18 May 2023

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building,
PICC Complex
Roxas Boulevard, Manila

Thru: Corporate Finance Department

Re: **Shang Properties, Inc. (SPI)**

Gentlemen:

We are submitting herewith SPI's Preliminary Information Sheet, which we have submitted to the Philippine Stock Exchange, Inc.

Thank you.

Very truly yours,
SHANG PROPERTIES, INC.
By:

FEDERICO G. NOEL, JR.
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

**INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:

    [ ] Definitive Information Statement

    [✓] Preliminary Information Statement

2. Name of Registrant as specified in its charter **SHANG PROPERTIES, INC.**

3. Philippines
Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number: 145490

5. BIR Tax Identification Code: 000-144-386

6. Level 5, Administration Offices, Shangri-La Plaza Mall
EDSA cor. Shaw Boulevard, Mandaluyong City 1550
Address of principal office Postal Code

7. Registrant's telephone number, including area code (632) 8370-2700

8. The annual meeting of Registrant's stockholders will be held on **28 JUNE 2023 at 10:00 A.M. at Edsa Shangri-La Manila, No. 1 Garden Way, Ortigas Center, Mandaluyong City and via video conference.**
Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders:
06 JUNE 2023, which is fifteen (15) business days prior to the date of the Annual Stockholders' Meeting on **28 JUNE 2023**.

10. No proxy solicitations will be made by Registrant.

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	**4,764,056,287** [1]common shares (* not included are the Registrant's 2,695 treasury shares)

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

    Yes ✓ No ____

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

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

[1] As of 15 May 2023 - Source: pse.com.ph/company-information-SHNG/

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

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

The annual meeting of Registrant's stockholders will be held on **28 JUNE 2023 at 10:00 A.M. at Edsa Shangri-La Manila, No. 1 Garden Way, Ortigas Center, Mandaluyong City and via video conference.**

The approximate date on which the Information Statement is first to be sent and will be accessible at the Issuer's website at www.shangproperties.com , or be given to security holders, starting on **06 JUNE 2023, which is fifteen (15) business days prior to the date of the Annual Stockholders' Meeting on 28 JUNE 2023.**

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

Item 2. Dissenters' Right of Appraisal

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

The dissenting stockholder who votes against a proposed corporate action may exercise the right of appraisal by making a written demand addressed to the Registrant for the payment of the fair value of shares held within thirty (30) days from the date on which the vote was taken: Provided, That the failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented, the Registrant shall pay the stockholder, upon surrender of the certificate or certificates of stock representing the stockholder's shares, the fair value thereof as of the day before the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If, within sixty (60) days from the approval of the Registrant's action by the stockholders, the withdrawing stockholder and the Registrant cannot agree on the far value of the shares, it shall be determined and appraised and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the Registrant, and the third by the two (2) thus chosen. The findings of the majority appraisers shall be final, and their award shall be paid by the Registrant within (30) days after such award is made: Provided, That no payment shall be made to any dissenting stockholder unless the Registrant has unrestricted retained earnings in its books to cover such payment: Provided, further, That upon payment by the Registrant of the agreed or awarded price, the stockholder shall forthwith transfer the shares to the Registrant. [2]

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

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

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

[2] Sec. 81 of the Revised Corporation Code

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) Number of Shares Outstanding as of 30 April 2023.

The Top 20 stockholders of the Issuer as of 30 APRIL 2023 [3]are:

Name of Stockholders	Number of Shares Held	Percent to Total Outstanding
1. Travel Aim Investment B.V	1,648,869,372	34.61%
2. Ideal Sites and Properties, Inc.	1,465,144,626	30.75%
3. PCD Nominee Corporation (PH)	1,001,808,140	21.03%
4. SM Development Corporation	189,550,548	3.98%
5. PCD Nominee Corporation (OA)	69,781,096	1.46%
6. KGMPP Holdings, Incorporated	52,925,445	1.11%
7. CCS Holdings, Incorporated	47,633,492	1.00%
8. Pecanola Company Limited	43,175,495	0.91%
9. Kuok Foundation Overseas Limited	37,023,839	0.78%
10. Kuok Brothers SND. BHD.	37,023,839	0.78%
11. GGC Holdings, Incorporated	26,224,322	0.55%
12. Kerry Holdings Limited	26,090,624	0.55%
13. Kuok (Singapore) Limited	24,848,214	0.52%
14. Kerry (1989) LTD.	12,424,107	0.26%
15. Kuok Traders (Hong Kong) LTD.	11,407,363	0.24%
16. Federal Homes, Inc.	4,808,478	0.10%
17. Luxhart Assets Limited	3,975,714	0.08%
18. Yan, Lucio W. Yan &/or Clara	3,142,857	0.07%
19. Antonio O. Cojuangco	3,026,964	0.06%
20. Emerick Jefferson Sy Go or Girlie Ng Go	1,779,062	0.04%

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

(b) The record date for the Registrant's Annual Stockholders' Meeting is 29 MAY 2023.

(c) Manner of Voting

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

[3] SPI Top 100 Report as of 31 March 2023

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

As of **30 APRIL 2023**, the total number of shareholders of Issuer's common shares is **5,141**[4].

(d) Security Ownership of Certain Record and Beneficial Owners of More Than 5%

Following are the stockholders who are known to the Issuer to be directly or indirectly the record and/or beneficial owner of more than 5% of any class of the Issuer's voting shares as of **30 APRIL 2023**[5].

Title of Class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	Travel Aim Investment B.V. 25/F Kerry Centre 683 King's Road Quarry Bay, HK	R	Foreign	1,648,869,372	34.61%
Common	Ideal Sites & Properties, Inc.	R	Filipino	1,465,144,627	30.75%
Common	PCD Nominee Corporation	R	Filipino	1,012,913,413	21.26%

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

Ideal Sites and Properties, Inc. (Ideal) is the owner of record of 1,465,144,626 shares. These shares serve as underlying securities to the Philippine Deposit Receipts (PDRs) issued by Ideal. Ideal is a member of the Kuok Group of Companies. The votes for Ideal Sites and Properties, Inc., are to be cast by the said Company's appointed proxy, who is usually the Chairman of the Issuer's Annual Shareholders Meeting. The Annual Shareholders Meeting of the Issuer is usually chaired by Mr. Edward Kuok Khoon Loong, and in his absence, by Mr. Alfredo Ramos.

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

Security Ownership of Management (as of 30 APRIL 2023)[6]

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Edward Kuok Khoon Loong	808,008(D)	Malaysian	0.00%
Common	Maureen Alexandra R. Padilla	1(D)	Filipino	0.00%
Common	Antonio O. Cojuangco	3,026,964(D)	Filpino	0.06%
Common	Maximo G. Licauco III	1(D)	Filipino	0.00%
Common	Benjamin Ivan S. Ramos	2(D)	Filipino	0.00%

[4] SPI Board Lot Report as of 30 April 2023
[5] SPI Public Ownership as of 30 April 2023
[6] SPI Public Ownership as of 30 April 2023

Common	Cynthia R. Del Castillo	1(D)	Filipino	0.06%
Common	Karlo Marco P. Estavillo	5,000(D)	Filipino	0.00%
Common	Dennis Au Hing Lun	1(D)	Chinese	0.00%
Common	Wolfgang Krueger	1,440,000(D)	Deutsch	0.00%
Common	Jose Juan Z. Jugo	1,000(D)	Filipino	0.00%
Common	Federico G. Noel	1 (D)	Filipino	0.00%

As of the reporting of **SEC Form 20-IS for 2023**, the aggregate ownership of all directors and officers as a group unnamed is **5,280,978** shares or **0.1%** of the outstanding shares of Issuer.

VOTING TRUST / HOLDERS OF 5% OR MORE

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

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

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

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

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

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

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

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

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

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

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

<u>Business of Issuer</u>

(A) Description of Issuer

(i) The Issuer is a property development, real estate management and investment holding company. It is publicly subscribed and was listed in the Philippine Stock Exchange in June 13, 1991. Its significant and active subsidiaries are as follows:

- Shangri-La Plaza Corporation (100% owned by Issuer);
- SPI Parking Services, Inc. (formerly EDSA Parking Services, Inc.) (100 % owned by Issuer); and
- Shang Properties Realty Corporation (formerly, The Shang Grand Tower Corporation (100 % owned by Issuer)
- EPHI Logistics Holdings, Inc. (60% owned by Issuer)
- Shang Global City Holdings, Inc. (100% owned by Issuer)
- Shang Fort Bonifacio Holdings, Inc. (100% owned by Issuer)
- Shang Property Management Services Corporation (formerly EPHI Project Management Services Corporation) (100% owned by Issuer)
- KSA Realty Corporation (70.04% owned by Issuer)
- Shang Property Developers, Inc. (100% owned by Issuer)
- Shang Global City Properties, Inc. (60% owned through the Issuer's wholly owned subsidiaries Shang Global City Holdings, Inc., and Shang Fort Bonifacio Holdings, Inc.)
- The Rise Development Company, Inc. (100% owned through Issuer's wholly owned subsidiary KPPI Realty Corporation)
- Shang Wack Wack Properties, Inc. (100% owned by Issuer)
- Classic Elite Holdings, Ltd. (100% owned by Issuer)
- SPI Property Holdings, Inc. (100% owned by the Issuer)
- SPI Property Developers, Inc. (100% owned by the Issuer)
- SPI Land Development Inc. (100% owned by the Issuer)
- Shang Robinsons Properties Inc. (50% owned by the Issuer)

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

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

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

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

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

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

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

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

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

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

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

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

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

Shang Robinsons Properties, Inc. is a joint venture with Robinsons Land Corporation for the development of a condominium projects known as the Aurelia, located in Bonifacio Global City, Taguig City.

SPI Property Holdings, Inc. was incorporated on 09 December 2019 as a holding company and a realty development company. It is currently developing a residential condominium project on its newly acquired property located along Canley Road, Pasig City.

SPI Property Developers, Inc. was incorporated on 09 December 2019 as a realty development company. It is developing a proposed office and service apartment project known as "Shang One Horizon" located at Shaw Boulevard, Mandaluyong City

SPI Land Development Inc. was incorporated on 09 December 2019 as a realty development company. It is currently undertaking the construction of a residential condominium development project located along Sgt. Esguerra Avenue corners Scout Bayoran Street and Scout Borromeo Street, within Barangay South Triangle, Diliman, Quezon City.

(ii) Issuer's subsidiary, Shang Properties Realty Corporation (formerly, The Shang Grand Tower Corporation) and Shang Property Developers, Inc. sold units of the condominium development The St. Francis Shangri-La Place to non-resident Filipinos and foreigners, but not exceeding 40% of the total no. of units. It has been selling units of the One Shangri-La Place, its latest condominium development, but subject to the limitation that not more than 40% of the total number of units shall be sold to foreigners. Issuer's subsidiary Shang Property Developers Inc. has also started selling units to its residential condominium development, Shang Salcedo Place, sales for which are also subject to the 40% alien ownership limitation.

(iii) This is not applicable to the Issuer. It is primarily a holding company and therefore has no direct distribution methods of products and services.

(iv) Neither the Issuer nor its subsidiaries have new products or services which may be described as requested in this particular section.

(v) Insofar as the Issuer's competitors are concerned, the Issuer's competitors are upper middle to high end real estate companies who are involved in property development such as Ayala Land and Megaworld. Issuer can and will be able to compete in the property development industry because of its strong financial position, international expertise and strong brand position. For the Shangri-La Plaza Corporation, its competitors are entities operating similar upscale malls such as Rockwell, Podium, and Greenbelt 3. The Shangri-La Plaza Corporation is not threatened by competition where it is the only truly upscale commercial complex in its geographic location, and where it is continuously upgrading its facilities in order to cater to its upscale market. SPSI's competitors are those entities who are into carpark management and operation. SPSI is in a healthy financial position and has the expertise to efficiently and viably operate its carpark facilities.

(vi) This section on raw materials and suppliers is not applicable to the Issuer nor to its subsidiaries by reason of the nature of their businesses as herein described.

(vii) Neither the Issuer nor its subsidiaries operations and businesses are dependent on a single customer, the loss of which would have a material adverse effect on the Issuer and its subsidiaries taken as a whole, by reason of the nature of their businesses as described herein.

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

<u>With Issuer's subsidiaries:</u>

a. With Shangri-La Plaza Corporation (SLPC)

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

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

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

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

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

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

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

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

With Issuer's affiliates:

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

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

b. With other affiliates:

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

Between Issuer's Affiliates:

a. Shang Property Management Services Corporation entered into a Memorandum of Agreement with KSA Realty Corporation, pursuant to which the former shall assist the latter in managing and administering the leasing operations of The Enterprise Center.

b. Shang Property Management Services Corporation entered into a Memorandum of Agreement with The Enterprise Center Condominium Corporation pursuant to which the former shall assist the latter in managing and administering the condominium development known as The Enterprise Center, specifically with respect to the common areas thereof.

c. Shang Property Management Services Corporation entered into a Memorandum of Agreement with The St. Francis Shangri-La Place Condominium Corporation pursuant to which the former shall assist the latter in managing and administering the condominium development known as The Enterprise Center, specifically with respect to the common areas thereof.

d. SPI Parking Services, Inc. entered into a Memorandum of Agreement with KSA Realty Corporation, with conformity of The Enterprise Center Condominium Corporation, to administer, manage and operate the TEC Parking Slots as a pay parking facility under a mutually agreeable remuneration scheme.

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

FOREIGN OWNERSHIP LEVEL AS OF 30 APRIL 2023[7]:

Security	Total Outstanding Shares	Shares Owned By Foreigners	Percent of Ownership
Common Shares	4,764,056,287	1,879,587,557	39.45%

Item 5. Directors and Executive Officers

CHANGES IN CONTROL

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

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

Name	Citizenship	Director/ No. of Years	Age	Office Held	Directorship in other reporting (Listed) Companies
Edward Kuok Khoon Loong	Malaysian	Yes /31 yrs.	70	Chairman	None
Maximo G. Licauco III	Filipino	Yes/9 yrs & 5 mos.	72	Vice Chairman	None
Alfredo C. Ramos +	Filipino	Yes /33 yrs. 7 mos.	78		Anglo Philippine Holdings Corp., The Philodrill Corp., Vulcan and Industrial Mining and Development Corp., Penta Capital Holdings Corp., Philippine Seven Corp.
Alexandra Ramos-Padilla	Filipino	Yes/1 mo.	-		Philodrill Corporation, Anglo Philippines Holdings Corporation and United Paragon Corporation
Cynthia R. Del Castillo	Filipino	Yes /21yrs & 10 mos.	70		Sanitary Wares & Mfg. Corp.
Benjamin I. Ramos	Filipino	Yes /12 yrs. & 8 mos.	53		None
Wilfred Shan Chen Woo *	Canadian	Yes/ 11 yrs.	65		None
Dennis Au Hing Lun	-	Yes/ 1 mo.	63		None
Antonio O. Cojuangco***	Filipino	Yes /14 yrs.	71		None
Jose Juan Z. Jugo	Filipino	Yes/2 yrs. & 4 mos.	51	Executive Vice President	None

[7] SPI's Report on Foreign Ownership as of 30 April 2023

Karlo Marco P. Estavillo	Filipino	Yes/6 yrs. & 7 mos.	51	COO	None
Wolfgang Krueger	Deutsch	Yes/2 yrs. & 3 mos.	57	Executive Vice President	None
Rajeev Garg	Indian	(No)	48	VP Finance	None
Federico G. Noel, Jr.	Filipino	(No)	61	Corporate Secretary	None
Mabel P. Tacorda	Filipino	(No)	50	Chief Financial Officer	None

**age as of 30 April 2023*

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

(+) Alfredo C. Ramos is the Vice Chairman of the Company. He is the Chairman of the Board of Anglo Philippine Holdings, Inc., Anvil Publishing, Inc., Carmen Copper Corporation, NBS Express, Inc. and Atlas Consolidated Mining & Development Corporation and Aquatlas, Inc. He is the Chairman and President of Alakor Corporation, National Book Store, Inc., The Philodrill Corporation, Vulcan Industrial & Mining Corporation, United Paragon Mining Corporation and NBS Subic, Inc. He is also the President of Abacus Book & Card Corporation, MRT Holdings Corporation, Power Books, Inc., TMM Management, Inc. and Zenith Holdings Corporation. He is Vice Chairman of MRT Development Corporation and Shangri-La Plaza Corporation. He is also the Governor of National Book Development Board. *(He ceased to hold his office/ position by reason of his passing last 26 November 2022)*

Alexandra Ramos-Padilla was a former member of the Board of the Issuer from 2006 to 2013. She also sits in the Board of Directors of Philodrill Corporation, Anglo Philippines Holdings Corporation and United Paragon Corporation. She is currently Managing Director of National Bookstore, Inc. and President of Anvil Publishing. She graduated from Ateneo de Manila University major in Management Engineering and obtained her Master's in Business Administration from Northwestern University, Illinois, USA. *(He was elected as member of the Board to replace Mr. Alfredo Ramos who ceased to hold his office/ position by reason of his passing last 26 November 2022.)*

****Wilfred Shan Chen Woo*** is the Executive Assistant to the Chairman of the Board. He is a member of the Institute of Chartered Accountants of British Columbia as well as a member of the Canadian Institute of Chartered Accountants since 1985. He graduated in 1982 from the University of British Columbia in Vancouver, Canada with a Bachelor's Degree in Commerce, majoring in Accounting and Management Information Systems. *(He resigned as member of the Board as of 22 March 2023.)*

Au Hing Lun, Dennis aged 63 has been the Deputy Chief Executive Officer and an Executive Director of Kerry Properties Limited ("KPL") since May 2022. He is also a member of the KPL's Executive Committee and Finance Committee. He has over 35 years of experience in accounting, finance, consultancy, business development and general management spanning across manufacturing, technology and real estate industries. Mr Au worked for the tax division of Arthur Andersen & Co. and later on Andersen Consulting (now known as Accenture plc), providing advisory on tax, IT system design and integration projects for governments and multinational companies. Mr. Au is a fellow member of the Association of Chartered Certified Accountants. He holds a Master of Business Administration degree from the University of Hong Kong and a Bachelor of Science degree from Dalhousie University in Canada. *(He replaced Wilfred Shan Chen Woo who resigned as a member of the Board as of 22 March 2023 and serve as such for the remainder of Mr. Woo's term until his successor is duly elected and qualified)*

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

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

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

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

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

Jose Juan Z. Jugo joined the Issuer last June 2019 as Executive Vice President. From 2017 to 2019, he was the President and CEO of MCT Bhd, a publicly listed full line property developer based in Selangor, Malaysia and owned 67% by Ayala Land, Inc. From 2000 to 2017, he was in the management team of Ayala Land, Inc. (ALI) where from 2013 to 2017, he was a Vice President of the company. From 2011 to 2017, he served as the Managing Director of Ayala Land Premier, the luxury arm of the company. He graduated from De La Salle University, Manila in 1994. Right after earning his undergraduate degree, he pursued and finished his post graduate studies in Marketing and Commercial Management under scholarship in ESEM, in Madrid, Spain.

Wolfgang Krueger was the Regional Executive Vice President for Shangri-La International Hotels Limited and looked after all the Shangri-La Hotels in the Philippines. He joined Shangri-La Group in 2003 and has been with the group for over 18 years.

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

He holds a Bachelor's Degree in Accounting and Accounting Certificate from the Institute of Chartered Accountants of India and PG Diploma in Management.

Mabel P. Tacorda is the Chief Financial Officer of the Issuer effective 01 January 2023. Ms. Tacorda has been with the Issuer for almost 14 years prior to being promoted as CFO. She started with the Issuer as an Accounting Manager, then became Senior Accounting Manager, Group Accounting Manager, Assistant Financial Controller, Group Financial Controller and recently appointed as the Chief Financial Officer. Her career started in Audit with SGV & CO. in 1994 and left the firm as an Associate Director in 2004. She also worked as an Audit Analyst – Business Risk from 2006 to 2009. She graduated Bachelor of Science in Accountancy from the University of St. La Salle, *cum laude*, accredited Financial Analyst by the American Academy of Financial Management, passed the Certifying Examination of the Institute of Internal Auditors as a Certified Internal Auditor and a Certified Public Accountant.

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

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

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

(2) Significant Employees

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

(3) Family Relationships

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

(4) Involvement in Certain Legal Proceedings

(A) None of the directors or executive officers of the Issuer has had any bankruptcy petition filed by or against any business of which such director or executive officer was a general partner or executive officer either at the time of bankruptcy or within two years to that time;

(B) None of the directors or executive officers of the Issuer has had any conviction by final judgment in a criminal proceedings, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

(C) None of the directors or executive officers of the Issuer has been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities;

(D) None of the directors or executive officers of the Issuer has been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, to have violated a securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

(E) None of the directors has resigned or declined to stand for re-election since the date of the last annual meeting of security holders because of disagreement with the registrant on any matter relating to the Registrant's operations, policies, or practices.

Nomination of Regular (Non-independent) and Independent Directors

Pursuant to the SEC approved Amended by-Laws of the Registrant wherein new provisions on the nomination and election of the regular and independent members of the Board of Directors were added in compliance with the SRC and SEC Rules and Regulations, the Registrant duly published in a newspaper of general circulation the Notice to Stockholders calling for nominations for regular and independent members of the Registrant's Board of Directors who shall be elected during the Annual Stockholders Meeting on *28 June 2023 (published on 26 April 2023 in The Manila Times). Pursuant to the nominations received by the Corporate Secretary of Registrant the* *following names have been forwarded to the Corporate Governance Committee / Nomination Committee for nomination to the Board of Directors during the Annual Stockholders Meeting:*

Edward Kuok Khoon Loong
Maureen Alexandra R. Padilla
Cynthia R. Del Castillo
Karlo Marco P. Estavillo
Antonio O. Cojuangco
Maximo G. Licauco III
Au Hing Lun, Dennis
Wolfgang Krueger
Benjamin C. Ramos
Jose Juan Z. Jugo

Messrs. Maximo G. Licauco III, Benjamin C. Ramos, and Antonio O. Cojuangco nominated themselves to be voted upon as independent members of the Board during the Annual Stockholders' Meeting on **28 June 2023.**

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

Section 2(a). Election of Independent Directors and their qualification. - Pursuant to the provisions of the Securities Regulation Code and the pertinent regulations of the Securities and Exchange Commission, the Corporation's Board of Directors shall have at least two (2) independent directors or such number of independent directors as corresponds to at least twenty (20%) of the Corporation's board size, whichever is lesser. The independent directors shall be elected in the same manner as the other members of the Board of Directors as provided in these By-Laws.

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

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

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

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

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

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

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

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

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

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

- Names, ages, and citizenship of all nominees;
- Positions and offices that each nominee has held, or will hold if known;
- Term of office and the period during which the nominee has served as director;
- Business experience during the past five (5) years;
- Other directorships held in SEC reporting companies, naming each company;
- Family relationships up to the fourth civil degree either by consanguinity or affinity among directors, executive officers, or persons chosen by the company to become directors or executive officers;
- Involvement in legal proceedings, i.e., a description of any of the following events that occurred during the past five (5) years up to the latest date that are material to an evaluation of the ability of integrity of any director, any nominee for election as director, executive officer, underwriter or control person of the company:
- Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- Any conviction by final judgment, including the nature of the offense, in a criminal proceedings, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- Being subject to any order, judgment, or decree, not subsequently reversed, suspended, or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
- Being found by a domestic or foreign of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.
- Disclosure if owning directly or indirectly as record and/or beneficial owner of any class of the company's voting securities;
- Disclosure of owning voting trust of more than 5% of the company's securities; and
- Any such other information as may be required to be disclosed by the Securities and Exchange Commission although not expressly provided for above.

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

Involvement in Certain Legal Proceedings

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

<u>Information on Cases, Judgments, Decrees, etc., Against Registrant's Directors and Executive Officers.</u>

None of the directors or executive officers of the Registrant has had any bankruptcy petition filed by or against any business of which such director or executive officer was a general partner or executive officer either at the time of bankruptcy or within five (5) years up to the latest date; None of the directors or executive officers of the Registrant has had any conviction by final judgment in a criminal proceedings, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses; None of the directors or executive officers of the Registrant has been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and None of the directors or executive officers of the Registrant has been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self regulatory organization, to have violated a securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

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

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

<u>Parents of Registrant</u>

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

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

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

<u>Resignation of Director Since the Last Annual Shareholders' Meeting</u>

Mr. Wilfred Shan Chen Woo formally tendered his retirement as Director of the Issuer effective 22 March 2023.

<u>Proxy Solicitations</u>

No proxy solicitations will be made by the Registrant.

Item 6. Compensation of Directors and Executive Officers

The following is a summary of the aggregate compensation paid or accrued during the last two (2) fiscal years, i.e. **2021 and 2022 and to be paid in the ensuing fiscal year 2023** to the Company's Chief Executive Officer and four (4) other most highly compensated executive officers who are individually named, and to all other officers and directors of the Company as a group:

OFFICERS/DIRECTOR	FISCAL YEAR	AGGREGATE COMPENSATION (in ~~P)~~		
		Basic	**Bonus**	**Total**
	2023	**89,164,054.20**	**14,647,893.79**	**103,811,947.99**
Wolfgang Krueger				
Jose Juan Z. Jugo				
Rajeev Garg				
Federico G. Noel, Jr.				
Karlo Marco P. Estavillo				
Mabel P. Tacorda				
	2022	**65,400,783.50**	**11,336,978.13**	**76,737,761.63**
Wolfgang Krueger				
Jose Juan Z. Jugo				
Rajeev Garg				
Federico G. Noel Jr.				
Karlo Marco P. Estavillo				
	2021	**62,928,573.50**	**9,584,814.18**	**72,513,387.68**
Wolfgang Krueger				
Jose Juan Z. Jugo				
Rajeev Garg				
Federico G. Noel, Jr.				
Karlo Marco P. Estavillo				

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

Item 7. Independent Public Accountants

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

The Registrant is compliant with the SRC rule 68, as amended, par 3(b)(iv), and has observed the rotation of signing partners for its Independent Public Accountants, Isla Lipana & Co. (Price WaterHouse Coopers Philippines).With respect to Isla Lipana & Co, the signing partner starting FY 2021 is Zaldy Aguirre. Isla Lipana & Co is a SEC-accredited external auditing firm, is valid to to audit 2020 to 2024 financial statements and will be recommended for re-appointment as External Auditor for the year 2023-2024 during the Annual Stockholders' Meeting on 28 June 2023.

AUDIT COMMITTEE

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

(B) Information of Independent Accountant and other related matters

a. External Audit Fees and Services

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

	2021	2022
Audit Fees	4,458,250	4,393,050
Tax Consultancy Fees	-	-
	4,458,250	**4,393,050**

No other service was provided by external auditors to the Company for the fiscal years 2021 and 2022.

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

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

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

Not Applicable.

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

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

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

Not Applicable

Item 8. Compensation Plans

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

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

The merger of Registrant and Kuok Philippine Properties, Inc. ("KPPI"), with the Registrant as the surviving entity, and KPPI as the absorbed entity, was duly approved by the SEC on 25 July 2007. Pursuant to the Plan of Merger of Registrant and KPPI, as approved by the Board of Directors of Registrant, all KPPI shareholders as of the date of approval by the Securities and Exchange Commission of the Merger ("Record Date"), were entitled to exchange every seven (7) of their KPPI shares with one (1) share of the Registrant. Fractional shares (shares less than 7) held by the qualified KPPI shareholders were paid by the Registrant in cash. The shares of the

Registrant which was issued to the KPPI shareholders was taken from out of an increase in the Authorized Capital Stock of the Registrant from ₱6,000,000,000 (representing 6,000,000,000 common shares at ₱1.00 par value per share) to ₱8,000,000,000 (representing 8,000,000,000 common shares at ₱1.00 par value per share), which increase in the Authorized Capital Stock has been duly approved by the SEC. All shares issued to KPPI shareholders have been duly listed with the Philippine Stock Exchange.

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

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

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

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

No dividends in arrears or defaults in principal interest

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

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

Cash Dividends

2023

- During the regular meeting of the Issuer's Board held on 22 March 2023, the Board approved the declaration of P0.15500 per share cash dividend to all shareholders of record as of 11 April 2023 to be taken from the unrestricted retained earnings as reflected in the audited financial statements of the Issuer as of 31 December 2022 to be paid on or before 21 April 2023.

2022

- During the regular meeting of the Issuer's Board held on 31 August 2022, the Board approved the declaration of P0.095000 per share cash dividend to all shareholders of record as of 15 September 2022 to be taken from the unrestricted retained earnings as reflected in the audited financial statements of the Issuer as of 30 June 2022 to be paid on or before 27 September 2022

- During the regular meeting of the Issuer's Board held on 24 March 2022, the Board approved the declaration of P0.07 per share cash dividend to all shareholders of record as of 08 April 2022 to be taken from the unrestricted retained earnings as reflected in the audited financial statements of the Issuer as of 31 December 2021 to be paid on or before 20 April 2022.

2021

- During the regular meeting of the Issuer's Board held on 25 March 2021, the Board approved the declaration of ₱0.08 per share cash dividend to all shareholders of record as of 09 April 2021 to be taken from the unrestricted retained earnings as reflected in the audited financial statements of the Issuer as of 31 December 2020 to be paid on or before 16 April 2021.

- During the regular meeting of the Issuer's Board held on 10 September 2021, the Board approved the declaration of ₱0.04400 per share cash dividend to all shareholders of record as of 24 September 2021, to be taken from the unrestricted retained earnings as reflected in the unaudited financial statements of the Issuer as of 30 June 2021, to be paid on or before 30 September 2021.

Item 15. Action with respect to Reports

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

(i) approve the minutes of the Annual Stockholders' Meeting held on ***22 JUNE 2022*** which minutes reflect the following: call to order, proof of notice of meeting, certification of quorum, approval of minutes of the previous annual stockholders' meeting, approval of the Management's report of operations for ***2022***, ratification of the acts of the Board of Directors, election of directors, appointment of the firm of Isla Lipana & Co. (Price WaterHouse Coopers Philippines) as the Registrant's External Auditors, and adjournment.

(ii) ratify the acts of Management and the Board of Directors since the Annual Stockholders' Meeting held ***22 JUNE 2022*** up to the date of this year's Annual Stockholders' Meeting. The items covered with respect to this general ratification are the acts of Board of Directors in the ordinary course of business, with those acts of significance having been subject of prior disclosures to the SEC.

(iii) approve and ratify the Registrant's Audited Financial Statements as of ***31 December 2022*****,** elect the Board of Directors for the year ***2023-2024***, elect the Registrant's external auditors.

(iv) approve the appointment of the Issuer's External Auditors Isla Lipana & Co. (Price WaterHouse Coopers Philippines) for the fiscal year **2023-2024**.

The Minutes of the 2022 Stockholders' Meeting is uploaded on the Registrant's website five (5) days from the date of the Meeting and may be viewed at www.shangproperties.com.

The Minutes contain the following information:

(1) A description of the voting and vote tabulation procedures used in the previous meeting
(2) A description of the opportunity given to the stockholders to ask questions and a record of the questions asked and answers given;
(3) The matters discussed and resolutions reached;
(4) A record of the voting results for each agenda item; and
(5) A list of the directors, officers and stockholders who attended the meeting.

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

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

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

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

Item 16. Matters Not Required to be Submitted

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

Item 17. Amendment of Charter, Bylaws or Other Documents

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

To allow the Corporation greater flexibility in holding corporate meetings, both by the Board of Directors and Stockholders, the Registrant amended Articles II and III of its By-Laws. The amendments pertain to service of Notice of Meetings, Manner of Voting and Conduct of Meetings.

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

Item 18. Other Proposed Action

None

Item 19. Voting Procedures

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

Item 20. Participation of Shareholders by Remote Communication

The stockholders may participate in stockholders' meetings either (a) in person, (b) by proxy, or (c) by remote communication (e.g., by teleconference, by videoconference, by computer conferencing, by audio conferencing) or by other alternative modes of communication.

At all meetings of stockholders, a stockholder may vote in person or by proxy executed in writing by the stockholder or his duly authorized attorney-in-fact or, by remote communication or in absentia provided that in the election of directors, stockholders may vote through remote communication or in absentia notwithstanding the absence of an authorization from the Board of Directors. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Secretary.

All proxies must be in the hands of the Secretary not later than ten (10) days before the time set for the meeting. Such proxies filed with the Secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary at least three (3) days prior to a scheduled meeting or by their personal presence at the meeting. The decision of the Secretary on the validity of proxies shall be final and binding until set aside by a court of competent jurisdiction.

Stockholders may email questions or comments prior to or during the meeting at spi.asm@shangproperties.com.

