COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	4	5	4	9	0					

COMPANY NAME

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

PRINCIPAL OFFICE (No./Street/Barangay/City/Town/Province)

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

Form Type	Department requiring the report	Secondary License Type, if Applicable
AFS	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
www.shangproperties.com	8-370-2700	N/A

No. of Stockholders	Annual Meeting (Month/Day)	Fiscal Year (Month/Day)
5,191	any day in June	12/31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Federico G. Noel, Jr.	bobong.noel@shangproperties.com	8-370-2700	N/A

CONTACT PERSON's ADDRESS

5/F Administration Office, Shangri-La Plaza, Edsa corner Shaw Boulevard, Mandaluyong City

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SHANG PROPERTIES

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **SHANG PROPERTIES INC**. is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud of error.

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

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

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

Isla Lipana and Co., the independent auditors appointed by the stockholders for the period December 31, 2020 and 2019, respectively, have audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

Edward Kuok Khoon Loong
Chairman of the Board

Wilfred Shan Chen Woo
Executive Assistant to Chairman of the Board

Karlo Marco P. Estavillo
Treasurer/Chief Finance Officer and Chief Operating Officer

SUBSCRIBED AND SWORN TO BEFORE ME in the City of Mandaluyong this ___ day of MAY 1 4 2021 affiant exhibiting to me his/her ___ as competent evidence of identity.

Signed this 25th day of March, 2021

JOVEN G. SEVILLANO
NOTARY PUBLIC FOR CITY OF MANDALUYONG
COMMISSION NO. 0265-19 VALID UNTIL JUNE 30, 2021
AS PER SC EN BANC RESOLUTION DATED DECEMBER 1, 2020
ROLL NO. 53970
IBP LIFETIME NO. 011302; 12-28-12; RIZAL
PTR NO. 4581076; 1-1-21; MANDALUYONG
MCLE COMPLIANCE NO. VI 0017960 14 APRIL 2022
METRO MART COMPLEX, MANDALUYONG CITY

Doc. No. 127;
Page No. 27;
Book No. 18;
Series of 2021.

www.pwc.com/ph

Shang Properties, Inc.

Separate Financial Statements
As at and for the years ended December 31, 2020 and 2019

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Isla Lipana & Co.

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Isla Lipana & Co.

Independent Auditor's Report

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

Report on the Audits of the Separate Financial Statements

Our Opinion

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of Shang Properties, Inc. (the "Company") as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

What we have audited

The separate financial statements of the Company comprise:

- the statements of financial position as at December 31, 2020 and 2019;
- the statements of total comprehensive income for the years ended December 31, 2020 and 2019;
- the statements of changes in equity for the years ended December 31, 2020 and 2019;
- the statements of cash flows for the years ended December 31, 2020 and 2019; and
- the notes to the separate financial statements, which include a summary of significant accounting policies.

Basis for Opinion

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

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

Independence

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

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

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

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAY 12 2021 TSIS
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RHEA ARAGON

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Isla Lipana & Co.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAY 12 2021 TSIS
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Statements Required by Rule 68
Securities Regulation Code (SRC)
As Amended on October 20, 2011

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

We have audited the financial statements of Shang Properties, Inc. (the "Company") as at and for the year ended December 31, 2020, on which we have rendered the attached report dated March 25, 2021.

In compliance with SRC Rule 68 and based on the certification received from the Company's corporate secretary and the results of work performed by us, the Company has five thousand one hundred ninety-one (5,191) shareholders owning one hundred (100) or more shares as at December 31, 2020.

Isla Lipana & Co.

Imelda Ronnie de Guzman-Castro
Partner
CPA Cert. No. 89352
P.T.R. No. 0011287; issued on January 5, 2021 at Makati City
SEC A.N. (individual) as general auditors 1769-A, Category A; effective until September 2, 2022
SEC A.N. (firm) as general auditors 0142-SEC, Category A;
valid to audit 2020 to 2024 financial statements
T.I.N. 152-015-095
BIR A.N. 08-000745-44-2018; issued on October 19, 2018; effective until October 18, 2021
BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City
March 25, 2021

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

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

We have audited the financial statements of Shang Properties, Inc. as at and for the year ended December 31, 2020, on which we have rendered the attached report dated March 25, 2021. The supplementary information shown in the Reconciliation of Retained Earnings Available for Dividend Declaration, is presented for purposes of filing with the Securities and Exchange Commission and is not required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in the audit of the basic separate financial statements. In our opinion, the supplementary information has been prepared in accordance with Part 1, Section 5 of Rule 68 of the SRC.

Isla Lipana & Co.

Imelda Ronnie de Guzman-Castro
Partner
CPA Cert. No. 89352
P.T.R. No. 0011287; issued on January 5, 2021 at Makati City
SEC A.N. (individual) as general auditors 1769-A, Category A; effective until September 2, 2022
SEC A.N. (firm) as general auditors 0142-SEC, Category A;
valid to audit 2020 to 2024 financial statements
T.I.N. 152-015-095
BIR A.N. 08-000745-44-2018; issued on October 19, 2018; effective until October 18, 2021
BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City
March 25, 2021

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

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

Report on the Bureau of Internal Revenue Requirement

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

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

Isla Lipana & Co.

Imelda Ronnie de Guzman-Castro
Partner
CPA Cert. No. 89352
P.T.R. No. 0011287; issued on January 5, 2021 at Makati City
SEC A.N. (individual) as general auditors 1769-A, Category A; effective until September 2, 2022
SEC A.N. (firm) as general auditors 0142-SEC, Category A;
valid to audit 2020 to 2024 financial statements
T.I.N. 152-015-095
BIR A.N. 08-000745-44-2018; issued on October 19, 2018; effective until October 18, 2021
BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City
March 25, 2021

BUREAU OF INTERNAL REVEN
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISIO
Date MAY 12 2021 TSIS
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Isla Lipana & Co.

Statement Required by Section 8-A, Revenue Regulations No. V-1

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

None of the partners of the firm has any financial interest in Shang Properties, Inc. or any family relationships with its president, manager, or shareholders.

The supplementary information on taxes and licenses is presented in Note 26 to the separate financial statements.

Isla Lipana & Co.

Imelda Ronnie de Guzman-Castro
Partner
CPA Cert. No. 89352
P.T.R. No. 0011287; issued on January 5, 2021 at Makati City
SEC A.N. (individual) as general auditors 1769-A, Category A; effective until September 2, 2022
SEC A.N. (firm) as general auditors 0142-SEC, Category A;
valid to audit 2020 to 2024 financial statements
T.I.N. 152-015-095
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BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City
March 25, 2021

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAY 12 2021 TSIS
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Shang Properties, Inc.

Statements of Financial Position
As at December 31, 2020 and December 31, 2019
(All amounts in Philippine Peso)

	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	2	132,031,110	280,738,936
Financial assets at fair value through profit or loss	3	3,450,947	2,450,793
Trade and other receivables, net	4	2,591,896,350	1,468,712,445
Properties held for sale, net	5	12,082,779	13,395,279
Prepayments and other current assets	6	282,086,682	263,026,646
Total current assets		3,021,547,868	2,028,324,099
Non-current assets			
Investments and advances	7	15,788,094,865	17,013,799,065
Investment properties	8	14,565,680,839	14,228,882,687
Financial assets at fair value through other comprehensive income, net	9	187,083,642	193,183,642
Property and equipment, net	10	73,186,110	82,701,599
Retirement benefit asset	18	-	6,127,631
Other non-current assets	11	908,066,924	470,967,336
Total non-current assets		31,522,112,380	31,995,661,960
Total assets		34,543,660,248	34,023,986,059
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and other current liabilities	12	2,224,061,560	2,058,521,292
Current portion of bank loans	13	4,233,333,334	3,553,333,333
Dividends payable	14	52,609,087	47,544,516
Total current liabilities		6,510,003,981	5,659,399,141
Non-current liabilities			
Long-term bank loans, net of current portion	13	-	933,333,334
Deferred income tax liabilities, net	19	3,946,149,360	3,934,362,728
Retirement benefit liability	18	13,316,584	-
Deposits from tenants		1,269,161	1,269,161
Total non-current liabilities		3,960,735,105	4,868,965,223
Total liabilities		10,470,739,086	10,528,364,364
Equity			
Share capital	14	4,764,058,982	4,764,058,982
Share premium	14	1,210,073,869	1,210,073,869
Treasury shares	14	(6,850,064)	(6,850,064)
Other comprehensive income	9, 18	57,211,054	67,367,115
Retained earnings	14	18,048,427,321	17,460,971,793
Total equity		24,072,921,162	23,495,621,695
Total liabilities and equity		34,543,660,248	34,023,986,059

The notes on pages 1 to 51 are integral part of these separate financial statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAY 12 2021 TSIS
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RHEA ARAGON

Shang Properties, Inc.

Statements of Total Comprehensive Income
For the years ended December 31, 2020 and 2019
(All amounts in Philippine Peso)

	Notes	2020	2019
Revenue			
Rental	8, 22	83,136,766	249,930,202
Sale of condominium units		864,966	1,660,714
		84,001,732	251,590,916
Costs and expenses			
Staff costs	15	260,791,069	336,330,948
Taxes and licenses	16	39,699,950	48,103,735
Depreciation and amortization	10	21,197,029	20,063,481
Cost of condominium units sold	5	1,312,500	2,467,500
Other operating expenses	16	97,224,180	109,606,958
		420,224,728	516,572,622
Other income (expense)			
Dividend income	20	1,445,140,517	1,781,553,950
Gain on fair value adjustment of investment properties	8	-	1,445,898,813
Interest expense	13	(46,199,930)	(104,993,758)
Interest income	2, 7	63,671,165	3,922,554
Miscellaneous	17	37,745,125	121,687,296
		1,500,356,877	3,248,068,855
Income before share in net income of a joint venture		1,164,133,881	2,983,087,149
Share in net income of a joint venture	7	185,533,552	101,237,114
Income before provision for income tax		1,349,667,433	3,084,324,263
Provision for income tax	19	(16,971,787)	(364,919,967)
Net income for the year		1,332,695,646	2,719,404,296
Other comprehensive (loss) income			
Items that will not be subsequently reclassified to profit or loss			
(Decrease) Increase in fair value of equity investments at fair value through other comprehensive income, net of tax	9	(5,185,000)	18,673,650
Derecognition of the fair value of equity investments written-off, net of tax	9	-	1,079,500
Remeasurement (loss) gain on retirement benefit obligation, net of tax	18	(4,971,061)	580,973
		(10,156,061)	20,334,123
Total comprehensive income for the year		1,322,539,585	2,739,738,419
Basic and diluted earnings per share	14	0.28	0.57

The notes on pages 1 to 51 are integral part of these separate financial statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAY 12 2021 TSIS
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Shang Properties, Inc.

