liabilities and financial liabilities at amortized cost are presented in Note 19.5.

19.15 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.

19.16 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 within interest expense and bank charges in the consolidated statement of total comprehensive income.

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. The Group decided to avail relief issued by the SEC per Memorandum Circular No. 4-2020. The SEC provided for the relief to the real estate industry by deferring the implementation of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) until December 31, 2020 (Note 19.2).

19.17 Fair value measurement

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

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

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

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

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

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

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

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

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

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

Specific valuation techniques used to value financial instruments include:

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

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

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

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

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

19.19 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.

19.20 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 include 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.

19.21 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.

19.22 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.

19.23 Income and expense recognition

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or as an agent. The Group has concluded that it is acting as the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has inventory risk and pricing latitude.

The following specific recognition criteria must be met before revenue and expenses are recognized;

(a) Revenue

Revenue from condominium sales

The Group develops and sells condominium units. Under a contract to sell a condominium unit, the object is the property itself, which is the normal output of a real estate business. In addition, this contract contains information such as the contracting parties' rights and payment terms, which are essential elements for a valid revenue contract. The Group assesses that contract must be signed by the contracting parties to make it enforceable prior to revenue recognition. Also, the developer assesses the commercial substance of the contract and the probability that it will collect the consideration. Collectability of the contract price is demonstrated by the buyer's commitment to pay, which is supported by the buyer's initial and continuous investments that motivates the buyer to honor its obligation.

Contracts to sell condominium units are written on a lump sum payment basis or installment basis which include 10-20% reservation, down payments with installment terms ranging from 1-5 years.

The Group satisfies its performance obligation as it develops the property. In accordance with PFRS 15 and Philippine Interpretations Committee (PIC) 2016-04, the Group considers that the Group's performance does not create the asset with an alternative use to the Group and it has an enforceable right to payment for performance completed to date. Therefore, revenue is recognized over time, i.e. as the related obligations are fulfilled, measured principally using the output method on the basis of the estimated completion of a physical proportion of the contract work. Land and materials delivered on site, such as steels, rebars and elevators, which are yet to be installed/attached to the main structure, are excluded from the percentage-of-completion.

Revenue is measured at the transaction price agreed under the contract, except for contracts where the timing difference between the construction period and payment by the customer exceeds one year. In such contracts, the Group assessed that it is necessary to adjust the transaction price for the effects of a significant financing component as required by PIC Q&A 2018-12, but the Group decided not to adjust the transaction price and availed the relief issued by the SEC per Memorandum Circular No. 3-2019 dated February 8, 2019. The SEC provided relief to the real estate industry by deferring the application of the provisions of PIC Q&A 2018-12 for a period of three (3) years until January 1, 2021. For completed projects, revenue from condominium sales are recognized in full (ie. point in time) once the Group assessed that the contract meets all criteria for revenue recognition.

Under the sales contract, customers are required to pay the transaction price (in the form of progress billings) over a certain period of time. Any excess (deficit) of collections over the recognized revenue are recognized as contract liabilities under accounts payable and other current liabilities (installment contracts receivable under Trade and other receivables, net) as shown in the consolidated statement of financial position.

Payments received from potential buyer to provide exclusive rights to buy a specific condominium unit under certain conditions and up to specified period are treated initially as a liability and are recognized as part of "customers' deposits" under accounts payable and other liabilities. These deposits are applied as payment of the transaction price as soon as the revenue recognition criteria are met.

Cost of condominium sales include upfront costs such as land costs and connection fees, which are accounted for as fulfillment costs, and development costs which contribute to the construction progress of the development project. Fulfillment costs are recognized as contract assets arising from fulfillment costs to the extent that such costs give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered. These costs are included in properties held for sale in the consolidated statement of financial position. Such contract assets are amortized as cost of condominium sales consistent with the revenue recognition method applied, subject to impairment up to the extent that the carrying amount of the asset exceeds (a) the remaining amount of consideration that the Group expects to receive; less (b) direct costs that have not been recognized as expenses. Development costs are recognized as expense as the work to which they relate is performed.