Item 21. Acceptance of Stockholder Proposals on Agenda Item

Stockholders of record as of **29 May 2023** owning at least 5% of the total outstanding capital stock of the Corporation may submit proposals on items for inclusion in the Agenda on or before **29 May 2023.**

CORPORATE GOVERNANCE MANUAL

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

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

On 03 August 2005, the Board of Directors of Issuer approved the amendment of Issuer's Manual of Corporate Governance such as to add thereto provisions for the creation of a nomination committee for both regular and independent directors of Issuer, in compliance with the relevant provision of the Securities and Regulation Code.

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

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

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

Internal Control

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

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

Audit Committee

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

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

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

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

Nomination of Independent Director/s

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

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

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

In compliance with PSE Memorandum No. 2010-0505 which requires the disclosure of the level of public ownership of the Issuer, as of 31 MARCH 2023, is 34.52%[8] of the Issuer's total issued and outstanding shares is publicly owned in accordance with the PSE's guidelines for the computation of public ownership.

MARKET INFORMATION

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

Year	High	Low
2022		
First Quarter	**₱2.62**	**₱2.50**
Second Quarter	**₱2.61**	**₱2.45**
Third Quarter	**₱2.62**	**₱2.45**
Fourth Quarter	**₱2.60**	**₱2.41**
2021		
First Quarter	**₱2.87**	**₱2.50**
Second Quarter	**₱2.78**	**₱2.53**
Third Quarter	**₱2.71**	**₱2.55**
Fourth Quarter	**₱2.71**	**₱2.54**

[8] SPI Public Ownership Report as of 31 March 2023 Source: https://www.shangproperties.com/

The high and low of Issuer's shares for the period **01 January 2023 to 31 March 2023** are as follows:

High: **₱2.75**
Low: **₱2.50**

The closing price for the Issuer's shares on **15 May 2023** is **₱2.75**

The high and low of Issuer's shares for **15 May 2023** are as follows:

High: **₱2.75**
Low: **₱2.72**

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

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

STOCK DIVIDENDS

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

RECENT SALE OF SECURITIES

No recent sale from the time of the last annual stockholders meeting of any unregistered or exempt securities of the Registrants as well as no recent issuance of securities constituting an exempt transaction.

CORPORATE GOVERNANCE

(a) The Board establishes an effective performance management framework through annual performance evaluation of the Registrant using set standards for evaluation.
(b) Aside from other policies of the Registrant, the Registrant's Manual on Corporate Governance also provides measures to fully comply with the adopted leading practices on good governance.
(c) There were no deviations by the Registrant from its Manual on Corporate Governance and full compliance therewith has been made since the adoption of the Manual.
(d) The Registrant's internal control system is reviewed on an annual basis based on the Company's annual audit plan to enhance and ensure that principles and practices are in accordance with the Manual on Corporate Governance.

PART II.

INFORMATION REQUIRED IN A PROXY FORM

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

UNDERTAKING

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

PART III.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Mandaluyong this **18th day of MAY 2023.**

By: **SHANG PROPERTIES, INC.**

FEDERICO G. NOEL, JR.
Corporate Secretary

ADDENDUM TO THE ANNUAL REPORT

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

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

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

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

(2) Management's Discussion and Analysis

(a) Full Fiscal Years

Key Performance Indicators

		31-Dec		%
		2022	2021	Change
Turnover	(Php M)	7,861	4,574	71.86%
Profit Attributable to shareholders	(Php M)	3,635	2,124	71.11%
Earnings per share	(Php Ctv)	0.763	0.446	71.11%
Net Asset Value per share	(Php)	8.434	7.834	7.65%
Price Earnings Ratio	(Times)	3.328	5.851	-43.13%

		31-Dec		%
		2021	**2020**	**Change**
Turnover	(Php M)	4,574	6,220	-26.46%
Profit Attributable to shareholders	(Php M)	2,124	1,470	44.49%
Earnings per share	(Php Ctv)	0.446	0.309	44.49%
Net Asset Value per share	(Php)	7.834	7.502	4.43%
Price Earnings Ratio	(Times)	5.851	8.779	-33.35%

		31-Dec		%
		2020	2019	Change
Turnover	(Php M)	6,220	11,362	-45.26%
Profit Attributable to shareholders	(Php M)	1,470	3,056	-51.90%
Earnings per share	(Php Ctv)	0.309	0.642	-51.90%
Net Asset Value per share	(Php)	7.502	7.353	2.02%
Price Earnings Ratio	(Times)	8.779	4.984	76.14%

- Turnover consists of revenue from condominium sales, rental and cinema, and hotel operations. Shang Properties' gross revenue increased by ₱3.287B to ₱7.861B in 2022 from ₱4.574B in 2021. Sales of residential condominium units of ₱2.851B accounted for 36% of the Group's turnover in 2022. Revenue from rental and cinema operations amounted to ₱2.165B or 28% of turnover in 2022, higher by ₱345M from last year's ₱1.820B. Hotel operations of Shangri-La at the Fort contributed revenue amounting to ₱2.845B or 36% of turnover in 2022, higher by ₱2.043B from last year's ₱802M.

- Profit attributable to shareholders pertains to net income from operations of the Group, net of minority shareholders' share. It increased by ₱1.510B or 71.11% compared with last year.

- Earnings per share of ₱0.763 were higher by 71.11% from last year's ₱0.446.

- Net Asset value per share is calculated by dividing the total net asset of the company (Total asset – Total liabilities) by the number of shares outstanding.

- Net asset value per share increased by 7.65% mainly due to increase in Investment in Associates for because of the SPI's share in net income of the associate company and additional Investment Properties due to land acquisition and ongoing development.

- Price Earnings ratio is a valuation of the company's current share price compared to earnings per share and calculated by dividing the market value per share by the earnings per share. Price earnings ratio is lower by 43.13% at 3.328 times this year from 5.851 times last year. The Group' year-end share price in 2022 is ₱ 2.54 from ₱ 2.61 in 2021.

Results of Operations

Calendar Year 2022 Compared to Calendar Year 2021

Shang Properties' consolidated net income attributable to shareholders for the year ended December 31, 2022 amounted to ₱3.634, ₱1.510B higher than the ₱2.124B posted in the same period last year.

Increase in Turnover by ₱3.287B or 71.86% to ₱7.861B in 2022 from ₱4.574B in 2021, mainly due to higher revenue from condominium sales, rental and cinema and hotel operations of Shangri-La at the Fort.

2. Increase in condominium sales by ₱900M is mainly due to higher percentage of completion used to recognize revenue for the year and also higher number of units sold compared with last year.

3. Increase in revenue from rental and cinema by ₱345M mainly due to higher rental yield of Shangri-La Plaza Mall. Occupancy of the Mall also slight improved compared with last year.

4. Increase in revenue from hotel operations by ₱2.043B is mainly due to higher occupancy of the Shangri-La at the Fort Hotel caused by the easing up of restrictions regarding entry of foreign travelers in the Philippines. Average daily rate of the Hotel also significantly increased as more business and leisure stays were booked, as opposed to quarantine-related bookings in 2021.

Cost of sales and services of the Group amounted to ₱3.188B, higher by ₱623M compared with last year's ₱2.565B due to the following:

1. Increase in cost of condominium sales by ₱269M due to the corresponding increase in revenue across all projects.

2. Increase in cost of rental and cinema by ₱93M mainly due to higher common area expenses, particularly cost of electricity, brought about by higher occupancy rate and increased operations of the Mall as a result of the easing up of COVID-19 restrictions which increased foot traffic in the Mall.

3. Increase in cost of hotel services by ₱261M due to higher occupancy compared to same period last year.

Operating expenses of the Group amounted to ₱1.68B higher by ₱328M or 24.25% from last year's ₱1.35B mainly due to the net effect of the following:

1. Higher professional fees by ₱124M due to higher service fees paid by Shangri-La at the Fort for credit card transactions of guests due to increase in value of the credit card transactions and also due to professional fee relating to current and new projects.

2. Higher advertising costs by ₱74M because of marketing initiatives regarding corporate branding as well as to promote all the ongoing projects and the hotel.

3. Increase in cost of systems and license maintenance by ₱66M mainly due to various automation initiatives and systems upgrade, particularly for Shangri-La at the Fort Hotel.

4. Higher amount donated to various feeding programs and typhoon relief operations by ₱30M.

5. Higher cost of electricity by ₱19M due to increase in electricity rates per kwhr.

6. Higher condominium dues by ₱18M, paid to the Condominium Corporation of The Enterprise Center, the Group's office building which is being leased out. The Group pays for vacant spaces and occupancy rate of the building decreased in 2022.

Other income decreased by ₱22M mainly due to lower income from forfeited security deposits of tenants compared with 2021.

Decrease in interest expense and bank charges by ₱11M mainly due to full payment of the long term debt of Shang Properties Inc. Most of the outstanding borrowings of the Group are related to property development so the interest expenses are mostly capitalized.

Provision for income tax is higher by ₱1.545B mainly due to increase in taxable income and also because of adjustments due to CREATE Law which effectively reduced provision for income tax in 2021.

Calendar Year 2021 Compared to Calendar Year 2020

Shang Properties' consolidated net income attributable to shareholders for the year ended December 31, 2021 amounted to ₱2.124B, ₱654M higher than the ₱1.470B posted in the same period last year.

Decrease in Turnover by ₱1.646B or 26.47% to ₱4.574B in 2021 from ₱6.220B in 2020, mainly due to lower revenue from condominium sales, rental and cinema and hotel operations of Shangri-La at the Fort.

5. Decrease in condominium sales by ₱1.059B is mainly due to decrease in the number of units sold across all projects of the Group as well as slowdown in construction which lea to low percentage of completion used to recognize revenue for the year, mainly due to the COVID 19 pandemic.

6. Decrease in revenue from rental and cinema by ₱309M mainly due to lower occupancy rate of both office leasing at The Enterprise Center and mall operations of Shangri-La Plaza. The government-imposed lockdowns in 2021 restricted operations of certain tenants which eventually lead to business closures and lease cancellations.

7. Decrease in revenue from hotel operations by ₱279M is mainly due to lower occupancy of the Shangri-La at the Fort Hotel caused by the ongoing travel bans and government-imposed community quarantines. Hotel bookings in 2021 were mainly quarantine-related stays which yielded lower average daily rates.

Cost of sales and services of the Group amounted to ₱2.565B, lower by ₱1.072B compared with last year's ₱3.637B due to the following:

4. Decrease in cost of condominium sales by ₱727M mainly due to lower sales across all projects.

5. Decrease in cost of rental and cinema by ₱19M mainly due to lower common area expenses brought about by reduced operations of the Mall as a result of government-imposed restrictions in the operations of certain commercial establishments.

6. Decrease in cost of hotel services by ₱326M due to lower occupancy compared to same period last year.

Operating expenses of the Group amounted to ₱1.351B lower by ₱148M or 9.87% from last year's ₱1.499 mainly due to the net effect of the following:

1. Higher staff cost by ₱51M due to annual salary adjustments and additional manpower hired during the year.

2. Decrease in taxes and licenses by ₱179K mainly due to lower annual business permits paid by the Group because of lower revenue.

3. Increase in depreciation and amortization by ₱697K due to additional office improvements made and other equipment purchased by the Group in 2021 and started depreciating within the year.

4. Increase in insurance expense by ₱1.3M mainly due to Terrorism and Sabotage insurance acquired by TRDCI for Assembly Ground.

5. Decrease in other general and administrative expenses by ₱149M is mainly due to the provision recognized in 2020 for restructuring and contingencies of Shangri-La at the Fort. The same expense was not incurred in 2021.

Other income decreased by ₱314M mainly due to lower interest income on discounting of installment contracts receivable as well as lower miscellaneous income.

Decrease in interest expense and bank charges by ₱20M mainly due to lower interest rate on bank loans of Shang Properties Inc.

Provision for income tax is lower by ₱1.272B mainly due to reduction of income tax rate upon the effectivity of CREATE Law.

Calendar Year 2020 Compared to Calendar Year 2019

Shang Properties' consolidated net income attributable to shareholders for the year ended December 31, 2020 amounted to ₱1.470B, P1.586B lower than the ₱3.056B posted in the same period last year.

Decrease in Turnover by ₱5.141B or 45.26% to ₱6.221B in 2020 from ₱11.362B in 2019, mainly due to lower revenue from condominium sales, rental and cinema and hotel operations of Shangri-La at the Fort.

1. Decrease in condominium sales by ₱1.418B is mainly due to decrease in the number of units sold across all projects of the Group mainly due to the COVID 19 pandemic.

2. Decrease in revenue from rental and cinema by ₱1.224B mainly due to lower occupancy rate of both office leasing at The Enterprise Center and mall operations of Shangri-La Plaza.

3. Decrease in revenue from hotel operations by P2.498B is mainly due to lower occupancy of the Shangri-La at the Fort Hotel caused by the ongoing travel bans and government-imposed community quarantines.

Cost of sales and services of the Group amounted to ₱3.637B, lower by ₱2.442B compared with last year's ₱6.079B due to the following:

1. Decrease in cost of condominium sales by ₱1.012B mainly due to lower sales across all projects.

2. Decrease in cost of rental and cinema by ₱69M mainly due to lower common area expenses brought about by reduced operations of the Mall as a result of government-imposed restrictions in the operations of certain commercial establishments.

3. Decrease in cost of hotel services by ₱1.361B due to lower occupancy compared to same period last year.

Operating expenses of the Group amounted to P1.499B higher by ₱247M or 19.72% from last year's ₱1.252B mainly due to the net effect of the following:

1. Higher staff cost by ₱54M due to annual salary adjustments and increase in number of employees of the Group.

2. Decrease in taxes and licenses by ₱27M mainly due to lower real property tax paid by the Group, brought about by the ongoing turnover of units at The Rise project.

3. Increase in depreciation and amortization by ₱5M due to additional office improvements made and other equipment for the year.

4. Decrease in insurance expense by ₱11M is mainly due to lower property insurance as a result of the Group's bidding and negotiation process.

5. Increase in other general and administrative expenses by ₱226M mainly due to donations made by the Group to various Covid 19 and typhoon relief operations and provision for restructuring and contingencies of Shangri-La at the Fort.

Other income increased by ₱78M mainly due to higher interest income on discounting of installment contracts receivable as well as income on interest-bearing advances to a joint venture.

Decrease in interest expense and bank charges by ₱133M mainly due to lower interest rate on bank loans of Shangri-La at the Fort and Shang Properties Inc. and also lower loan balance due to principal payments during the year.

Provision for income tax is lower by ₱651M mainly due to lower taxable income generated during the year.

Financial Condition

Calendar Year 2022 Compared to Calendar Year 2021

Total assets of the Group as of December 31, 2022 amounted to ₱67.629B, increased by ₱3.853B from the total assets of ₱63.777B on December 31, 2021. The following are the significant movements in the assets:

- Decrease in cash and cash equivalents by ₱58M mainly due to usage in operations and additions to properties held for sale through property development.

- Decrease in financial assets at fair value through profit or loss by ₱3M due to loss on fair value adjustment recognized during the year.

- Increase in properties held for sale by ₱770M mainly due to ongoing project development and acquisition cost of land which will also be used for project development.

- Net increase in investment in and advances to an associate and a joint venture is mainly due to the Group's 50% share in net income of Shang Robinsons Properties, Inc. which is a joint venture with Robinson's Land Corporation (RLC).

- Increase in investment properties by ₱599M is mainly due to the development cost of a commercial project.

- Decrease in property, plant and equipment by ₱240M is mainly due to periodic depreciation.

- Decrease in deferred income tax assets by ₱121M is mainly due to income recognition of SGCPI's NOLCO for the period.

The net decrease in total liabilities by ₱856M from ₱20.838B in 2021 to ₱21.694B in 2022 mainly due to the following:

- The net increase in Accounts Payable by ₱376M is mainly due to increase in advanced rent of Shangri-La Plaza Mall as well as higher payable to government agencies due to higher expenses during the last quarter of 2022.

- Increase in bank loans by ₱600M mainly due to new availments of short-term loans during the year amounting to ₱3.256B which is partially offset by payment of long-term dept and short-term loans of the Shangri-La at the Fort Hotel of ₱2.865B.

- Decrease in deferred lease income by ₱17M and Deposit from Tenants by ₱148M is mainly due to lower deposits from The Enterprise Center (TEC) and Shangri-La Plaza.

- Decrease in income tax payable by ₱13M mainly due to quarterly payments and applicable creditable withholding taxes.

    - Increase in accrued employee benefits by ₱19M mainly due to accrual of retirement benefits.

Calendar Year 2021 Compared to Calendar Year 2020

Total assets of the Group amounted to ₱63.776B, increased by ₱606M from the total assets of ₱63.170B on December 31, 2020. The following are the significant movements in the assets:

- Decrease in cash and cash equivalents by ₱173M mainly due to usage in operations and additions to investment properties and capital expenditures.

- Decrease in financial assets at fair value through profit or loss by ₱3M due to loss on fair value adjustment recognized during the year.

- Decrease in trade and other receivables by ₱616M mainly due to lower Installment Contracts Receivable from Condominium sales because of collection of outstanding balances of units that were turned over during the year.

- Increase in properties held for sale by ₱252M mainly due to acquisition cost of land which will be used for project development.

- Net increase in investment in and advances to an associate and a joint venture is mainly due to additional advances during the year and the Group's 50% share in net income of Shang Robinsons Properties, Inc. which is a joint venture with Robinson's Land Corporation (RLC).

- Increase in investment properties by ₱471M is mainly due to the development cost of a commercial project.

- The decrease in the Financial Assets at Fair Value through other comprehensive income by ₱600K is mainly due to the fair valuation of unlisted shares of stock being held by the Group as investment.

- Decrease in property, plant and equipment by ₱871M is mainly due to periodic depreciation.

- Increase in deferred income tax assets by ₱151M is mainly due to income recognition of SGCPI's NOLCO for the period.

- Decrease in other noncurrent assets by ₱888M is mainly due to reclassification of previously recorded deposits made by SPI for future project developments to investment in and advances to an associate and a joint venture.

The net decrease in total liabilities by ₱ 658M from ₱21.496B in 2020 to ₱20.838B in 2021 mainly due to the following:

- The Net Decrease in Accounts Payable by ₱910M is mainly due to lower trade and retention payables, accrued expenses and advances from condominium unit buyers.

- Net decrease in installment payable by ₱95M is mainly due to quarterly payments during the year.

- Increase in bank loans mainly due to new availments of short-term loans during the year amounting to ₱1.826B.

- Decrease in deferred lease income by ₱41M and Deposit from Tenants by ₱116M is mainly due to lower deposits from The Enterprise Center (TEC) and Shangri-La Plaza.

- Decrease in income tax payable by ₱70M mainly due to decrease in taxable income for the year and lower tax rate.

- Decrease in dividends payable by ₱12M due lower unclaimed dividend checks paid to shareholders during the year.

- Decrease in deferred income tax liabilities by ₱1.139B is mainly due to adjustments to lower tax rate due to CREATE Law.

Calendar Year 2020 Compared to Calendar Year 2019

Total assets of the Group amounted to P63.170B, decreased by ₱184M from the total assets of ₱63.354B in December 31, 2019. The following are the significant movements in the assets:

- Decrease in cash and cash equivalents by ₱1.090B mainly due to payment of bank loans and cash dividends.

- Decrease in financial assets at fair value through profit or loss by ₱3M due to loss on fair value adjustment recognized during the year.

- Increase in trade and other receivables by ₱777M mainly due to reclassification of receivables from related parties from Advances to a Joint Venture.

- Increase in properties held for sale by ₱537M mainly due to acquisition cost of land which will be used for project development.

- Net increase in investment in and advances to an associate and a joint venture is mainly due to additional advances during the year and the Group's 50% share in net income of Shang Robinsons Properties, Inc. which is a joint venture with Robinson's Land Corporation (RLC).

- Increase in investment properties by ₱2.010B is mainly due to the reclassification to investment property of cost of completed retail portion of The Rise and development cost of a commercial project previously part of Real Estate Development Projects. Increase is also due to cost of Aurelia units purchased by the Group and additional improvements of SLPC Building.

- The decrease in the Financial Assets at Fair Value through other comprehensive income by ₱6M is mainly due to the fair valuation of unlisted shares of stock being held by the Group as investment.

- Decrease in property, plant and equipment by ₱1.127B is mainly due to periodic depreciation.

- Increase in deferred income tax assets by ₱238M is mainly due to income recognition of SGCPI's NOLCO for the period.

- Increase in other noncurrent assets by ₱422M is mainly due to deposits made by SPI for future project developments.

The net decrease in total liabilities by ₱588M from ₱22.083B in 2019 to ₱21.496B in 2020 mainly due to the following:

- The Net Decrease in Accounts Payable by ₱485M is mainly due to lower reservation and retention payables.

- Net decrease in installment payable by ₱301M is due to quarterly payments during the year.

- Decrease in bank loans mainly due to net repayments amounting to ₱49M.

- Increase in deferred lease income by ₱3M is mainly due to higher deposits from The Enterprise Center (TEC) and Shangri-La Plaza.

- Decrease in income tax payable by ₱126M mainly due to lower taxable income for the year.

- Increase in dividends payable by ₱27M due unclaimed dividend checks paid to shareholders during the year.

- Increase in deferred income tax liabilities by ₱153M is mainly due to the recognition of higher percentage of completion of The Rise condominium project.

Statement of Cash Flows

Net cash provided by operating activities in 2021 amounted to ₱354M. The cash inflows in 2021, 2020 and 2019 includes collection of revenue from various condominium projects, rental revenue from mall operation of the Shangri-La Plaza and leasing operations of TEC, and hotel operations of Shangri-La at the Fort. Net cash provided by operating activities in 2020 and 2019 amounted to ₱1.028B and ₱4.118B, respectively.

Net cash used in investing activities in 2021 amounted to ₱568.4M mainly used in advances to the joint venture with Robinsons Land Corp, acquisition of investment properties and property, plant and equipment amounting to ₱5.4M, ₱457.7M and ₱126.7M respectively. Net cash used in investing activities in 2020 amounted to ₱1.398B was mainly used in deposit for future project amounting to ₱465.9M. Net cash used in investing activities in 2019 amounted to ₱2.366B mainly used in the joint venture with Robinsons Land Corp, acquisition of investment properties and deposit for future project amounting to ₱1.020B, ₱1.109B and ₱172M respectively.

Net cash inflow in financing activities in 2021 amounted to ₱742.2M mainly from new short-term loan proceeds for the year. In 2020 and 2019, net cash used in financing activities amounted to ₱1.133B and ₱1.539B respectively, mainly used in payments of bank loans, interest and cash dividends.

(B) Interim Periods

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

(i) There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.

(ii) There are no known events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of obligation.

(iii) There are no off balance sheet material transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

(iv) There are no material commitments for capital expenditures.

(v) There are no known trends, events or uncertainties that have had or that are reasonably expected to have material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

(vi) There are no significant elements of income or loss that did not arise from the Registrant's continuing operations.

(vii) Causes of material changes from period to period of FS including vertical and horizontal analysis of material item. Please see discussion under financial condition.

(viii) There are no seasonal aspects that had a material effect on the financial statements.

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

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

Not Applicable

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

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

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

Not Applicable

Information of Independent Accountant and other related matters

a. External Audit Fees and Services

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

	2021	2022
Audit Fees	4,458,250	4,393,050
Tax Consultancy Fees	-	-
	4,458,250	**4,393,050**

No other service was provided by external auditors to the Company for the fiscal years 2021 and 2020.

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

None

<u>Consolidated Audited Financial Statements</u>

The Consolidated Audited Financial Statements of the Group for 2022 are incorporated in the accompanying Exhibits and Schedules.

<u>Statements Required by Rule 68 Securities Regulation Code (SRC)</u>

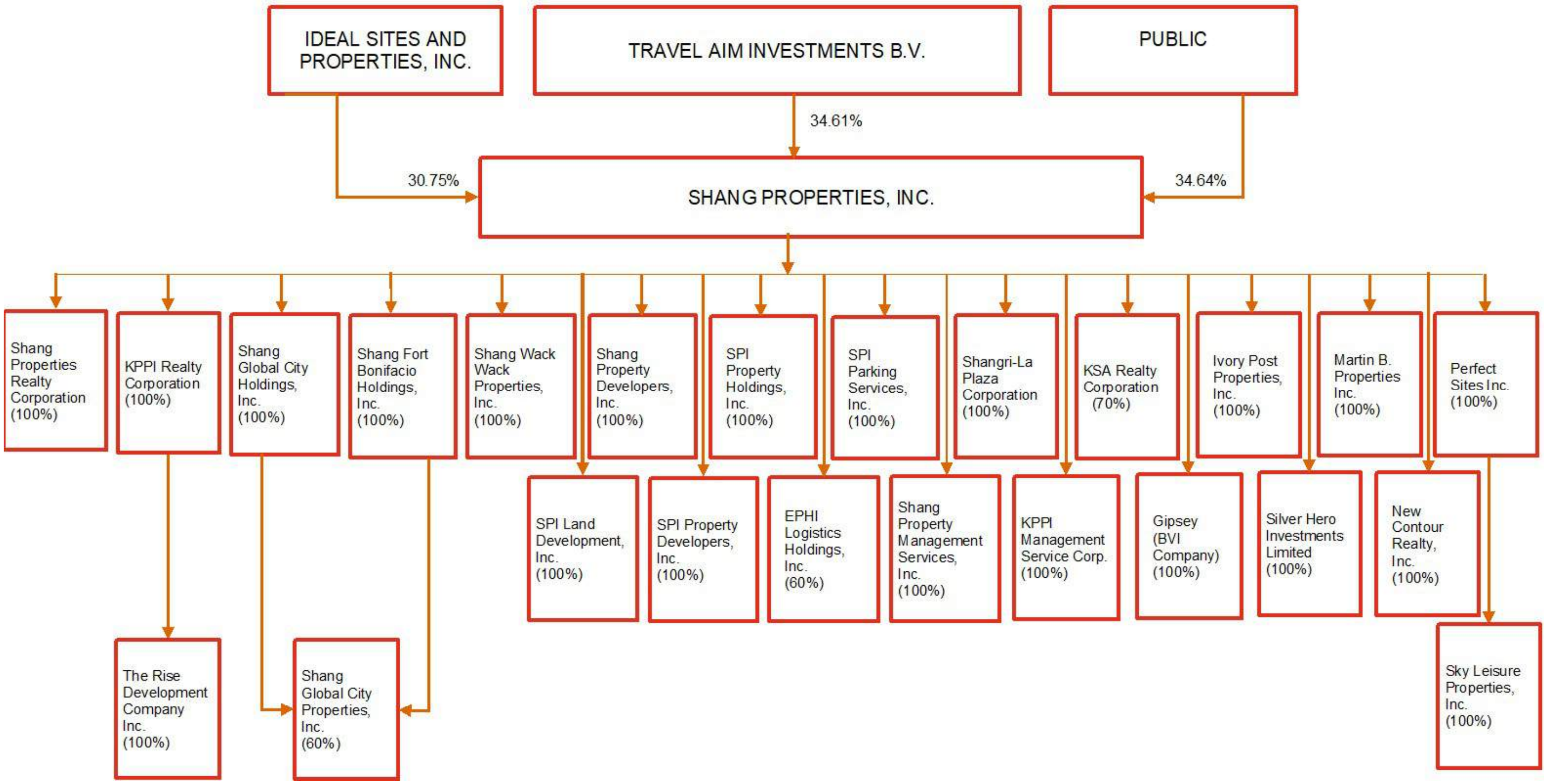
<u>Other Required Disclosures</u>

A.) The attached interim financial reports were prepared in accordance with Philippine Financial Reporting Standard. The accounting policies and methods of computation followed in these interim financial statements are the same compared with the audited financial statements for the period ended December 31, 2022.

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

Shang Properties, Inc. and Subsidiaries

Map of the Group of Companies within which the Reporting Entity Belongs
as of December 31, 2022



Shang Properties, Inc. and Subsidiaries

Financial Soundness Indicators
As at December 31, 2022, 2021 and 2020

Ratio	Formula		2022	2021	2020
A. Current and Liquidity Ratios					
1. Current ratio	Total current assets	13,610,336,972	0.98	0.92	1.06
	Divided by: Total current liabilities	13,867,912,141			
	Current ratio	0.98			
2. Acid test ratio	Total current assets	13,610,336,972	0.82	0.76	0.91
	Less: Prepaid taxes and other current assets	2,259,295,838			
	Quick assets	11,351,041,134			
	Divided by: Total current liabilities	13,867,912,141			
	Acid test ratio	0.82			
B. Solvency ratio	Net income	3,988,161,580	0.20	0.15	0.12
	Add: Depreciation*	387,958,563			
	Net income before depreciation	4,376,120,143			
	Divided by: Total liabilities	21,693,728,544			
	Solvency ratio	0.20			
C. Debt to equity ratio	Total liabilities	21,693,728,544	0.47	0.49	0.52
	Divided by: Total equity	45,936,189,609			
	Debt to equity ratio	0.47			
D. Asset to equity ratio	Total assets	67,629,918,153	1.47	1.49	1.52
	Divided by: Total equity	45,936,189,609			
	Asset to equity ratio	1.47			
E. Debt ratio	Total liabilities	21,693,728,544	0.32	0.33	0.34
	Divided by: Total assets	67,629,918,153			
	Debt ratio	0.32			

Ratio	Formula		2022	2021	2020
F. Profitability ratios					
1. Return on assets (%)	Net income	3,988,161,580	5.90	3.43	2.25
	Divided by: Total assets	67,629,918,153			
	Return on assets (%)	5.90			
2. Return on equity (%)	Net income	3,988,161,580	8.68	5.10	3.41
	Divided by: Total equity	45,936,189,609			
	Return on equity (%)	8.68			
3. Net profit margin	Net income	3,988,161,580	50.73	47.89	22.85
	Divided by: Total revenues	7,860,859,149			
	Net profit margin (%)	50.73			
G. Earnings per share (EPS) attributable to equity holders of Parent	Net income after minority interest	3,634,480,086	0.76	0.45	0.31
	Divided by: Total shares outstanding	4,761,918,337			
	EPS attributable to equity holders of Parent	0.76			
H. Book value per share (BPS) attributable to equity holders of Parent	Total equity after minority interest	40,161,262,510	8.43	7.83	7.50
	Divided by: Total shares outstanding	4,761,918,337			
	BPS attributable to equity holders of Parent	8.43			

Shang Properties, Inc. and Subsidiaries

Schedule A - Financial Assets
As at December 31, 2022
(All amounts in Philippine Peso)

Description of each issue	Number of shares	Amount shown in the Consolidated Statement of Financial Position	Value based on market quotations at statement date	Income (loss) received and accrued
Cash and cash equivalents*		1,318,603,295	1,318,603,295	7,062,745
Trade and other receivables**		5,553,712,185	5,553,712,185	92,398,578
Financial assets at fair value through profit or loss***		31,393,069	31,393,069	577,095
Refundable deposits****		136,604,521	136,604,521	-
Financial assets at fair value through other comprehensive income*****				
Quoted shares	8	47,050,000	47,050,000	-
Unquoted shares	298,516	765,418,496	765,418,496	15,500,000
		812,468,496	812,468,496	15,500,000
		7,852,781,566	7,852,781,566	115,538,417

* See Note 3 to the Consolidated Financial Statements.
** See Note 5 to the Consolidated Financial Statements.
*** See Note 4 to the Consolidated Financial Statements.
**** See Notes 7 and 14 to the Consolidated Financial Statements.
***** See Note 11 to the Consolidated Financial Statements.

Shang Properties, Inc. and Subsidiaries

Schedule B - Amounts Receivable from Directors, Officers,
Employees, Related Parties and Principal Stockholders
(Other than Related Parties)
As at December 31, 2022
(All amounts in Philippine Peso)

Name and designation of debtor	Balance at beginning of period	Additions	Deduction: Amount collected	Deduction: Amount written-off	Current	Non-current	Balance at end of period
Classic Elite Holdings Limited	1,144,187,554				-	1,144,187,554	1,144,187,554
One Shangri-la Place Condominium Corp	53,445,509	13,637,298	(10,497,070)	-	13,471,788	43,113,949	56,585,737
Shang salcedo Place Condo. Corp.	66,649,671	10,773,407	(21,763)	-	50,312,345	27,088,969	77,401,314
EDSA Shangri-la Hotel & Resorts, Inc.	18,450,381	84,701,128	(69,052,460)	-	1,307,160	32,791,889	34,099,049
Makati Shangri-la Hotel	12,294,051	7,406,206	(7,850,427)	-	3,331,539	8,518,290	11,849,830
The St. Francis Shangri-la Place Condo. Corp	38,685,089	15,758,640	(6,435,451)	-	16,664,258	31,344,020	48,008,277
The Shang Grand Tower Condo. Corp.	21,330,518	7,329,396	(1,059,042)	-	7,903,491	19,697,381	27,600,873
Ideal Sites Property Inc.	7,013,348	3,039			3,039	7,013,348	7,016,388
Mactan Shangri-la Hotel	27,664,040	16,206,844	(4,001,663)	-	12,534,766	27,334,456	39,869,222
The Enterprise Centre Condo. Corp.	15,569,489	40,819,832	(22,348,229)	-	31,224,321	2,816,772	34,041,093
Shang Robinsons Properties, Inc.	198,018,968	154,300,644	(669,504)	-	148,025,525	203,624,583	351,650,108
Others	146,852,162	83,779,863	(78,736,630)	-	38,408,663	113,486,732	151,895,395
	1,750,160,780	434,716,298	(200,672,239)	-	323,186,896	1,661,017,944	1,984,204,839

See Notes 5 and 27 to the Consolidated Financial Statements.