Statements of Changes in Equity
For the years ended December 31, 2020 and 2019
(All amounts in Philippine Peso)

				Other comprehensive income (loss)				
	Share capital (Note 14)	Share premium (Note 14)	Treasury shares (Note 14)	Cumulative changes in fair value of FVOCI (Note 9)	Remeasurement loss on defined benefit plan (Note 18)	Total comprehensive income	Retained earnings (Note 14)	Total equity
Balances at January 1, 2019	4,764,058,982	1,210,073,869	(6,850,064)	73,682,022	(26,649,030)	47,032,992	15,577,284,046	21,591,599,825
Comprehensive income								
Net income for the year	-	-	-	-	-	-	2,719,404,296	2,719,404,296
Other comprehensive income	-	-	-	19,753,150	580,973	20,334,123	-	20,334,123
Total comprehensive income	-	-	-	19,753,150	580,973	20,334,123	2,719,404,296	2,739,738,419
Transaction with owners								
Cash dividends declared (Note 14)	-	-	-	-	-	-	(835,716,549)	(835,716,549)
Balances at December 31, 2019	4,764,058,982	1,210,073,869	(6,850,064)	93,435,172	(26,068,057)	67,367,115	17,460,971,793	23,495,621,695
Comprehensive income								
Net income for the year	-	-	-	-	-	-	1,332,695,646	1,332,695,646
Other comprehensive loss	-	-	-	(5,185,000)	(4,971,061)	(10,156,061)	-	(10,156,061)
Total comprehensive income	-	-	-	(5,185,000)	(4,971,061)	(10,156,061)	1,332,695,646	1,322,539,585
Transaction with owners								
Cash dividends declared (Note 14)	-	-	-	-	-	-	(745,240,118)	(745,240,118)
Balances at December 31, 2020	4,764,058,982	1,210,073,869	(6,850,064)	88,250,172	(31,039,118)	57,211,054	18,048,427,321	24,072,921,162

The notes on pages 1 to 51 are integral part of these separate financial statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAY 12 2021 TSIS
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RHEA ARAGON

Shang Properties, Inc.

Statements of Cash Flows
For the years ended December 31, 2020 and 2019
(All amounts in Philippine Peso)

	Notes	2020	2019
Cash flows from operating activities			
Income before provision for income tax		1,349,667,433	3,084,324,263
Adjustments for:			
Interest expense	13	46,199,930	104,993,758
Depreciation and amortization	10	21,197,029	20,063,481
Retirement benefit expense	18	14,903,238	9,793,557
Unrealized foreign exchange loss, net	2	1,004,314	1,809,141
Loss on write-off of financial assets at fair value through profit or loss	9, 17	-	1,550,000
Gain on fair value adjustment of financial assets at fair value through profit or loss	3	(1,000,154)	(176,828)
Gain on sale of property and equipment	17	-	(1,050,726)
Interest income	2, 7	(63,671,165)	(3,922,554)
Share in net income from a joint venture	7	(185,533,552)	(101,237,114)
Gain on fair value adjustment of investment Properties	8	-	(1,445,898,813)
Dividend income	20	(1,445,140,517)	(1,781,553,950)
Operating loss before working capital changes		(262,373,444)	(111,305,785)
Changes in working capital:			
Trade and other receivables		(1,092,594,267)	9,792,574
Properties held for sale	5	1,312,500	252,762,500
Prepayments and other current assets		(21,199,741)	119,461,434
Other non-current assets		28,788,412	(47,980,912)
Accounts payable and other current liabilities		171,557,402	172,224,995
Cash (absorbed by) generated from operations		(1,174,509,138)	394,954,806
Interest received		63,878,525	3,762,220
Contributions paid to retirement plan	18	-	(12,872,582)
Retirement benefits paid directly by the Company	18	(1,015,381)	-
Retirement benefit liabilities released due to transfers	18	(1,545,157)	-
Net cash (used in) provided by operating activities		(1,113,191,151)	385,844,444
Cash flows from investing activities			
Dividends received	20	1,414,343,517	1,764,453,950
Decrease in investments and advances	7	1,421,999,998	137,944,253
Proceeds from sale of property and equipment		-	1,050,728
Proceeds from sale of financial assets at fair value through other comprehensive income	9	-	66,500
Additions to:			
Investment in a joint venture	7	(10,762,246)	(1,021,075,486)
Restricted fund	11	(465,888,000)	(422,000,000)
Investment properties	8	(336,798,152)	(971,294,670)
Property and equipment	10	(11,681,540)	(19,190,752)
Net cash provided by (used in) investing activities		2,011,213,577	(530,045,477)
Cash flows from financing activities			
Availment of loan	13	2,100,000,000	3,145,000,000
Payments of:			
Cash dividends	14	(740,175,547)	(830,855,683)
Loan principal	13	(2,353,333,333)	(1,958,333,333)
Interest	13	(52,217,058)	(105,932,524)
Net cash (used in) provided by financing activities		(1,045,725,938)	249,878,460
Net (decrease) increase in cash and cash equivalents for the year		(147,703,512)	105,677,427
Cash and cash equivalents as at January 1		280,738,936	176,870,650
Effects of exchange rate changes on cash and cash Equivalents		(1,004,314)	(1,809,141)
Cash and cash equivalents as at December 31	2	132,031,110	280,738,936

The notes on pages 1 to 51 are integral part of these separate financial statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAY 12 2021 TSIS
RECEIVED
RHEA ARAGON

Shang Properties, Inc.

Notes to the Separate Financial Statements
As at and for the years ended December 31, 2020 and 2019
(In the notes, all amounts are shown in Philippine Peso, unless otherwise stated)

Note 1 - General information

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

The Company is the owner of the land being leased out to a related party that operates the main building and main-wing parking building of Shangri-La Plaza Mall in Mandaluyong City. It also owns the carpark building located in the north wing of the same mall in Mandaluyong City to another related party. The Company is also the developer of SPI Tower, an office condominium project located in Mandaluyong City, that is expected to be completed in December 2024.

The 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 Company has its primary listing on the Philippine Stock Exchange (PSE). It was registered on June 13, 1991 with total listed shares of 4,764,058,982, which was initially issued at P1.18 per share. As at December 31, 2020, the Company has 5,191 shareholders (2019 - 5,200). The details of the Company's shareholders are disclosed in the annual report.

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 Company 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 continue 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.

Despite of these adverse effects, the Company assessed that the impact of this event is insignificant to these 2020 separate financial statements. The Company 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 Company. 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.

The separate financial statements have been approved and authorized for issue in accordance with a resolution of the Board of Directors on March 25, 2021.

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Note 2 - Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2020	2019
Cash on hand	132,767	132,768
Cash in banks	66,113,178	38,913,464
Cash equivalents	65,785,165	241,692,704
	132,031,110	280,738,936

For the purpose of presentation in the statement of cash flows, cash equivalents include short-term, highly liquid investments (e.g. time deposit placements) with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Deposits with banks and cash equivalents earn interest at prevailing market rates. Total interest income earned and interest receivable for the year ended and as at December 31, 2020 amounted to P893,387 and P3,364, respectively (2019 - P3,922,554 and P210,724, respectively) (Note 4).

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

	2020			2019		
	Foreign currency	Exchange rate	Peso Equivalent	Foreign currency	Exchange rate	Peso Equivalent
US Dollar	372,140	48.02	17,870,163	500,197	50.74	25,379,996
HK Dollar	2,000	6.39	12,780	2,000	6.52	13,040
			17,882,943			25,393,036

Realized and unrealized foreign exchange loss charged to income for the year ended December 31, 2020 amounted to P1,182,670 and P1,004,314, respectively (2019 - P719,559 and P1,809,141, respectively) (Note 17).

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

The account represents shares of stock of various publicly listed companies based on current bid prices in an active market (Level 1 valuation). Movements in the account for the years ended December 31 are as follows:

	Note	2020	2019
January 1		2,450,793	2,273,965
Gain on fair value adjustments (included in Miscellaneous)	17	1,000,154	176,828
December 31		3,450,947	2,450,793

Note 4 - Trade and other receivables, net

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

	Notes	2020	2019
Trade			
Rental - related parties	20	46,954,147	57,321,620
Rental - third parties		951,819	339,607
Non-trade			
Receivables from related parties	20	2,540,230,794	1,404,274,392
Advances to officers and employees		1,380,011	1,237,868
Interest	2	3,364	210,724
Others		4,508,258	7,460,277
		2,594,028,393	1,470,844,488
Allowance for impairment of non-trade receivables		(2,132,043)	(2,132,043)
		2,591,896,350	1,468,712,445

All receivables are expected to be collected within 12 months (current). They are carried at amortized cost which approximates fair value as of reporting date.

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

Receivables from related parties
Receivables from related parties comprise mainly advances for operating capital requirements or expenses paid by the Company on behalf of the related parties. Further information on this account is disclosed in Note 20.

Advances to officers and employees
This account represents noninterest-bearing cash advances that are settled via payroll deduction or expense liquidation.

Other non-trade receivables
These pertain to advances to suppliers and contractors, receivables from a government agency and the retirement fund. The carrying amounts of the Company's trade and other receivables are all denominated in Philippine Peso.