Incremental costs of obtaining a contract to sell condominium units include commissions paid to sales or marketing agents. Fixed monthly living allowance, transportation allowance provided to real estate agents and commissions paid prior to signing of contracts to sell are expensed outright. Commissions paid after signing of contracts are recognized as contract assets arising from costs to obtain a contract presented as 'prepaid commission' under prepaid expenses and other current assets in the consolidated statement of financial position. These are amortized as cost of condominium sales consistent with the revenue recognition method applied.

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

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

Condominium units arising from cancellation of contracts to sell are initially measured by the Group based on its original carrying amount at the time it was sold. The Group decided to avail the relief issued by the SEC per Memorandum Circular No. 3-2019 dated February 8, 2019 deferring the application of the provisions of PIC Q&A 2018-14 for a period of three (3) years until January 1, 2021.

Critical accounting judgment - 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 a 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.

NRV has been assessed to be higher than cost based on circumstances or conditions as at December 31, 2020 and 2019. Accordingly, no write-down is deemed necessary.

Critical accounting judgment - Collectability of the transaction price

Identification of a "contract" for particular real estate sale transaction in the context of PFRS 15 requires certain judgments based on the collectability of the transaction price. Collectability of the transaction 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 Company considers that initial and continuing investments by the buyer of about 10% would demonstrate the buyer's commitment to pay, based on historical data.

(b) Rental

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

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

(c) Hotel operations

Hotel revenue from room rentals, food and beverage sales, and other ancillary services are recognized when the services are rendered. Revenue from other ancillary services include, among others, business center and car rental, laundry service, telephone service and health club services. The services rendered are distinct performance obligations, for which prices invoiced to the guests are representative of their stand-alone selling prices. These obligations are fulfilled over time when they relate to room rentals, that is over the stay within the hotel, at a point in time for other goods or services, when they have been delivered or rendered.

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

(d) Interest income and expense

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

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

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

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

(e) Dividend income

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

(f) Other income

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

(g) Cost and expenses

Cost and expenses are recognized when these are incurred.

CUSA charges to mall tenants are presented as a reduction to costs and expenses in the consolidated statement of total comprehensive income. The Group decided to avail the relief issued by the SEC per Memorandum Circular No. 3-2019 dated February 8, 2019. The SEC provided relief to the real estate industry by deferring the application of the provisions of PIC Q&A 2018-12-H for a period of three (3) years until January 1, 2021. (Note 19.2)

19.24 Leases

(a) Group is the lessor

Rental income from operating lease is recognized on a straight-line basis over the term of the relevant lease or based on a certain percentage of gross revenue of the lessees, whichever is applicable. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term. Assets under these arrangements are classified as investment property in the consolidated statement of financial position (Note 19.9).

(b) Group is the lessee

The Group has adopted PFRS 16 Leases using the modified retrospective approach from January 1, 2019, as permitted under the specific transition provisions in the standard (Note 19.2).

Aside from exemptions in the standard for short-term and low-value leases which are recognized as operating leases under the provisions of PAS 17, lease payments are discounted using the interest rate implicit in the lease. Payments for leases of properties and office equipment are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Accounting policies applied until December 31, 2018

Leases, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is apportioned between the liability and finance charges using the effective interest method. Finance charges are reflected in the consolidated statement of total comprehensive income through profit or loss. Rental obligations, net of finance charges, are included in liabilities in the consolidated statement of financial position. The property and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Leases, in which substantially all the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged in the consolidated statement of total comprehensive income through profit or loss on a straight-line basis over the period of the lease.

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

Key Performance Indicators

		March 31 2021	March 31 2020	Change
Turnover	(Php M)	1,177.1	2,044.6	-42.4%
Profit attributable to shareholders	(Php M)	386.1	616.2	24.8%
Earnings per share	(Php Ctv)	0.08	0.13	24.8%
Net asset value per share	(Php)	7.575	7.433	2.5%
Debt to equity ratio	(Ratio)	0.51	0.49	-0.6%