Shang Properties, Inc. and Subsidiaries

Schedule C - Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements
As at December 31, 2022
(All amounts in Philippine Peso)

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Shang Properties, Inc.	8,773,599,769	2,735,856,713	(432,631,202)	-	2,326,540,772	8,750,284,508	11,076,825,281
Shangri-la Plaza Corp.	40,340,225	488,560,511	(26,789,666)	-	460,422,010	41,689,059	502,111,069
Shang Property management Services, Inc.	42,881,676	46,716,059	(15,454,281)	-	46,613,234	27,530,220	74,143,454
Shang Properties Realty Corporation	179,172,965	155,685,574	(165,817,768)	-	92,574,657	76,466,114	169,040,772
SPI Parking Services, Inc.	2,143	4,035	(4,728)	-	1,450	-	1,450
KSA Realty Corporation	1,026,699	18,114,916	(17,406,057)	-	1,735,558	-	1,735,558
Shang Property Developers, Inc.	2,368,032,904	927,000	(95,000,000)	-	2,273,959,904	-	2,273,959,904
Silver Hero from SPDI	2,317,500,000	-	-		-	2,317,500,000	2,317,500,000
The Rise Development Company, Inc.	224,478,691	50,263,342	(16,951,291)	-	36,844,020	220,946,722	257,790,742
New Contour Realty Inc.	4,023,361	2,508	-	-	5,111	4,020,758	4,025,869
Shang Global City Properties, Inc.	942,306	1,690,118	(1,664,654)	-	967,769	-	967,769
Shang Wack Wack Properties, Inc.	54,696,437	13,886,195	(13,339,622)	-	55,243,009	-	55,243,009
Perfect Sites Inc.	116,108,696	11,000,000	-	-	11,000,000	116,108,696	127,108,696
KPPI Realty Corporation	3,612	-	-	-	-	3,612	3,612
SPI LDI	-	1,318,847	-	-	1,318,847	-	1,318,847
SPI PDI	-	6,634,275	-	-	6,634,275	-	6,634,275
SPI PHI	-	162,416	-	-	162,416	-	162,416
	14,122,809,484	3,530,822,508	(785,059,270)		5,314,023,033	11,554,549,690	16,868,572,723

See Note 27 to the Consolidated Financial Statements.

Schedule D - Long-Term Debt
As at December 31, 2022
(All amounts in Philippine Peso)

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related Statement of Financial Position	Amount shown under caption "Long-term debt" in related Statement of Financial Position
10-year loan with interest based on the higher between the PHP BVAL rate plus spread of 0.75% per annum and the Bangko Sentral ng Pilipinas (BSP) overnight borrowing rate minus spread of 0.95% per annum	1,096,192,468	796,519,593	299,672,875
12-month loan with fixed interest rate of 3.00% per annum	5,000,000,000	5,000,000,000	-
	6,096,192,468	5,796,519,593	299,672,875

Shang Properties, Inc. and Subsidiaries

Schedule E - Indebtedness to Related Parties
As at December 31, 2022
(All amounts in Philippine Peso)

Name of related party	Balance at beginning of period	Balance at end of period
Shangri-La International Hotel Management Limited	34,820,808	94,279,579
St. Francis Shangri-La place Condo. Corp.	316,967	316,967
The Enterprise Center condo. Corp	12,807,215	12,678,637
Others	77,693,756	91,137,547
	125,638,746	198,412,730

See Notes 15 and 27 to the Consolidated Financial Statements.

Shang Properties, Inc. and Subsidiaries

Schedule F - Guarantees of Securities of Other Issuers
As at December 31, 2022
(All amounts in Philippine Peso)

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

Shang Properties, Inc. and Subsidiaries

Schedule G - Share Capital
As at December 31, 2022
(All amounts in Philippine Peso)

Title of issue	Number of shares authorized	Number of Shares issued and outstanding as shown under related Statement of Financial Position	Number of shares reserved for options, warrants, conversions, and other rights	Number of shares held by related parties	Number of shares held by Directors, officers, and employees	Others
Issued shares:						
Common shares	8,000,000,000	4,764,058,982	-	-	-	-
Outstanding shares:						
Common shares	-	4,764,056,287	-	3,114,013,999	4,053,136	1,645,989,152
Total	-	4,764,056,287	-	3,114,012,999	4,053,136	1,645,989,152

See Note 18 to the Consolidated Financial Statements.

Shang Properties, Inc.

Reconciliation of Retained Earnings Available for Dividend Declaration
As at December 31, 2022
(All amounts in Philippine Peso)

Unappropriated Retained Earnings beginning		19,859,180,162
Fair value adjustment of investment properties in prior years, net of tax		(9,868,058,867)
Equity in net income of associate/joint venture in prior years, net of tax		(504,270,033)
Fair value adjustment in prior years, net of tax		134,606
Treasury shares		(6,850,064)
Unappropriated Retained Earnings, as adjusted to available for dividend declaration, beginning of the year		9,480,135,804
Net income based on the face of audited financial statements	2,721,933,606	
Less: Non-actual/unrealized income net of tax	-	
Equity in net income of associate/joint venture	-	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	-	
Unrealized actuarial gain	-	
Fair value adjustment	(261,576)	
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)	-	
Fair value adjustment	-	
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	2,721,672,030	2,721,672,030
Add (Less):		
Realized remeasurement loss during the year		
Dividends declarations during the year		(785,616,768)
Appropriations of retained earnings		-
Reversal of appropriateness		-
Other reserves from restatement due to PAS19 Revised		-
Treasury shares		-
TOTAL RETAINED EARNINGS, END OF THE YEAR AVAILABLE FOR DIVIDEND		**11,416,191,066**

NOTICE OF ANNUAL STOCKHOLDERS' MEETING
OF
SHANG PROPERTIES, INC.
To be held on <u>28 June 2023 at 10:00 A.M.</u>

To All Stockholders:

Please be advised that the Annual Meeting of the Stockholders of **SHANG PROPERTIES, INC.** (the "Corporation") will be held on **<u>28 June 2023 at 10:00 A.M. at EDSA Shangri-La Manila, No. 1 Garden Way, Ortigas Center, Mandaluyong City and *via* video conference by clicking the link or by using the Meeting ID and Passcode below.</u>**

Zoom Meeting Link
https://us02web.zoom.us/j/85955181184?pwd=SSs4SGJMWTMrSnFsMWMyeXFRNVpQQT09

Meeting ID: <u>859 5518 1184</u>
Passcode: <u>816871</u>

The Agenda of the meeting is set forth below:

1) Call to Order
2) Certification of Notice and Quorum
3) Approval of the Minutes of the Annual Meeting of the Stockholders held on 22 June 2022
4) Report of Management
5) Ratification of Acts of Management and the Board of Directors
6) Election of the Board of Directors for the Year 2023-2024
7) Election of External Auditors
8) Other Matters
9) Adjournment

The Board of Directors has fixed the close of business hours on **<u>29 May 2023</u>** as the record date for the determination of the stockholders in good standing entitled to notice of and to vote at such meeting.

Minutes of the Stockholders' Meetings and SEC Form 17-A (Annual Report) for the year ended 31 December 2022 as well as the resolutions of the Board of Directors, will be available for examination during office hours at the office of the Corporate Secretary and at the Corporation's Website at <u>http://www.shangproperties.com/</u> and at the PSE Edge.

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

Mandaluyong City, Metro Manila, 11th day of May 2023.

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

FEDERICO G. NOEL, JR.
Corporate Secretary

AGENDA ITEMS

1) Call to Order

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

3) Approval of the Minutes of the Annual Meeting of the Stockholders held on 22 June 2022.

   The Stockholders will be asked to approve the Minutes of the Annual Meeting of Stockholders held on 22 June 2022.

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

5) Ratification of Acts of Management and the Board of Directors for the year 2023-2024.
The Chairman will submit for the consideration and ratification of stockholders all acts and/or resolutions of the Board of Directors and Management of the Corporation for the last Annual Shareholders' meeting up to the present stockholders' meeting.

6) Election of the Board of Directors for the year 2023-2024
Pursuant to the Amended By-Laws of the Corporation, the stockholders present representing at least a majority of the outstanding capital stock of the Corporation entitled to vote, shall elect the Independent Directors and Regular Directors of the Corporation's Board of Directors to serve for the fiscal year 2023-2024 and until their successors are qualified and elected.

7) Election of External Auditors
The stockholders shall vote upon the appointment of the Company's External Auditors for the fiscal year 2023-2024.

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

9) Adjournment

SHANG
PROPERTIES

17 April 2023

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building,
PICC Complex
Roxas Boulevard, Manila

Thru: Corporate Finance Department

Re: **Shang Properties, Inc. (SPI)**

Gentlemen:

We are submitting herewith SPI's SEC Form 17-A, which we have submitted to the Philippine Stock Exchange, Inc.

Thank you.

Very truly yours,
SHANG PROPERTIES, INC.
By:

FEDERICO G. NOEL, JR.
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended: **31 December 2022**

2. SEC Identification Number: **145490** 3. BIR Tax Identification No. **000-144-386**

4. Exact name of Issuer as specified in its charter: **SHANG PROPERTIES, INC.**

5. **Philippines**
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

7. **Level 5, Administration Offices, Shangri-La Plaza Mall**
EDSA corner Shaw Boulevard, Mandaluyong City **1550**
Address of principal office Postal Code

8. (**632) 8370-2700**
Issuer's telephone number, including area code

9. **N / A**
Former name, former address, and former fiscal year, if changed since last report.

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

Title of Each Class	**Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding**
Common Stock	**4,764,056,287** common shares

(* not included are the Issuer's 2,695 treasury shares)

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

Yes [**X**] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:
Philippine Stock Exchange **Common Shares**

12. Check whether the Issuer:

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

Yes [**X**] No [ ]

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

Yes [**X**] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the Issuer. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

The aggregate market value of the voting stock held by non-affiliates of the Issuer as of **31 March 2023**: **₱3,648,759,207.50.**

Assumptions:

(a)	Total no. of shares held by non-affiliates as of 31 March 2023	:	**1,326,821,530**
(b)	Closing price of the Issuer's shares on the Exchange on 31 March 2023	:	**₱2.73**
(c)	Aggregate market price of (a) as of 31 March 2023	:	**3,648,759,207.50**

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

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

Yes [x]   No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

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

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

None of the above documents are incorporated herein by reference.

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

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

(A) Description of Business

(1) Business Development

The Issuer was first incorporated on 21 October 1987. It was initially named Shangri-La Properties, Inc., then MUI Resources Philippines, Inc., then Edsa Properties Holdings Inc. [EPHI], before its present name Shang Properties, Inc. Since its incorporation, it has not been the subject of any bankruptcy, receivership or similar proceedings. For the last three years prior to the submission of this 2020 Annual Report and to date, Issuer has not also undergone any material reclassification, or purchase or sale of a significant amount of assets not classified as ordinary.

In the years prior to this Annual Report, the significant developments in the Issuer's business are as follows:
On 31 March 2011, the Issuer's subsidiary, Shang Property Developers, Inc. executed a Deed of Absolute Sale with Asian Plaza I Condominium Corporation and Asian Plaza, Inc. (both are Filipino corporations), for the purchase of the mixed use condominium project known as the Asian Plaza I and the parcel of land of which said project stands,

for a consideration of PHP SIX HUNDRED FIFTEEN MILLION and 00/100 (PHP615,000,000). The Asian Plaza I is located at the corner of Gil Puyat Ave., Tordesillas St. and H. V. de la Costa St., Salcedo village, Makati City.

On 27 June 2011, the Issuer purchased L'Hirondelle Holdings, Inc.'s 50 million common shares and 270 million preferred shares in Shangri-La Plaza Corporation ("SLPC") (representing 21.28% equity in SLPC), for a total consideration of PHP450,000,000. Said sale increased Issuer's equity in SLPC from 78.72% previously to 100%, making SLPC a wholly-owned subsidiary of the Issuer. SLPC owns and operates the mall establishment known as the Shangri-La Plaza which is located in Mandaluyong City.

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

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

The Issuer, in an agreement dated 22 March 2018, entered into a Joint Venture Agreement with Robinsons Land Corporation (RLC) whereupon a new joint venture entity will be incorporated (JVC). The Issuer and RLC shall own said JVC on a 50%-50% basis. The JVC shall build and develop a property situated at McKinley Parkway cor. 5th Avenue and 21st Drive at Bonifacio Global City, Taguig, Metro Manila. The proposed project is intended to be a mixed-use development to include residential condominium units and commercial retail outlets. The joint venture agreement between Issuer and RLC has been duly approved by the Philippine Competition Commission. The Parties project an investment of PHP10 billion for the project.

The Issuer on

(2) Business of Issuer

(a) Description of Issuer

(i) The Issuer is a property development, real estate management and investment holding company. It is publicly subscribed and was listed in the Philippine Stock Exchange in June 13, 1991. Its significant and active subsidiaries are as follows:

- Shangri-La Plaza Corporation (100% owned by the Issuer);
- SPI Parking Services, Inc. (formerly EDSA Parking Services, Inc.) (100 % owned by Issuer);
- Shang Properties Realty Corporation (formerly, The Shang Grand Tower Corporation (100% owned by the Issuer)
- EPHI Logistics Holdings, Inc. (60% owned by the Issuer)
- Shang Global City Holdings, Inc. (100% owned by the Issuer)
- Shang Fort Bonifacio Holdings, Inc. (100% owned by the Issuer)
- Shang Property Management Services Inc. (formerly EPHI Project Management Services Corporation) (100% owned by the Issuer)
- KSA Realty Corporation (70.04% owned by the Issuer)
- Shang Property Developers, Inc. (100% owned by the Issuer)
- Shang Global City Properties, Inc. (60% owned through the Issuer's wholly owned subsidiaries Shang Global City Holdings, Inc. and Shang Fort Bonifacio Holdings, Inc.)
- The Rise Development Company, Inc. (100% owned through the Issuer's wholly owned subsidiary KPPI Realty Corporation)
- Shang Wack Wack Properties, Inc. (100% owned by the Issuer)
- Classic Elite Holdings, Ltd. (100% owned by the Issuer)
- Shang Robinsons Properties, Inc. (50% owned by the Issuer)
- SPI Property Holdings, Inc. (100% owned by the Issuer)
- SPI Property Developers, Inc. (100% owned by the Issuer)
- SPI Land Development Inc. (100% owned by the Issuer)

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

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

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

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

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

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

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

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

Shang Property Developers, Inc. was incorporated on 17 December 2010 as a realty development company. It is the owner and developer of Shang Salcedo Place, a residential condominium located in Sen. Gil Puyat Ave. cor. Tordesillas St., H.V. de la Costa St., Salcedo Village, Makati City. It was completed in 2018.

Shang Global City Properties, Inc. was incorporated on 13 December 2007. By virtue of the SEC approved merger between Shang Global City Properties, Inc. and Fort Bonifacio Shangri-La Hotel, Inc., Shang Global City Properties, Inc., is now the owner and developer of the hotel and residential development known as Shangri-La at the Fort. The residential component of the development was sold out in 2018.

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

Shang Wack Wack Properties, Inc. was incorporated on 13 January 2016 as a realty development company. It is currently developing the Shang Residences at Wack Wack project located at Wack Wack Road, Mandaluyong City.

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

Shang Robinsons Properties, Inc. is a joint venture with Robinsons Land Corporation for the development of condominium projects known as the Aurelia, located in Bonifacio Global City, Taguig City and Haraya located at Bridgetowne, Pasig City.
SPI Property Holdings, Inc. was incorporated on 09 December 2019 as a holding company and a realty development company. It is currently developing a residential condominium project known as Laya, on its newly acquired property located along Canley Road, Pasig City.

SPI Property Developers, Inc. was incorporated on 09 December 2019 as a realty development company. It is currently developing a proposed office and service apartment project known as Shang One Horizon, located at Shaw Boulevard, Mandaluyong City

SPI Land Development Inc. was incorporated on 09 December 2019 as a realty development company. It intends to undertake the construction of a residential condominium development project located along Sgt. Esguerra Avenue corners Scout Bayoran Street and Scout Borromeo Street, within Barangay South Triangle, Diliman, Quezon City.

(ii) The Issuer's subsidiary, Shang Properties Realty Corporation (formerly, The Shang Grand Tower Corporation) sold units of the condominium developments The St. Francis Shangri-La Place and One Shangri-La Place to non-resident Filipinos and foreigners, but not exceeding 40% of the total no. of units were sold to foreigners. Issuer's subsidiary Shang Property Developers Inc. has also sold units to its residential condominium development, Shang Salcedo Place, sales of which are also subject to the 40% alien ownership limitation. The Rise Development Company, Inc. had been selling condominium units of The Rise Makati since 2014 and sales of which have also been subject to the 40% foreign ownership limitation. Shang Wack Wack Properties, Inc. started selling units of Shang Residences at Wack Wack in the third quarter of 2018, subject also to the 40% foreign cap. Shang Robinsons Properties Inc. projects Aurelia Residences at the City of Taguig and Haraya at Pasig City had been selling condominium units since 2019 and 2022, respectively, and sales of which have also been subject of the 40% foreign ownership limitation.

(iii) The Issuer is primarily a holding company and therefore has no direct distribution methods of products and services.

(iv) Neither the Issuer nor its subsidiaries have new products or services which may be described as requested in this particular section.

(v) Insofar as the Issuer's competitors are concerned, the Issuer's competitors are upper middle to high end real estate companies who are involved in property development such as Ayala Land and Megaworld. The Issuer can and will be able to compete in the property development industry because of its strong financial position, international expertise and strong brand position. For the Shangri-La Plaza Corporation, its competitors are entities operating similar upscale malls such as Rockwell, Podium, and Greenbelt 3. The Shangri-La Plaza Corporation is not threatened by competition where it is the only truly upscale commercial complex in its geographic location, and where it is continuously upgrading its facilities in order to cater to its upscale market. SPSI's competitors are those entities who are into carpark management and operation. SPSI is in a healthy financial position and has the expertise to efficiently and viably operate its carpark facilities.

(vi) This section on raw materials and suppliers is not applicable to the Issuer nor to its subsidiaries by reason of the nature of their businesses as herein described.

(vii) Neither the Issuer nor its subsidiaries operations and businesses are dependent on a single customer, the loss of which would have a material adverse effect on the Issuer and its subsidiaries taken as a whole, by reason of the nature of their businesses as described herein.

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

With Issuer's subsidiaries:

a. With Shangri-La Plaza Corporation (SLPC)

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

(ii) Issuer's subsidiary Shang Properties Realty Corporation and SLPC have in turn entered into an agreement whereby SLPC leased East Wing Mall from said subsidiary for a period of five

(5) years commencing on September 2012, renewable upon mutual agreement of the Parties. Rental income is calculated at 12% of SLPC's annual rental income from mall operations. The lease has been renewed for another period which shall expire on 31 December 2022.

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

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

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

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

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

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

With Issuer's affiliates:

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

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

b. With other affiliates:

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

Between Issuer's Affiliates:

a. Shang Property Management Services Inc. entered into a Memorandum of Agreement with KSA Realty Corporation, pursuant to which the former shall assist the latter in managing and administering the leasing operations of The Enterprise Center.

b. Shang Property Management Services Inc. entered into a Memorandum of Agreement with The Enterprise Center Condominium Corporation pursuant to which the former shall assist the latter in managing and administering the condominium development known as The Enterprise Center, specifically with respect to the common areas thereof.

c. Shang Property Management Services Inc. entered into a Memorandum of Agreement with The St. Francis Shangri-La Place Condominium Corporation pursuant to which the former shall assist the latter in managing and administering the condominium development known as The Enterprise Center, specifically with respect to the common areas thereof. It also has similar agreements with One Shangri-La Place Condominium Corporation, The Shang Grand Tower Condominium Corporation, Shang Salcedo Place Condominium Corporation, and The Rise Condominium Corporation.

d. SPI Parking Services, Inc. entered into a Memorandum of Agreement with KSA Realty Corporation, with conformity of The Enterprise Center Condominium Corporation, to administer, manage and operate the TEC Parking Slots as a pay parking facility under a mutually agreeable remuneration scheme. It also has similar agreements with SPRC, SLPC, TRDCI and SPI.

(ix) Neither the Issuer's or any of its subsidiaries' businesses are dependent upon or expected to depend upon any patent, trademark, copyright, license, franchise, concession, or royalty agreement.

(x) Neither the Issuer or any of its subsidiaries have products or services requiring governmental approval.

(xi) There are no existing governmental regulations which affect or may affect significantly or adversely the Issuer's or any of its subsidiaries' businesses or operations.

(xii) Neither the Issuer or any of its subsidiaries have allotted any significant amount or portion of their revenues for research and development activities where the same are not highly necessary given the nature of their businesses.

(xiii) The Issuer, as with the SPI Parking Services, Inc., by the nature of their businesses have no direct obligation to comply with environmental laws. As for the Shangri-La Plaza Corporation, Shang Properties Realty Corporation, Shang Property Developers, Inc., Shang Wack Wack Properties, Inc. (for its developments, The Shang Grand Tower, The St. Francis-Shangri-La Place, One Shangri-La Place, and Shang Salcedo Place, Residences at Shang Wack Wack) the costs of its compliance with environmental laws is not significant given the overall operational costs.

(xiv) The Issuer has **368 employees** to date and does not anticipate adding to said number significantly in the next 12 months. The breakdown as to type is as follows**:**

a. Rank and File - 71
b. Supervisory - 68
c. Managerial - 50
d. Executive – 2
e. Project based
   - Rank and File – 21

- Supervisory – 53
- Managerial – 13

f. Consultancy based
   - Supervisory – 74
   - Managerial – 15
   - Executive - 1

The **SPI Parking Services, Inc.** (formerly Edsa Parking Services, Inc.) has **17 employees**. The breakdown as to type is as follows:

a. Rank and File - 10
b. Supervisory - 6
c. Managerial - 1

The **Shangri-La Plaza Corporation** has **75 employees**. The breakdown as to type is as follows:

a. Rank and File - 21
b. Supervisory - 37
c. Managerial - 15
d. Executive – 1
e. Consultancy based
   - Manager - 1

The **Shang Properties Realty Corporation** (formerly, The Shang Grand Tower Corporation) has **35 employees**. The breakdown as to type is as follows:

a. Rank and File - 16
b. Supervisory - 12
c. Managerial – 6
d. Executive - 1

The **Shang Property Management Services Inc.** has **43 employees**. The breakdown as to type is as follows:

a. Rank and File - 5
b. Supervisory - 5
c. Managerial - 24
d. Project based
   - Rank and File – 7
   - Supervisory – 2

The **KSA Realty Corporation** has **4 employees**. The breakdown as to type is as follows:

a. Rank and File - 2
b. Supervisory – 1
c. Managerial - 1

The **Rise Development Company, Inc.** has **65 employees**. The breakdown as to type is as follows:

a. Rank and File – 16
b. Supervisory - 7
c. Managerial - 3
d. Project based
   - Rank and File – 5
   - Managerial – 2
e. Consultancy based
   - Supervisory – 26
   - Managerial – 6

Shang Wack Wack Properties, Inc. has **65 employees**. The breakdown as to type is as follows:

a. Rank and File - 1
b. Project based
   - Rank and File – 5
   - Supervisory – 19
   - Managerial – 5
c. Consultancy based
   - Supervisory – 31
   - Managerial – 4

SPI Property Holdings, Inc. has **35 employees**. The breakdown as to type is as follows:

a. Project based
   - Rank and File - 2
   - Supervisory – 8
   - Managerial – 3

b. Consultancy based
   - Supervisory – 17
   - Manager - 4
   - Executive - 1

SPI Land Development, Inc. has **7 employees**. The breakdown as to type is as follows:

a. Project based
   - Supervisory – 4
   - Managerial – 3

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

a. Project based
   - Rank and File – 2
   - Supervisory – 20

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

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

a. Mall operations (of SLPC)

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

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

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

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

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

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

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

e. Residential Condominium Sales

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

Item 2. Properties

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

(B) Description of Properties

On properties owned by Issuer:

(a) A 71,101 sqm property at the heart of Ortigas Center, portions of which are being leased out to Edsa Shangri-La Hotel and the Shangri-La Plaza Corporation for the operation of the Shangri-La Plaza Mall, while some portions are being utilized as carpark areas.

(i) Shangri-La Plaza Corporation's lease of the land on which the Shangri-La Plaza Mall stands is for a period of 25 years. Rental therefore is an amount equivalent to 10% of Shangri-La Plaza Corporation's gross rental income. Shangri-La Plaza Corporation has no option to renew the lease.

(ii) Edsa Shangri-La Hotel's lease of the land on which it stands is for a period of 25 years**.** Rental arrangement is as follows:

- from hotel operations: 3% of room sales revenue
- from retail/restaurant and other hotel operations: 5% of sales revenue from food and beverage; 3% of sales revenue from dry goods/ services
- from subleasing operations: 5% of sales revenue from food and beverage; 3% of sales revenue from dry goods/services

The hotel has an option to renew the lease for another 25 years.

(b) A carpark building also within the 71,101 sqm area, abutting the Shangri-La Plaza Complex, with a gross floor area of 23,625.72 sqm. and 681 slots.

(c) The Issuer entered into a Memorandum of Agreement with Bank of the Philippine Islands for the purchase of a parcel of land located in Barangay Wack Wack, Mandaluyong City, with an area of 2,275 sqm.

On Properties owned by Issuer's subsidiaries:

(a) Properties owned by the Shangri-La Plaza Corporation:

Shangri-La Plaza Mall, an upscale shopping center at EDSA cor. Shaw Blvd., Mandaluyong City, with a gross floor area of approximately 136,552 sqm.

(b) Properties owned by the SPI Parking Services, Inc.

None. It only manages and operates the carpark facilities described above to be owned by the Issuer.

(c) Properties owned by Shang Properties Realty Corporation (formerly, The Shang Grand Tower Corporation)

(i) The St. Francis Shangri-La Place, a two-tower high rise residential condominium located along St. Francis Road cor. Internal Road, Shangri-La Complex, Mandaluyong City which was completed in late 2009. The development has been fully sold to date.

(ii) Land with an area of 9,852 sqm. located at Edsa cor. Shaw Blvd., Mandaluyong City, on which the One Shangri-La Place Project has been constructed. The Project was completed in 2016 and fully sold out in 2018.

(d) Properties owned by EPHI Logistics Holdings, Inc.

None

(e) Properties owned by Shang Global City Holdings, Inc.

Shang Global City Holdings, Inc., does not directly own any property. However, Shang Global City Properties, Inc., which is 100% owned by Shang Global City Holdings, Inc., has purchased from Fort Bonifacio Development Corporation ("FBDC"), a 15,120 sqm. parcel of land within the development in Taguig City, Philippines, known as the Bonifacio Global City. Shang Global City Properties, Inc., is also the owner and developer of the Shangri-La at the Fort and Horizon Homes located at Crescent Park West District, Fort Bonifacio, Taguig City.

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

None

(g) Properties owned by KSA Realty Corporation

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

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

The residential condominium project known as Shang Salcedo Place and the parcel of land on which it stands located at the corner of Gil Puyat Ave., Tordesillas St. and H. V. de la Costa St., Salcedo Village, Makati City. The project was completed in 2018 and fully sold out in 2019.

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

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

(i) Properties owned by Classic Elite Holdings, Ltd.

None

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

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

(k) Properties owned by SPI Property Holdings, Inc.

Three (3) parcels of land situated along Canley Road, Pasig City, owned by ALC Industrial & Commecial Development Corp., and covered by Transfer Certificate of Title (TCT) No. (481071) 4492, TCT No. (402089) 4493, and TCT No. (485304) 4494 of the Registry of Deeds of Pasig City. Total land area of the three (3) parcesls of land is three thousand three hundred ninety square meters (3,390 sq.m.), more or less.

SPI Property Holdings, Inc., is also the developer of a residential condominium project situated at the former Dahlia, Pasig City.

(l) Properties owned by SPI Property Developers, Inc.

None.

(m) Properties owned by SPI Land Development, Inc.

Three (3) parcels of land situated along Sgt. Esguerra Avenue corners Scout Bayoran Street and Scout Borromeo Street, within Barangay South Triangle, Diliman, Quezon City, covered by Transfer Certificate of Title (TCT) No. N-136790, TCT No. N-243022, and TCT No. N-243023 of the Registry of Deeds of Quezon City with an aggregate area of six thousand twenty-four (6,024) square meters, more or less.

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

Item 3. Legal Proceedings

(C) Legal Proceedings

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

In Shangri-La Properties, Inc. (now Shang Properties, Inc.) v. BF Corporation and BF Corporation v. Shangri-La Properties, Inc., a Notice of Judgement was issued by the Supreme Court on 15 October 2019 (a copy of the Decision was received by Issuer's External Counsel for said case only on 10 January 2020), whereby the Supreme Court ordered Issuer to "pay to BF Corporation the net amount of P52,635,679.70, plus legal interest of 6% per annum reckoned from July 31, 2007, the date of the Arbitral Tribunal's Decision, until this decision becomes final and executory, and thereafter, the principal amount due, plus the interest of 6% per annum, shall likewise earn interest of 6% per annum until full satisfaction." This SC Case stems from an Arbitration Case between the parties before the CIAC in connection with the construction in the late 1990's of the carpark structure of what was then known as the Edsa Plaza project. Shang Properties, Inc. already filed a Motion for Reconsideration of the Supreme Court's ruling on 10 January 2020. On 26 July 2021, BF Corporation and SPI filed a Joint Manifestation and Motion informing the Supreme Court about the amicable settlement of the case and jointly moved for its dismissal. In the Resolution received on 06 December 2021, the Supreme Court granted the Joint Manifestation and Motion and deemed the case closed and terminated.

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

There are none.

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

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

(a) The date of the meeting and whether it was an annual or special meeting.

(b) If the meeting involved the election of directors, the name of each director elected at the meeting and the name of each other director whose term of office as a director continued after the meeting. Note whether such director was elected as an "independent director" under Section 38 of the Code and SRC Rule 38 thereunder.

(c) A brief description of each matter voted upon at the meeting and state the number of votes cast for, against or withheld, as well as the number of abstentions as to each such matter, including a separate tabulation with respect to each nominee for office.

During the Annual Meeting of the Stockholders of the Issuer held on **22 June 2022**, the stockholders approved and ratified the following:

1. Minutes of the Annual Stockholders Meeting held on **07 September 2021;**

2. Annual Report of the Company as of **31 December 2021**, together with its audited financial statements and accompanying explanatory notes;

3. The acts of the Board of Directors and the Management disclosed in the corporate records since the **07 September 2021** Annual Stockholders Meeting to the date of the Annual Stockholders Meeting on **22 June 2022**;

4. Election of the following members of the Board of Directors for the period **2022 - 2023:**

    1) **Edward Kuok Khoon Loong**
    2) **Alfredo C. Ramos**
    3) **Cynthia R. Del Castillo**
    4) **Antonio O. Cojuangco**
    5) **Maximo G. Licauco III**
    6) **Wolfgang Krueger**
    7) **Benjamin I. Ramos**
    8) **Wilfred Shan Chen Woo**
    9) **Karlo Marco P. Estavillo**
    10) **Jose Juan Z. Jugo**

5. Appointment of **PriceWaterhouseCooper (Isla Lipana & Co.)** as the Issuer's external auditors for **FY 2022 - 2023.**

All of the above matters were voted upon and carried by the stockholders of the Issuer by a *unanimous vote***.**

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

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

(e) If the issuer has published a report containing all of the information called for by this item, the item may be answered by a reference to the information contained in such report.

(f) The Issuer has not published any such report.

****

Instructions to Item 4

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

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

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

(A) Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters

(1) Market Information

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

Year	High	Low
2022		
First Quarter	**2.62**	**2.50**
Second Quarter	**2.61**	**2.45**
Third Quarter	**2.62**	**2.45**
Fourth Quarter	**2.60**	**2.41**
2021		
First Quarter	**₱2.87**	**₱2.50**
Second Quarter	**₱2.78**	**₱2.53**
Third Quarter	**₱2.71**	**₱2.55**
Fourth Quarter	**₱2.71**	**₱2.54**

The high and low of Issuer's shares for the period **01 January 2023 to 31 March 2023** are as follows:

High: ₱ 2.75
Low: ₱ 2.50

The closing price for the Issuer's shares on 31 March 2022 is ₱ 2.73.