Note 5 - Properties held for sale

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

	2020	2019
January 1	13,395,279	15,862,779
Recognized cost of condominium units sold	(1,312,500)	(2,467,500)
December 31	12,082,779	13,395,279

Properties held for sale are stated at cost and no allowance for write-down is provided as at December 31, 2020 and 2019.

The cost of condominium units sold plus other directly attributable costs recognized as Cost and expense is shown in the statements of total comprehensive income.

Note 6 - Prepayments and other current assets

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

	2020	2019
Creditable withholding tax	254,023,952	244,253,676
Input VAT	26,272,897	16,267,789
Prepaid expenses	1,789,833	2,505,181
	282,086,682	263,026,646

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

Note 7 - Investments and advances

Investments and advances at December 31 consist of:

	Ownership %		Amount	
	2020	2019	2020	2019
Subsidiaries:				
Property development:				
Shang Properties Realty Corporation (SPRC)	100	100	950,036,621	950,036,621
Shang Wack Wack Properties, Inc. (SWWPI)	100	100	850,000,000	850,000,000
Shang Property Developers, Inc. (SPDI)	100	100	5,000,000	5,000,000
SPI Land Development, Inc.	100	-	1,000,000	-
SPI Property Developers, Inc.	100	-	1,000,000	-
SPI Property Holdings, Inc.	100	-	1,000,000	-
Leasing:				
KSA Realty Corporation (KSA)	70.04	70.04	4,333,249,902	4,333,249,902
Shangri-la Plaza Corporation (SLPC)	100	100	699,882,830	699,882,830
SPI Parking Services, Inc. (SPSI)	100	100	250,000	250,000
Real estate:				
KPPI Realty Corporation (KRC)	100	100	125,000,000	125,000,000
New Contour Realty, Inc. (NCRI)	100	100	50,000	50,000
Perfect Sites, Inc. (PSI)	100	100	250,000	250,000
Ivory Post Properties, Inc. (IPPI)	100	100	250,000	250,000
Shang Fort Bonifacio Holdings, Inc. (SFBHI)	100	100	500,000	500,000
Shang Global City Holdings, Inc. (SGCHI)	100	100	500,000	500,000
Martin B Properties, Inc. (MBPI)	100	100	400,000	400,000
Property management:				
KPPI Management Services Corporation (KMSC)	100	100	1,000,000	1,000,000
Shang Property Management Services, Inc. (SPMSI)	100	100	50,000	50,000
Other supplementary business:				
Gipsey, Ltd. (Gipsey)	100	100	2,095,810,078	2,095,810,078
EPHI Logistics Holdings, Inc. (ELHI)	100	60	900,000	900,000
Guidebo Properties, Inc.	60	100	62,500	62,500
Laguna Hills Property Ventures, Inc.	100	100	62,500	62,500
			9,066,254,431	9,063,254,431
Associate:				
Real estate:				
Ideal Sites and Properties, Inc. (ISPI)	40	40	250,000	250,000
Joint venture:				
Real estate:				
Shang Robinsons Properties, Inc. (SRPI)	50	50	1,317,778,398	1,121,482,600
Deposits for future share subscription, and advances to subsidiaries, associate, and joint venture			6,937,319,721	8,362,319,719
Allowance for impairment losses			(1,533,507,685)	(1,533,507,685)
			15,788,094,865	17,013,799,065

The following subsidiaries and associates are owned through:

(a) The Rise Development Company, Inc. (TRDCI) - A wholly owned subsidiary of KRC.
(b) Silver Hero Investments Limited (SHIL) - A wholly owned subsidiary of Gipsey.
(c) Shang Global City Properties, Inc. (SGCPI) - 59.4% owned by SGCHI and 0.6% owned by SFBHI. Both SGCHI and SFBHI are wholly owned subsidiaries of the Company.
(d) Sky Leisure Properties, Inc. (SLPI) - A wholly owned subsidiary of PSI.

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

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

There has been no movement in the allowance for impairment losses as at December 31, 2020 and 2019.

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

The summarized financial information of subsidiaries with significant non-controlling interest as at and for the year ended December 31, 2020 are as follows:

	KSA	SGCPI
Total current assets	820,027,926	558,370,087
Total non-current assets	10,668,871,953	9,076,570,849
Total assets	11,488,899,879	9,634,940,936
Total current liabilities	(616,029,103)	(1,486,150,528)
Total non-current liabilities	(2,744,250,925)	(1,290,233,352)
Total liabilities	(3,360,280,028)	(2,776,383,880)
Net assets	8,128,619,851	6,858,557,056
Non-controlling interest share in net assets	2,435,334,507	2,743,422,822
Revenue	1,435,989,656	1,081,762,155
Cost and expenses	(70,079,425)	(2,189,630,915)
Other expense	(1,081,116)	(204,824,327)
Income (loss) before provision for income tax	1,364,829,115	(1,312,693,087)
Income tax (expense) benefit	(263,035,391)	366,508,509
Net income (loss) for the year	1,101,793,724	(946,184,578)
Other comprehensive loss	(107,625)	(1,967,738)
Total comprehensive income (loss) for the year	1,101,686,099	(948,152,316)
Non-controlling interest share in total comprehensive income (loss) for the year	330,065,155	(379,260,926)

	KSA	SGCPI
Cash flows provided by (used in):		
Operating activities	1,141,854,238	(302,908,282)
Investing activities	(671,663)	(71,452,196)
Financing activities	(828,577,695)	146,159,927

The summarized financial information of subsidiaries with significant non-controlling interest as at and for the year ended December 31, 2019 are as follows:

	KSA	SGCPI
Total current assets	462,514,679	881,210,512
Total non-current assets	10,673,621,504	9,820,274,434
Total assets	11,136,136,183	10,701,484,946
Total current liabilities	(457,006,457)	(1,369,367,257)
Total non-current liabilities	(2,802,195,974)	(1,525,408,317)
Total liabilities	(3,259,202,431)	(2,894,775,574)
Net assets	7,876,933,752	7,806,709,372
Non-controlling interest share in net assets	2,359,929,352	3,122,683,749

	KSA	SGCPI
Revenue	1,429,812,199	3,701,852,718
Cost and expenses	(71,929,445)	(3,469,666,393)
Other income, net	89,508,516	(163,685,699)
Income before provision for income tax	1,447,391,270	68,500,626
Income tax expense	(279,232,769)	(25,143,078)
Net income for the year	1,168,158,501	43,357,548
Other comprehensive loss	(54,383)	(3,892,437)
Total comprehensive income for the year	1,168,104,118	39,465,111
Non-controlling interest share in total comprehensive income for the year	349,963,994	15,786,044

	KSA	SGCPI
Cash flows provided by (used in):		
Operating activities	1,247,497,746	979,260,721
Investing activities	(2,369,718)	(144,178,230)
Financing activities	(1,330,000,000)	(1,396,972,328)

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

	2020	2019
Total current assets	1,712,445	905,385
Total non-current assets	1,294,783	1,463,653
Total assets	3,007,228	2,369,038
Total current liabilities	(6,938,557)	(5,957,681)
Total non-current liabilities	-	-
Total liabilities	(6,938,557)	(5,957,681)
Net assets	(3,931,329)	(3,588,643)
Revenue	16,218	118,452
Cost and expenses	(189,715)	(187,874)
Loss before income tax	(173,497)	(69,422)
Income tax benefit	14,810	8,080
Net loss	(158,687)	(61,342)
Other comprehensive loss	(183,681)	(9,419)
Total comprehensive loss	(342,368)	(70,761)
Cash flows provided by (used in):		
Operating activities	789,076	(20,260)
Investing activities	73,708	82,656

Investment in a joint venture

On March 22, 2018, the Company entered into a Joint Venture Agreement (the "Agreement") with Robinsons Land Corporation (RLC) for the construction and development of a property into a mixed-use condominium project (later known as Aurelia Residences). Within two (2) months from the effective date of the Agreement, the parties shall establish the joint venture company ("JVC") and shall execute the Articles and By-Laws of the JVC. On, May 23, 2018, the SEC approved the Certificate of Incorporation of the JVC, Shang Robinsons Properties, Inc. (SRPI). SRPI is jointly controlled by the Company and RLC, each holding 50% interest.

The authorized capital stock of SRPI is P3 billion divided into 3 billion common shares with par value of P1 per share.

On April 19, 2018, the Company subscribed and paid in full the amount of P1 billion equivalent to 1 billion common shares at P1 per share.

The registered office address of SRPI, which is also its principal place of business, is at Cyber Sigma, Lawton Avenue, Taguig City.

SRPI engages in: (i) the business of developing a property into a mixed-use development, (ii) the marketing and sale of the residential condominium units in the project, (iii) and the lease of serviced apartment units and/or commercial units in the project.

SRPI commenced operations in 2019 and had presold 37% of its Aurelia Residences condominium units. As at December 31, 2020, the Aurelia Residences Project is 7% complete (2019 - 3.21%). In 2020, the Company's share in net income of the joint venture amounted to P185,533,552 (2019 - P101,237,114).

In 2019, advances amounting to P1 billion were extended to SRPI. These advances mature on April 1, 2023 and bear interest at a rate of 4%. Interest income earned from these advances amounted to P62,777,778 in 2020 (2019 - nil).

Summarized financial information of the JVC as at and for the years ended December 31 are presented below:

	2020	2019
Summarized statements of financial position		
Current assets	9,050,807,444	9,080,241,934
Current liabilities	(3,850,530,594)	(3,164,578,330)
Non-current assets	521,597,386	317,765,929
Non-current liabilities	(3,167,337,600)	(4,049,960,000)
Net assets	2,554,536,636	2,183,469,533

	2020	2019
Summarized statements of total comprehensive income		
Gross revenue	929,357,646	493,523,933
Net income for the year	371,067,103	202,474,229
Other comprehensive income for the year	-	-
Total comprehensive income for the year	371,067,103	202,474,229

	2020	2019
Summarized statements of cash flows		
Operating activities	267,341,203	1,581,136,028
Investing activities	-	(1,289,885)
Financing activities	(659,553,876)	1,060,541,673

Critical accounting judgment - Assessing control over subsidiaries

The Company or its subsidiaries makes an assessment whether or not it controls an investee by considering all relevant facts and circumstances that indicates that the Company or its subsidiaries is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Company has determined that it controls its subsidiaries.