- Turnover consists of sales of residential condominium units, revenue from rental and cinema and hotel operations. For three (3) months ended March 31, 2021, Shang Properties' revenue decreased by P867.5 million (M) to P1.18 billion (B) from P2.04B revenues during the same period in 2020. Sales of residential condominium units accounted for P503M or 42.73% of the total revenue and is lower by P143.3M from P646.3M in the same period last year. Revenue from leasing operations amounted to P488.9M or 41.53% of the total revenue and is lower by P266.5M from P755.3M in the same period last year. Shangri-La at Fort's hotel operations contributed revenue amounting to P185.3M or 15.74% of the total revenue and is, lower by P457.6M from P642.9M of the same period last year.
- Profit attributable to shareholders that pertains to net income from operations after tax amounted to P386.1M, lower by P230.1M or 37.3% compared with the same period last year.
- Earnings per share of P0.08 in 2021 is lower by 37.3% compared with the first quarter 2020.
- Net asset value per share is calculated by dividing the total net asset of the Group (Total assets – Total liabilities and equity attributable to non-controlling interest) by the number of shares outstanding. Net asset value per share increased by 2.5% mainly due to income generated during the period.
- Debt to equity measures the exposure of creditors to that of the stockholders. It gives an indication of how leveraged the Group is. It is determined by dividing total debt by stockholder's equity. The Group's financial position remains solid with debt to equity ratio of 0.51:1 as of March 31, 2021 and 0.49:1 as of March 31, 2020.

Financial Condition

Total assets of the Group as of March 31, 2021 amounted to P63.1B, a decrease of P54M from total assets of P63.2B in December 31, 2020. Following are significant movements in assets during the first quarter:

- Cash and Cash Equivalents increased by P87.8M mainly due to short term investments of the Group.

- Financial Assets at Fair Value Through Profit or Loss decreased by P946.7K mainly due to decline in value of listed shares owned by the Group.
- Receivables increased by P596M mainly due to reclassification from Investment to Bridgetown Project to Receivable from a Joint Venture.
- Properties Held for Sale decreased by P37.7M is mainly due adjustments of costs incurred in ongoing developments of Shang Residences Wack Wack projects.
- Input Tax and Other Current Assets increased mainly due to down payments made to contractors of Shang Residences Wack Wack during the first quarter of the year. These will be recouped from future progress billings. Also, included are annual prepaid expenses paid at the beginning of the year and will be amortized monthly.
- Deferred Income Tax Assets increased by P97.3M mainly due to deferred tax effect of difference in percentage of completion against taxable income per tax computation.
- Other Noncurrent Assets decreased by P893.7M is mainly due to the reclassification of fund for a future project.
- Current ratio is 1.16:1 as of March 31, 2021 from 1.06:1 as of December 31, 2020.

Total liabilities decreased by P304.9M from P21.5B in 2020 to P21.2B in 2021 mainly due to the following:

- Increase in bank loans by P268M is mainly due to additional loan availments during the quarter.
- Decrease in Accounts Payable by P539.6M is mainly due to decrease in Customers Deposit from Condominium buyers
- Increase in income tax payable by P106.7M is mainly due to income tax due on taxable income for the first quarter and last quarter of 2020.
- Decrease in dividends payable by P21.5M is due to the payment of cash dividends declared by KSA Realty Corporation. The remaining unpaid balance pertains to dividends of shareholders who are out of the country and remittance was delayed due to the ongoing Enhanced Community Quarantine.
- Decrease in accrued employee benefits by P7.6M is mainly due to the accruals for retirement benefits during the period.
- Decrease in Deposit from Tenants by P56M is mainly due to refunds made during the quarter.
- Deferred Income Tax Liabilities decreased by P15M mainly due to adjustment made on the difference between income and tax treatment in the first quarter of 2021.

Results of Operation

Consolidated net income for the period ended March 31, 2021 amounted to P386.1M which is lower by 37.35% from last year's P616.2M.

Turnover decreased by P867.5M to P1.18B in 2021 from P2.04B in 2020, mainly due to net effect of the following:

- Decrease in condominium sales by P143.3M mainly due to lower units sold during the quarter.
- Decrease in revenue from hotel operations by P457.6M mainly due to lower occupancy and lower Average Daily Rate caused by the ongoing travel bans and community quarantine.