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

(2) Holders

(a) Issuer has common shares only. As of **31 March 2023,** the Issuer has **5,141** stockholders. Common shares outstanding as of said date is **4,764,056,287.**

The Top 20 stockholders of the Issuer as of 31 March 2023 are:

Name of Stockholders	Number of Shares Held	Percent to Total Outstanding
1. Travel Aim Investment B.V.	1,648,869,372	34.61%
2. Ideal Sites and Properties, Inc.	1,465,144,627	30.75%
3. PCD Nominee Corporation - Fil	1,006,915,628	21.14%
4. SM Development Corporation	189,550,548	3.98%
5. PCD Nominee Corporation – Non-Fil	64,780,096	1.36%
6. KGMPP Holdings, Incorporated	52,925,445	1.11%
7. CCS Holdings, Incorporated	47,633,492	1.00%
8. Pecanola Company Limited	43,175,495	0.91%
9. Kuok Foundation Overseas Limited	37,023,839	0.78%
10. Kuok Brothers SDN. BHD.	37,023,839	0.78%
11. GGC Holdings, Incorporated	26,224,322	0.55%
12. Kerry Holdings Limited	26,090,624	0.55%
13. Kuok (Singapore) Limited	24,848,214	0.52%
14. Kerry (1989) LTD.	12,424,107	0.26%
15. Kuok Traders (Hong Kong) LTD.	11,407,363	0.24%

16. Federal Homes, Inc.	4,808,478	0.10%
17. Luxhart Assets Limited	3,975,714	0.08%
18. Yan, Lucio W. Yan &/or Clara	3,142,857	0.07%
19. Antonio O. Cojuangco	3,026,964	0.06%
20. Emerick Jefferson Sy Go / Girlie Ng GO	1,779,062	0.03%
	4,710,663,597	**98.93%**

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

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

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

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

(3) Dividends

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

Cash Dividends

2023

- During the regular meeting of the Issuer's Board held on 22 March 2023, the Board approved the declaration of ₱0.15500 per share cash dividend to all shareholders of record as of 11 April 2023, to be taken from the unrestricted retained earnings as reflected in the audited financial statements of the Issuer as of 31 December 2022, to be paid on or before 21 April 2023.

2022

- During the regular meeting of the Issuer's Board held on 24 March 2022, the Board approved the declaration of ₱0.07000 per share cash dividend to all shareholders of record as of 08 April 2022, to be taken from the unrestricted retained earnings as reflected in the audited financial statements of the Issuer as of 31 December 2021, to be paid on or before 20 April 2022.

- During the regular meeting of the Issuer's Board held on 31 August 2022, the Board approved declaration of ₱0.095000 per share cash dividend to all shareholders of record as of 15 September 2022, to be taken from the unrestricted retained earnings as reflected in the audited financial statements of the Issuer as of 30 June 2022, to be paid on or before 27 September 2022

2021

- During the regular meeting of the Issuer's Board held on 25 March 2021, the Board approved the declaration of ₱0.08 per share cash dividend to all shareholders of record as of 09 April 2021 to be taken from the unrestricted retained earnings as reflected in the audited financial statements of the Issuer as of 31 December 2020 to be paid on or before 16 April 2021.

- During the regular meeting of the Issuer's Board held on 10 September 2021, the Board approved the declaration of ₱0.04400 per share cash dividend to all shareholders of record as of 24 September 2021, to be taken from the unrestricted retained earnings as reflected in the unaudited financial statements of the Issuer as of 30 June 2021, to be paid on or before 30 September 2021.

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

Stock Dividends

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

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

(4) Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

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

Item 6. Management's Discussion and Analysis (MD & A) or Plan of Operation

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

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

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

(2) Management's Discussion and Analysis

(a) Full Fiscal Years

Key Performance Indicators

		31-Dec		%
		2022	2021	Change
Turnover	(Php M)	7,861	4,574	71.86%
Profit Attributable to shareholders	(Php M)	3,635	2,124	71.11%
Earnings per share	(Php Ctv)	0.763	0.446	71.11%
Net Asset Value per share	(Php)	8.434	7.834	7.65%
Price Earnings Ratio	(Times)	3.328	5.851	-43.13%

- Turnover consists of revenue from condominium sales, rental and cinema, and hotel operations. Shang Properties' gross revenue increased by ₱3.287B to ₱7.861B in 2022 from ₱4.574B in 2021. Sales of residential condominium units of ₱2.851B accounted for 36% of the Group's turnover in 2022. Revenue from rental and cinema operations amounted to ₱2.16B or 28% of turnover in 2022, higher by ₱345M from last year's ₱1.82B. Hotel operations of Shangri-La at the Fort contributed revenue amounting to ₱2.84B or 36% of turnover in 2022, higher by ₱2.04B from last year's ₱802M.

- Profit attributable to shareholders pertains to net income from operations of the Group, net of minority shareholders' share. It increased by ₱1.51B or 71.11% compared with last year.

- Earnings per share of ₱0.763 were higher by 71.11% from last year's ₱0.446.

- Net Asset value per share is calculated by dividing the total net asset of the company (Total asset – Total liabilities) by the number of shares outstanding.

- Net asset value per share increased by 7.65% mainly due to increase in Investment in Associates for because of the SPI's share in net income of the associate company and additional Investment Properties due to land acquisition and ongoing development.

- Price Earnings ratio is a valuation of the company's current share price compared to earnings per share and calculated by dividing the market value per share by the earnings per share. Price earnings ratio is lower by 43.13% at 3.328 times this year from 5.851 times last year. The Group' year-end share price in 2022 is ₱ 2.54 from ₱ 2.61 in 2021.

Results of Operations

Calendar Year 2022 Compared to Calendar Year 2021

Shang Properties' consolidated net income attributable to shareholders for the year ended December 31, 2022 amounted to ₱3.63, ₱1.51B higher than the ₱2,12B posted in the same period last year.

Increase in Turnover by ₱3.287B or 71.86% to ₱7.861B in 2022 from ₱4.574B in 2021, mainly due to higher revenue from condominium sales, rental and cinema and hotel operations of Shangri-La at the Fort.

1. Increase in condominium sales by ₱1.059B is mainly due to decrease in the number of units sold across all projects of the Group as well as slowdown in construction which lead to low percentage of completion used to recognize revenue for the year, mainly due to the COVID 19 pandemic.

2. Decrease in revenue from rental and cinema by ₱309M mainly due to lower occupancy rate of both office leasing at The Enterprise Center and mall operations of Shangri-La Plaza. The government-imposed lockdowns in 2021 restricted operations of certain tenants which eventually lead to business closures and lease cancellations.

3. Decrease in revenue from hotel operations by ₱279M is mainly due to lower occupancy of the Shangri-La at the Fort Hotel caused by the ongoing travel bans and government-imposed community quarantines. Hotel bookings in 2021 were mainly quarantine-related stays which yielded lower average daily rates.

Cost of sales and services of the Group amounted to ₱2.565B, lower by ₱1.072B compared with last year's ₱3.637B due to the following:

1. Decrease in cost of condominium sales by ₱727M mainly due to lower sales across all projects.

2. Decrease in cost of rental and cinema by ₱19M mainly due to lower common area expenses brought about by reduced operations of the Mall as a result of government-imposed restrictions in the operations of certain commercial establishments.

3. Decrease in cost of hotel services by ₱326M due to lower occupancy compared to same period last year.

Operating expenses of the Group amounted to ₱1.351B lower by ₱148M or 9.87% from last year's ₱1.499 mainly due to the net effect of the following:

1. Higher staff cost by ₱51M due to annual salary adjustments and additional manpower hired during the year.

2. Decrease in taxes and licenses by ₱179K mainly due to lower annual business permits paid by the Group because of lower revenue.

3. Increase in depreciation and amortization by ₱697K due to additional office improvements made and other equipment purchased by the Group in 2021 and started depreciating within the year.

4. Increase in insurance expense by ₱1.3M mainly due to Terrorism and Sabotage insurance acquired by TRDCI for Assembly Ground.

5. Decrease in other general and administrative expenses by ₱149M is mainly due to the provision recognized in 2020 for restructuring and contingencies of Shangri-La at the Fort. The same expense was not incurred in 2021.

Other income decreased by ₱314M mainly due to lower interest income on discounting of installment contracts receivable as well as lower miscellaneous income.

Decrease in interest expense and bank charges by ₱20M mainly due to lower interest rate on bank loans of Shang Properties Inc.

Provision for income tax is lower by ₱1.272B mainly due to reduction of income tax rate upon the effectivity of CREATE Law.

Calendar Year 2021 Compared to Calendar Year 2020

Shang Properties' consolidated net income attributable to shareholders for the year ended December 31, 2021 amounted to ₱2.124B, ₱654M higher than the ₱1.470B posted in the same period last year.

Decrease in Turnover by ₱1.646B or 26.47% to ₱4.574B in 2021 from ₱6.220B in 2020, mainly due to lower revenue from condominium sales, rental and cinema and hotel operations of Shangri-La at the Fort.

4. Decrease in condominium sales by ₱1.059B is mainly due to decrease in the number of units sold across all projects of the Group as well as slowdown in construction which lead to low percentage of completion used to recognize revenue for the year, mainly due to the COVID 19 pandemic.

5. Decrease in revenue from rental and cinema by ₱309M mainly due to lower occupancy rate of both office leasing at The Enterprise Center and mall operations of Shangri-La Plaza. The government-imposed lockdowns in 2021 restricted operations of certain tenants which eventually lead to business closures and lease cancellations.

6. Decrease in revenue from hotel operations by ₱279M is mainly due to lower occupancy of the Shangri-La at the Fort Hotel caused by the ongoing travel bans and government-imposed community quarantines. Hotel bookings in 2021 were mainly quarantine-related stays which yielded lower average daily rates.

Cost of sales and services of the Group amounted to ₱2.565B, lower by ₱1.072B compared with last year's ₱3.637B due to the following:

4. Decrease in cost of condominium sales by ₱727M mainly due to lower sales across all projects.

5. Decrease in cost of rental and cinema by ₱19M mainly due to lower common area expenses brought about by reduced operations of the Mall as a result of government-imposed restrictions in the operations of certain commercial establishments.

6. Decrease in cost of hotel services by ₱326M due to lower occupancy compared to same period last year.

Operating expenses of the Group amounted to ₱1.351B lower by ₱148M or 9.87% from last year's ₱1.499 mainly due to the net effect of the following:

1. Higher staff cost by ₱51M due to annual salary adjustments and additional manpower hired during the year.

2. Decrease in taxes and licenses by ₱179K mainly due to lower annual business permits paid by the Group because of lower revenue.

3. Increase in depreciation and amortization by ₱697K due to additional office improvements made and other equipment purchased by the Group in 2021 and started depreciating within the year.

4. Increase in insurance expense by ₱1.3M mainly due to Terrorism and Sabotage insurance acquired by TRDCI for Assembly Ground.

5. Decrease in other general and administrative expenses by ₱149M is mainly due to the provision recognized in 2020 for restructuring and contingencies of Shangri-La at the Fort. The same expense was not incurred in 2021.

Other income decreased by ₱314M mainly due to lower interest income on discounting of installment contracts receivable as well as lower miscellaneous income.

Decrease in interest expense and bank charges by ₱20M mainly due to lower interest rate on bank loans of Shang Properties Inc.

Provision for income tax is lower by ₱1.272B mainly due to reduction of income tax rate upon the effectivity of CREATE Law.

Calendar Year 2020 Compared to Calendar Year 2019

Shang Properties' consolidated net income attributable to shareholders for the year ended December 31, 2020 amounted to ₱1.470B, P1.586B lower than the ₱3.056B posted in the same period last year.

Decrease in Turnover by ₱5.141B or 45.26% to ₱6.221B in 2020 from ₱11.362B in 2019, mainly due to lower revenue from condominium sales, rental and cinema and hotel operations of Shangri-La at the Fort.

1. Decrease in condominium sales by ₱1.418B is mainly due to decrease in the number of units sold across all projects of the Group mainly due to the COVID 19 pandemic.

2. Decrease in revenue from rental and cinema by ₱1.224B mainly due to lower occupancy rate of both office leasing at The Enterprise Center and mall operations of Shangri-La Plaza.

3. Decrease in revenue from hotel operations by P2.498B is mainly due to lower occupancy of the Shangri-La at the Fort Hotel caused by the ongoing travel bans and government-imposed community quarantines.

Cost of sales and services of the Group amounted to ₱3.637B, lower by ₱2.442B compared with last year's ₱6.079B due to the following:

1. Decrease in cost of condominium sales by ₱1.012B mainly due to lower sales across all projects.

2. Decrease in cost of rental and cinema by ₱69M mainly due to lower common area expenses brought about by reduced operations of the Mall as a result of government-imposed restrictions in the operations of certain commercial establishments.

3. Decrease in cost of hotel services by ₱1.361B due to lower occupancy compared to same period last year.

Operating expenses of the Group amounted to P1.499B higher by ₱247M or 19.72% from last year's ₱1.252B mainly due to the net effect of the following:

1. Higher staff cost by ₱54M due to annual salary adjustments and increase in number of employees of the Group.

2. Decrease in taxes and licenses by ₱27M mainly due to lower real property tax paid by the Group, brought about by the ongoing turnover of units at The Rise project.

3. Increase in depreciation and amortization by ₱5M due to additional office improvements made and other equipment for the year.

4. Decrease in insurance expense by ₱11M is mainly due to lower property insurance as a result of the Group's bidding and negotiation process.

5. Increase in other general and administrative expenses by ₱226M mainly due to donations made by the Group to various Covid 19 and typhoon relief operations and provision for restructuring and contingencies of Shangri-La at the Fort.

Other income increased by ₱78M mainly due to higher interest income on discounting of installment contracts receivable as well as income on interest-bearing advances to a joint venture.

Decrease in interest expense and bank charges by ₱133M mainly due to lower interest rate on bank loans of Shangri-La at the Fort and Shang Properties Inc. and also lower loan balance due to principal payments during the year.

Provision for income tax is lower by ₱651M mainly due to lower taxable income generated during the year.

Financial Condition

Calendar Year 2022 Compared to Calendar Year 2021

Total assets of the Group amounted to ₱63.776B, increased by ₱606M from the total assets of ₱63.170B on December 31, 2020. The following are the significant movements in the assets:

- Decrease in cash and cash equivalents by ₱173M mainly due to usage in operations and additions to investment properties and capital expenditures.
- Decrease in financial assets at fair value through profit or loss by ₱3M due to loss on fair value adjustment recognized during the year.
- Decrease in trade and other receivables by ₱616M mainly due to lower Installment Contracts Receivable from Condominium sales because of collection of outstanding balances of units that were turned over during the year.
- Increase in properties held for sale by ₱252M mainly due to acquisition cost of land which will be used for project development.
- Net increase in investment in and advances to an associate and a joint venture is mainly due to additional advances during the year and the Group's 50% share in net income of Shang Robinsons Properties, Inc. which is a joint venture with Robinson's Land Corporation (RLC).
- Increase in investment properties by ₱471M is mainly due to the development cost of a commercial project.
- The decrease in the Financial Assets at Fair Value through other comprehensive income by ₱600K is mainly due to the fair valuation of unlisted shares of stock being held by the Group as investment.
- Decrease in property, plant and equipment by ₱871M is mainly due to periodic depreciation.
- Increase in deferred income tax assets by ₱151M is mainly due to income recognition of SGCPI's NOLCO for the period.
- Decrease in other noncurrent assets by ₱888M is mainly due to reclassification of previously recorded deposits made by SPI for future project developments to investment in and advances to an associate and a joint venture.

The net decrease in total liabilities by ₱ 658M from ₱21.496B in 2020 to ₱20.838B in 2021 mainly due to the following:

- The Net Decrease in Accounts Payable by ₱910M is mainly due to lower trade and retention payables, accrued expenses and advances from condominium unit buyers.

- Net decrease in installment payable by ₱95M is mainly due to quarterly payments during the year.

- Increase in bank loans mainly due to new availments of short-term loans during the year amounting to ₱1.826B.

- Decrease in deferred lease income by ₱41M and Deposit from Tenants by ₱116M is mainly due to lower deposits from The Enterprise Center (TEC) and Shangri-La Plaza.

- Decrease in income tax payable by ₱70M mainly due to decrease in taxable income for the year and lower tax rate.

- Decrease in dividends payable by ₱12M due lower unclaimed dividend checks paid to shareholders during the year.

- Decrease in deferred income tax liabilities by ₱1.139B is mainly due to adjustments to lower tax rate due to CREATE Law.

Calendar Year 2021 Compared to Calendar Year 2020

Total assets of the Group amounted to ₱63.776B, increased by ₱606M from the total assets of ₱63.170B on December 31, 2020. The following are the significant movements in the assets:

- Decrease in cash and cash equivalents by ₱173M mainly due to usage in operations and additions to investment properties and capital expenditures.

- Decrease in financial assets at fair value through profit or loss by ₱3M due to loss on fair value adjustment recognized during the year.

- Decrease in trade and other receivables by ₱616M mainly due to lower Installment Contracts Receivable from Condominium sales because of collection of outstanding balances of units that were turned over during the year.

- Increase in properties held for sale by ₱252M mainly due to acquisition cost of land which will be used for project development.

- Net increase in investment in and advances to an associate and a joint venture is mainly due to additional advances during the year and the Group's 50% share in net income of Shang Robinsons Properties, Inc. which is a joint venture with Robinson's Land Corporation (RLC).

- Increase in investment properties by ₱471M is mainly due to the development cost of a commercial project.

- The decrease in the Financial Assets at Fair Value through other comprehensive income by ₱600K is mainly due to the fair valuation of unlisted shares of stock being held by the Group as investment.

- Decrease in property, plant and equipment by ₱871M is mainly due to periodic depreciation.

- Increase in deferred income tax assets by ₱151M is mainly due to income recognition of SGCPI's NOLCO for the period.

- Decrease in other noncurrent assets by ₱888M is mainly due to reclassification of previously recorded deposits made by SPI for future project developments to investment in and advances to an associate and a joint venture.

The net decrease in total liabilities by ₱ 658M from ₱21.496B in 2020 to ₱20.838B in 2021 mainly due to the following:

- The Net Decrease in Accounts Payable by ₱910M is mainly due to lower trade and retention payables, accrued expenses and advances from condominium unit buyers.

- Net decrease in installment payable by ₱95M is mainly due to quarterly payments during the year.

- Increase in bank loans mainly due to new availments of short-term loans during the year amounting to ₱1.826B.

- Decrease in deferred lease income by ₱41M and Deposit from Tenants by ₱116M is mainly due to lower deposits from The Enterprise Center (TEC) and Shangri-La Plaza.

- Decrease in income tax payable by ₱70M mainly due to decrease in taxable income for the year and lower tax rate.

- Decrease in dividends payable by ₱12M due lower unclaimed dividend checks paid to shareholders during the year.

- Decrease in deferred income tax liabilities by ₱1.139B is mainly due to adjustments to lower tax rate due to CREATE Law.

Calendar Year 2020 Compared to Calendar Year 2019

Total assets of the Group amounted to P63.170B, decreased by ₱184M from the total assets of ₱63.354B in December 31, 2019. The following are the significant movements in the assets:

- Decrease in cash and cash equivalents by ₱1.090B mainly due to payment of bank loans and cash dividends.

- Decrease in financial assets at fair value through profit or loss by ₱3M due to loss on fair value adjustment recognized during the year.

- Increase in trade and other receivables by ₱777M mainly due to reclassification of receivables from related parties from Advances to a Joint Venture.

- Increase in properties held for sale by ₱537M mainly due to acquisition cost of land which will be used for project development.

- Net increase in investment in and advances to an associate and a joint venture is mainly due to additional advances during the year and the Group's 50% share in net income of Shang Robinsons Properties, Inc. which is a joint venture with Robinson's Land Corporation (RLC).

- Increase in investment properties by ₱2.010B is mainly due to the reclassification to investment property of cost of completed retail portion of The Rise and development cost of a commercial project previously part of Real Estate Development Projects. Increase is also due to cost of Aurelia units purchased by the Group and additional improvements of SLPC Building.

- The decrease in the Financial Assets at Fair Value through other comprehensive income by ₱6M is mainly due to the fair valuation of unlisted shares of stock being held by the Group as investment.

- Decrease in property, plant and equipment by ₱1.127B is mainly due to periodic depreciation.

- Increase in deferred income tax assets by ₱238M is mainly due to income recognition of SGCPI's NOLCO for the period.

- Increase in other noncurrent assets by ₱422M is mainly due to deposits made by SPI for future project developments.

The net decrease in total liabilities by ₱588M from ₱22.083B in 2019 to ₱21.496B in 2020 mainly due to the following:

- The Net Decrease in Accounts Payable by ₱485M is mainly due to lower reservation and retention payables.

- Net decrease in installment payable by ₱301M is mainly due to quarterly payments during the year.

- Decrease in bank loans mainly due to net repayments amounting to ₱49M.

- Increase in deferred lease income by ₱3M is mainly due to higher deposits from The Enterprise Center (TEC) and Shangri-La Plaza.

- Decrease in income tax payable by ₱126M mainly due to decrease in taxable income for the year.

- Increase in dividends payable by ₱27M due unclaimed dividend checks paid to shareholders during the year.

- Increase in deferred income tax liabilities by ₱153M is mainly due to the recognition of higher percentage of completion of The Rise condominium project.

Statement of Cash Flows

Net cash provided by operating activities in 2021 amounted to ₱354M. The cash inflows in 2021, 2020 and 2019 includes collection of revenue from various condominium projects, rental revenue from mall operation of the Shangri-La Plaza and leasing operations of TEC, and hotel operations of Shangri-La at the Fort. Net cash provided by operating activities in 2020 and 2019 amounted to ₱1.028B and ₱4.118B, respectively.

Net cash used in investing activities in 2021 amounted to ₱568.4M mainly used in advances to the joint venture with Robinsons Land Corp, acquisition of investment properties and property, plant and equipment amounting to ₱5.4M, ₱457.7M and ₱126.7M respectively. Net cash used in investing activities in 2020 amounted to ₱1.398B was mainly used in deposit for future project amounting to ₱465.9M. Net cash used in investing activities in 2019 amounted to ₱2.366B mainly used in the joint venture with Robinsons Land Corp, acquisition of investment properties and deposit for future project amounting to ₱1.020B, ₱1.109B and ₱172M respectively.

Net cash inflow in financing activities in 2021 amounted to ₱742.2M mainly from new short-term loan proceeds for the year. In 2020 and 2019, net cash used in financing activities amounted to ₱1.133B and ₱1.539B respectively, mainly used in payments of bank loans, interest and cash dividends.

(b) Interim Periods

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

(i) There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.

(ii) There are no known events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of obligation.

(iii) There are no off-balance sheet material transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

(iv) There are no material commitments for capital expenditures.

(v) There are no known trends, events or uncertainties that have had or that are reasonably expected to have material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

(vi) There are no significant elements of income or loss that did not arise from the Registrant's continuing operations.

(vii) Causes of material changes from period to period of FS including vertical and horizontal analysis of material item. Please see discussion under financial condition.

(viii) There are no seasonal aspects that had a material effect on the financial statements.

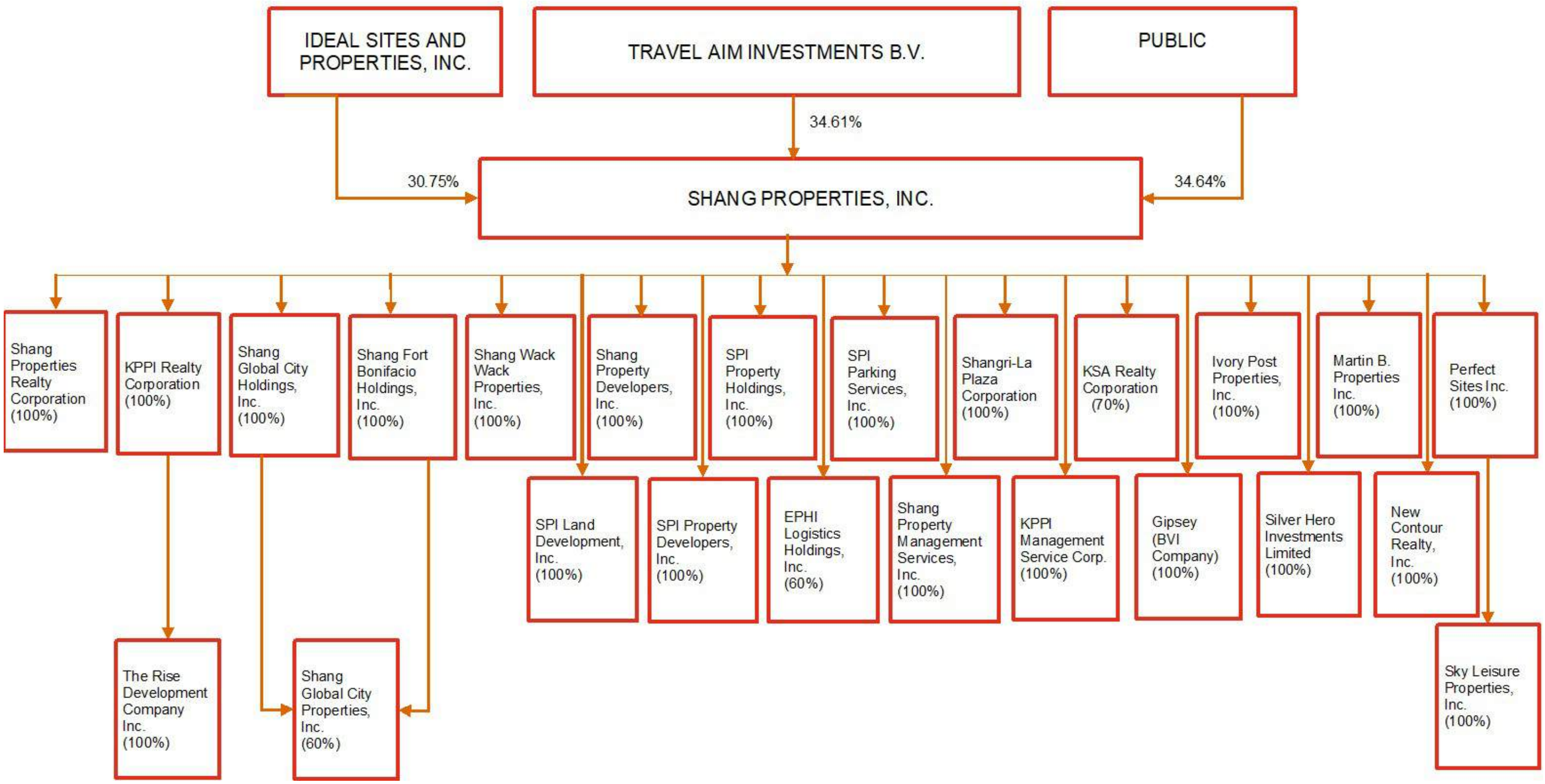
Item 7. Consolidated Audited Financial Statements

The Consolidated Audited Financial Statements of the Group for 2022 are incorporated in the accompanying Exhibits and Schedules.

Statements Required by Rule 68 Securities Regulation Code (SRC)

Shang Properties, Inc. and Subsidiaries

Map of the Group of Companies within which the Reporting Entity Belongs
as of December 31, 2022



Shang Properties, Inc. and Subsidiaries

Financial Soundness Indicators
As at December 31, 2021, 2020 and 2019

Ratio	Formula		2021	2020	2019
A. Current and Liquidity Ratios					
1. Current ratio	Total current assets	11,400,455,364	0.92	1.06	1.11
	Divided by: Total current liabilities	12,412,905,457			
	Current ratio	0.92			
2. Acid test ratio	Total current assets	11,400,455,364	0.76	0.91	0.99
	Less: Prepaid taxes and other current assets	1,947,431,627			
	Quick assets	9,453,023,737			
	Divided by: Total current liabilities	12,412,905,457			
	Acid test ratio	0.76			
B. Solvency ratio	Net income	2,190,276,144	0.15	0.12	0.21
	Add: Depreciation*	995,276,557			
	Net income before depreciation	3,185,552,701			
	Divided by: Total liabilities	20,837,748,694			
	Solvency ratio	0.15			
C. Debt to equity ratio	Total liabilities	20,837,748,694	0.49	0.52	0.54
	Divided by: Total equity	42,939,023,294			
	Debt to equity ratio	0.49			
D. Asset to equity ratio	Total assets	63,776,771,988	1.49	1.52	1.54
	Divided by: Total equity	42,939,023,294			
	Asset to equity ratio	1.49			
E. Debt ratio	Total liabilities	20,837,748,694	0.33	0.34	0.35
	Divided by: Total assets	63,776,771,988			
	Debt ratio	0.33			

Ratio	Formula		2021	2020	2019
F. Profitability ratios					
1. Return on assets (%)	Net income	2,190,276,144	3.43%	2.25	5.40
	Divided by: Total assets	63,776,771,988			
	Return on assets (%)	3.43%			
2. Return on equity (%)	Net income	2,190,276,144	5.10	3.41	8.29
	Divided by: Total equity	42,939,023,294			
	Return on equity (%)	5.10%			
3. Net profit margin	Net income	2,190,276,144	47.89	22.85	30.12
	Divided by: Total revenues	4,573,925,274			
	Net profit margin (%)	47.89%			
G. Earnings per share (EPS) attributable to equity holders of Parent	Net income after minority interest	2,124,062,600	0.45	0.31	0.64
	Divided by: Total shares outstanding	4,761,918,337			
	EPS attributable to equity holders of Parent	0.45			
H. Book value per share (BPS) attributable to equity holders of Parent	Total equity after minority interest	37,306,866,381	7.83	7.50	7.35
	Divided by: Total shares outstanding	4,761,918,337			
	BPS attributable to equity holders of Parent	7.83			

Shang Properties, Inc. and Subsidiaries

Schedule A - Financial Assets
As at December 31, 2021
(All amounts in Philippine Peso)

Description of each issue	Number of shares	Amount shown in the Consolidated Statement of Financial Position	Value based on market quotations at statement date	Income (loss) received and accrued
Cash and cash equivalents*		1,376,480,154	1,376,480,154	2,986,117
Trade and other receivables**		4,380,741,449	4,380,741,449	111,642,591
Financial assets at fair value through profit or loss***		30,815,974	30,815,974	(2,810,236)
Refundable deposits****		160,652,296	160,652,296	-
Financial assets at fair value through other comprehensive income*****				
Quoted shares	8	27,350,015	27,350,015	-
Unquoted shares	298,516	769,618,480	769,618,480	(600,000)
		796,968,495	796,968,495	(600,000)
		6,745,658,368	6,745,658,368	111,218,472

* See Note 3 to the Consolidated Financial Statements.
** See Note 5 to the Consolidated Financial Statements.
*** See Note 4 to the Consolidated Financial Statements.
**** See Notes 7 and 14 to the Consolidated Financial Statements.
***** See Note 11 to the Consolidated Financial Statements.

Shang Properties, Inc. and Subsidiaries

Schedule B - Amounts Receivable from Directors, Officers,
Employees, Related Parties and Principal Stockholders
(Other than Related Parties)
As at December 31, 2021
(All amounts in Philippine Peso)

			Deduction				
Name and designation of debtor	Balance at beginning of period	Additions	Amount collected	Amount written-off	Current	Non-current	Balance at end of period
Classic Elite Holdings Inc.	1,144,187,554	-	-	-	-	1,144,187,554	1,144,187,554
One Shangri-la Place Condominium Corp.	54,347,150	13,327,689	(14,229,330)		8,545,237	44,900,272	53,445,509
Shang Salcedo Place Condominium Corp.	57,050,054	10,843,077	(1,235,069)	-	50,374,939	16,283,123	66,658,062
EDSA Shangri-la Hotel & Resorts, Inc.	8,992,491	16,461,917	(7,003,949)	-	5,873,602	12,576,778	18,450,380
Makati Shangri-la Hotel	8,605,055	10,465,607	(6,776,611)		4,066,471	8,227,580	12,294,051
The St. Francis Shangri-la Place Condominium Corp.	33,007,237	15,646,411	(9,966,193)	-	11,370,887	27,316,568	38,687,455
The Shang Grand Tower Condominium Corp.	22,922,530	7,999,761	(9,594,139)		3,986,347	17,341,805	21,328,152
Ideal Sites Property, Inc.	5,706,273	1,307,075	-	-	1,307,075	5,706,273	7,013,348
Mactan Shangri-la Hotel	377,138	27,328,350	(41,447)	-	27,286,902	377,139	27,664,041
The Enterprise Centre Condominium Corp.	9,069,086	34,603,591	(28,109,892)	-	11,765,717	797,068	15,562,785
Shang Robinsons Properties, Inc.	187,016,372	108,584,047	(97,583,140)		110,518,056	87,499,224	198,017,280
Others	72,958,112	122,589,975	(48,695,523)	-	88,964,996	57,887,168	146,852,164
	1,604,238,974	369,157,100	(223,235,293)	-	327,060,229	1,423,100,552	1,750,160,781

See Notes 5 and 27 to the Consolidated Financial Statements.