Critical accounting judgment - Recoverability of investment and advances

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

Management believes that the current level of allowance for impairment losses as at December 31, 2020 and 2019 is sufficient to cover non-recoverable amount.

Significant accounting judgment - joint control assessment

Management has assessed that in the joint venture agreement, the contractual arrangement gives the investors control of the arrangement collectively, and decisions about the relevant activities require the unanimous consent of both entities, and therefore, joint control exists. Furthermore, the rights and obligations considering the structure and legal form of the arrangement indicates that the Company has rights to the net assets of SRPI and therefore, the arrangement is classified as a joint venture.

Note 8 - Investment properties

This account consists of properties that are either held for capital appreciation or for rental purposes or both. The Company's investment properties are carried at fair value.

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

	Land	Building	Total
January 1, 2019	11,270,822,390	540,866,814	11,811,689,204
Gain on fair value adjustment	1,445,898,813	-	1,445,898,813
Capitalized subsequent expenditure	500,500,000	470,794,670	971,294,670
December 31, 2019	13,217,221,203	1,011,661,484	14,228,882,687
Capitalized subsequent expenditure	-	336,798,152	336,798,152
December 31, 2020	13,217,221,203	1,348,459,636	14,565,680,839

The Company's investment properties in 2020 and 2019 consist of parcels of land, carpark building and condominium units. The land and carpark building are being leased out to subsidiaries and third parties.

On September 5, 2019, the Company acquired additional land in Mandaluyong City for a total contract price of P500,500,000. The land will be developed for future use as investment property.

As at December 31, 2020 and 2019, the fair values of the properties are based on valuations performed by an independent external appraiser duly certified by the management. The valuation models are in accordance with that recommended by the International Valuation Standards Committee. The fair value of the condominium units is based on internal appraisals.

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

The current use of these properties is their highest and best use.

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

Property	Fair value as at December 31, 2020	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability -weighted average)	Relationship of unobservable inputs to fair value
Land where the main wing and east wing of Shangri-La Plaza mall is located	P5,871,373,900 (2019 - P5,871,373,900)	Direct income capitalization	Rental value	P1,700 per square meter (2019 - P1,700)	The higher the rental value and occupancy rate, the higher the fair value.
			Occupancy rate	96% (2019 - 96%)	
			Expense-revenue ratio	23% (2019 - 23%)	The higher the expense- revenue ratio and discount rate, the lower the fair value.
			Discount rate	12% (2019 - 12%)	

The fair value of the land property where the Shangri-La Plaza mall is located is calculated using the direct income capitalization approach (Level 3). In applying the direct income capitalization approach, the stabilized net operating income (NOI) of each property is divided by an appropriate capitalization rate. Discount rate is based on actual location, size and quality of the property and taking into account any available market data at the valuation date. Stabilized NOI is computed at revenue less property operating expenses adjusted for items such as average lease up costs, long-term vacancy rates, non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring items.

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

The following are the significant unobservable inputs:

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

The fair values of the Company's other land properties and carpark building are determined using the market comparison approach (Level 2). Under the market comparison approach, a property's fair value is estimated based on comparable transactions adjusted for bargaining allowance, marketability, location, size and terrain. The market comparison approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. In theory, the best comparable sale would be an exact duplicate of the subject property and would indicate, by the known selling price of the duplicate, the price for which the subject property could be sold. The unit of comparison applied by the Company is the price per square meter (sqm).

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

	2020	2019
Rental revenue	83,136,766	249,930,202
Direct operating expenses	(18,191,051)	(18,554,878)
Profit arising from investment properties carried at fair value	64,945,715	231,375,324

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

There is no restriction on the Company's title on investment properties and no investment properties were pledged as security for liabilities.

Critical accounting estimate - determination of fair values of investment properties

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

a) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

b) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

c) stabilized net operating income based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using pre-tax discount rates that reflect current market assessments of the uncertainty in the amounts and timing of the cash flows.

The Company also considers whether there are significant changes in market and property conditions in assessing the fair value of investment properties

The significant method and assumptions used by the appraisers in estimating fair values of investment properties are disclosed above. The fair values, which are also the values of investment properties as at December 31, 2020 and 2019 are disclosed above.

Fair value gain on investment properties represent significant amounts both in value of property and income. Any +/- 1% change in (assumption) increases/decreases total assets and income before tax by P142.27 million (2019 - P142.27 million).

Critical accounting judgment - Distinction between properties held for sale, investment properties, and property and equipment

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

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

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

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

Note 9 - Financial assets at fair value through other comprehensive income, net

Financial assets at fair value through other comprehensive income (FVOCI), net at December 31, consist of:

	2020	2019
Unquoted securities	78,349,278	78,349,278
Quoted securities	7,551,515	7,551,515
Acquisition cost	85,900,793	85,900,793
Cumulative changes in fair value	101,182,849	107,282,849
Fair value at December 31	187,083,642	193,183,642

Unquoted equity securities include unlisted shares of stock which are measured 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 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 P465,054 per share.

In 2019, the Company sold its unquoted equity securities at cost of P66,500. None was sold in 2020.

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 Company wrote-off quoted equity securities in 2019 with cost of P1,550,000 and cumulative changes in fair value of P1,270,000. There were no similar transactions during 2020. (Note 17)

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

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

	2020	2019
January 1	93,435,172	73,682,022
(Loss) gain on fair value adjustment	(6,100,000)	21,969,000
Derecognition	-	1,270,000
	87,335,172	96,921,022
Deferred income tax effect	915,000	(3,485,850)
December 31	88,250,172	93,435,172

Note 10 - Property and equipment, net

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

	Building improvements	Leasehold improvements	Transportation equipment	Furniture, fixtures and other equipment	Total
Cost					
January 1, 2019	38,124,240	62,816,521	40,972,692	37,659,606	179,573,059
Additions	4,634,794	4,634,287	7,259,821	2,661,850	19,190,752
Disposals	-	-	(5,668,473)	-	(5,668,473)
December 31, 2019	42,759,034	67,450,808	42,564,040	40,321,456	193,095,338
Additions	1,299,895	3,540,090	-	6,841,555	11,681,540
December 31, 2020	44,058,929	70,990,898	42,564,040	47,163,011	204,776,878
Accumulated depreciation					
January 1, 2019	20,017,886	16,605,141	27,567,352	31,808,350	95,998,729
Depreciation	1,310,354	10,158,636	4,921,938	3,672,553	20,063,481
Disposals	-	-	(5,668,471)	-	(5,668,471)
December 31, 2019	21,328,240	26,763,777	26,820,819	35,480,903	110,393,739
Depreciation	1,310,354	10,856,804	5,426,639	3,603,232	21,197,029
December 31, 2020	22,638,594	37,620,581	32,247,458	39,084,135	131,590,768
Net book values at					
December 31, 2019	21,430,794	40,687,031	15,743,221	4,840,553	82,701,599
December 31, 2020	21,420,335	33,370,317	10,316,582	8,078,876	73,186,110

As at December 31, 2020, the Company has fully depreciated property and equipment still in use with acquisition cost of P62,881,957 (2019 - P57,361,489).

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

Critical accounting estimate - Useful lives of property and equipment

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

In 2020 and 2019, there were no changes in the estimated useful lives of property and equipment and investment properties. As at December 31, 2020, property and equipment have a carrying value of P73,186,110 (2019 - P82,701,599).

Critical accounting judgment - Impairment of non-financial assets

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

Given historical profitable operations and profit projections, the Company has assessed that there are no impairment indicators with respect to the non-financial assets as at December 31, 2020 and 2019.

Note 11 - Other non-current assets

Other non-current assets as at December 31 consist of:

	2020	2019
Restricted fund	887,888,000	422,000,000
Deposit to contractors	19,212,500	47,980,912
Refundable deposits	966,424	986,424
	908,066,924	470,967,336

Restricted fund
On December 12, 2019, the Company set aside funds amounting to P422,000,000 representing the first installment for a 50% share in an investment. In 2020, the Company set aside additional funds amounting to P465,888,000 for the second installment.

Deposit to contractors
Deposit to contractors as at December 31, 2020 pertains to cash paid by the Company for the construction of SPI tower.

Refundable deposits
Refundable deposits are cash paid by the Company for deposits to utility companies which are expected to be returned after a specified period, or when certain conditions are satisfied.

Note 12 - Accounts payable and other current liabilities

Accounts payable and other current liabilities as at December 31 consist of:

	Notes	2020	2019
Trade			
Accounts payable		32,086,730	13,436,215
Accrued expenses		33,204,761	49,244,119
Payable to contractors and suppliers		44,347,825	44,347,825
Accrued interest	13	11,781,241	17,798,369
Non-trade			
Payable to related parties	20	2,075,061,652	1,901,188,067
Retention payables to contractors		12,905,708	10,666,850
Payable to regulatory agencies		7,881,171	11,811,907
Output value added tax (VAT)		2,488,936	5,972,522
Others		4,303,536	4,055,418
		2,224,061,560	2,058,521,292

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.

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.

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

Accrued expenses consist of accruals for advertising and promotions, insurance, other employee benefit related cost and other general and administrative expenses. Others pertain mainly to taxes, insurance and statutory contributions payable to Social Security System ("SSS"), Home Development Mutual Fund ("HDMF") and Philippine Health Insurance Corporation ("Philhealth").

Note 13 - Bank loans

Bank loans as at December 31 are as follows:

	2020	2019
Current portion	4,233,333,334	3,553,333,333
Non-current portion	-	933,333,334
	4,233,333,334	4,486,666,667

Movements in the bank loans as at December 31 are as follows:

	2020	2019
January 1	4,486,666,667	3,300,000,000
Additions	2,100,000,000	3,145,000,000
Payments	(2,353,333,333)	(1,958,333,333)
December 31	4,233,333,334	4,486,666,667

On July 30, 2012, the Company obtained a 10-year loan facility from a local bank amounting to P5.00 billion. This amount is 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.