Total Cost of Sales and Services of the Group amounted to P964M, lower by P585.2M compared with last year's P1.5B. This was mainly due to the following:

- Decrease in cost of condominium sales as lower number of units were sold during the first quarter.
- Decrease in cost of rental and cinema by P21.2M is mainly due to lower utility costs, repairs and maintenance cost and advertising costs due to closure of the mall starting March 16, 2020 due to the Enhanced Community Quarantine mandated by government.
- Decrease in cost of hotel operations by P158.0M due to lower occupancy caused by the ongoing travel bans and community quarantine.

Total Operating Expenses of the Group amounted to P424M, lower by P27.7M compared with last year's P451.7M. This was mainly due to the following:

- Decrease in general and administrative expense by P35.4M is mainly due to lower advertising and promotion expense incurred.
- Increase in taxes and licenses due to payment of real property taxes of The Rise Common Areas, Machinery, Commercial Units and Parking.
- Increase in depreciation by P250K is due to depreciation of additional improvements incurred and equipment bought in 2020 and 1st quarter of 2021.
- Decrease in insurance by P694.2K mainly due to lower Property Insurance of SGCPI.

Other Income decreased by P27.1M mainly due to lower interest on discounting of receivables of Shang Residences Wack Wack.

19.25 Foreign currency transactions and translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

19.26 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 shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

19.27 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 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.

19.28 Contingencies

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

19.29 Events after the reporting period

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

Financial Soundness Indicators

	End of March 2021	End of December 2020
Current Ratio ¹	1.16:1	1.06:1
Debt-to-equity ratio ²	0.51:1	0.52:1
Asset-to-equity ratio ³	1.51:1	1.52:1
	1Q 2021	1Q 2020
Interest rate coverage ratio ⁴	17.08	24.27
Return on assets ⁵	2.45%	3.93%
Return on equity ⁶	3.69%	5.94%

¹Current assets/current liabilities

²Total liabilities/stockholders' equity

³Total asset/stockholders' equity

⁴Income before interest and taxes/interest expense

⁵Annualized net income/average total assets⁷

⁶Annualized net income/average stockholders' equity⁷

⁷Annualized net income = 1Q Net income x Average Total Assets = average total assets as of end of March 2020 and end of March 2019

Average Stockholders' Equity = average stockholders' equity as of end of March 2020 and end of March 2019

PART II--OTHER INFORMATION

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

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

Item 3. Other Required Disclosures

- A. The attached interim financial reports were prepared in accordance with Philippine Financial Reporting Standard. The accounting policies and methods of computation followed in these interim financial statements are the same compared with the audited financial statements for the period ended December 31, 2020.
- B. Except as reported in the Management's Discussion and Analysis of Financial Condition and Results of Operations, there were no unusual items affecting assets, liabilities, equity, net income or cash flows for the interim period.
- C. There were no materials changes in estimates of amounts reported in prior period that have material effects in the current interim period.
- D. Except as disclosed in the Management's Discussion and Analysis of Financial Condition and Results of Operations, there were no other issuances, repurchases and repayments of debt and equity securities.
- E. There are no significant events that happened subsequent to March 31, 2021 up to the date of this report that needs disclosure herein.

SHANG PROPERTIES, INC. AND SUBSIDIARIES

AGING OF RECEIVABLES

As of March 31, 2021

TENANTS	TOTAL RECEIVABLES	CURRENT	1-30 DAYS	31-60 DAYS	61-90 DAYS	OVER 90 DAYS
Mall Tenants	113,451,122	60,321,908	10,797,650	6,659,297	6,625,886	29,046,381
EDSA Shangri-La Hotel & Resort	8,419,171	1,813,353	6,605,818	-	-	-
TSFT Commercial Space	1,744,793	432,936	1,311,857	-	-	-
TECC Tenants	34,548,805	3,215,113	6,410,936	2,336,125	22,586,631	-
Third Parties	79,642,209	79,642,209	-	-	-	-
Installment Contracts Receivables	2,652,682,011	2,652,682,011	-	-	-	-
	2,890,488,111	2,798,107,530	25,126,261	8,995,422	29,212,517	29,046,381

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