Shang Properties, Inc. and Subsidiaries

Schedule C - Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements
As at December 31, 2021
(All amounts in Philippine Peso)

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Shangri-la Plaza Corp.	28,404,087	15,399,150	(3,463,012)	-	1,593,332	38,746,893	40,340,225
Shang Property Management Services, Inc.	26,382,122	44,102,208	(27,597,125)	-	32,749,969	10,137,236	42,887,205
Shang Properties Realty Corporation	215,505,872	128,081,752	(164,414,658)	-	102,194,991	76,977,975	179,172,966
SPI Parking Services, Inc.	75,543	(4,400)	-	-	-	71,143	71,143
KPPI Management Services Corporation	-	-	-	-	-	-	-
Shang Global City Holdings, Inc.	-	-	-	-	-	-	-
Shang Fort Bonifacio Holdings, Inc.	-	-	-	-	-	-	-
KSA Realty Corporation	2,244,532	16,952,352	(18,170,186)	-	917,198	109,500	1,026,698
Shang Property Developers, Inc.	2,395,439,727	1,519,193	(28,926,016)	-	2,368,032,904	-	2,368,032,904
Silver Hero from SPDI	2,317,500,000	-	-	-	-	2,317,500,000	2,317,500,000
The Rise Development Company, Inc.	76,872,250	181,428,211	(34,048,510)	226,740	181,127,027	43,351,664	224,478,691
New Contour Realty Inc.	4,020,759	2,603	-	-	2,604	4,020,758	4,023,362
Shang Global City Properties, Inc.	783,230	1,652,534	(1,506,161)	-	929,603	-	929,603
Shang Wack Wack Properties, Inc.	2,992,050	51,704,387	-	-	51,704,450	2,991,987	54,696,437
Perfect Sites Inc.	105,008,696	11,100,000	-	-	11,100,000	105,008,696	116,108,696
KPPI Realty Corporation	50,003,612	-	(50,000,000)	-	-	3,612	3,612
Others	7,996,200,987	2,211,324,689	(333,925,909)	-	1,977,030,612	7,896,569,155	9,873,599,767
Total	13,221,433,467	2,663,262,679	(662,051,577)	226,740	4,727,382,690	10,495,488,619	15,222,871,309

See Note 27 to the Consolidated Financial Statements.

Shang Properties, Inc. and Subsidiaries

Schedule D - Long-Term Debt
As at December 31, 2021
(All amounts in Philippine Peso)

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related Statement of Financial Position	Amount shown under caption "Long-term debt" in related Statement of Financial Position
10-year loan with fixed interest rate of 4.00% per annum	400,000,000	400,000,000	-
10-year loan with interest based on the higher between the PHP BVAL rate plus spread of 0.75% per annum and the Bangko Sentral ng Pilipinas (BSP) overnight borrowing rate minus spread of 0.95% per annum	1,190,897,677	95,111,377	1,095,786,300
12-month loan with fixed interest rate of 3.00% per annum	1,100,000,000	1,100,000,000	-
9-month loan with fixed interest rate of 4.25% per annum	480,000,000	480,000,000	-
6-month loan with fixed interest rate of 6.00% per annum	1,100,000,000	1,100,000,000	-
6-month loan with fixed interest rate of 4.25% per annum	645,000,000	645,000,000	-
6-month loan with fixed interest rate of 3.00% per annum	580,000,000	580,000,000	-
6-month loan with fixed interest rate of 2.50% per annum	210,000,000	210,000,000	-
3-month loan with fixed interest rate of 4.50% per annum	200,000,000	200,000,000	-
3-month loan with fixed interest rate of 4.15% per annum	500,000,000	500,000,000	-
3-month loan with fixed interest rate of 3.75% per annum	200,000,000	200,000,000	-
3-month loan with fixed interest rate of 3.70% per annum	400,000,000	400,000,000	-
3-month loan with fixed interest rate of 2.50% per annum	700,000,000	700,000,000	-
	7,705,897,677	6,610,111,377	1,095,786,300

Shang Properties, Inc. and Subsidiaries

Schedule E - Indebtedness to Related Parties
As at December 31, 2021
(All amounts in Philippine Peso)

Name of related party	Balance at beginning of period	Balance at end of period
Shangri-La International Hotel Management Limited	80,774,467	34,820,808
St. Francis Shangri-La Place Condominium Corporation	316,967	316,967
The Enterprise Center Condominium Corporation	8,659,116	12,807,215
Others	82,806,117	77,693,756
	172,556,667	125,638,746

See Notes 15 and 27 to the Consolidated Financial Statements.

Shang Properties, Inc. and Subsidiaries

Schedule F - Guarantees of Securities of Other Issuers
As at December 31, 2021
(All amounts in Philippine Peso)

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

Shang Properties, Inc. and Subsidiaries

Schedule G - Share Capital
As at December 31, 2021
(All amounts in Philippine Peso)

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

See Note 18 to the Consolidated Financial Statements.

Shang Properties, Inc.

Reconciliation of Retained Earnings Available for Dividend Declaration
As at December 31, 2021
(All amounts in Philippine Peso)

Unappropriated Retained Earnings beginning			18,048,427,320
Fair value adjustment of investment properties in prior years, net of tax			(8,855,929,698)
Unappropriated Retained Earnings, as adjusted, beginning			9,192,497,622
Net income based on the face of audited financial statements		2,401,230,635	
Less:	Non-actual/unrealized income net of tax	-	
	Equity in net income of associate/joint venture	-	
	Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	-	
	Unrealized actuarial gain	-	
	Fair value adjustment	(512,453)	
	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)	-	
	Fair value adjustment	-	
	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		2,400,718,182	2,400,718,182
Add (Less):			
	Realized remeasurement loss during the year		-
	Dividends declarations during the year		(590,477,874)
	Appropriations of retained earnings		-
	Reversal of appropriateness		-
	Other reserves from restatement due to PAS19 Revised		-
	Treasury shares		(6,850,064)
TOTAL RETAINED EARNINGS ATTRIBUTABLE TO SHAREHOLDERS OF PARENT COMPANY, END AVAILABLE FOR DIVIDEND			10,995,897,946

External Audit Fees and Services

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

	2021	2022
Audit Fees	4,458,250	4,393,050
Tax Consultancy Fees	-	-
	4,458,250	**4,393,050**

No other service was provided by external auditors to the Company for the fiscal years 2021 and 2022.

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

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

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

The Group's external auditor for the last 2 years is Isla Lipana & Co.

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

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

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

Not Applicable

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

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

Directors, Executive Officers, Promoters and Control Persons

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

The Directors, Independent Directors and Executive Officers of the Issuer are as follows (as of **31 March 2023**):

Name	Citizenship	Director/ No. of Years	Age	Office Held	Directorship in other reporting (Listed) Companies
Edward Kuok Khoon Loong	Malaysian	Yes /31 yrs.	70	Chairman	None
Alfredo C. Ramos**	Filipino	Yes /33 yrs. & 7 mos.	78	Vice Chairman	Anglo Philippine Holdings Corp., The Philodrill Corp., Vulcan and Industrial Mining and Development Corp., Penta Capital Holdings Corp., Philippine Seven Corp.
Cynthia R. Del Castillo	Filipino	Yes /21 yrs. & 9 mos.	70		Sanitary Wares & Mfg. Corp.

Benjamin I. Ramos	Filipino	Yes /12 yrs. & 7 mos.	53		None
Wilfred Shan Chen Woo	Canadian	Yes/11 yrs. & 7 mos.	65		None
Antonio O. Cojuangco***	Filipino	Yes /12 yrs. & 7 mos.	71		None
Jose Juan Z. Jugo	Filipino	Yes/2 yrs. & 3 mos.	51	Executive Vice President	None
Karlo Marco P. Estavillo	Filipino	Yes/6 yrs. & 6 mos.	51	COO	None
Wolfgang Krueger	Deutsch	Yes/2 yrs. & 3 mos.	57	Executive Vice President	None
Maximo G. Licauco III	Filipino	Yes/9 yrs & 4 mos.	72		None
Rajeev Garg	Indian	(No)	48	VP-Finance	None
Federico G. Noel, Jr.	Filipino	(No)	61	Corporate Secretary	None
Mabel P. Tacorda	Filipino	(No)	50	Chief Financial Officer	None

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

Alexandra Ramos-Padilla was a former member of the Board of the Issuer from 2006 to 2013. She also sits in the Board of Directors of Philodrill Corporation, Anglo Philippines Holdings Corporation and United Paragon Corporation. She is currently Managing Director of National Bookstore, Inc. and President of Anvil Publishing. She graduated from Ateneo de Manila University major in Management Engineering and obtained her Master's in Business Administration from Northwestern University, Illinois, USA. *(He was elected as member of the Board to replace Mr. Alfredo Ramos who ceased to hold his office/ position by reason of his passing last 26 November 2022.)*

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

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

Au Hing Lun, Dennis aged 63 has been the Deputy Chief Executive Officer and an Executive Director of Kerry Properties Limited ("KPL") since May 2022. He is also a member of the KPL's Executive Committee and Finance Committee. He has over 35 years of experience in accounting, finance, consultancy, business development and general management spanning across manufacturing, technology and real estate industries. Mr Au worked for the tax division of Arthur Andersen & Co. and later on Andersen Consulting (now known as Accenture plc), providing advisory on tax, IT system design and integration projects for governments and multinational companies. Mr. Au is a fellow member of the Association of Chartered Certified Accountants. He holds a Master of Business Administration degree from the University of Hong Kong and a Bachelor of Science degree from Dalhousie University in Canada. *(He replaced Wilfred Shan Chen Woo who resigned as a member of the Board as of 22 March 2023 and serve as such for the remainder of Mr. Woo's term until his successor is duly elected and qualified*)

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

Jose Juan Z. Jugo joined the Issuer last June 2019 as Executive Vice President. From 2017 to 2019, he was the President and CEO of MCT Bhd, a publicly listed full line property developer based in Selangor, Malaysia and owned 67% by Ayala Land, Inc. From 2000 to 2017, he was in the management team of Ayala Land, Inc. (ALI) where from 2013 to 2017, he was a Vice President of the company. From 2011 to 2017, he served as the Managing Director of Ayala Land Premier, the luxury arm of the company. He graduated from De La Salle University, Manila in 1994. Right after earning his undergraduate degree, he pursued and finished his post graduate studies in Marketing and Commercial Management under scholarship in ESEM, in Madrid, Spain. (*He replaced Mr. Koay Kean Choon who resigned as a member of the Board as of 03 December 2020. Mr. Jugo will serve as member of the board for the remainder of Mr. Koay's term and until his successor is duly elected and qualified*)

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

Wolfgang Krueger was the Regional Executive Vice President for Shangri-La International Hotels Limited and looked after all the Shangri-La Hotels in the Philippines. He joined Shangri-La Group in 2003 and has been with the group for over 18 years. (*He replaced Mr. Louie Chi Kong Wong who resigned as a member of the Board as of 03 December 2020. Mr. Krueger will serve as member of the board for the remainder of Mr. Wong's term and until his successor is duly elected and qualified*)

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

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

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

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

Mabel P. Tacorda is the Chief Financial Officer of the Issuer effective 01 January 2023. Ms. Tacorda has been with the Issuer for almost 14 years prior to being promoted as CFO. She started with the Issuer as an Accounting Manager, then became Senior Accounting Manager, Group Accounting Manager, Assistant Financial Controller, Group Financial Controller and recently appointed as the Chief Financial Officer. Her career started in Audit with SGV & CO. in 1994 and left the firm as an Associate Director in 2004. She also worked as an Audit Analyst – Business Risk from 2006 to 2009. She graduated Bachelor of Science in Accountancy from the University of St. La Salle, *cum laude*, accredited Financial Analyst by the American Academy of Financial Management, passed the Certifying Examination of the Institute of Internal Auditors as a Certified Internal Auditor and a Certified Public Accountant.

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

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

(2) Significant Employees

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

(3) Family Relationships

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

(4) Involvement in Certain Legal Proceedings

(A) None of the directors or executive officers of the Issuer has had any bankruptcy petition filed by or against any business of which such director or executive officer was a general partner or executive officer either at the time of bankruptcy or within two years to that time;

(B) None of the directors or executive officers of the Issuer has had any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

(C) None of the directors or executive officers of the Issuer has been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his/her involvement in any type of business, securities, commodities or banking activities;

(D) None of the directors or executive officers of the Issuer has been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, to have violated a securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

Item 10. Executive Compensation

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

The following is a summary of the aggregate compensation paid or accrued during the last two (2) fiscal years, i.e. **2021 and 2022** and to be paid in the ensuing fiscal year **2023** to the Company's Chief Executive Officer and four (4) other most highly compensated executive officers who are individually named, and to all other officers and directors of the Company as a group:

OFFICERS/DIRECTORS	**FISCAL YEAR**	**AGGREGATE COMPENSATION (in Php)**		
		BASIC	**BONUS**	**TOTAL**
2023		**89,164,054.20**	**14,647,893.79**	**103,811,947.99**
Wolfgang Krueger				
Jose Juan Z. Jugo				
Rajeev Garg				
Federico G. Noel, Jr.				
Karlo Marco P. Estavillo				
Mabel P. Tacorda				
2022		**65,400,783.50**	**11,336,978.13**	**76,737,761.63**
Wolfgang Krueger				
Jose Juan Z. Jugo				
Rajeev Garg				
Federico G. Noel Jr.				
Karlo Marco P. Estavillo				
2021		**62,928,573.50**	**9,584,814.18**	**72,513,387.68**
Wolfgang Krueger				
Jose Juan Z. Jugo				
Rajeev Garg				
Federico G. Noel Jr.				
Karlo Marco P. Estavillo				

Compensation of Directors

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

Other arrangements with Directors

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

Warrants and options

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

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

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

Following are the stockholders who are known to the Issuer to be directly or indirectly the record and/or beneficial owner of more than 5% of any class of the Issuer's voting shares as of **31 March 2023.**

Title of Class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage
Common	Travel Aim Investment B. V. 25/F Kerry Centre 683 King's Road Quarry Bay, HK	R	Filipino	1,648,869,372	34.61%
Common	Ideal Sites & Properties, Inc.	R	Filipino	1,465,144,626	30.75%
Common	PCD Nominee Corporation (Filipino) G/F, MSE Building 6767 Ayala Avenue Makati City	R	Filipino	1,009,541,771	21.19%

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

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

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

(2) Security Ownership of Management **(as of 31 March 2023)**

Title of Class	Name of Beneficial Owner	Amount and Nature of beneficial ownership	Citizenship	Percent of Class
Common	Edward Kuok Khoon Loong	808,008(D)	Malaysian	0.017%
Common	**Maureen Alexandra R. Padilla	1(D)	Filipino	0.000%
Common	Wolfgang Krueger	1,440,000(D)	Deutsch	0.030%
Common	Cynthia R. Del Castillo	1(D)	Filipino	0.000%
Common	Benjamin Ivan S. Ramos	2(D)	Filipino	0.000%
Common	Maximo G. Licauco III	1(D)	Filipino	0.000%
Common	Antonio O. Cojuangco	3,026,964(D)	Filipino	0.064%
Common	**Dennis Au Hing Lun	1(D)	Malaysian	0.000%
Common	Karlo Marco P. Estavillo	5,000(D)	Filipino	0.000%
Common	Jose Juan Z. Jugo	1,000(D)	Filipino	0.000%

Mr. Wolfgang Krueger and Mr. Jose Juan Jugo replaced Mr. Louie Chi Kong Wong and Mr. Koay Kean Choon, respectively, who both resigned as of 03 December 2020. They will serve as such for the remainder of Mr. Wong's and Koay's term and until their successors are duly elected and qualified.

*** Ms. Maureen Alexander R. Padilla replaced Mr. Alfredo Ramos who ceased to hold his office/ position by reason of his passing last 26 November 2022. She will serve as such for the remainder of Mr. Alfredo Ramos' term and until her successor is duly elected and qualified.*

*** Mr. Au Hing Lun, Dennis replaced Mr. Wilfred Shan Chen Woo who resigned as a member of the Board as of 22 March 2023 and will serve as such for the remainder of Mr. Woo's term until his successor is duly elected and qualified*)

As of the reporting of SEC Form 17-A for 2022, the aggregate ownership of all directors and officers as a group unnamed is **5,280,976** shares or **0.000**% of the outstanding shares of Issuer.

(3) Voting trust holders of 5% or more

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

(4) Changes in Control

There have not been any arrangements or transactions entered into nor will any be entered into such as to effect a change in the control of the Issuer.

Item 12. Certain Relationships and Related Transactions

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

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

2. Item 2 of Part IV, Paragraph (D) is not relevant to the Issuer.

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

Ideal Sites and Properties Inc. is a Philippine company incorporated in 1989 and is listed on the Philippine Stock Exchange. It is affiliated with the Kuok Group and was formed to primarily engage in property development and investments. Shang Properties Inc. and Oro Group Ventures, Inc. are the major shareholders of Ideal.
The interests of National Bookstore, Inc., are chaired by Mr. Alfredo Ramos.

4. Item 4 of Part IV, Paragraph (D) is not relevant to the Issuer.

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

In compliance with PSE Memorandum No. 2010-0505 which requires the disclosure of the level of public ownership of the Issuer, as of **31 March 2023** is **34.52%** of the Issuer's total issued and outstanding shares is publicly owned in accordance with the PSE's guidelines for the computation of public ownership.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

Furnish the information required by Part V of "Annex C, as amended"

(a) The evaluation system established by the company to measure or determine the level of compliance of the Board of Directors and top-level management with its Manual of Corporate Governance;

An internal self-rating system can measure the performance of the Board and Management in accordance with the criteria provided for in the Issuer's Revised Manual on Corporate Governance.

The creation and implementation of such self-rating system, including its salient features, may be disclosed in the corporation's annual report.

(b) Measures being undertaken by the company to fully comply with the adopted leading practices on good corporate governance;

The internal audit conducts periodic review, of the effectiveness of the Issuer's system and internal controls governing the good corporate governance practice, to assess with the board-approved manual on corporate governance, periodically evaluate and monitor the implementation of policies and strategies, including the business plans, operating budgets and Management's overall performance.

(c) Any deviation from the company's Manual of Corporate Governance. It shall include a disclosure of the name and position of the person/s involved, and the sanction/s imposed on said individual;

None

(d) Any plan to improve corporate governance of the company.

The Issuer periodically reviews its Manual on Corporate Governance to ensure that it meets its objectives.

PART V — EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

Furnish the exhibits required by Part VII of "Annex C, as amended". Where any financial statement or exhibit is incorporated by reference, the incorporation by reference shall be set forth in the list required by this item. Identify in the list each management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form.

	Description	12-1	17-C	17-Q	17-A
1	Publication of Notice re: Filing	x			
2	Underwriting Agreement	x	x		
3	Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	x	x	x	n/a
4	(A) Articles of Incorporation (B) By-laws	x	x		
5	Instruments Defining the Rights of Security Holders, Including Indentures	x	x	x	n/a
6	Opinion re: Legality	x			
7	Opinion re: Tax Matters	x			
8	Voting Trust Agreement	x	x		n/a
9	Material Contracts	x	x		
10	Annual Report to Security Holders, FORM 17-Q or Quarterly Report to Security Holders—n1	x			n/a
11	Material Foreign Patents	x			

	Description	12-1	17-C	17-Q	17-A
12	Letter re: Unaudited Interim Financial Information	x		x	
13	Letter re: Change in Certifying Accountant—n2	x	x		n/a
14	Letter re: Director Resignation		x		
15	Letter re: Change in Accounting Principles				n/a
16	Report Furnished to Security Holders			x	n/a
17	Other Documents or Statements to Security Holders			x	
18	Subsidiaries of the Issuer	x			x
19	Published Report Regarding Matters Submitted to Vote of Security Holders	x			n/a
20	Consents of Experts and Independent Counsel	x	x-n3	x-n3	x-n3
21	(a) Power of Attorney (b) Power of Attorney—Foreign Issuer	x	x	x	n/a
22	Statement of Eligibility of Trustee	x			
23	Exhibits To Be Filed With Commercial Papers/Bond Issues	x			
24	Exhibits To Be Filed With Stock Options Issues	x			
25	Exhibits To Be Filed By Investment Companies	x			
26	Notarized Curriculum Vitae and Photographs of Officers and Members of the Board of Directors	x			
27	Copy of the BOI Certificate for BOI Registered Companies	x			
28	Authorization re: Issuer's Bank Accounts.	x			
29	Additional Exhibits	x	x	x	n/a
30	Copy of Board Resolution approving the securities offering and authorizing the filing of the Registration Statement	x			
31	Duly verified resolution of the issuer's Board of Directors approving the disclosures contained in the registration statement and assuming liability for the information contained therein	x			
32	Secretary's Certificate as to adoption by the Board of certain corporate governance principles	x			
33	Exhibits to be filed for proprietary or non-proprietary shares issues	x			
34	Exhibits to be filed for Warrants Issues	x			

(b) Reports on SEC Form 17-C

State whether any reports on SEC Form 17-C, as amended were filed during the last six-month period covered by this report, listing the items reported, any financial statements filed and the dates of such.

Following are the reports, in SEC Form 17-C, which were filed during the fiscal year ended 31 December 2022:

1. **24 March 2022** – Reports that during the regular meeting of the Issuer's Board of Directors on 24 March 2022, the Board passed resolutions and approved the following:

   i) Passed resolution to approve the audited financial statements of the Issuer for the year ended 31 December 2021.

   ii) Report that during the regular meeting of the Board of Directors held on 24 March 2022 the Issuer declares P0.07000 per share cash dividend to all shareholders of record as of 08 April 2022, to be taken from the unrestricted retained earnings as reflected in the unaudited financial statements of the Issuer as of 31 December 2021 to be paid on or before 20 April 2022.

2. **01 April 2022** – Report that pursuant to the authority passed by the Board of Directors of the Issuer during its Board meeting held on 24 March 2022, the office of the Corporate Secretary confirmed the schedule of Issuer's Annual Stockholders' Meeting after pre-clearing requirements and process with the Securities and Exchange Commission.

3. **22 June 2022** – Reports that during the Issuer's Annual Stockholders' Meeting held on **22 June 2022**, via video conferencing, the following matters were taken up:

   i) Election of Directors

   The following were elected to serve as members of the Board of Directors for the year 2021-2022, namely:

   1) Edward Kuok Khoon Loong
   2) Alfredo C. Ramos
   3) Cynthia R. Del Castillo
   4) Karlo Marco P. Estavillo
   5) Wilfred Shan Chen Woo
   6) Wolfgang Krueger
   7) Jose Juan Z. Jugo
   8) Maximo G. Licauco III – Independent Director
   9) Antonio O. Cojuangco – Independent Director
   10) Benjamin I. Ramos – Independent Director

   ii) Issuer's Certifying Accountant

   PriceWaterhouseCoopers Philippines was appointed as external auditors for the year **2022-2023**.

   iii) During the Issuer's Board of Directors Organizational Meeting held immediately after the Stockholders' Meeting, the following transpired:

   Election of Officers:

1)	Edward Kuok Khoon Loong	-	Chairman
2)	Alfredo C. Ramos	-	Vice Chairman
3)	Karlo Marco P. Estavillo	-	Treasurer/CFO/COO
4)	Jose Juan Z. Jugo	-	Executive Vice President
5)	Wolfgang Krueger	-	Executive Vice President
6)	Federico G. Noel, Jr.	-	Corporate Secretary

   Audit Committee:

1)	Benjamin I. Ramos	-	Chairman
2)	Maximo G. Licauco III	-	Member
3)	Cynthia R. Del Castillo	-	Member

4)	Michelle Ching	-	Secretary

Corporate Governance Committee:

1)	Edward Kuok Khoon Loong	-	Chairman
2)	Antonio O. Cujangco	-	Member
3)	Cynthia R. Del Castillo	-	Member
4)	Federico G. Noel, Jr.	-	Secretary

4. **28 November 2022** - Report that during the regular meeting of the Board of Directors held on 28 November 2022, the Issuer's Vice Chairman/ Director, Mr. Alfredo C. Ramos, ceased to hold his office/ position by reason of his passing last Saturday, 26 November 2022.

7. **04 January 2023** – Report that during the regular meeting of the Issuer's Board of Directors held on 04 January 2023, the Board approved the following:

    - Appointment of Offcicer/s – Mr. Mabel P. Tacorda was appointed as Chief Financial Officer (CFO) of the Issuer effective 01 January 2023.

Following are the reports, in SEC Form 17-C, which were filed as of 31 March 2023:

1. **22 March 2023** – Reports that during the regular meeting of the Issuer's Board of Directors held on 22 March 2023, the Board approved the following:

    i) Declaration of Cash Dividends to be taken from the unrestricted retained earnings as reflected the financial statements of the Issuer as of 31 December 2022.

    ii) Retirement of Wilfred Shan Chen Woo as Director of Issuer effective 22 March 2023;

    iii) Appointment of the following Directors:
    a) Mr. Maximo G. Licauco III elected as Vice Chairman
    b) Mr. Au Hing Lun, Dennis elected as member of the Board to replace Mr. Wilfred Shan Chen Woo
    c) Ms. Alexandra Ramos-Padilla elected as member of the Board to replace Alfredo Ramos.

    iv) Passed resolutions to approve the audited financial statements of the Issuer for the year ended 31 December 2022.

    v) Promotion of Ms. Mabel Tacorda as Chief Financial Officer

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the Issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong on this _____________ day of _______________.

By:

KARLO MARCO P. ESTAVILLO
Chief Operating Officer

MABEL P. TACORDA
Chief Financial Officer / Financial Controller

FEDERICO G. NOEL, JR.
Corporate Secretary

SUBSCRIBED AND SWORN to before me this ____ day of APR 17 2023 affiant(s) exhibiting to me their Passports, as follows:

NAMES	GOV'T ISSUED ID	DATE OF ISSUE	PLACE OF ISSUE
MABEL P. TACORDA	P1371742C	19 AUG 2022	DFA MANILA
KARLO MARCO P. ESTAVILLO	P3455986B	07 OCT. 2019	DFA NCR CENTRAL
FEDERICO G. NOEL, JR.	P6098076A	20 FEB. 2018	DFA MANILA

Doc No. 493;
Page No. 100;
Book No. 6;
Series of 2023.

NOTARY PUBLIC

JOVEN G. SEVILLANO
NOTARY PUBLIC FOR CITY OF MANDALUYONG
COMMISSION NO. 0285-23 UNTIL DECEMBER 31, 2024
IBP LIFETIME NO. 0113[illegible]; 12-28-12; RIZAL
ROLL NO. [illegible]
PTR NO. 5110440; 1-3-23; MANDALUYONG
MCLE COMPLIANCE NO. VII 0010250 14 APRIL 2025
UG03 CITYLAND SHAW TOWER,
SHAW BLVD. MANDALUYONG CITY

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, 2022 and 2021 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Isla Lipana and Co., the independent auditors appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Edward Kuok Khoon Long
Chairman of the Board

Wolfgang Krueger
Executive Director

Mabel P. Tacorda
Chief Financial Officer

Signed this 22nd day of March 2023

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES) S.S.
CITY OF QUEZON CITY)

BEFORE ME, a Notary Public for and in the City of QUEZON CITY, this ___ day of 22 MAR 2023, personally appeared the following:

Name	Government Issued ID	Date Issued/Place/Expiration
Edward Kuok Khoon Loong	Passport No. A54177655	05.20.2021/Hong Kong/11.20.2026
Wolfgang Krueger	Passport No. C4KR6GLPV	01.14.2019/General Konsulat Hong Kong/01.13.2029
Mabel P. Tacorda	Passport No. P1371742C	08.19.2022/DFA Manila/08.18.2032

who have satisfactorily proven to me their identity through government issued IDs and known to me to be the same person who executed the foregoing **STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS** and acknowledged that they executed the same freely and voluntarily and that they are acting as the authorized representatives of **SHANG PROPERTIES, INC.,** and that they have the authority to sign in such capacity as evidenced by the authorization presented to me.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of my office on the date and in the place above written.

Doc. No. 7;
Page No. 3;
Book No. 38;
Series of 2023.

ATTY. CONCEPCION P. VILLARENA
Notary Public for Quezon City
Until December 31, 2023
PTR No. 3716371 / January 3, 2023 Q.C
IBP No. 167803 / November 25, 2021 Q.C
Roll No. 30457 / 05-09-1980
MCLE VII-0006994 / 09-21-2021
ADM. MATTER No. NP-005 (2022-2023)
TIN NO. 131-942-754

SHANG

PROPERTIES

NAVIGATING NEW HORIZONS: **RESILIENCY AND GROWTH**

SUSTAINABILITY REPORT SUMMARY 2022

ANNEX A

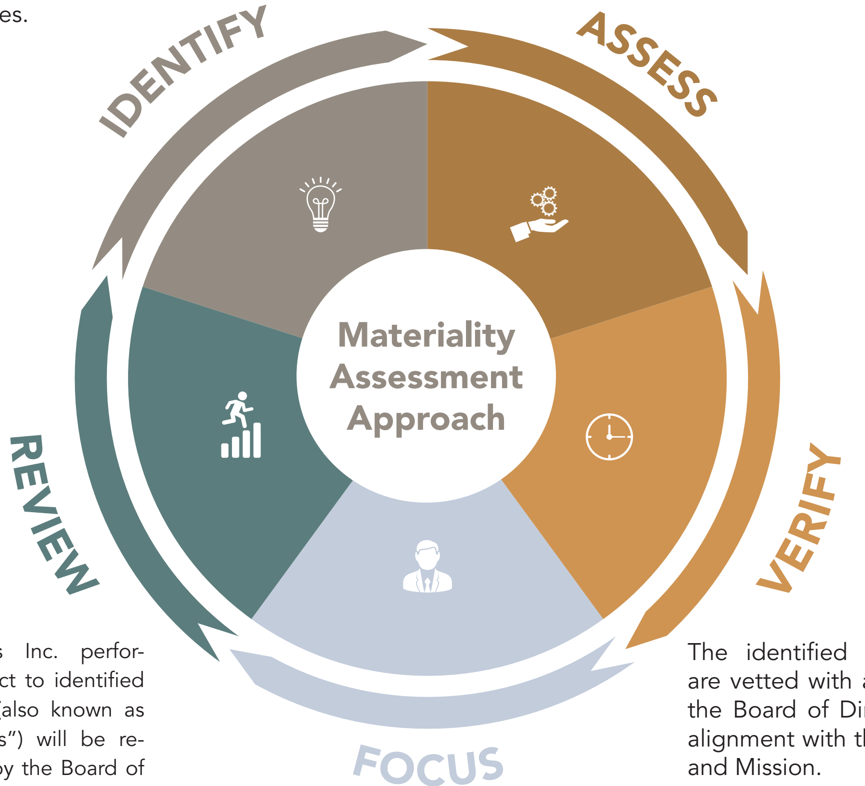
Materiality Process

Shang Properties, Inc. (SPI) has compiled its 2022 sustainability performance report, adhering to the guidelines set forth by the Philippines Securities and Exchange Commission (SEC) Memorandum Circular No. 4, Series of 2019 and utilizing the GRI standards where applicable. SPI's materiality assessment process has remained consistent over the past four years, serving as the foundation for its priorities.

During this reporting period, the team reviewed the material topics and sustainability framework to ensure they meet the business requirements.

Material topics are identified based on activities that are critical to the operations of Shang Properties, Inc. as a Holding Company operating different businesses.

Identified topics are assessed and prioritized based on our interpretation of what is important to our stakeholders and to the Company.



Shang Properties Inc. performance with respect to identified material aspects (also known as our "Core Drivers") will be reviewed regularly by the Board of Directors.

The identified material aspects are vetted with and approved by the Board of Directors to ensure alignment with the Group's Vision and Mission.

Based on the agreed material topics, management actions will be identified and triggered as part of the business plan.

Figure 1 Materiality Assessment Approach

Sustainability Framework

Staying consistent with the approach for materiality assessment, the core drivers that form the Company's sustainability framework is reflected below. Employee Welfare and Responsible Business areas have come to the fore as evident in the reporting, keeping up with the current times of working in a post-pandemic era.