On July 31, 2018, the Company obtained another 6-month loan from a local bank amounting to P500 million payable on January 31, 2019 at a fixed rate at 4.50% per annum. On January 31, 2019, the loan was extended for 6 months payable on July 31, 2019. On July 31, 2019, the Company paid the entire amount of the loan.

The loan agreement requires the Company to comply with certain covenants and financial ratios until the loans are fully paid. Failure to comply with the covenants will render the full amount of loans due and demandable. As at December 31, 2019, the Company is fully compliant with the loan covenants.

As at December 31,2020, the Company has not reached the debt-service coverage ratio requirement specified in the loan agreement. The 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).

The Company availed of the following short-term loans which are payable within a period of 12 months:

Payment term	Starting date	Maturity date	Interest rate	Extension	Loan amount	Outstanding Balance as of December 31, 2020	Outstanding Balance as of December 31, 2019
2020							
3 months	8-May-20	6-Aug-20	4.75%	No extension period	200,000,000	-	-
3 months	10-Jun-20	8-Sep-20	4.50%	No extension period	200,000,000	-	-
3 months	24-Jun-20	22-Sep-20	4.50%	Extended until March 21, 2021	200,000,000	200,000,000	-
3 months	11-Sep-20	10-Dec-20	3.75%	Extended until March 10, 2021	200,000,000	200,000,000	-
3 months	11-Sep-20	10-Dec-20	3.75%	Extended until March 10, 2021	200,000,000	200,000,000	-
3 months	6-Oct-20	4-Jan-21	3.70%	No extension period	400,000,000	400,000,000	-
3 months	12-Nov-20	10-Feb-21	3.50%	No extension period	250,000,000	250,000,000	-
3 months	10-Dec-20	10-Mar-21	3.50%	No extension period	450,000,000	450,000,000	-
Sub-total					2,100,000,000	1,700,000,000	-
2019							
6 months	14-Jun-19	11-Dec-19	5.75%	Extended until June 30, 2020	1,000,000,000	-	1,000,000,000
6 months	28-Mar-19	24-Sep-19	6.00%	Extended until March 17, 2021	1,100,000,000	1,100,000,000	1,100,000,000
6 months	1-Aug-19	28-Jan-20	5.40%	No extension period	125,000,000	-	-
6 months	14-Aug-19	10-Feb-20	5.30%	No extension period	170,000,000	-	170,000,000
3 months	7-Oct-19	6-Jan-20	4.75%	No extension period	250,000,000	-	250,000,000
3 months	11-Dec-19	10-Mar-20	4.15%	Extended until January 7, 2021	500,000,000	500,000,000	500,000,000
Sub-total					3,145,000,000	1,600,000,000	3,020,000,000
Total						3,300,000,000	3,020,000,000

The repayments of the total loans as at December 31 are scheduled as follows:

Year	2020	2019
2020	-	3,553,333,333
2021	4,233,333,334	533,333,333
2022	-	400,000,001
	4,233,333,334	4,486,666,667

Interest expense charged to profit or loss amounted to P46,199,930 in 2020 (2019 - P104,993,758) as shown in the statements of total comprehensive income.

Movements in the accrued interest recorded as accrued interest under accounts payable and other current liabilities account for the years ended December 31 are as follows:

	Note	2020	2019
January 1		17,798,369	18,737,135
Interest expense		46,199,930	104,993,758
Payments		(52,217,058)	(105,932,524)
December 31	12	11,781,241	17,798,369

Note 14 - Equity

(a) Share capital, share premium and treasury shares

Details of share capital and share premium at December 31, 2020 and 2019 are as follows:

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

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

(b) Retained earnings

As at December 31, 2020, total unrestricted retained earnings amounted to P18,048,427,321 (2019 - P17,460,971,793). The Company's unrestricted retained earnings exceeded its share capital by P12,074,294,470 (2019 - P11,486,838,942). The excess retained earnings include accumulated fair value gain of P9,868,058,867 (2019 - P9,868,058,867) which are not considered available for dividend declaration. The management of the Company plans to use the excess retained earnings to support the Company's working capital requirements, planned business growth and expansion strategies. Further the Company annually declares dividends in compliance with SEC Memorandum Circular No. 11, Series of 2008.

The Company's Board of Directors approved the declaration of the following cash dividends for the years ended December 31 and until the approval of these financial statements:

Date of declaration	Shareholders of record as at	Payment date	Total	Per share
2021				
March 25	April 9	April 16	380,953,467	0.080
2020				
April 1	April 17	May 12	535,715,813	0.113
August 20	September 8	September 24	209,524,305	0.044
			745,240,118	0.157
2019				
March 6	March 21	March 29	502,382,385	0.106
September 16	September 30	October 10	333,334,164	0.070
			835,716,549	0.176

As at December 31, 2020, dividends payable amounting to P52,609,087 (2019 - P47,544,516) presented in the statements of financial position pertain to dividends declared by the Company to its shareholders.

(c) Earnings per share

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

	2020	2019
Net income for the year	1,332,695,646	2,719,404,296
Weighted average number of shares outstanding	4,761,918,337	4,761,918,337
Earnings per share	0.28	0.57

Capital management

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

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholder, return capital to shareholder or issue new shares. There were no changes in the Company's strategies and policies during 2020 and 2019.

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

	2020	2019
Net debt		
Bank loans	4,233,333,334	4,486,666,667
Less: Cash and cash equivalents	132,031,110	280,738,936
	4,101,302,224	4,205,927,731
Total equity	24,072,921,162	23,495,621,695
Gearing ratio	17.04%	17.90%

The Company was able to meet its capital management objectives.

Loan covenants

Under the terms of the major borrowing facilities, the Company is required to comply with certain financial covenants. Details of the Company's compliance with these covenants are disclosed in Note 13.

Note 15 - Staff costs

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

	Note	2020	2019
Salaries and wages		225,651,686	293,838,648
Employee benefits		16,228,801	22,895,420
Retirement benefit expense	18	14,903,238	9,793,557
Others		4,007,344	9,803,323
		260,791,069	336,330,948

Note 16 - Other operating expenses

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

	Note	2020	2019
Professional fees		60,958,369	58,888,547
Carpark expense		6,112,037	6,542,921
Rent	22	4,714,888	4,610,159
Janitorial, security and other services		4,466,601	3,528,873
Repairs and maintenance		3,931,430	4,595,386
Utilities		2,799,417	3,160,996
Supplies		2,654,474	2,015,156
Telephone and communication		2,065,062	3,289,528
Membership fees and dues		1,811,395	2,650,600
Transportation and travel		1,316,599	6,639,281
Insurance		1,307,611	1,057,721
Entertainment, amusement and recreation		519,371	1,889,783
Condominium dues		476,332	1,286,796
Reproduction charges		529,398	653,920
Donations		419,758	5,500,000
Others		3,141,438	3,297,291
		97,224,180	109,606,958

Taxes and licenses pertaining to payment of business taxes, permits, real property taxes and other taxes incurred by the Company in 2020 amounted to P39,699,950 (2019 - P48,103,735) as shown in the statements of total comprehensive income.

Note 17 - Miscellaneous

The components of this account for the years ended December 31 are as follows:

	Notes	2020	2019
Management fees	20	42,485,252	125,353,654
Income from release of pension liability due to transfers	18	1,545,157	-
Gain on fair value adjustments of financial assets at FVTPL	3	1,000,154	176,828
Gain on sale of property and equipment		-	1,050,726
Bank charges		(335,406)	(519,836)
Foreign exchange loss, net	2	(2,186,984)	(2,528,700)
Loss on write-off of financial assets at FVOCI	9	-	(1,550,000)
Write-off of receivable from retirement fund		(4,764,655)	-
Others		1,607	(295,376)
		37,745,125	121,687,296

The Company incurred a loss amounting to P4,764,655 in 2020 arising from write off of receivables from paid retirement benefits out of its operating fund in the previous years.

Note 18 - Retirement benefit asset

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

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

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

The actuarial present value of the retirement benefit obligation under the plan is measured in terms of actuarial assumptions for discount rate, salary increases, retirement rates and mortality using the 2019 Philippine Intercompany Mortality Table. The discount rates used is a single weighted average rate based on rates as published in the Bankers Association of the Philippines Peso Bloomberg Valuation (PHP BVAL) at various tenors as at December 31, 2020. Rate for intermediate durations were interpolated. The rates were then weighted by the expected benefit payments at those durations to arrive at the single weighted average discount rate.

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

a) Investment risk

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

b) Interest rate risk

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

c) Longevity risk

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

d) Salary risk

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

Management performs an Asset-Liability Matching Study (ALM) annually. The overall investment policy and strategy of the Company's defined benefit plan is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay retirement benefits as they fall due while also mitigating the various risk of the plan. The Company's current strategic investment strategy consists of 45.76% treasury investments, 14.52% corporate investments, 22.98% equity securities, 16.70% money market deposits and trust funds and 0.04% cash.