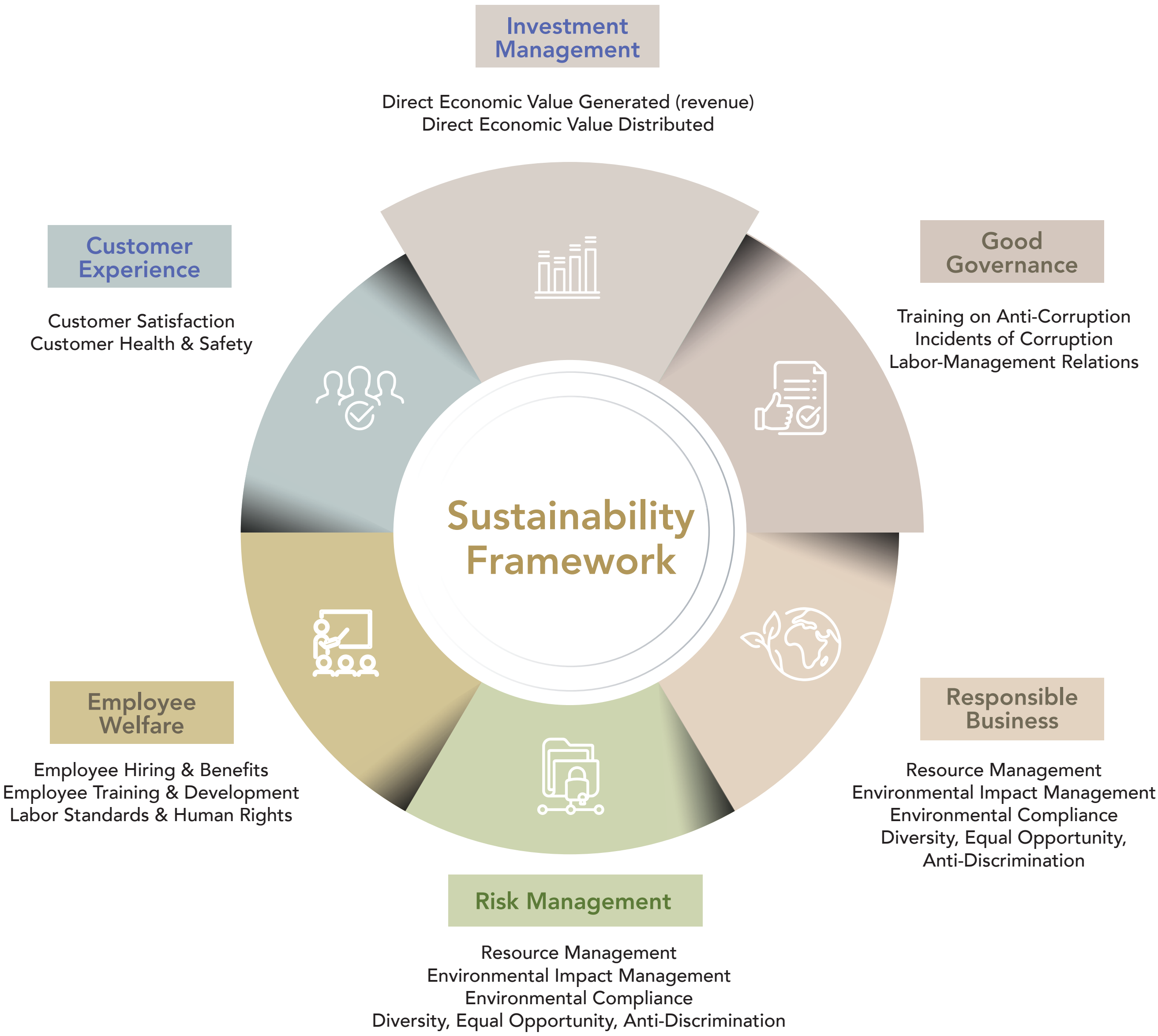


Figure 2 SPI Core Drivers

SHANG PROPERTIES

STAKEHOLDER ENGAGEMENT

At SPI, we recognize the importance of engaging with our key stakeholders to ensure their needs are met and to build strong relationships. To that end, the company has identified its key stakeholders and established viable modes of engagement with them. The table below presents an overview of the key stakeholders and how we engage with them.

STAKEHOLDER	MEANS OF ENGAGEMENT	ASPECTS
Stockholders and Investors	Annual Stockholders Meeting Corporate Disclosure Corporate Website	Financial Performance and Cash Flows Business Outlook Resolutions of Business Concerns ESG Performance
Employees	Training and development programs Email blasts and bulletins Annual performance appraisals Online portals / Social Media Company activity and Events	Skills inventory development General company updates Performance review and improvement Job opportunities Employee activities and socialization Health and well being
Customers and Guests	Customer satisfaction surveys Telephones hotlines Social Media	Customer Feedback / areas for improvement General Information Events, Customer complaints
Residents and Tenants	Email blasts Memorandums Meetings Evacuation drills	Promotions Maintenance and Service Interruption, Escalations, Property Updates Exploratory, Pre-Construction, Egress Fire life and safety Residents/Tenants complaints Other operational issues
Suppliers and Contractors	Emails One on one meetings Group meetings/discussions Telephone / mobile phones Site inspections	Cost proposal Warranties Duration of project Scope/Deliverables Payment for services rendered
Government and Regulators	Emails Site inspections Correspondences Telephone / mobile phones	Coordination of requirements Compliance to regulations Continuous communication and coordination of schedules Payment of taxes and applicable fees

INVESTMENT MANAGEMENT

Direct Economic Value Generated & Distributed

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
Direct Economic Value Generated (Revenue)	PHP	4,975,849,039.62	10,833,823,837.50
Direct Economic Value Distributed:			
a. Operating Costs	PHP	2,839,145,483.59	3,743,630,237.50
b. Employee Wages and Benefits	PHP	278,096,848.53	678,126,824.00
c. Payments to Suppliers, Other Operating Costs	PHP	260,728,892.30	1,867,827,901.59
d. Dividends given to Stockholders and Interest Payments to Loan Providers	PHP	1,670,720,544.98	1,543,106,959.00
e. Taxes given to Government	PHP	151,153,258.77	412,799,411.64
f. Investments to Community (e.g. Donations, CSR)	PHP	128,253,014.30	171,449,802.00

GOOD GOVERNANCE

Training on Anti-Corruption Policies & Procedures

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
Percentage of employees to whom the organization's anti – corruption policies and procedures have been communicated to	%	100	100
Percentage of business partners to whom the organization's anti – corruption policies and procedures have been communicated to	%	100	100
Percentage of directors and management that have received anti – corruption training	%	50	50
Percentage of employees that have received anti – corruption training	%	50	50

Incidents of Corruption

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
Number of incidents in which directors were removed or disciplined for corruption	#	0	0
Number of incidents in which employees were dismissed or disciplined for corruption	#	0	0
Number of incidents when contracts with business partners were terminated due to incidents of corruption	#	0	0

LABOR-MANAGEMENT RELATIONS

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
% of Employees Covered with Collective Bargaining Agreements	%	N/A	N/A
Number of Consultations Conducted with Employees Concerning Employee – Related Policies	#	6	7

RESPONSIBLE BUSINESS

Resource Management

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
Renewable Resources	GJ	0	0
Gasoline	GJ	249.80	459.15
LPG	GJ	12,998.06	21,238.16
Diesel	GJ	11,910.32	23,332.81
Electricity	kWh	79,736,507.00	96,858,937.00

Energy Consumption within the Organization

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
Materials Used by Weight/Volume			
Renewable	kg	287,731	291,320
Non-Renewable	kg	15,382,070.78	16,381,251.38
Percentage of Recycled Input Materials Used to Manufacture the Organization's Primary Products and Services	%	0	0

WATER & EFFLUENTS

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
Water Consumption	m^3	*1,245,265.16	1,327,863.16
Water Recycled and Reused	m^3	*116,254.00	136,921.80
Total Volume of Water Discharges	m^3	789,430.20	618,683.60
Percent of Wastewater Recycled	%	*9.34%	10.31

**Restatement of 2021 data: Water Consumption - 1,245,265.16 m^3; Water Recycled and Reused - 116,254.00 m^3;*
Percent of Wastewater Recycled – 9.34%
Instead of previously reported: Water Consumption - 1,166,734.16 m^3; Water Recycled and Reused - 181,886.00 m^3;
Percent of Wastewater Recycled – 7 %
The restatement was made following the review and correction of data provided from the previous year

AIR EMISSIONS

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
Direct (Scope 1) GHG Emissions	Tonnes CO2e	1,616.87	2,916.92
Indirect (Scope 2) GHG Emissions	Tonnes CO2e	50,393.47	61,214.85

**Restatement of 2020 data: Direct (Scope 1) GHG Emissions – 1,616.87 Tonnes CO2e*
Instead of previously reported: Direct (Scope 1) GHG Emissions – 616.57 Tonnes CO2e
The restatement was made following the review and correction of data provided from the previous year

SOLID AND HAZARDOUS WASTE

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
Total Solid Waste Generated	kg	3,282,062.59	3,743,894
Reusable	kg	0	0
Recyclable	kg	384,883.64	502,902.70
Composted	kg	7,769.00	11,4899
Incinerated	kg	-	0
Residuals / Landfilled	kg	2,893,111.32	2,926,043.82
Total Weight of Hazardous Waste Generated	kg	12,958.50	33,892
Total Weight of Hazardous Waste Transported	kg	7,012.50	17,188

ENVIRONMENTAL COMPLIANCE

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
Total Amount of Monetary Fines for Non – Compliance with Environmental Laws and / or Regulations	PHP	0	0
No. of Non – Monetary Sanctions for Non – Compliance with Environmental Laws and / or Regulations	#	0	0
No. of Cases Resolved through Dispute Resolution Mechanism	#	0	0

ENVIRONMENTAL COMPLIANCE

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
% of Female Workers in the Workforce	%	47.05	46.50
% Male Workers in the Workforce	%	52.95	53.50
Number of Employees from Indigenous Communities and/ or Vulnerable Sector	#	28	26

RISK MANAGEMENT

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
Safe Man-Hours	Man-Hours	579,103	916
No. of Work – Related Injuries	#	9	4
No. of Work – Related Fatalities	#	-	0
No. of Work – Related Ill-Health	#	8	6
No. of Safety Drills	#	254	274

SUPPLY CHAIN MANAGEMENT

TOPIC	Reference in Company Policy	Y/N	
		2021	2022
Environmental Performance	Section 5.11.2.3 of DP-SPI-PROC 1.8 Vendor Accreditation Procedure Section 5 of Supplier Code of Conduct	Y	Y
Forced Labor	Section 5.11.2.3 of DP-SPI-PROC 1.8 Vendor Accreditation Procedure Section 5 of Supplier Code of Conduct	Y	Y
Child Labor	Section 5.11.2.3 of DP-SPI-PROC 1.8 Vendor Accreditation Procedure Section 5 of Supplier Code of Conduct	Y	Y
Human Rights	Section 5.11.2.3 of DP-SPI-PROC 1.8 Vendor Accreditation Procedure Section 5 of Supplier Code of Conduct	Y	Y
Bribery and Corruption	Section 5.11.2.3 of DP-SPI-PROC 1.8 Vendor Accreditation Procedure Section 5 of Supplier Code of Conduct	Y	Y

CUSTOMER PRIVACY AND DATA SECURITY

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
No. of Substantiated Complaints on Customer Privacy	#	1	0
No. of Complaints Addressed	#	1	0
No. of Customers, Users, and Account Holders whose Information is Used for Secondary Purposes	#	0	0

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
No. of Data Breaches, including Leaks, Thefts, and Losses of Data	#	0	0

EMPLOYEE WELFARE

Employee Hiring & Benefits

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
Total Number of Employees	#	916	985
a. Number of Female Employees	#	485	458
b. Number of Male Employees	#	485	527
Attrition Rate	Rate	3%	4.2%
Ratio of Lowest Paid Employee Against Minimum Wage	Ratio	1:1.29	1:1.42

Percentage of Employees Availing the Benefits

DISCLOSURE	Y/N		Female	Male
	2020	2021		
SSS	Y	Y	19%	13%
PhilHealth	Y	Y	13%	11%
PAG - IBIG	Y	Y	17%	14%
Parental Leaves	Y	Y	2%	1%
Vacation Leaves	Y	Y	52%	50%
Sick Leaves	Y	Y	49%	46%
Medical Benefits (Aside from PhilHealth)	Y	Y	19%	19%
Retirement Fund (Aside from SSS)	Y	Y	2%	2%
Flexible – Working Hours	Y	Y	9%	9%

Employee Training and Development

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
Total Training Hours Provided to Employees			
a. Female Employee	#	8,548	8,851
b. Male Employee	#	12,124	12,753
Average Training Hours Provided to Employees			
a. Female Employees	Hrs/Employee	*19.83	19.33
a. Male Employees	Hrs/Employee	*25.00	24.20

Labor Standards and Human Rights

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
No. of Legal Actions or Employees Grievance involving Forced or Child Labor	#	0	0

TOPIC	Y/N		Reference in Company Policy
	2021	2022	
Forced Labor	Y	Y	Code of Business Conduct and Ethics
Child Labor	Y	Y	Code of Business Conduct and Ethics
Human Rights	Y	Y	Code of Business Conduct and Ethics

CUSTOMER EXPERIENCE

Customer Satisfaction

DISCLOSURE	UNITS	SCORE	
		2021	2022
Customer Satisfaction Score	%	89.83%	85.48%

Customer Health & Safety

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
No. of Substantiated Complaints on Product or Service Health and Safety	#	2,827	3,434
No. of Complaints Addressed	#	2,827	3,434

United Nations Sustainable Development Goals

Shang Properties Inc. (SPI), with the intention to further develop its contributions to UN SDG, is dedicated to optimize its operations, strategies and management approach related to economic, environmental and social aspects affecting its stakeholders and the community. For 2022, SPI identified contributions to six (6) SDGs and their summary is articulated below for easy reference.

ECONOMIC

P67M
Taxes paid

P3M
Investments to community

985
Total no. of organic employees

Material Topic/Disclosure: Economic Performance

SPI, as a significant player in the Philippine property market and a leading employer in the hospitality industry, actively contributes to nation-building by creating job opportunities, generating tax revenues for the government, supporting suppliers, making regular community investments through donations and corporate social responsibility initiatives.

ENVIRONMENT

503 kg
Waste Recycled

100%
Environmental Compliance

10.31%
Wastewater Recycled

Material Topic/Disclosure: Resource Management, Environmental Impact Management and Environmental Compliance

Energy, water, and materials are fundamental resources used in SPI's property development projects. Given the criticality of natural resource depletion at both local and global levels, SPI implements proactive measures, such as conservation programs and waste reduction initiatives, to ensure efficient management of resources.

SOCIAL

546,109
Safe man-hours

0
Work-related fatalities

274
No. of Safety drills

46%
Female workers in the workforce

0 Employee Grievance on Forced or Child Labor

26
No. of employees from indigenous communities and vulnerable sector

Material Topic/Disclosure: Employee Management, Workplace Conditions, Labor Standards and Human Rights

SPI acknowledges its responsibility to provide a safe and healthy environment for all stakeholders while strictly complying with applicable labor laws and regulations set by the Department of Labor and Employment (DOLE) and other relevant government entities. The company also supports diversity and equal opportunity by fostering an inclusive workplace that values and respects individuals regardless of their gender, ethnicity, background, sexual orientation, or beliefs.

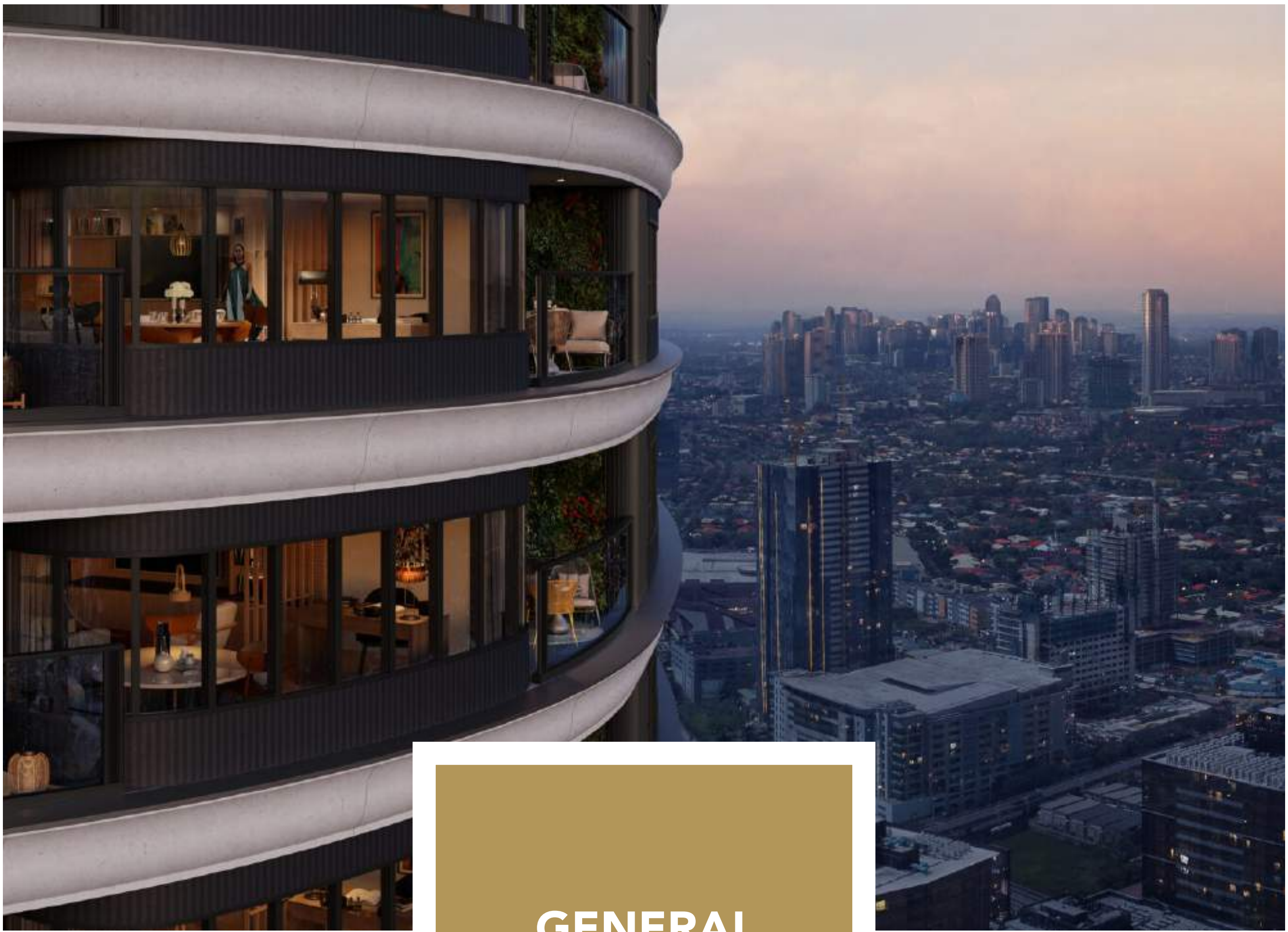
SHANG

PROPERTIES

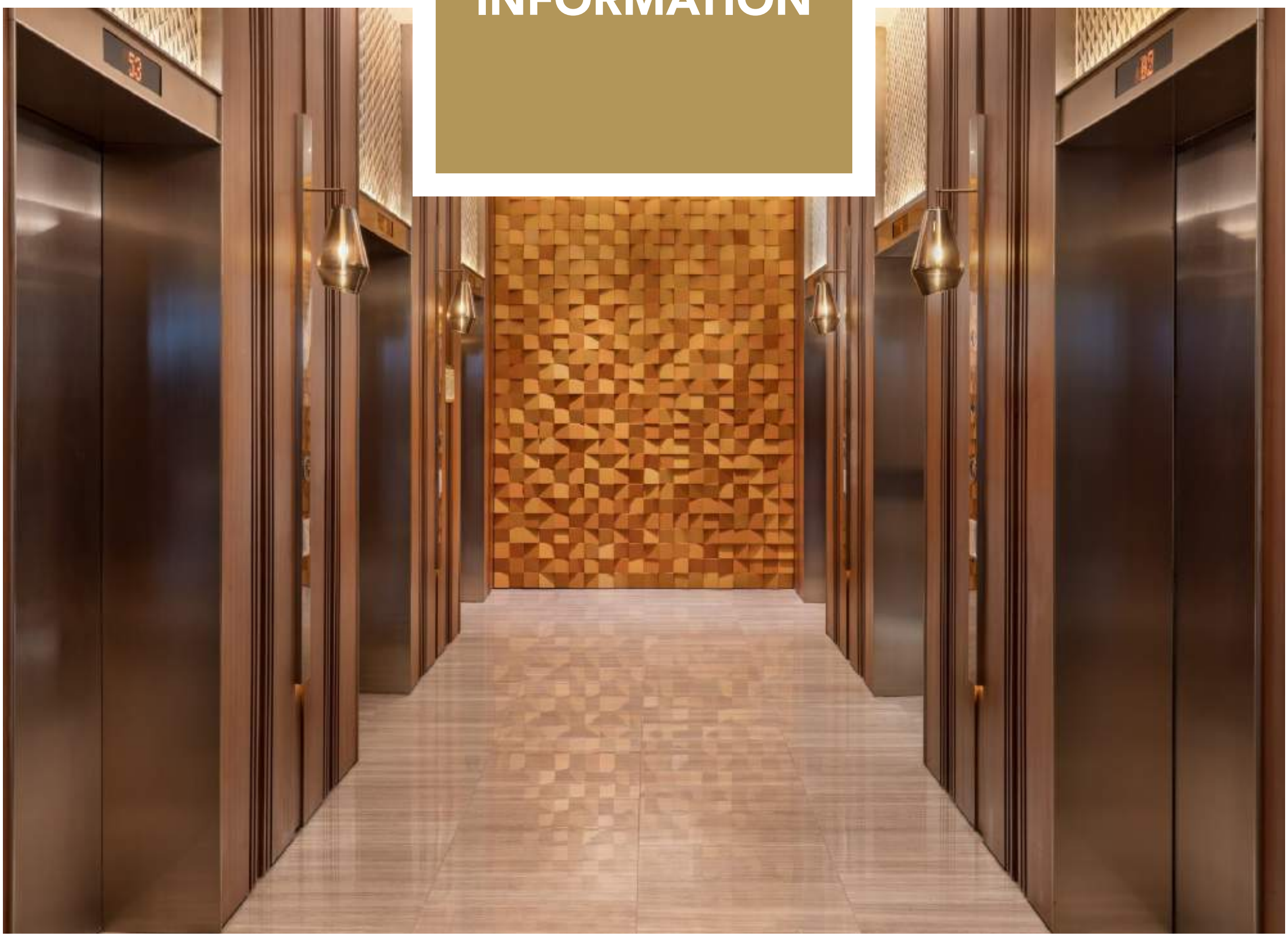
NAVIGATING NEW HORIZONS: **RESILIENCY AND GROWTH**

ANNUAL SUSTAINABILITY REPORT 2022

CONTENT



GENERAL INFORMATION



Contextual Information

COMPANY DETAILS	
Name of Organization:	Shang Properties, Inc. (SPI)
Location of Headquarters:	Administration Office Shangri – La Plaza EDSA corner Shaw Boulevard, Mandaluyong City
Report Boundary: *Legal Entities (e.g. Subsidiaries) included in this Report*	This annual sustainability report covers the sustainability performance of the holding company, Shang Properties, Inc. (SPI) and the following subsidiaries / affiliates: **SHANGRI – LA PLAZA CORPORATION (SLPC)** SLPC manages the Philippines' most established premier upscale shopping and lifestyle destination, Shangri – La Plaza Mall. **KSA REALTY CORPORATION (KSA)** KSA Realty Corporation is the majority owner of The Enterprise Center, an Information Technology (IT) building registered with the Philippine Economic Zone Authority (PEZA) that offers tax incentives to tenants. **SPI PARKING SERVICES, INC. (SPSI)** SPSI, formerly EDSA Parking Services, Inc., provides top of the line parking management services. **SHANG PROPERTIES REALTY CORPORATION (SPRC)** SPRC, formerly The Shang Grand Tower Corporation, is the developer of the following upscale projects: The Shang Grand Tower, which is built along Dela Rosa Street, Legaspi Village, Makati City, as well as St. Francis Shangri – La Place and One Shangri – La Place, which are both located at the Shangri – La Place in Ortigas, Central Business District at the corner of Shaw Boulevard, Internal Drive and EDSA in Mandaluyong City. **SHANG PROPERTY DEVELOPERS, INC. (SPDI)** SPDI is the developer of the upscale Makati development, Shang Salcedo Place located at Sen. Gil Puyat Avenue corner Tordesillas Street, Salcedo Viillage, Makati City. **THE RISE DEVELOPMENT COMPANY, INC. (TRDCI)** TRDCI is a joint venture with VDCI and the developer of The Rise Makati, a mixed – use condominium project located at Malugay Street, San Antonio Village, Makati City **SHANG WACK WACK PROPERTIES, INC. (SWWPI)** SWWPI is a realty development company and the developer of Shang Residences Wack Wack located strategically close to the renown Wack Wack Golf and Country Club in Greenhills, Mandaluyong City

COMPANY DETAILS

SHANG GLOBAL CITY PROPERTIES, INC. (SGCPI)
SGCPI is the owner, developer, and operator of Shangri – La at the Fort, the country's premier and leading luxury hotel located at 3rd Avenue corner 30th Street, Fort Bonifacio Global City, Taguig City and Horizon Homes at the Fort, the most luxurious condominium development project in the country situated at the top levels of the Shangri – La at the Fort hotel building.

SHANG PROPERTY MANAGEMENT SERVICES, INC. (SPMSI)
SPMSI, formerly EPHI Project Management Services Corporation, provides top of the line property management services.

SHANG ROBINSONS PROPERTIES, INC. (SRPI)
SRPI is a joint venture between Shang Properties, Inc. (SPI) and Robinsons Land Corporation (RLC) and the developer of the ultra – upscale and posh Aurelia Residences located at Mc Kinley Parkway corner Fifth Avenue and 21st Drive, Fort Bonifacio Global City, Taguig City, as well as an upcoming posh condominium project located at Bridgetowne Estate, Pasig City.

Business Model, including Primary Activities, Brands, Products, and Services:	Shang Properties, Inc. (SPI) is engaged in property investment and development (residential development and condominium sales), real estate management, office and retail leasing, and mall, carpark, and hotel operations.
Reporting Period:	01 January 2022 – 31 December 2022
Highest Ranking Person Responsible for this Report:	**ATTY. EMILUISA C. PENANO** Deputy General Counsel

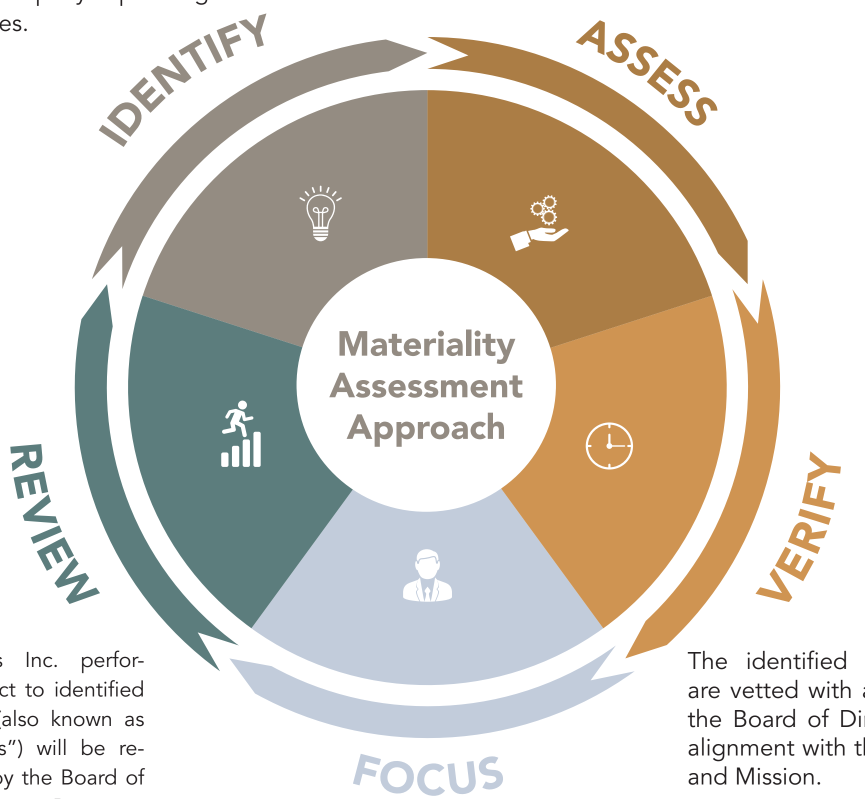
Materiality Process

Shang Properties, Inc. (SPI) has compiled its 2022 sustainability performance report, adhering to the guidelines set forth by the Philippines Securities and Exchange Commission (SEC) Memorandum Circular No. 4, Series of 2019 and utilizing the GRI standards where applicable. SPI's materiality assessment process has remained consistent over the past four years, serving as the foundation for its priorities.

During this reporting period, the team reviewed the material topics and sustainability framework to ensure they meet the business requirements.

Material topics are identified based on activities that are critical to the operations of Shang Properties, Inc. as a Holding Company operating different businesses.

Identified topics are assessed and prioritized based on our interpretation of what is important to our stakeholders and to the Company.



Shang Properties Inc. performance with respect to identified material aspects (also known as our "Core Drivers") will be reviewed regularly by the Board of Directors.

Based on the agreed material topics, management actions will be identified and triggered as part of the business plan.

The identified material aspects are vetted with and approved by the Board of Directors to ensure alignment with the Group's Vision and Mission.

Figure 1 Materiality Assessment Approach

Sustainability Framework

Staying consistent with the approach for materiality assessment, the core drivers that form the Company's sustainability framework is reflected below. Employee Welfare and Responsible Business areas have come to the fore as evident in the reporting, keeping up with the current times of working in a post-pandemic era.

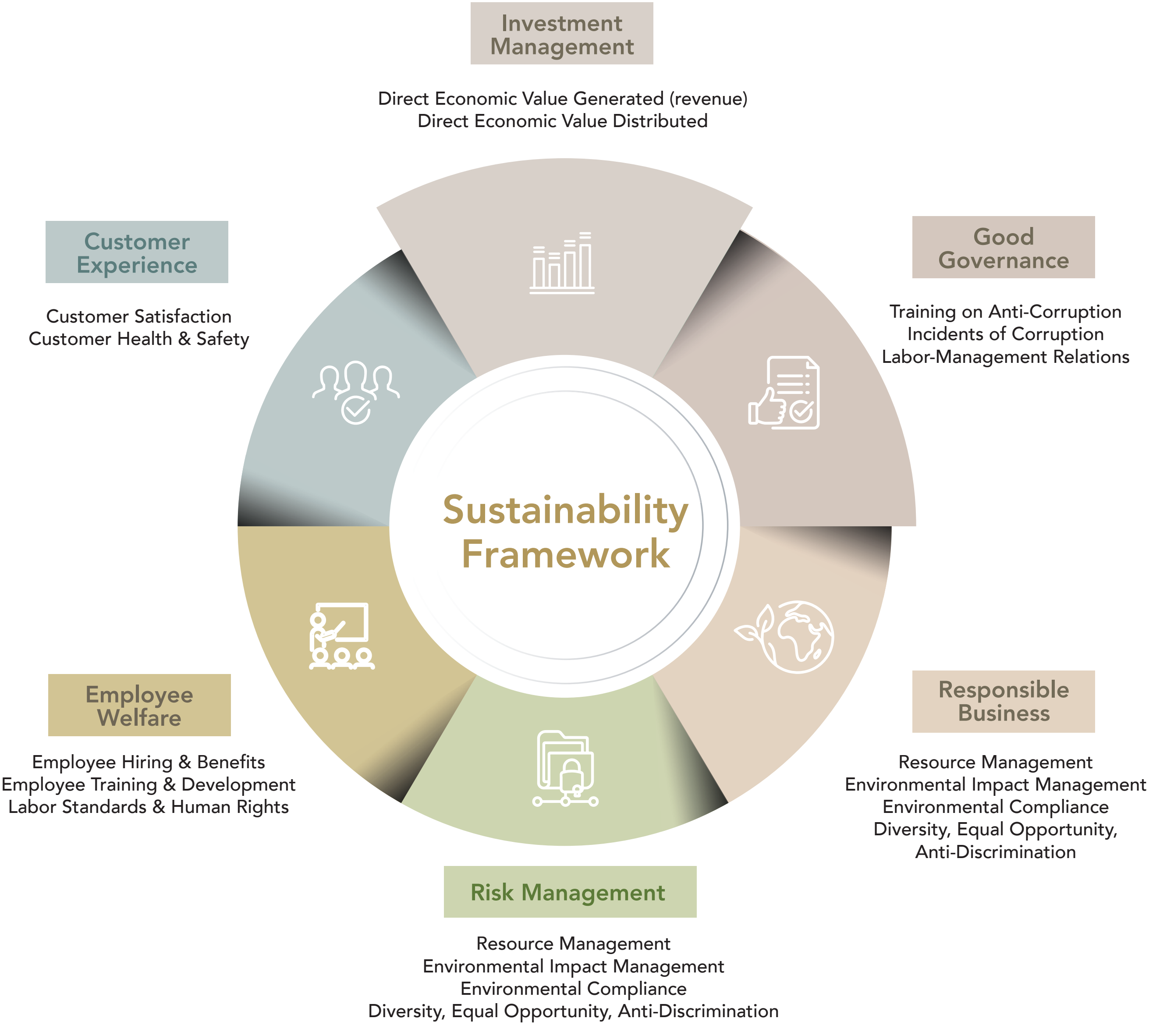


Figure 2 SPI Core Drivers

STAKEHOLDER ENGAGEMENT

At SPI, we recognize the importance of engaging with our key stakeholders to ensure their needs are met and to build strong relationships. To that end, the company has identified its key stakeholders and established viable modes of engagement with them. The table below presents an overview of the key stakeholders and how we engage with them.

STAKEHOLDER	MEANS OF ENGAGEMENT	ASPECTS
Stockholders and Investors	Annual Stockholders Meeting Corporate Disclosure Corporate Website	Financial Performance and Cash Flows Business Outlook Resolutions of Business Concerns ESG Performance
Employees	Training and development programs Email blasts and bulletins Annual performance appraisals Online portals / Social Media Company activity and Events	Skills inventory development General company updates Performance review and improvement Job opportunities Employee activities and socialization Health and well being
Customers and Guests	Customer satisfaction surveys Telephones hotlines Social Media	Customer Feedback / areas for improvement General Information Events, Customer complaints
Residents and Tenants	Email blasts Memorandums Meetings Evacuation drills	Promotions Maintenance and Service Interruption, Escalations, Property Updates Exploratory, Pre-Construction, Egress Fire life and safety Residents/Tenants complaints Other operational issues
Suppliers and Contractors	Emails One on one meetings Group meetings/discussions Telephone / mobile phones Site inspections	Cost proposal Warranties Duration of project Scope/Deliverables Payment for services rendered
Government and Regulators	Emails Site inspections Correspondences Telephone / mobile phones	Coordination of requirements Compliance to regulations Continuous communication and coordination of schedules Payment of taxes and applicable fees

ECONOMIC

Artists' image for illustration purposes only

INVESTMENT MANAGEMENT

Direct Economic Value Generated & Distributed

SPI's economic performance has a direct impact on market demand, which can fluctuate due to changing economic conditions and consumer behavior. The impact of our economic performance extends to various stakeholders such as tenants, investors, shareholders, employees, regulators, and the wider community. SPI's residential development and condominium sales contribute to the growth of the housing market, while its office and retail leasing stimulate business activity in the surrounding area. Our operations in malls, carparks, and hotels have a direct impact on the tourism industry and the local hospitality sector.

DISCLOSURE		UNIT	QUANTITY	
			2021	2022
Direct Economic Value Generated (Revenue)		PHP	4,975,849,039.62	10,833,823,837.50
Direct Economic Value Distributed:				
a.	Operating Costs	PHP	2,839,145,483.59	3,743,630,237.50
b.	Employee Wages and Benefits	PHP	278,096,848.53	678,126,824.00
c.	Payments to Suppliers, Other Operating Costs	PHP	260,728,892.30	1,867,827,901.59
d.	Dividends given to Stockholders and Interest Payments to Loan Providers	PHP	1,670,720,544.98	1,543,106,959.00
e.	Taxes given to Government	PHP	151,153,258.77	412,799,411.64
f.	Investments to Community (e.g. Donations, CSR)	PHP	128,253,014.30	171,449,802.00

SPI and its subsidiaries have reported a remarkable surge in the direct economic value generated in 2022. This increase can be attributed to the gradual lifting of Covid restrictions by the government, followed by a return to normal operations. As a result, we have witnessed an upswing in business demand, including activities from international and leisure guests. In terms of economic value distribution, the majority of the economic value was allocated to operating costs, employee wages and benefits, and payments to suppliers, while a portion was given back to stockholders, government, and community. We are grateful for the support and collaboration of all our stakeholders, and we look forward to working together towards a more sustainable future.

In 2022, Shang Properties Inc. was one of the major donors for Habitat for Humanity Philippines' Typhoon Odette Disaster Response, which helped at least 1,800 low-income and vulnerable families in Cebu, Southern Leyte, and Negros Occidental affected by Typhoon Odette.

In addition to the above, we are pleased to highlight the diverse range of CSR initiatives conducted during the reporting period. These include supporting the Caritas Damayan Hunger Project, DLSU Foundation Hunger to Hope Project, and Kababaihang Gabay ng Bayan for integrated health and livelihood program for 300 mothers and their families, a housing project by TRDCI, SWWP feeding and livelihood programs and lastly, we supported a Typhoon Paeng relief program in partnership with Gokongwei Foundation and ICM. These CSR efforts showcase our dedication to social responsibility and sustainability, contributing to the betterment of communities.

BALANCING PROFIT AND PURPOSE

Overall, the policy of SPI on economic performance is embedded in SPI's Manual on Corporate Governance and Code of Business Conduct and Ethics, which serve as our guiding framework for the company's management approach towards economic performance. We implement a financial risk management strategy that involves providing periodic financial information to its Executive Directors, closely monitoring interest rates, and maintaining sufficient cash and cash equivalents. We also prioritize urgent and critical expenditures, monitor accounts receivables, and follow up with late paying tenants. By implementing these strategies and continuously monitoring and managing risks, we aim to achieve our strategic objectives and maintain strong economic performance despite the challenges posed by the current business environment.As the real estate market experiences a resurgence in the wake of the pandemic, SPI stands to benefit from increased revenues stemming from property sales, rentals, and management fees.

BALANCING PROFIT AND PURPOSE

As a responsible corporate citizen, we, at SPI, recognize that we have a crucial role to play in ensuring that our operations have a positive impact on society and the environment. To fulfill this obligation we have a Corporate Social Responsibility Policy in place - through this, we regularly engage in social responsibility programs, including donating to victims of calamities and providing free venues for socially relevant events. The company fosters the same cognizance and adherence to CSR among its subsidiaries and their various developments. Furthermore, we are an active contributor to community projects through our charitable coordinating body, Kerry Foundation Phils., a non-profit organization that strives to enhance the lives of underprivileged individuals. These actions demonstrate the company's dedication to social responsibility and sustainability.

GOOD GOVERNANCE

Training on Anti-Corruption Policies & Procedures

The impacts of corruption are felt by a wide range of stakeholders, including governments, businesses, employees, customers, investors, and society at large. At SPI, we realize that anti-corruption efforts are not just a moral imperative, but a critical business strategy. Corruption can have far-reaching consequences, not only damaging our reputation but also exposing us to legal and financial risks. By taking a proactive approach to combat corruption, we are safeguarding our business and stakeholders thus ensuring our long-term success.

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
Percentage of employees to whom the organization's anti – corruption policies and procedures have been communicated to	%	100	100
Percentage of business partners to whom the organization's anti – corruption policies and procedures have been communicated to	%	100	100
Percentage of directors and management that have received anti – corruption training	%	50	50
Percentage of employees that have received anti – corruption training	%	50	50

Incidents of Corruption

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
Number of incidents in which directors were removed or disciplined for corruption	#	0	0
Number of incidents in which employees were dismissed or disciplined for corruption	#	0	0
Number of incidents when contracts with business partners were terminated due to incidents of corruption	#	0	0

As shown by the data above, SPI has observed no instances of corruption among our management, employees, and business partners. This achievement is a direct result of our efforts to ensure that our anti-corruption policies and procedures are effectively communicated to key stakeholders, raising their awareness and ensuring their compliance with our standards.

TRANSPARENCY IN ACTION

At SPI, we have implemented a range of anti-corruption measures, including robust due diligence processes, transparent financial reporting, and awareness and training programs for our employees and business partners. These measures have not only helped us to mitigate corruption risks but have also improved our operational efficiency and strengthened our relationships with stakeholders. By prioritizing integrity and transparency, we are not only protecting our organization but also setting an example for others in our industry to follow.

Our policy on anti-corruption is embedded in SPI's Code of Business Ethics, Code of Conduct, Fraud Policy and Whistle Blowing Policy.

We may further enhance our anti-corruption efforts through expanding anti-corruption training and promoting transparency and accountability.

LABOR-MANAGEMENT RELATIONS

This topic is particularly relevant for SPI, where coordination between management and labor is crucial to delivering on the company's mission and maintaining worker welfare. Positive relations with our employees can lead to increased productivity, job satisfaction, and reduced turnover, which all contribute to our competitive advantage in the market. Additionally, maintaining fair and equitable labor practices aligns with the company's commitment to responsible business practices and sustainable growth, which is important to stakeholders and investors.

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
% of Employees Covered with Collective Bargaining Agreements	%	N/A	N/A
Number of Consultations Conducted with Employees Concerning Employee – Related Policies	#	6	7

At SPI, we encourage open communication between management and employees, and its effectiveness is reflected in the far fewer consultations held over the last two years. The company's flexible working hours and enhanced employee engagement have contributed to this success, allowing for a more supportive and productive work environment.

EMPOWERING OUR WORKFORCE

SPI has taken a proactive approach to ensure our compliance with all relevant labor laws and regulations. We have implemented a range of policies and procedures to maintain the safety and well-being of our employees, while also meeting our obligations with the requirements of the Department of Labor and Employment (DOLE) and other government entities.

Our management approach is centered around our commitment to open communication and engagement with our employees. The company has established an Employee Grievance and Feedback Mechanism, which allows employees to voice their concerns and provides management with the necessary data to address issues in a timely and effective manner. We also conduct an annual Organizational Climate Survey, which provides insight into employee satisfaction levels and allows the company to make necessary improvements to our employee engagement programs.

To further support our employees, HR Account Specialists are designated as focal points for consultation and HR has implemented a range of employee engagement activities, including team building, values alignment, and strategic planning workshops.

ENVIRONMENT

Artists' image for illustration purposes only

RESPONSIBLE BUSINESS

Resource Management

Energy Consumption within the Organization

Energy consumption poses a crucial challenge to SPI, impacting both our financial performance and environmental footprint. The rising costs of energy usage can result in higher operational expenses, reducing profitability. Moreover, excessive energy consumption can contribute to climate change, posing significant risks to the environment. As a responsible organization, we see the need to curb energy usage and implement sustainable practices.

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
Renewable Resources	GJ	0	0
Gasoline	GJ	249.80	459.15
LPG	GJ	12,998.06	21,238.16
Diesel	GJ	11,910.32	23,332.81
Electricity	kWh	79,736,507.00	96,858,937.00

As businesses slowly returned to their pre-pandemic demands, our company experienced a significant increase in energy consumption from all sources including gasoline, LPG, diesel, and purchased electricity. This rise in foot traffic at our properties was a clear indication of the market's steady recovery. While we were pleased to see our business return to normal, we are aware that it will also have a noticeable impact on our ESG performance.

THE ENERGY CHALLENGE

SPI has been steadfast in promoting environment-friendly practices both internally and externally. Our subsidiaries have garnered recognition for their energy conservation programs and initiatives. Notably, The Fort Bonifacio Shangri-La Hotel, a mixed-use development located in Bonifacio Global City, Taguig, has been LEED certified for its resource-efficient, high-performing, healthy, and cost-effective buildings.

Around second quarter of 2022, a seven-year energy efficiency performance agreement was signed by Engie, a prominent player in low-carbon energy and services, with Shang Global City Properties Inc. The aim of the partnership was to optimize the chilled water plants at Shangri-La The Fort, Manila, which is a mixed-use development that includes a hotel, residence, retail, and lifestyle and leisure club. By implementing this initiative, the project is expected to save up to 1,100 tons of CO_2 annually. Engie would finance, design, and improve the system to deliver maximum efficiency while reducing consumption, allowing Shangri-La The Fort to reduce its carbon emissions by up to 7,700 tons of CO_2 over the contracted period. This partnership strengthens Shang Properties' commitment toward building a carbon-neutral nation.

Moving forward, we will continue to explore opportunities to optimize our energy resources by enhancing energy conservation programs and consider using renewable energy technologies in the future. This approach will further minimize the associated environmental footprint, which is essential for us to sustain our green building marks and attract more environmentally conscious tenants to the building. SPI further conducts energy usage inspections and audits to identify potential areas for further energy reduction.

MATERIALS USED BY THE ORGANIZATION

SPI is aware of the potential risks that materials can pose to the environment and the community and is committed to minimizing such impact. These risks include an increase in energy consumption and waste generation for non-renewable materials, as well as wastage and improper usage that may lead to resource depletion or scarcity, and accidental release or spill of hazardous materials that could result in long-term health effects and limited access to a decent life and livelihood. SPI has taken steps to mitigate these risks by enforcing responsible sourcing, usage, and disposal of materials, and fostering a culture of safety and environmental stewardship.

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
Materials Used by Weight/Volume			
Renewable	kg	287,731	291,320
Non-Renewable	kg	15,382,070.78	16,381,251.38
Percentage of Recycled Input Materials Used to Manufacture the Organization's Primary Products and Services	%	0	0

We make use of different materials in different stages of our operations involving the design, development and management of luxury property. During the reporting period, there has been a 6% increase in the total volume of non-renewable materials used in our operations. This could be due to the increase in demand for luxury properties, resulting in the use of more resources.

MATERIALS MATTER

SPI is committed to complying with all applicable environmental laws, rules, and regulations. The company has designated a dedicated Pollution Control Officer who has undergone the required training courses and manages our compliance to environmental laws. The company also enforces strict Environmental, Occupational Health, and Safety (EHS) protocols and standards for the loading, unloading, and transport of materials.

As we strive for sustainability, we are constantly seeking opportunities to optimize our resource utilization and embrace circular economy practices. This includes continuously utilizing renewable materials, exploring more options to recycle and reduce waste, and minimizing our environmental footprint.

An additional opportunity for SPI is to enhance our organizational knowledge of sustainable economies and stay abreast of the latest sustainability trends. Such actions would showcase our dedication to sustainable practices and our commitment to continuously enhancing environmental performance.

WATER & EFFLUENTS

Water scarcity and effluent pollution are pressing issues affecting the global community, with far-reaching impacts on the environment, public health, and economic development. As part of real estate industry, we give critical importance to responsible water management and waste disposal practices in addressing this issue.

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
Water Consumption	m^3	*1,245,265.16	1,327,863.16
Water Recycled and Reused	m^3	*116,254.00	136,921.80
Total Volume of Water Discharges	m^3	789,430.20	618,683.60
Percent of Wastewater Recycled	%	*9.34%	10.31

*Restatement of 2021 data: Water Consumption - 1,245,265.16 m^3; Water Recycled and Reused - 116,254.00 m^3;
Percent of Wastewater Recycled – 9.34%
Instead of previously reported: Water Consumption - 1,166,734.16 m^3; Water Recycled and Reused - 181,886.00 m^3;
Percent of Wastewater Recycled – 7 %
The restatement was made following the review and correction of data provided from the previous year*

In the post-pandemic period of 2022, SPI and its subsidiaries experienced a surge in foot traffic, resulting in increased demands for resources, including water. Despite the challenges presented by the increased demand, SPI remains committed to responsible water management practices.

In 2022, we were able to recycle 10.31% of our water usage, contributing to a significant reduction in the company's overall water footprint. SPI achieved this by implementing various sustainable water management solutions, such as rainwater harvesting and water recycling systems, through our subsidiaries.

WATER STEWARDSHIP

At SPI, we are committed to responsible water management as a critical component of our ESG goals and overall sustainability. We collaborate with our stakeholders, including tenants, customers, and regulatory agencies, to drive awareness and action towards sustainable water management practices. We ensure compliance with environmental regulations through a dedicated Pollution Control Officer (PCO), who monitors water consumption and wastewater discharges, and oversees the maintenance and cleaning of wastewater tanks.

To reduce water consumption, SPI implements water-saving initiatives such as adjusting water supply valves and using rainwater for non-potable purposes. Regular water audits identify areas of potential savings, and the installation of water-efficient fixtures and fittings helps to reduce consumption. Through stakeholder engagement, SPI explores innovative technologies and practices to increase the percentage of wastewater recycled and improve environmental performance, contributing to the sustainability of our operations.

AIR EMISSIONS

As concerns about climate change and environmental sustainability continue to grow, the impact of greenhouse gas (GHG) emissions and air pollutants on the environment has become a critical issue. For SPI, these issues are of particular importance due to the nature of our business. The construction and operation of buildings are major sources of GHG emissions and air pollutants, which can have significant environmental and health impacts.

Reducing GHG emissions and air pollutants is not only important for the environment and public health but also for the long-term financial sustainability of SPI. Implementing sustainable practices and reducing emissions can lead to cost savings, increased energy efficiency, and improved marketability of our properties.

GHG Emissions

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
Direct (Scope 1) GHG Emissions	Tonnes CO2e	1,616.87	2,916.92
Indirect (Scope 2) GHG Emissions	Tonnes CO2e	50,393.47	61,214.85

**Restatement of 2020 data: Direct (Scope 1) GHG Emissions – 1,616.87 Tonnes CO2e*
Instead of previously reported: Direct (Scope 1) GHG Emissions – 616.57 Tonnes CO2e
The restatement was made following the review and correction of data provided from the previous year

Air Pollutants

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
NO_X	kg	0.02	0.04
SO_X	kg	0.00012	0
Persistent Organic Pollutants (POPs)	kg	0	0
Volatile Organic Compounds (VOCs)	kg	0	0
Hazardous Air Pollutants (HAPs)	kg	0	0
Particulate Matter (PM)	kg	0	0

There has been an increase in greenhouse gas (GHG) emissions for SPI in comparison to the previous reporting period. This increase in emissions is correlated to the increase in energy consumption within the company. In terms of air pollutants, we have noted a minimal increase in NOx levels. The sources of these pollutants include generator sets, company service vehicles, boilers, and other combustion equipment.

CARING FOR OUR PLANET

One of the key management approaches used by SPI is the designation of a dedicated Pollution Control Officer (PCO) who ensures the company's compliance with environmental laws and regulations. We regularly review our existing programs for energy conservation to identify areas where improvements can be made, phasing out obsolete equipment and replacing it with more energy-efficient alternatives.

We are still exploring opportunities to use renewable energy sources, such as solar, to generate electricity. The company is also focused on creating awareness among stakeholders, educating employees and customers on its initiatives in energy conservation and reducing its environmental footprint. This helps to promote a culture of sustainability within our organization and can also help to attract environmentally conscious customers.

Another avenue that we pursue relates to carbon-offset strategies and programs, such as forests and tree-planting activities. These initiatives may help to offset our company's carbon footprint and promote sustainable practices. We are also committed to reducing air pollutants across our operations. This includes implementing efficient programs and practices to minimize air pollution and enhancing our monitoring system to ensure compliance with relevant regulations.

We ensure the reliability and optimum operations of our equipment through periodic servicing and maintenance based on a planned schedule. This helps to ensure that we are operating at maximum efficiency and can also extend the lifespan of our equipment.

SOLID AND HAZARDOUS WASTE

Solid and hazardous wastes are critical environmental issues that have a significant impact on the real estate industry. Improper disposal of such wastes can lead to contamination of soil, water, and air, and cause serious health risks for the community at large. It can also lead to legal liabilities and financial penalties for companies that fail to comply with waste management regulations.

At SPI, proper waste management is of utmost importance. We understand the impact of waste on the environment and its potential to negatively affect the health and well-being of our residents, tenants, guests and workers.

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
Total Solid Waste Generated	kg	3,282,062.59	3,743,894
Reusable	kg	0	0
Recyclable	kg	384,883.64	502,902.70
Composted	kg	7,769.00	11,4899
Incinerated	kg	-	0
Residuals / Landfilled	kg	2,893,111.32	2,926,043.82
Total Weight of Hazardous Waste Generated	kg	12,958.50	33,892
Total Weight of Hazardous Waste Transported	kg	7,012.50	17,188

We made some progress in our waste management practices during the reporting period and were able to recycle 13% (more than 500,000 kg) of the total waste generated across our operations. While a portion of our waste was composted, further reducing our impact on the environment, we also made strides in managing hazardous waste. We were able to haul more than half of it, minimizing the potential risks associated with these materials.

RETHINKING WASTE

We are taking steps to improve SPI's waste management practices. We are exploring options to increase reuse, recycling, and composting of waste streams to divert them away from landfills. To achieve this, Waste Data Collection System (WDCS) is in place to manage waste streams effectively and create suitable waste segregation schemes. We also implement paperless check-in and recycle old printed collaterals to reduce paper waste. All practices are monitored by a designated Pollution Control Officer to ensure compliance with environmental laws and regulations.

ENVIRONMENTAL COMPLIANCE

Environmental regulatory compliance is becoming increasingly important for companies across all industries. These regulations are put in place to protect the environment and ensure sustainable practices are being followed. Failure to comply with these regulations can result in severe financial penalties, legal action, and reputational damage. For SPI, complying with environmental regulations is critical to maintaining our reputation as a responsible and sustainable company. By implementing environmentally friendly practices and complying with regulations, we reduce our environmental impact and ensure the long-term sustainability. Additionally, environmentally conscious consumers and investors are more likely to choose companies that prioritize sustainability, making compliance with environmental regulations a key factor in

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
Total Amount of Monetary Fines for Non – Compliance with Environmental Laws and / or Regulations	PHP	0	0
No. of Non – Monetary Sanctions for Non – Compliance with Environmental Laws and / or Regulations	#	0	0
No. of Cases Resolved through Dispute Resolution Mechanism	#	0	0

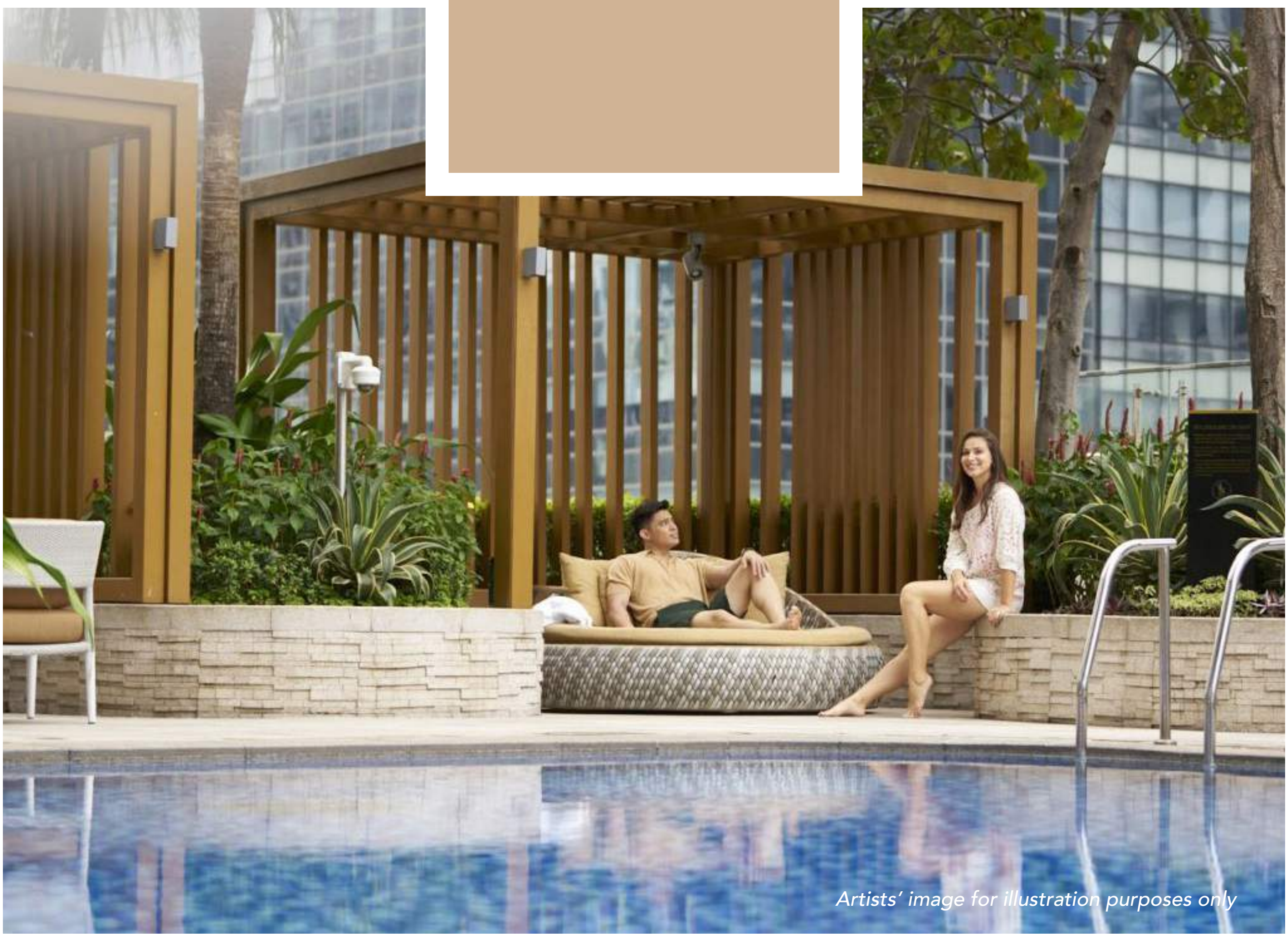
We are pleased to report that we have upheld our commitment to comply with all environmental laws and regulations, without any violations or instances of non-compliance throughout 2022. We regularly monitor and review our procedures and obligations to ensure 100% compliance.

BEYOND COMPLIANCE

At SPI, we are committed to protecting the environment and ensuring compliance with all applicable environmental laws, rules, and regulations. The company has implemented an effective environmental management system and a dedicated Pollution Control Officer to manage our compliance. Regular cleaning and hauling of wastewater tanks and continuous effluent sampling and analysis are also conducted to ensure compliance with DENR requirements.

In addition to compliance, we recognize the importance of going beyond regulatory requirements to promote sustainable environmental practices. We are exploring innovative solutions and other opportunities for sustainable environmental practices and programs.

SOCIAL



Artists' image for illustration purposes only

DIVERSITY, EQUAL OPPORTUNITY, & ANTI-DISCRIMINATION

SPI is well aware of the significant impact that diversity, equal opportunity, and anti-discrimination policies have, on both our employees and our clients. We understand that a diverse and inclusive workplace not only fosters innovation and creativity but also attracts and retains top talent from all backgrounds.

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
% of Female Workers in the Workforce	%	47.05	46.50
% Male Workers in the Workforce	%	52.95	53.50
Number of Employees from Indigenous Communities and/ or Vulnerable Sector	#	28	26

We are committed to promoting gender equality, eliminating discrimination, and creating a workplace that welcomes and values individuals from all backgrounds. In our latest ESG report, we are proud to share our progress towards these goals. One of the most significant indicators of this commitment is our female to male ratio, which we maintained across the years. This balance is important to us, as we recognize the benefits of having a diverse workforce with different perspectives and experiences.

We also recognize the importance of supporting vulnerable and underrepresented communities in our workforce. Currently, we have 26 employees who identify as Indigenous and/or from vulnerable sectors. We are proud to provide employment opportunities to individuals from these communities and work to create an inclusive environment that supports their growth and development.

APPROACH TO INCLUSION

At SPI, we are committed to creating an inclusive and diverse workplace. From the top-down, the company's management approach has always been centered around promoting a culture of respect, understanding, and acceptance of all employees, regardless of their background or personal characteristics. Our recruitment and hiring practices are designed to attract a diverse pool of candidates, ensuring that the workforce reflects the diverse communities we serve.

SPI ensures compliance with diversity and equal opportunity laws, as well as labor laws and regulations issued by the Department of Labor and Employment (DOLE), through the implementation of anti-discrimination, anti-harassment, and human rights policies and procedures embedded in SPI's Code of Conduct and Business Ethics. We also conducts ongoing employee training and awareness programs on diversity and equal opportunity to ensure compliance with relevant labor standards.

RISK MANAGEMENT

Occupational Health & Safety

Occupational Health and Safety (OHS) has a significant impact on our operations. Ensuring the safety and well-being of employees, contractors, and customers is not only a legal and moral responsibility but also a critical factor for maintaining productivity and reducing costs associated with workplace accidents and injuries. Our industry involves various tasks and operations that can pose significant risks to employees and workers on construction sites, in maintenance and repair tasks, and in property management. SPI recognizes the importance of prioritizing OHS measures to prevent workplace incidents and maintain a positive reputation in the industry.

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
Safe Man-Hours	Man-Hours	579,103	916
No. of Work – Related Injuries	#	9	4
No. of Work – Related Fatalities	#	-	0
No. of Work – Related Ill-Health	#	8	6
No. of Safety Drills	#	254	274

We regularly monitor, report, and record our safe manhours, including all the drills conducted and any untoward incidents such as injuries or illness. Despite the challenges brought about by the COVID-19 pandemic, we remain committed to our safety protocols. We implemented strict measures to protect our employees and conducted safety drills to ensure that everyone is prepared for any emergency situation.

In 2022, we are pleased to report that we conducted a total of 274 drills across our subsidiaries. These drills covered a range of scenarios, including fire emergencies, earthquakes, and medical emergencies. Through these exercises, we were able to identify areas for improvement and make necessary adjustments to our safety procedures.

We are also happy to report that there were reduced numbers of work-related injuries and ill-health during the reporting period. This is a testament to the effectiveness of our safety programs and the dedication of our employees to ensure a safe working environment.

BUILDING A SAFER WORKPLACE

SPI has demonstrated our strong commitment to Occupational Health & Safety (OHS) compliance by effectively maintaining adherence to international and local OHS laws, rules, and regulations during the COVID-19 pandemic. We proactively committed to establishing an Occupational Health and Safety Management System (OHSMS) adhering to ISO 45001:2018 requirements, allocated a sufficient budget for Personal Protective Equipment (PPE), and implemented an OHS program that incorporates our commitment to comply with relevant OHS legislation, Codes of Conduct, guidelines, and Zero Accident Vision.

Additionally, SPI prioritizes identifying and controlling potential OHS hazards in the workplace and emphasizes the importance of educating employees on OHS and EHS-related topics. The company also conducts an annual Fire Safety Seminar and Fire Evacuation Drill, encourages employees to undergo annual physical exams or executive check-ups, and provides employees with the anti-flu vaccine shot to help fight viruses and its related complications.

By prioritizing OHS, we aim to create a safe and healthy workplace environment that promotes employee satisfaction and attracts clients who value a responsible and ethical approach to business operations. We are committed to ensuring compliance with legal and regulatory requirements and securing the safety and health of our workers, contractors, and stakeholders in all our operations.

SUPPLY CHAIN MANAGEMENT

The COVID-19 pandemic has highlighted the critical role of supply chain management in ensuring business continuity and resilience. At SPI, efficient supply chain management is crucial for the timely delivery of materials and services necessary for our property management, especially in our real estate development or construction projects.

Effective supply chain management enables SPI to streamline operations, reduce costs, and enhance customer satisfaction by ensuring that projects are completed on-time and within budget. Moreover, it enables us to mitigate supply chain risks such as disruptions caused by natural disasters or global pandemics and identify opportunities for innovation and growth. As such, we recognize the importance of continually improving supply chain management processes to maintain our competitive edge in the market.

Sustainability Topics when accrediting Suppliers

TOPIC	Reference in Company Policy	Y/N	
		2021	2022
Environmental Performance	Section 5.11.2.3 of DP-SPI-PROC 1.8 Vendor Accreditation Procedure Section 5 of Supplier Code of Conduct	Y	Y
Forced Labor	Section 5.11.2.3 of DP-SPI-PROC 1.8 Vendor Accreditation Procedure Section 5 of Supplier Code of Conduct	Y	Y
Child Labor	Section 5.11.2.3 of DP-SPI-PROC 1.8 Vendor Accreditation Procedure Section 5 of Supplier Code of Conduct	Y	Y
Human Rights	Section 5.11.2.3 of DP-SPI-PROC 1.8 Vendor Accreditation Procedure Section 5 of Supplier Code of Conduct	Y	Y
Bribery and Corruption	Section 5.11.2.3 of DP-SPI-PROC 1.8 Vendor Accreditation Procedure Section 5 of Supplier Code of Conduct	Y	Y

As part of our commitment to responsible sourcing, we ensure that all our suppliers comply with the SPI Supplier Code of Conduct and Vendor Accreditation Procedure. Our policies cover a range of sustainability aspects, including environmental performance, human rights management including anti-forced labor and anti-child labor, anti-bribery and anticorruption. We believe that these are critical to building a supply chain that benefits both our business and society as a whole.