The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Company has changed its fund management in 2019 and has changed the processes used to manage its risks from previous periods. The Company does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

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

The actuarial valuation of the Company's retirement plan was performed by an independent actuary. The latest actuarial valuation report prepared was for the year ended December 31, 2020. The principal assumptions used by the actuary for the years ended December 31 are as follows:

	2020	2019
Discount rate	3.31%	4.63%
Salary increase rate	3.00%	4.00%

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

	2020	2019
Retirement benefit (liability) asset	(13,316,584)	6,127,631
Retirement benefit expense	14,903,238	9,793,557

The amounts of retirement benefit (liability) asset recognized in the statements of financial position are determined as follows:

	2020	2019
Fair value of plan assets	95,300,363	108,364,884
Present value of defined benefit obligation	(108,616,947)	(102,237,253)
Retirement benefit (liability) asset	(13,316,584)	6,127,631

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

	2020	2019
January 1	(37,240,083)	(38,070,043)
Remeasurements	(7,101,515)	829,960
	(44,341,598)	(37,240,083)
Deferred income tax effect	13,302,480	11,172,026
December 31	(31,039,118)	(26,068,057)

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

	Note	2020	2019
Current service cost		15,361,761	10,404,722
Net interest cost		(458,523)	(611,165)
Retirement benefit expense	15	14,903,238	9,793,557

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

	2020	2019
January 1	102,237,253	87,757,761
Net interest cost	3,946,868	4,971,848
Current service cost	15,361,761	10,404,722
Benefits paid by the Company from operating funds	(1,015,381)	(1,746,768)
Benefits paid by the Company from retirement funds	(17,642,699)	-
Remeasurement losses (gains) from:		
Experience adjustments	6,358,871	(4,580,792)
Changes in financial assumptions	915,431	5,430,482
Released obligation due to employee transfers	(1,545,157)	-
December 31	108,616,947	102,237,253

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

	2020	2019
January 1	108,364,884	89,976,407
Interest income	4,405,391	5,583,013
Return on plan assets	172,787	1,679,650
Contributions	-	12,872,582
Benefits paid from plan assets	(17,642,699)	(1,746,768)
December 31	95,300,363	108,364,884

Apart from the benefit payments to certain qualified employees advanced by the Company and the contributions to the plan for the years ended December 31, 2020 and 2019, the Company had no other transactions with the plan.

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

	2020	2019
Cash in banks	29,821	47,046
Investments in debt instruments:		
Treasury notes and bonds	49,253,236	49,593,592
Corporate notes and bonds	7,542,873	15,734,602
Investments in equity instruments	26,188,270	24,892,867
Money market deposits and trust funds	12,286,163	18,096,777
	95,300,363	108,364,884

At December 31, 2020 and 2019, the Company's plan assets (investment in equity and debt instruments) are determined by reference to published price quotations in an active market (classified as Level 1 in the fair value hierarchy).

There are no plan assets invested in related parties as at and for the years ended December 31, 2020 and 2019.

Expected contribution to post-employment benefit plans for the year ending December 31, 2020 amounts to P14,959,712.

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

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

	2020	2019
Less than a year	23,485,285	33,983,469
Between 1 and 5 years	62,726,422	55,429,579
Between 5 and 10 years	69,090,034	50,663,483
Over 10 years	135,457,778	159,885,688
	290,759,519	299,962,219

Critical accounting estimate - Determining retirement benefit obligation

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

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

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

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

	Increase (decrease)	
	2020	2019
Discount rate		
Increase by 1.0%	(103,596,478)	(98,173,136)
Decrease by 1.0%	114,248,181	106,777,729
Salary increase rate		
Increase by 1.0%	114,832,051	107,358,597
Decrease by 1.0%	(102,966,713)	(97,558,484)

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

Note 19 - Income taxes

The components of income tax expense for the years ended December 31 follows:

	2020	2019
Current	2,139,701	7,139,458
Deferred	14,832,086	357,780,509
	16,971,787	364,919,967

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

	2020	2019
Deferred income tax assets:		
Minimum corporate income tax (MCIT)	7,139,458	7,139,458
Accrued expenses	12,686,685	14,489,025
Unamortized past service cost	8,621,445	6,490,989
Allowance for impairment of receivables	639,613	639,613
Net operating loss carry over (NOLCO)	76,861,658	76,861,658
	105,948,859	105,620,743
Deferred income tax liabilities:		
Unrealized gain on cumulative fair value adjustments of		
Investment properties	4,021,055,182	4,021,055,182
Interest income from advances to related parties	18,833,333	-
Financial assets at FVOCI	14,054,103	14,969,103
Retirement benefit asset	(2,145,693)	3,683,342
Unrealized foreign exchange gain	301,294	275,844
	4,052,098,219	4,039,983,471
Net deferred income tax liabilities	3,946,149,360	3,934,362,728

Realization of the future tax benefits related to the deferred income tax assets is dependent on many factors, including the Company's ability to generate taxable income in the future. The unrecognized deferred income tax assets as at December 31 consist of:

	2020	2019
MCIT	2,139,701	-
NOLCO	143,629,496	91,303,712
Unrecognized deferred tax assets	87,894,267	3,934,362,728

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

	2020	2019
January 1	(3,934,362,728)	(3,572,847,382)
Charged to profit or loss	(14,832,086)	(357,780,509)
Credited (charged) to other comprehensive income	3,045,454	(3,734,837)
December 31	(3,946,149,360)	(3,934,362,728)

The details of deferred income tax assets on NOLCO at December 31 are as follows:

Year incurred	Year of expiry	2020	2019
2016	2019	-	82,401,766
2017	2020	146,790,411	146,790,411
2018	2021	157,555,295	157,555,295
2019	2022	256,205,528	256,205,528
2020	2025	321,209,689	-
		881,760,923	642,953,000
Expired		(146,790,411)	(82,401,766)
Total		734,970,512	560,551,234
At 30% tax rate		220,491,154	168,165,370

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

Year incurred	Year of expiry	2020	2019
2016	2019	-	4,289,203
2019	2022	7,139,458	7,139,458
2020	2023	2,139,701	-
		9,279,159	11,428,661
Expired		-	(4,289,203)
		9,279,159	7,139,458

A reconciliation of the income tax expense computed at the statutory income tax rate and the effective income tax expense as shown in the profit or loss for the years ended December 31 is as follows:

	2020	2019
Income tax at the statutory income tax rate	404,900,230	925,297,279
Adjustments resulting from:		
Unrecognized NOLCO and MCIT	98,502,608	-
Expired MCIT	-	4,289,203
Other non-deductible expenses	1,909,835	917,953
Derecognition of fair value of equity investments at FVOCI	1,429,397	465,000
Gain on fair value adjustment of financial assets at FVTPL	(300,046)	(53,049)
Interest income subjected to final tax rate	(268,016)	(1,159,100)
Share in net income from joint venture	(55,660,066)	(30,371,134)
Dividend income	(433,542,155)	(534,466,185)
Effective income tax expense	16,971,787	364,919,967

Critical accounting judgment - Income tax

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

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

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

Event after reporting date

Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)

The Bicameral Conference Committee, under the 18th Congress of the Philippines, approved the reconciled version of the House Bill No. 4157 and Senate Bill No.1357 or the CREATE. The Committee report on CREATE was ratified by the Senate and House of Representatives on February 3, 2021. Among the salient provisions of CREATE include changes to the Corporate Income Tax (CIT) as follows:

- Reduction of CIT rate to 20% applicable to domestic corporations with total net taxable income not exceeding P5 million and with total assets not exceeding P100 million (excluding land on which the business entity's office, plant and equipment are situated);
- Reduction of CIT rate to 25% shall be applicable to all other corporations subject to regular CIT; and
- Minimum corporate income tax (MCIT) rate shall also be amended to 1%, instead of 2%, for the period beginning July 1, 2020 until June 30, 2023.

As at December 31, 2020, the CREATE bill is still pending ratification by both the Philippine Congress and Senate, and consequently pending approval of the President of the Republic of the Philippines. As such, the Company has assessed that the proposed tax law is not enacted or substantively enacted as at December 31, 2020. For financial reporting purposes, the enactment of CREATE after the reporting date is deemed non-adjusting subsequent event.

Had the reduced CIT rates been applied on the December 31, 2020 financial statements of the Company, the reduced income tax rate would have resulted in lower deferred tax liabilities, net, lower in income tax expense, and higher net income. As at report date, an estimate of the financial effect of the CREATE law cannot be made yet.

Note 20 - Related party transactions

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

	2020		2019		
	Transactions	Outstanding receivables (payables)	Transactions	Outstanding receivables (payables)	Terms and conditions
Subsidiaries					
Rental income (a)	52,423,793	40,533,905	143,976,651	26,529,292	Balances to be collected in cash and are due generally within 60 days. These are non-interest bearing and are not covered by any security.
Management fees (b)	20,853,358	70,891,347	105,670,390	50,741,698	Balances to be collected in cash and are due generally within 30 days. These are non-interest bearing and are not covered by any security.
Administrative recharges by the Company	279,153,265	213,018,943	188,789,761	88,465,011	
Dividend income	1,433,340,000	68,000,000	1,781,548,010	49,000,000	
Advances	(150,000,000)	(1,720,000,000)	170,000,000	(1,570,000,000)	Balances are to be settled in cash and are generally due within 30 days. These balances are non-interest bearing and not covered by any guarantee.
Administrative recharges to the Company	51,112,458	(353,332,634)	62,919,206	(327,066,687)	
Rental expense (d)	4,714,888	(1,216,394)	4,610,159	(3,498,494)	
Entities under common control					
Rental income (a)	26,154,458	6,420,242	100,961,283	30,792,328	Balances to be collected in cash and are due generally within 60 days. These are non-interest bearing and are not covered by any security.
Dividend income	11,797,500	16,939,500	-	5,142,500	Balances to be collected in cash and are due generally within 30 days from date of declaration. These are non-interest bearing and are not covered by any security.
Advances (c)	842,076,000	1,986,263,554	-	1,144,187,554	Balances are to be collected in cash and are generally due within 30 days. These balances are non-interest bearing and not covered by any guarantee.
Management fees (b)	21,631,894	53,047,161	19,683,264	2,978,436	
Administrative recharges by the Company	257,155,917	132,070,289	62,163,810	63,759,193	
Administrative recharges to the Company	174,792	(512,624)	3,974,481	(622,886)	Balances are to be settled in cash and are generally due within 30 days. These balances are non-interest bearing and not covered by any guarantee.
Condominium dues (e)	476,332	-	1,286,796	-	
Retirement fund					
Contributions	-	-	12,872,582	-	Refer to Note 18.
Key management personnel					
Salaries and other short-term employee benefits	69,888,564	-	45,453,358	-	Salaries and wages are settled in cash at the period incurred. Other short-term benefits are payable within the current year. There were no stock options or other long-term benefits provided in 2020 and 2019 nor amounts due to/from key management personnel as at December 31, 2020 and 2019.
Post-employment benefits	4,677,699	-	4,723,941	-	Refer to Note 18.

Significant agreements with related parties are as follows:

a) The Company has the following rental agreements with its subsidiaries and affiliate:

- A portion of the Company's land where the main wing of the mall is located is being leased to SLPC for a period of 25 years from January 6, 1993. On September 19, 2017, the agreement was renewed by both parties to another 5 years until January 6, 2023. Rental income is calculated at 10% of SLPC's annual rental revenue from mall operations plus 50% of the carpark's net income.
- On January 16, 2002, SPSI entered into an agreement with the Company and SLPC. Under the agreement, SPSI is granted limited usufructuary rights over the parking spaces of the Company and SLPC for a consideration equivalent to 95% of the SPSI's gross revenue less direct and indirect expenses relating to the Company's parking facilities. The agreement is effective until December 31, 2002 and shall be renewed automatically on a yearly basis.
- A portion of the Company's land is being leased by EDSA Shangri-La Hotel and Resort Inc. (ESHRI), where the EDSA Shangri-La Manila Hotel (the Hotel) is located. The lease is for a period of 25 years commencing on August 28, 1992 and renewable for another 25 years at the option of ESHRI. On August 16, 2017, the agreement was renewed by ESHRI to another 25 years until August 27, 2042. Rental revenue is based on a fixed percentage of the Hotel's room, food and beverage, dry goods and other service revenue.

b) The Company has management service agreement with its subsidiaries wherein the former shall provide human resource administration services for shared employees and project costs. The subsidiaries shall pay the Company management fees at actual cost-plus taxes (Note 17).

c) The outstanding balance as at December 31, 2020 and 2019 amounting to P1,144,187,554 represents cash advances made by Classic Elite Holdings Limited from the Company for working capital and project development.

d) The Company leases its office space from SLPC for a period of three (3) years that ended on May 17, 2019 and was extended for another three (3) years that will end on May 16, 2022. The Company agrees to pay SLPC for a fixed monthly rental amounting to P472.77 per square meter with an annual escalation of 5%.

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

There were no write-offs or provisions made in relation to related party transactions and balances as at and for the years ended December 31, 2020 and 2019.

Note 21 - Provisions and contingencies

On July 14, 1993, a complaint was initially filed before the Regional Trial Court (RTC) - Pasig by the principal contractor of the Shangri-La Plaza Mall against the Company and the Board for the recovery of the balance of alleged unpaid construction work, compensatory and moral damages, legal fees and litigation costs totaling about P122,000,000, exclusive of interest.

In 1998, the parties were directed by the RTC to undergo arbitration which resulted in a promulgation in 2007 of the Arbitral Tribunal Decision that awarded to the principal contractor the sum of P38,518,503, net of the award to Company amounting to P8,387,484.

Both parties appealed this decision to the Court of Appeals (CA) in 2008. In a resolution issued in 2009, the CA awarded to the principal contractor P24,497,556, unpaid progress billings based on the original scope of work and denied the Company of its motion for partial reconsideration.

In 2009, both the Company and the Principal Contractor filed separate Petitions for Review in Certiorari to the Supreme Court. The Company prayed for a reversal of the decision of the CA and for payment of liquidated damages by the Principal Contractor. On the other hand, the Principal Contractor filed a motion to modify the decision of the CA and to be awarded the full amount of their claim.

On January 10, 2020, the Company, through counsel, received a copy of the Supreme Court decision that resolved both Petitions for Review. On January 24, 2020, the Company filed in the Supreme Court a motion for partial reconsideration of said SC decision, which to this date has not been resolved.

The Company has other pending legal cases which are being contested by the Company and their legal counsels. Management and the legal counsels believe that the final resolution of these cases will not have a material effect on the Company's financial position and results of operations.

Critical accounting estimate - Provision

As at December 31, 2020, the Company recognized provision for a certain legal case. The estimate of the probable costs for the resolution has been developed in consultation with outside legal counsel handling the Company's defense in this matter. Disclosure of additional details beyond the present disclosures may seriously prejudice the Company's position. Thus, as allowed by PAS 37 "Provisions, Contingent Liabilities and Contingent Assets", only general disclosures were provided.

Critical accounting judgment - Contingencies

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

Note 22 - Lease commitments

(a) Company as a lessor

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

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

	Note	2020	2019
Percentage basis	20	78,578,251	244,937,934
Fixed monthly rental		4,558,515	4,992,268
		83,136,766	249,930,202

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

	2020	2019
Within one (1) year	5,262,508	3,625,284
One to two (1 to 2) years	9,513,973	-
	14,776,481	3,625,284

Critical accounting judgment - Operating lease commitments - Company as lessor

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

(b) Company as a lessee

The Company leases its office space from SLPC and incurred rent expense amounting to P4,714,888 in 2020 (2019 - P4,610,159) (Note 20).

Total future minimum lease payments for these non-cancellable operating lease as at December 31 are:

	2020	2019
Within one (1) year	5,673,541	4,027,969
One to two (1 to 2) years	2,166,261	5,604,771
Two to three (2 to 3) years	-	3,610,436
	7,839,802	13,243,176

Critical accounting judgment - Low value leases

Payments associated with leases of low-value assets are recognized on a straight-line basis as an expense in the profit or loss. Management considered lease agreements with third parties as low value leases.

Note 23 - Net debt reconciliation

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

	Notes	2020	2019
Bank loans, January 1	13	4,486,666,667	3,300,000,000
Cash flows		(253,333,333)	1,186,666,667
Bank loans, December 31	13	4,233,333,334	4,486,666,667
Accrued interest	12	11,781,241	17,798,369
Cash and cash equivalents	2	(132,031,110)	(280,738,936)
Net debt		4,113,083,465	4,223,726,100

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

Note 24 - Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk, and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by the Company's management under policies approved by its Board of Directors. These policies cover financing structure, foreign exchange and interest rate risk management, guarantees and credit support, as well as treasury control framework. There are no changes in the Company's risk management plans for the years ended December 31, 2020 and 2019.

24.1.1 Market risk

(a) Foreign exchange risk

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

The Company's foreign currency denominated cash in banks and cash equivalents as at December 31, 2020 and 2019 and net foreign exchange gains/losses for the years ended December 31, 2020 and 2019 are disclosed in Note 2.

(b) Price risk

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

(c) Cash flow and fair value interest risk

Interest rate risk refers to risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company's interest-bearing financial instruments include long-term loan (Note 13). These financial instruments are not exposed to fair value interest rate risk as these are carried at amortized cost. Likewise, these instruments are not exposed to variability in cash flows as these carry fixed interest rate, to be repriced every 30 to 180 days as agreed by the parties.

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

At December 31, 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 P4,619,993 (2019 - higher by/lower by P10,499,376), mainly as a result of higher/lower interest expense on floating-rate bank loans. Management uses 100 basis points as threshold in assessing the potential impact of interest rate in the operations.

24.1.2 Credit risk

Credit risk arises from cash and cash equivalents, trade receivables and other financial assets at amortized cost. The Company manages the credit risk arising from these financial assets as follows:

(a) Cash and cash equivalents (Note 2)

The Company only maintains banking relationships with top and reputable universal and commercial banks in the country. Universal and commercial banks represent the largest single group, resource-wise, of financial institutions in the Philippines.

While cash and cash equivalents are also subject to the impairment requirements of PFRS 9, the impairment loss has been assessed to be immaterial.

(b) Trade and other receivables, net (Note 4)

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

The Company applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

All of the Company's trade receivables had been assessed to be fully performing as of reporting date. Management has determined based on its historical loss experience that the expected credit loss on these fully performing trade receivables is not material for financial reporting purposes.

Allowance for impairment
The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables presented above. There were no trade and other receivables pledged as collaterals as at December 31, 2020 and 2019.

(c) Other financial assets at amortized cost

The Company's maximum credit risk exposures arising from other financial assets at amortized costs are shown below:

	Notes	2020	2019
Receivables from related parties	4	2,540,230,794	1,404,274,392
Advances to officers and employees	4	1,380,011	1,237,868
Interest receivable	4	3,364	210,724
Others	4	4,508,258	7,460,277
Refundable deposits	11	966,424	986,424
Total		2,547,088,851	1,414,169,685
Allowance for impairment of other receivables	4	(2,132,043)	(2,132,043)
		2,544,956,808	1,412,037,642

Critical accounting estimate - Impairment of other financial assets at amortized cost

The loss allowance for financial assets are based on assumptions about risk of default and expected loss rates.

Substantially all other financial assets at amortized cost as disclosed above are performing. Performing accounts are those whose credit risk is in line with original expectations of the Company. The 12-month ECL has been used as a basis for provisioning. The management has assessed that the related ECL has been deemed insignificant for financial reporting purposes.

24.1.3 Liquidity risk

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

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

The following table shows the Company's financial instruments as at December 31 based on its contractual maturity profile:

	2020	2019
Financial liabilities maturing within one year		
Accounts payable and other current liabilities	2,213,691,453	2,040,736,863
Current portion of bank loans, including future interest payable	4,398,256,469	3,698,587,839
Dividends payable	52,609,087	47,544,516
	6,664,557,009	5,786,869,218
Financial liabilities maturing beyond one year		
Long-term bank loans, net of current portion, including future interest payable	-	953,377,186
Deposits from tenants	1,269,161	1,269,161
	1,269,161	954,646,347
	6,665,826,170	6,741,515,565

**Excluding payable to government agencies and output value added tax*

Note 25 - Summary of significant accounting policies

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

25.1 Basis of preparation

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

The separate financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at FVTPL, FVOCI and investment properties.

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

- Determination of fair values of investment properties (Note 8)
- Useful lives of property and equipment (Note 10)
- Determining retirement benefit obligation (Note 18)
- Assessing control over subsidiaries (Note 7)
- Recoverability of investment and advances (Note 7)
- Distinction between properties held for sale, investment properties, and property and equipment (Note 8)
- Impairment of non-financial assets (Note 10)
- Provision (Note 21)
- Contingencies (Note 21)
- Operating lease commitments - Company as lessor (Note 22)
- Low value leases (Note 22)
- Income tax (Note 19)

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

Users of these separate financial statements should read them together with the Group's consolidated financial statements as at and for the years ended December 31, 2020 and 2019 in order to obtain full information on the financial position, results of operations and changes in financial position of the Company as a whole. The consolidated financial statements of the Group can be obtained from SEC or from the Parent's website: www.shangproperties.com.

Changes in accounting policies and disclosures

(a) New amendments adopted by the Company

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.

Further, on December 15, 2020, SEC issued Memorandum Circular No. 34, Series of 2020 providing relief to the real estate industry by deferring the application of the provisions of the PIC Q&A 2018-12 with respect to the accounting for significant financing component, the exclusion of land in the calculation of PoC and IFRIC Agenda Decision on Over Time Transfers of Constructed Goods under PAS 23, Borrowing Cost, for another period of three years or until 2023. The Company did not avail any of the reliefs provided by the memorandum.

(b) New standards and interpretations effective after December 31, 2020 not yet adopted by the Company

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2020 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

25.2 Cash and cash equivalents

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

25.3 Financial instruments

Financial assets

(a) Classification

The Company 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 Company'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 Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at 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.

(c) Subsequent measurement

(i) Debt instruments

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

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

  The Company's financial assets at amortized cost consist of cash and cash equivalents (Note 2), trade and other receivables (Note 4) and refundable deposits classified under other non-current assets (Note 11) in the separate statement of financial position.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other income (expense). 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 miscellaneous under other income (expense), and impairment expenses are presented in other general and administrative expenses in the separate statement of total comprehensive income.

  The Company does not have debt instruments at FVOCI as at December 31, 2020 and 2019.

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

  The Company does not have debt instruments at FVTPL as at December 31, 2020 and 2019.

(ii) Equity instruments

The Company subsequently measures all equity investments at fair value through profit or loss, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Company'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 Company's right to receive payments is established.

At December 31, 2020 and 2019, the Company'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 classified in the separate statement of financial position (Note 9).

(d) Impairment

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

The expected loss rates are based on the payment profiles of counterparties over a period of 36 months before January 1, 2018 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company 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 expense in the separate statement of total comprehensive income. Subsequent recoveries are credited to miscellaneous income.

Financial liabilities

(a) Classification and measurement

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

Financial liabilities that are not classified at FVTPL fall into this category and are measured at amortized cost.

The Company's long-term loan (Note 13) and accounts payable and other current liabilities (excluding payable to government agencies and output value added tax) (Note 12) are classified under financial liabilities at amortized cost.

(b) Initial recognition

Regular purchases and sales of financial assets are recognized on the trade date (the date on which the Company commits to purchase or sell the asset).

Financial assets and liabilities not carried at FVTPL are initially recognized at fair value plus transaction costs. Financial assets and liabilities carried at FVTPL are initially recognized at fair value, and transaction costs are recognized as expense in profit or loss.

The Company recognizes a financial liability in the statement of financial position when the Company becomes a party to the contractual provision of the instrument.

Derecognition of financial instrument

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

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

Offsetting of financial instrument

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

25.4 Trade and other receivables

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

The Company applies the 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 statement of total comprehensive income. When a receivable remains uncollectible after the Company 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 statement of total comprehensive income.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before January 1, 2018 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

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

25.5 Properties held for sale

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

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

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

25.6 Prepayments and other assets

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

Creditable withholding taxes are carried at face amount or at nominal amount. Creditable withholding taxes are included in current assets, except when these are expected to be utilized more than twelve months after the end of the reporting period, in which case these are classified as non-current assets. The Company's creditable withholding taxes are part of the prepaid taxes under prepaid expenses and other current assets in the balance sheet. Creditable withholding taxes are derecognized when utilized or applied against income tax due.

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

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 Company 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.

25.7 Investments and advances

(a) Subsidiaries

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

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

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

When the Company ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(b) Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in associate is initially recognized at cost. It is subsequently carried in the separate financial statements at cost, less allowance for impairment losses.

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

Under the equity method of accounting, the interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Company'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.

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

Impairment of investment is presented in Note 25.10.

(c) Deposits for future share subscriptions

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

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

Refer to Note 25.3 for relevant accounting policies on advances to subsidiaries and associate.

25.8 Investment properties

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

The Company's investment properties are held for capital appreciation and is not occupied by the Company. The Company has adopted the fair value model for its investment property (Note 8).

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

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

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

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

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

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

Impairment of investment properties is presented in Note 25.10.

25.9 Property and equipment

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

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 25.10).

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

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

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

25.10 Impairment of non-financial assets

Asset that has an indefinite useful life such as investment in a subsidiaries and associates not subject to amortization is evaluated regularly for impairment. Assets that have definite useful lives and are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that are previously impaired are reviewed for possible reversal of the impairment at each reporting date. Subsequent reversals are credited to miscellaneous income in the statement of total comprehensive income.

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

25.11 Accounts payable and other current liabilities

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

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

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

25.12 Borrowings and borrowing costs

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

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non- cash assets transferred or liabilities assumed, is recognised in profit or loss as other income.

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

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

25.13 Fair value measurement

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

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

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

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

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

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Company, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1. The financial assets at fair value through profit or loss and 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 Company's unlisted financial assets at FVOCI financial assets are included in Level 3.

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

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

Specific valuation techniques used to value financial instruments include:

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

The investment properties of the Company are classified under Level 2 and 3 category.

25.14 Current and deferred income tax

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate 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, NOLCO) and unused tax credits (MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized. The Company reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset. Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

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

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

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

25.15 Provisions

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

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

25.16 Equity

(a) Share capital

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

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

(b) Treasury shares

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

(c) Retained earnings

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

(d) Dividend distribution

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

25.17 Earnings per share

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

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

25.18 Employee benefits

(a) Retirement benefits

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

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

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

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

(b) Termination benefits

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

(c) Short-term employee benefits

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

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

25.19 Revenue and expense recognition

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

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or as an agent. The Company has concluded that it is acting as principal in its revenue arrangements.

(a) Rental income

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

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

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

Revenue from condominium sales are recognized in full (i.e., point in time) once the Company has assessed that the contract meets all criteria for revenue recognition.

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

(c) Interest income and expense

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

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

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

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

(d) Dividend income

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

(e) Miscellaneous income

Miscellaneous income is recognized when earned.

(f) Cost and expenses

Cost and expenses are recognized when these are incurred.

25.20 Leases

(a) Company is the lessor

Rental income from operating lease is recognized on a straight-line basis over the term of the relevant lease or based on a certain percentage of gross revenue of the lessees, whichever is applicable. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term. Assets under these arrangements are classified as investment property in the statement of financial position (Note 25.8).

(b) Company is the lessee

The Company 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 25.1).

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 Company. 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.

25.21 Foreign currency transactions and translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

25.22 Related party relationships and transactions

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

25.23 Contingencies

Contingent liabilities are not recognized in the separate 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 separate financial statements but disclosed when an inflow of economic benefits is probable.

25.24 Events after the reporting period

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

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

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

(a) Output value-added tax (VAT)

The Company is a VAT-registered company with VAT output declaration of P21,687,405 for the year based on the Vatable sales amounting to P180,728,375.

The Vatable sales shown above is based on gross receipts of the Company following the provisions of Sec. 4.106-3 of RR No. 14-2005 (also known as the Consolidated Value-Added Tax Regulations of 2005), Sale of Real Properties, while the gross revenue in the statements of comprehensive income is measured in accordance with the Company's accounting policy for revenue recognition.

(b) Input VAT

Movements in input VAT for the year ended December 31, 2020 follow:

Beginning balance	16,266,524
Current year's purchases:	
Capital goods subject to amortization	31,433,642
Purchases other than capital goods	
Input tax applied against output tax	(21,687,405)
Total input VAT	26,012,761

(c) Documentary stamp tax

Documentary stamp taxes paid for the year ended December 31, 2020 amounted to P18,180,525 which mainly pertain to taxes on dividends and cash advances.

(d) All other local and national taxes

All other local and national taxes accrued and paid for the year ended December 31, 2020 consist of:

Real property tax	12,079,015
Transfer tax	2,466,358
Mayor's permit	2,180,535
Registration fee	831,595
Community tax	10,500
BIR registration	500
Others	248,839
	17,817,342

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

(e) Withholding taxes

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

	Paid	Accrued	Total
Creditable withholding tax			11,913,803
Withholding tax on compensation	76,258,981	4,829,055	81,088,036
Expanded withholding tax	14,334,221	1,257,779	15,592,000
Final withholding taxes	60,862,443	445,349	61,307,792
Fringe benefit tax	2,641,095	1,348,988	3,990,083

(f) Tax assessments and cases

There are no outstanding tax assessments and cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR as at December 31, 2020.

Annex 68-C

Shang Properties, Inc.

Reconciliation of Retained Earnings for Dividend Declaration
As at December 31, 2020
(All amounts in Philippine Peso)

Unappropriated Retained Earnings beginning		17,460,971,793
Fair value adjustment of investment properties in prior years, net of tax		(9,868,058,867)
Unappropriated Retained Earnings, as adjusted, beginning		7,592,912,926
Net income based on the face of audited financial statements	1,332,695,646	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	(129,873,486)	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	-	
Unrealized actuarial gain	-	
Fair value adjustment (M2M gains)	700,108	
Fair value adjustment of Investment property resulting to gain	-	
Adjustment due to deviation from PFRS/GAAP – gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted under the PFRS	-	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS/GAAP – loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
Net income actually earned during the period	1,203,522,268	1,203,522,268
Add (Less):		
Realized remeasurement loss during the year	-	
Dividends declarations during the year	(745,240,118)	
Appropriations of retained earnings	-	
Reversal of appropriateness	-	
Other reserves from restatement due to PAS19 Revised	-	
Treasury shares	(6,850,064)	(752,090,182)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND		8,044,345,012