SUPPLIER ACCREDITATION POLICY

Annex 1 DC-SPI-PROC 1.8 Vendor Accreditation Procedure

Annex 2 Supplier Code of Conduct

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
Percentage of Procurement Budget Used for Significant Locations of Operations that is Spent on Local Suppliers	%	100	99.91%

Local procurement is always a priority for SPI, across the whole organization. We try to go local in order to support the regional economy. While almost all the subsidiaries spent 100% of their procurement budget on local suppliers, only one subsidiary needed to outsource a machine part replacement internationally as it is only available from the original supplier. By "local," we refer to areas within the Philippines.

RESPONSIBLE SOURCING

At SPI, we believe that responsible sourcing is critical to our business success and to building a sustainable future. To this end, we have established a management approach that requires our suppliers to strictly comply with the SPI Supplier Code of Conduct.

Our supplier code of conduct sets out clear standards for compliance with laws and regulations, product quality and safety, business integrity and ethics, labor standards and practices, environmental laws and regulations, community engagement, anti-corruption, accurate books and records, confidentiality, data protection, intellectual property rights, and implementation of the code. We believe that these requirements are essential to ensuring a responsible and sustainable supply chain.

We carefully select our suppliers based on their ability to exceed our requirements and work closely with them to ensure compliance.

CUSTOMER PRIVACY AND DATA POLICY

In today's digital age, the importance of customer privacy cannot be overstated. With the increasing amount of personal information being shared and stored online, it Is critical to take proactive measures to protect our customers' data. Failure to do so can result in costly legal and financial consequences, as well as damage to the company's reputation. By prioritizing customer privacy, we at SPI, can ensure that our customers feel confident in our ability to keep their personal information safe, which can help to build long-term relationships and drive business growth.

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
No. of Substantiated Complaints on Customer Privacy	#	1	0
No. of Complaints Addressed	#	1	0
No. of Customers, Users, and Account Holders whose Information is Used for Secondary Purposes	#	0	0

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
No. of Data Breaches, including Leaks, Thefts, and Losses of Data	#	0	0

Throughout the reporting period, we remained committed to protecting the privacy of our customers' data. As a result of these efforts, we are pleased to report that there were no customer privacy complaints, instances of misuse of customer data, or incidents of data breaches, leaks, thefts, or data losses recorded.

COMMITMENT TO PRIVACY AND SECURITY

Data Privacy Officer (DPO) manages the compliance with the Data Privacy Act of 2012 (RA 10173) and all other relevant data privacy and security laws, rules, and regulations.

To ensure the protection of its critical information assets, SPI has a strong internal management system governing data privacy. This is augmented by regular training and awareness programs on customer privacy and data security preparedness and response drills for employees.

In addition, the company goes through regular penetration tests and independent reviews of its IT applications and environment (VAPT), conducts annual internal audits and comprehensive external security audits. The company also follows regular backup procedures and periodic antivirus software updates.

Moving forward, SPI recognizes the importance of continued employee training on data security and protection, and plans to provide a series of courses to protect the company from data breaches, leaks, thefts, and losses, including cyber-attacks. SPI remains committed to its proactive approach to data privacy and security to safeguard customer information and maintain regulatory compliance.

EMPLOYEE WELFARE

Employee Hiring & Benefits

As a company that places a strong emphasis on employee satisfaction and retention, we know that the quality of our workforce directly impacts the success of our projects and overall business performance. By offering competitive salaries, comprehensive health benefits, and other attractive incentives, SPI is able to attract and retain top talent in the industry. This not only ensures the high quality of work produced by our employees, but also strengthens the company's reputation and credibility in the industry. With a strong and satisfied workforce, we are well positioned to continue delivering exceptional real estate development and property management services to our clients.

Employee Data Benefits

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
Total Number of Employees	#	916	985
a. Number of Female Employees	#	485	458
b. Number of Male Employees	#	485	527
Attrition Rate	Rate	3%	4.2%
Ratio of Lowest Paid Employee Against Minimum Wage	Ratio	1:1.29	1:1.42

Percentage of Employees Availing the Benefits

DISCLOSURE	Y/N		Female	Male
	2021	2022		
SSS	Y	Y	19%	13%
PhilHealth	Y	Y	13%	11%
PAG - IBIG	Y	Y	17%	14%
Parental Leaves	Y	Y	2%	1%
Vacation Leaves	Y	Y	52%	50%
Sick Leaves	Y	Y	49%	46%
Medical Benefits (Aside from PhilHealth)	Y	Y	19%	19%
Retirement Fund (Aside from SSS)	Y	Y	2%	2%
Flexible – Working Hours	Y	Y	9%	9%

We are gradually returning to our pre-pandemic workforce. As the industry continues to recover at a fast pace, we have added 69 new employees during the reporting period. This growth is an indication of our resilience and commitment to providing exceptional service to our clients. As we continue to navigate through the pandemic, we have also observed a reduction in the availment of employee benefits. We attribute this to the more stable work set-up and the diminishing cases of COVID-19. While we remain vigilant and committed to the safety and well-being of our employees, it is encouraging to see our workforce adapting to the new normal and thriving under these conditions.

CULTURE OF CARE

We would like to emphasize on our strong commitment to the health, safety, and welfare of our employees. We believe in promoting good work habits and providing resources that support the well-being of our workforce. Our comprehensive insurance coverage includes accident, critical, life, medical, and hospitalization insurance for employees and their dependents. We also provide regular medical and health updates to our employees through our health partners and service providers.

To promote a healthy workforce, we encourage our employees to undergo an annual executive check-up or physical examination for health maintenance. We also provide anti-flu vaccine shots to our employees and their immediate family members as charged to the employee's account. Additionally, we organize sports fest events and summer outings to foster wellness, teamwork, and camaraderie among our employees outside the work environment.

We recognize and respect our employees' needs for some time away from work, and we promote quality of life through our leave benefit programs. We also provide a retirement plan to ensure financial stability for employees who leave their full-time jobs at retirement. Our regular and confirmed project-based employees are entitled to medical coverage. Overall, our company strives to create a positive work environment that supports the physical and mental well-being of our employees.

EMPLOYEE TRAINING AND DEVELOPMENT

Employee training and development is a critical component of the success of any company. By investing in our employees' skills and knowledge, we ensure that they are able to deliver the highest quality services to our clients and stay ahead of the competition.

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
Total Training Hours Provided to Employees			
a. Female Employee	#	8,548	8,851
b. Male Employee	#	12,124	12,753
Average Training Hours Provided to Employees			
a. Female Employees	Hrs/Employee	*19.83	19.33
a. Male Employees	Hrs/Employee	*25.00	24.20

**Restatement of 2021 data: Average Training Hours Provided to Employees a. Female – 19.83 hrs/employee ; b. Male 25.00 hrs/employee*
Instead of previously reported: Average Training Hours Provided to Employees a. Female – 7 hrs/employee ; b. Male 8 hrs/employee
The restatement was made following the review and correction of data provided from the previous year

NURTURING TALENT

SPI sustained employee learning and development opportunities through online platforms and an informational campaign during the pandemic. We allocated sufficient budget and used digital learning platforms, coaching, and mentoring. We have enhanced the training programs and refreshment courses to improve operations and promote interest among employees. We have a strategic training plan and relevant company policies for training and personnel development.

Through ongoing training and development programs, SPI employees are equipped with the tools and resources needed to stay up-to-date with industry trends and best practices, improve their job performance, and develop new skills. This not only benefits the employees by enhancing their job satisfaction and career growth, but also benefits the company by increasing productivity, improving customer satisfaction, and ultimately driving business success.

Labor Standards and Human Rights

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
No. of Legal Actions or Employees Grievance involving Forced or Child Labor	#	0	0

Policies that explicitly disallow violations of labor laws and human rights:

https://www.shangproperties.com/app/uploads/2021/05/Code-of-Business-Ethics.pdf
https://www.shangproperties.com/app/uploads/2021/05/05.pdf

TOPIC	Y/N		Reference in Company Policy
	2021	2022	
Forced Labor	Y	Y	Code of Business Conduct and Ethics
Child Labor	Y	Y	Code of Business Conduct and Ethics
Human Rights	Y	Y	Code of Business Conduct and Ethics

We take pride in our company's commitment to upholding the highest ethical standards in all aspects of our operations. As such, we are pleased to report that to date, we have not received any reported legal actions or employee grievances regarding forced or child labor within our organization. Our steadfast policies and practices explicitly prohibit any violations of labor laws and human rights, including forced labor, child labor, and human rights abuses. This is a testament to our unwavering dedication to conducting our business with integrity and respect for human rights, and we remain committed to upholding these values in all of our future endeavors.

RIGHTS AT WORK

At SPI, we adopt a proactive approach in promoting a positive and productive work environment through adherence to labor standards and human rights. Code of Business Conduct and Ethics and relevant policies are being implemented to ensure compliance with the DOLE's requirements. We have also established an Employees' Grievance and Feedback Mechanism and regularly conduct employee satisfaction surveys to identify areas for improvement.

To promote awareness of labor standards and human rights, SPI conducts seminars and orientation sessions for all employees and disseminates policies through electronic mail. Additionally, we are planning to organize more engaging activities and workshops related to labor standards and human rights to encourage active participation from employees and stakeholders. Overall, our management approach has created an open and transparent workplace and demonstrated our commitment to maintaining a respectful and inclusive workplace culture

CUSTOMER EXPERIENCE

At SPI, customer satisfaction is a top priority, as it not only drives retention and referrals but also influences the company's reputation and brand image. By focusing on meeting and exceeding the needs and expectations of our customers, SPI can maintain a loyal customer base, attract new clients, and ultimately increase revenue. In a progressively competitive market, customer satisfaction is a key differentiator, and SPI understands the importance of providing exceptional service to maintain our position as one of the leader in real estate development and property management.

Customer Satisfaction

DISCLOSURE	UNITS	SCORE	
		2021	2022
Customer Satisfaction Score	%	89.83%	85.48%

Customer Health & Safety

DISCLOSURE	UNIT	QUANTITY	
		2021	2022
No. of Substantiated Complaints on Product or Service Health and Safety	#	2,827	3,434
No. of Complaints Addressed	#	2,827	3,434

Shang Global City Properties Inc. (SGCPI), a subsidiary of SPI, has reported strong performance in customer satisfaction despite facing challenges posed by the Covid-19 pandemic. SGCPI utilized a third-party vendor to conduct post-stay or post-event surveys, and achieved an impressive consolidated customer satisfaction score of 85%. This score demonstrates a commendable level of performance and is a testament to our continued efforts to provide an exceptional experience for our guests.

With the easing of restrictions, the number of guests has been rising steadily, resulting in a corresponding increase in the number of complaints received. Specifically, there has been a 20% rise in substantiated complaints. Nevertheless, we are pleased to report that all complaints were dealt with promptly and effectively, resulting in a high level of customer satisfaction.

RAISING THE BAR

At SPI, we are committed to maintaining the highest standards in quality, food safety, health and safety. To ensure this, SPI carries out initiatives to obtain relevant certifications and appoints dedicated officers for fire and life safety, health and safety, and hygiene management. In addition, we implement preventive maintenance activities for all health and safety equipment and conduct employees training and awareness programs on complaint management and emergency response. We remain committed to improving customer experience through our complaint management system, DR3, and the establishment of a dedicated Customer Relations Unit (CRU). Employees training and continuous review of customer management systems and procedures further reinforce SPI's customer service culture.

We recognize the potential for improvement in the complaint management system and aims to expand its implementation across all subsidiaries and affiliates to enhance reporting accuracy.
We believe that addressing complaints and concerns is an integral part of our commitment to sustainability and customer service. By taking the time to understand and resolve issues, we can improve our operations and provide an even better experience for our guests.

Moving forward, SPI and its subsidiaries remain committed to sustainability and continuous improvement in all aspects of our business. We will continue to use customer feedback to enhance our services and ensure that our guests have an extraordinary experience every time they stay with us.

United Nations Sustainable Development Goals

Shang Properties Inc. (SPI), with the intention to further develop its contributions to UN SDG, is dedicated to optimize its operations, strategies and management approach related to economic, environmental and social aspects affecting its stakeholders and the community. For 2022, SPI identified contributions to six (6) SDGs and their summary is articulated below for easy reference.

ECONOMIC

P678M
Taxes paid

P171M
Investments to community

985
Total no. of organic employees

Material Topic/Disclosure: Economic Performance

SPI, as a significant player in the Philippine property market and a leading employer in the hospitality industry, actively contributes to nation-building by creating job opportunities, generating tax revenues for the government, supporting suppliers, making regular community investments through donations and corporate social responsibility initiatives.

ENVIRONMENT

503MT
Waste Recycled

100%
Environmental Compliance

10.31%
Wastewater Recycled

Material Topic/Disclosure: Resource Management, Environmental Impact Management and Environmental Compliance

Energy, water, and materials are fundamental resources used in SPI's property development projects. Given the criticality of natural resource depletion at both local and global levels, SPI implements proactive measures, such as conservation programs and waste reduction initiatives, to ensure efficient management of resources.

SOCIAL

546,109
Safe man-hours

0
Work-related fatalities

274
No. of Safety drills

46%
Female workers in the workforce

0 Employee Grievance on Forced or Child Labor

26
No. of employees from indigenous communities and vulnerable sector

Material Topic/Disclosure: Employee Management, Workplace Conditions, Labor Standards and Human Rights

SPI acknowledges its responsibility to provide a safe and healthy environment for all stakeholders while strictly complying with applicable labor laws and regulations set by the Department of Labor and Employment (DOLE) and other relevant government entities. The company also supports diversity and equal opportunity by fostering an inclusive workplace that values and respects individuals regardless of their gender, ethnicity, background, sexual orientation, or beliefs.

ANNEX 1

VENDOR ACCREDITATION PROCEDURE

SHANG
PROPERTIES

TITLE: Vendor Accreditation Procedures

1. PURPOSE AND SCOPE:

1.1 Purpose: To ensure that the vendors for goods and services who wish to do business with the Shang Properties Inc. are duly accredited in terms of compliance with legal, financial requirements and technical competency and to establish inter-department representation to Vendor Accreditation Committee (VAC).

1.2 Scope: This procedure is applicable to all Shang Properties employees and shall be observed by all business units except the Projects Group Division.

This accreditation process shall cover all vendors of goods and services excluding the following:

a. Authorized dealers/distributors of motor vehicles.

b. Three (3) largest oil companies in the Philippines and their authorized dealers.

c. Government accredited agencies or institution

d. Pharmaceutical companies or its authorized distributors/dealers such as Mercury Drug Stores and their vaccine authorized dealers

e. Foreign principals or suppliers

f. Vendors which supplies special items which are purchased thru petty cash from stores located at Divisoria, Binondo, etc.

g. Kuok affiliates/subsidiaries

h. Broadcast/Media Network

i. Law, Accounting, Audit Firms and other Consultancy Services

j. Non-profit and Charitable Institutions

k. Top 10 Insurance Companies

l. Hotels and resorts, restaurants and food chains, Wine Cellars and Dealers, Training or seminar venues and exclusive Membership Club

m. Government Agencies, Cooperatives and Associations

n. Hospitals, Dental and Optical Clinics, Medical Laboratories

o. Utility companies (electricity, water, and gas)

p. Banks

q. Newspaper or publishing companies,

r. Telecom companies

s. Garbage Haulers

t. SPI Mall Tenants

u. Top 100 companies in the Philippines declared by Securities and Exchange Commission (SEC).

v. Spot Purchase less than 3,000.00 PHP.

w. Vendors with less than Ten (16) Purchase Orders and not more than PHP 300,000.00 of annual cumulative purchase.

1.3 Support Document: Approval Authorization Chart approved by the Chairman.

2. REFERENCED DOCUMENTS

2.1 DP-SPI PROC 1.1 PR to PO Procedure

2.2 DP-DPI PROC 1.8 Vendor Accreditation Procedures

2.3 DP-SPI PROC 1.2 Procurement Bidding Procedure

2.4 DP-SPI PROC 1.3 Exemption from Bidding and Canvassing Procedure

2.5 Approval Authorization Chart Approved by the Chairman

3. MATERIALS AND EQUIPMENT: N/A

4. SAFETY: N/A

5. PROCESS DEFINITION AND CONTROL

5.1 Only accredited vendors shall be considered for bidding of goods and services.

5.2 All potential vendors who will supply goods and services to the company must undergo an accreditation process, either through in-house accreditation or under third party assessment, to ensure that the Company deals only with legal, technically competent and financially capable vendors. In emergency cases, or for one-time supply, the accreditation process may not be immediately undertaken. However, prior approval from the Head-Purchasing shall be secured before proceeding with the procurement processes.

5.3 Approval for accreditation by the VAC must be unanimous. Refer to the Approval Authorization Chart approved by the Chairman.

5.4 There are two (2) types of Assessment:

5.4.1 In-House Assessment and Accreditation – All vendors with total cumulative amount of purchase not more than PHP 300,000.00 annually and more than fifteen (15) Purchase Orders must undergo in-house assessment and accreditation.

The initiative must be done by the members of the VAC committee – from the compilation of requirements, assessment and up to issuance of the certificate of accreditation to the vendor.

5.4.2 Third Party Assessment – All vendors with total amount of purchase with more than PHP 300,000.00 annually must undergo Third Party Assessment.

Evaluation, Ratings and Issuance of Accreditation Certificate is still under the Vendor Accreditation Committee (VAC).

5.5 Vendors that are exempted to this process may refer to section item 1.2.

5.6 Accreditation of Vendors shall be done whenever the following instances are encountered:

5.6.1 New requirement arises

5.6.2 Need to make a supply situation more competitive

5.6.3 Replacement of vendors due to following reasons:

5.6.3.1 Vendor has gone out of business

5.6.3.2 Vendor has discontinued production of a particular line;

5.6.3.3 Outdated technology; or,

5.6.3.4 Vendors' performance review results to poor performance as defined in Vendor Performance Evaluation

5.6.3.5 Existing vendor is recommended for blocking as defined in Vendor Performance Evaluation

5.6.4 Every three (3) years renewal for existing accredited vendor

5.7 Sources of Potential Vendors for Accreditation:

5.7.1 Purchasing Department shall source individual vendors where a product /service can be ordered. These include manufacturers or independent distributors and direct service providers. These can be done through the following sources:

5.7.1.1 Company's database of current and past vendors;

5.7.1.2 Trade directories, buyer's guides, yellow pages;

5.7.1.3 Vendors themselves through visits from sales force or direct mail shots;

5.7.1.4 Exhibitions and conferences;

5.7.1.5 Periodicals;

5.7.1.6 Professional colleagues within the Kuok group and outside the Company;

5.7.1.7 Embassies; and,

5.7.1.8 E-bay and other electronic portals

5.8 Vendor Accreditation Committee (VAC) Members

5.8.1 Chairmanship of the Vendor Accreditation Committee shall be the Vice President and Group Financial Controller. The chairman shall convene the committee meetings, resolve issues, and break impasses as regards Vendor Accreditation whenever necessary.

5.8.2 The committee shall be composed of representatives from Finance, Technical and Purchasing who shall conduct and determine the following:

5.8.2.1 The desk top review of all documents and the application form submitted by the Vendor for completeness. Relevant documents to evaluate suitability of the product or services being offered by the vendor shall be reviewed in coordination with the concerned department.

5.8.2.2 Finance Representative – to conduct an analysis of financial viability of Vendor.

5.8.2.3 Technical representative – shall determine the vendor's technical background and capability to perform required works and services.

5.8.3 Technical Representative who shall check the acceptability and adaptability or interoperability functions of the vendor's products and/or services based on the user's specific and documented requirements and standards. It shall be coordinated with Purchasing.

5.8.4 Each member of the VAC shall complete the Approval Sheet, indicating the findings/ comments/ assessment and/ or recommendations. Refer to the Approval Authorization Chart approved by the Chairman.

5.9 Accreditation Requirements

5.9.1 Vendors applying for accreditation shall submit relevant documents listed in Annex 1, depending on the type of product or service offered.

5.9.2 Each VAC member (refer to section 5.8 for membership composition) shall be given a set of documents relevant to their review based on the accreditation criteria (refer to section 6).

5.9.3 The actual site visit shall be done by Purchasing and a representative from the Requestor and other subject matter experts (whenever necessary) who are familiar with the product/service of the vendor. Representatives from other groups such as Legal, Technical, HRAS, and Finance may be consulted or invited to confirm findings and observations during vendor visit, which shall serve as basis for accreditation.

5.10 Vendor visit is required for:

5.10.1 The accreditation of new/first-time vendors who will potentially supply both categories of products/services:

5.10.1.1 Category A – service providers with potentially more than PHP 5 Million annual contract. Vendor visit must be done prior of any award.

5.10.1.2 Category B – vendors with one-time contract and has more than PHP 3 Million potential purchase. Vendor visit must be done prior of any award.

5.10.2 Validation of accreditation or capability of existing vendors with regular/repeated contract having an annual spend of PHP 5 Million. Vendor visit must be done at least once every three years.

5.10.3 Whenever necessary, samples or demonstration units shall be required from the vendor to ensure the quality and interoperability of the products being offered. The testing or application of samples shall be coordinated with the user department. If the product is of such nature that testing is impractical due to the time or expense required, VAC would depend on the Technical evaluation of the design and specifications, qualifications and reputation of the vendor.

5.11 Accreditation Criteria and Documentation Requirements

5.11.1 A vendor applying for accreditation shall be evaluated based on three criteria - legal requirements compliance, its financial stability, and technical capability.

5.11.2 LEGAL CAPABILITY

5.11.2.1 The documentary requirements shall be as follows:

a. Business Registration Certificates [Certificate of Incorporation/Partnership from the Securities Exchange Commission (SEC) – for corporation/partnership, Certificate from the Department of Trade & Industry (DTI) – for sole proprietorship]

b. Incorporation Papers (Articles of Incorporation/Partnership/By-Laws)

c. Tax Identification Number (TIN)

d. BIR Registration 2303

e. Business Permit/Licenses: Mayor's permit; Health Permit; Fire Clearance Certificate; Sanitary Permit

f. Exclusive Distributorship Agreement

5.11.2.2 Vendors applying for accreditation shall be requested to present the original documents to the Company's authorized representative who will validate the authenticity of submitted documents.

5.11.2.3 Regulatory Requirements:

a. SSS Certificate of Payments

b. Service Contracts: Department of Labor and Employment (DOLE) / NLRC Clearance

c. Philippine Contractor Accreditation Board (PCAB) License

d. Any other legal requirements that may be deemed necessary for the specific product or service being offered.

5.11.2.4 Note: In case any of the documents presented were found insufficient, further documentation requirements shall be required.

5.11.3 FINANCIAL STABILITY

5.11.3.1 The VAC Approval sheet including the following pertinent documents shall be forwarded to Finance for proper evaluation:

a. Last two (2) years Audited Financial Statement (companies operating for 3 yrs. or more) or one (1) year Audited Financial Statement (companies operating for 1 to 2 year/s old); or

b. Un-audited Financial Statements, should be certified true and correct by the President / CFO in every page using the company's letterhead (for one (1) - year old companies whose audited FS is not yet available at the time of accreditation); or

c. Interim Financial Statements should be certified true and correct by the President / CFO in every page using the company's letterhead (for companies who wishes to present their interim FS given the remarkable performance/recent developments which now becomes more relevant as compared to historical audited.

5.11.3.2 Finance Representative shall review the financial strengths/capability of all vendors applying for accreditation.

5.11.3.3 Only those vendors who pass will be included in the pool of accredited suppliers.

5.11.3.4 The result of financial evaluation shall be reflected in the VAC approval sheet including the findings/comments/assessment/ recommendations.

5.11.3.4.1 Re-evaluation of financial capability of accredited Vendors must be done at least once every three years.

5.11.3.4.2 Purchasing & Finance shall perform an updated actual spend analysis.

5.11.3.4.3 Vendor Master shall review the vendor profile and compare against the updated actual total spend per vendor description to check if there are vendors that change its risk/value profile. These Vendors shall be re-classified whenever necessary.

5.11.4 TECHNICAL CAPABILITY

5.11.4.1 Purchasing & the technical representative of the requisitioning department shall evaluate on the acceptability and suitability of the product or services offered by the vendor. This can be verified based on the conformance to regulatory and Company's standards, past performance/ relevant experience relative to the product/service offered can also be considered.

5.11.4.2 The vendor's adequacy of facilities, manpower and equipment to deliver the products or services on a continuing basis shall be validated thru any of the following:

5.11.4.2.1 Vendor Visit (Please refer to the section 9.4)

5.11.4.2.2 3rd Party validation

5.11.4.2.3 Interview of reference sites

5.11.4.3 The following documents shall be used to check on the product acceptability and adequacy of resources of the vendor:

a. Legal Documentary requirement for Contractors (Min: A): License from Philippine Contractor's Accreditation Board (PCAB)

b. Summary of Completed and on-going contracts (related to services offered) or List of Clients who have been using the products offered.

c. Certificate of Product Type Approval from regulatory / governing agency / international accrediting bodies, when the type of product requires it

d. Table of Organization/ Competencies of Technical Personnel (For service related vendors)

e. Technical Catalogs & Brochures for List of products / services carried

f. Statement of Types of Machineries & Equipment Owned

5.12 Inclusion in the List of Accredited Vendors

5.12.1 Once the overall accreditation process is completed and the Vendor has been successfully accredited, relevant information shall be entered in Vendor Master Data/Procurement System.

5.12.2 All Units involved in the purchasing process shall be informed of the newly accredited vendors. They should refer to and consider only those included in Vendor Master Data/Procurement System in the processing of a Purchase Requisition and in the issuance of Request for Quotation / Invitation to Bid or Purchase Order except the vendors in the exclusion list.

5.12.3 Purchasing shall be responsible for:

5.12.3.1 Ensuring that only accredited vendors are included in Vendor Master Data/Procurement System.

5.12.3.2 Ensuring that all changes to critical vendor data are regularly updated in Vendor Master Data/Procurement System; and,

5.12.3.3 Securing Vendor Master Data/Procurement System against unauthorized access/modifications. Finance shall review all accredited vendors inputted to the system by Purchasing.

5.13 All accredited vendors are required to submit the following documents for validation purposes and to update the Vendor Master file:

5.13.1 Audited Financial Statement

5.13.2 Business Permit (Mayor's Permit)

5.13.3 Updated or new product Catalogs

5.13.4 Above documents will validate legal existence and financial soundness of the existing vendors of the company on a continuing basis.

5.14 Issuance of Certificate of Accreditation

5.14.1 A letter to certify accreditation shall be given to all vendors who have passed the accreditation process of the Company stating the specific product or service to be offered.

5.14.2 The certification shall be valid for three (3) years from the date of issuance.

5.14.3 The Company shall consider accredited vendors as "Partners in Business". Vendors shall sign Business Ethics Agreement to protect the interest of both Parties.

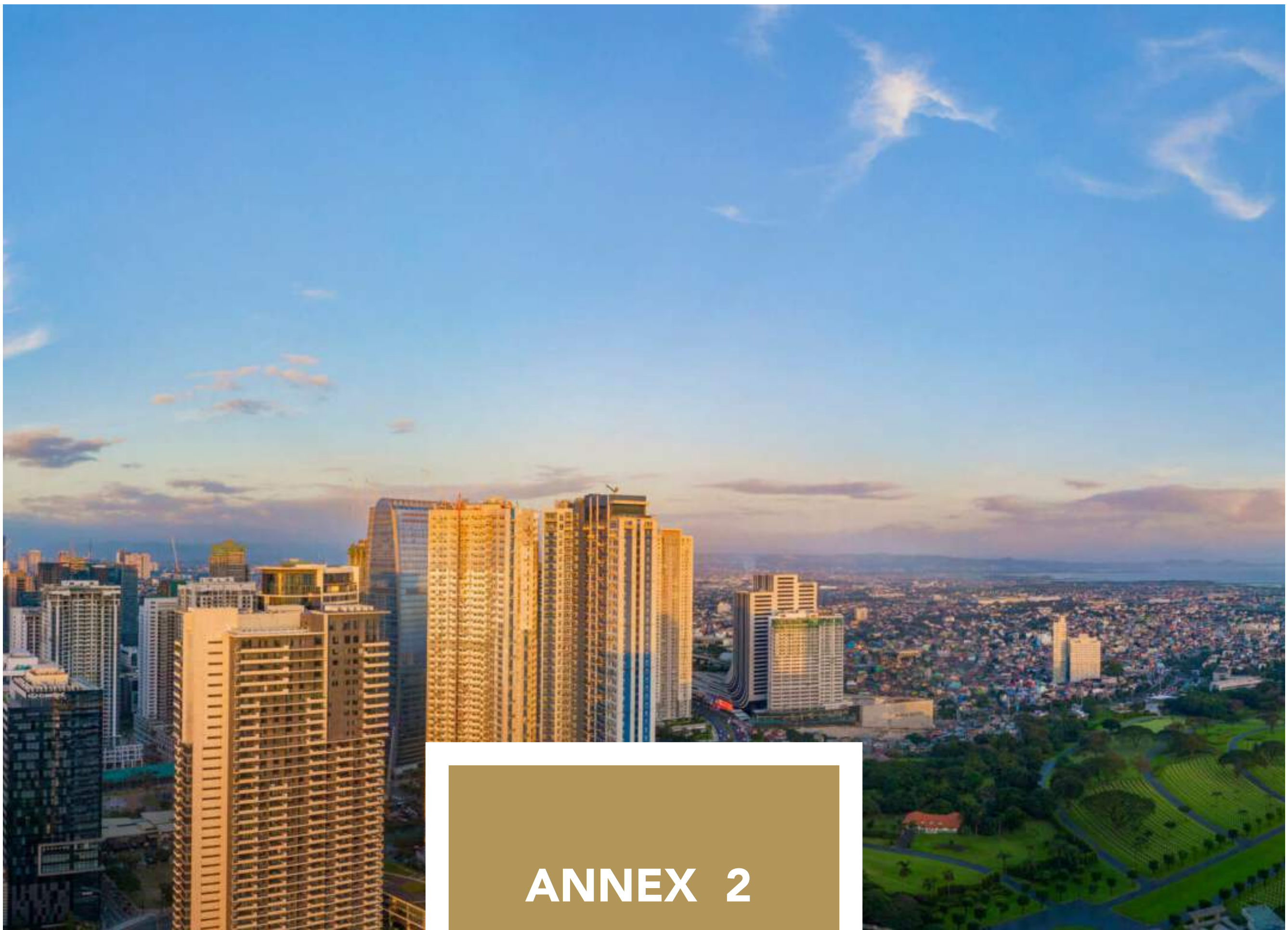
6. ACCREDITATION REQUIREMENTS CHART:
Vendors shall be requested to submit the following documents for accreditation process:

Legal Compliance	Financial Requirement	Technical Competency
▪ Letter of Intent (with Vendor's company letterhead) ▪ Vendor Information Sheet ▪ SEC Business Registration Certificate for Corporations, ▪ DTI – Sole Proprietorship ▪ (Articles of Incorporation or ▪ Partnership / By – Laws) ▪ Tax Identification Number ▪ Business Permit / Licenses ▪ VAT or Non-VAT Registration ▪ PCAB and/or ▪ DOLE License ▪ Exclusive Distributorship Agreement ▪ Any other legal requirements that may deemed necessary for specific product or service being offered.	**For In-House Assessment and Accreditation :** ▪ Last Two (2) years Audited Financial Statement (co. existent for 3 yrs. or more) or ▪ One (1) year Audited Financial Statement (for 1-year old companies). **Third Party Assessment:** ▪ Last Five (5) years Audited Financial Statement (co. existent for 3 yrs. or more) or ▪ Two (2) years Audited Financial Statement (for 1-year old companies). *** Un-audited Financial Statements, should be certified true and correct by the President / CFO in every page using the company's letterhead (for 1-year old companies whose audited FS is not yet available at the time of accreditation)	▪ **For Service Providers:** Summary of Completed and on-going contracts (related to the services offered) ▪ **For Goods Vendors:** List of Clients who have been using the products being offered. ▪ Table of Organization including CV's / Competencies of Technical Personnel (For service related Vendors). ▪ Technical Catalogs & Brochures for List of products / services carried. ▪ Statement of Types of Equipment Owned (for Service Providers only). ▪ And other requirements that may deemed necessary for specific product or service being offered.

7. VENDOR ACCREDITATION PROCEDURE

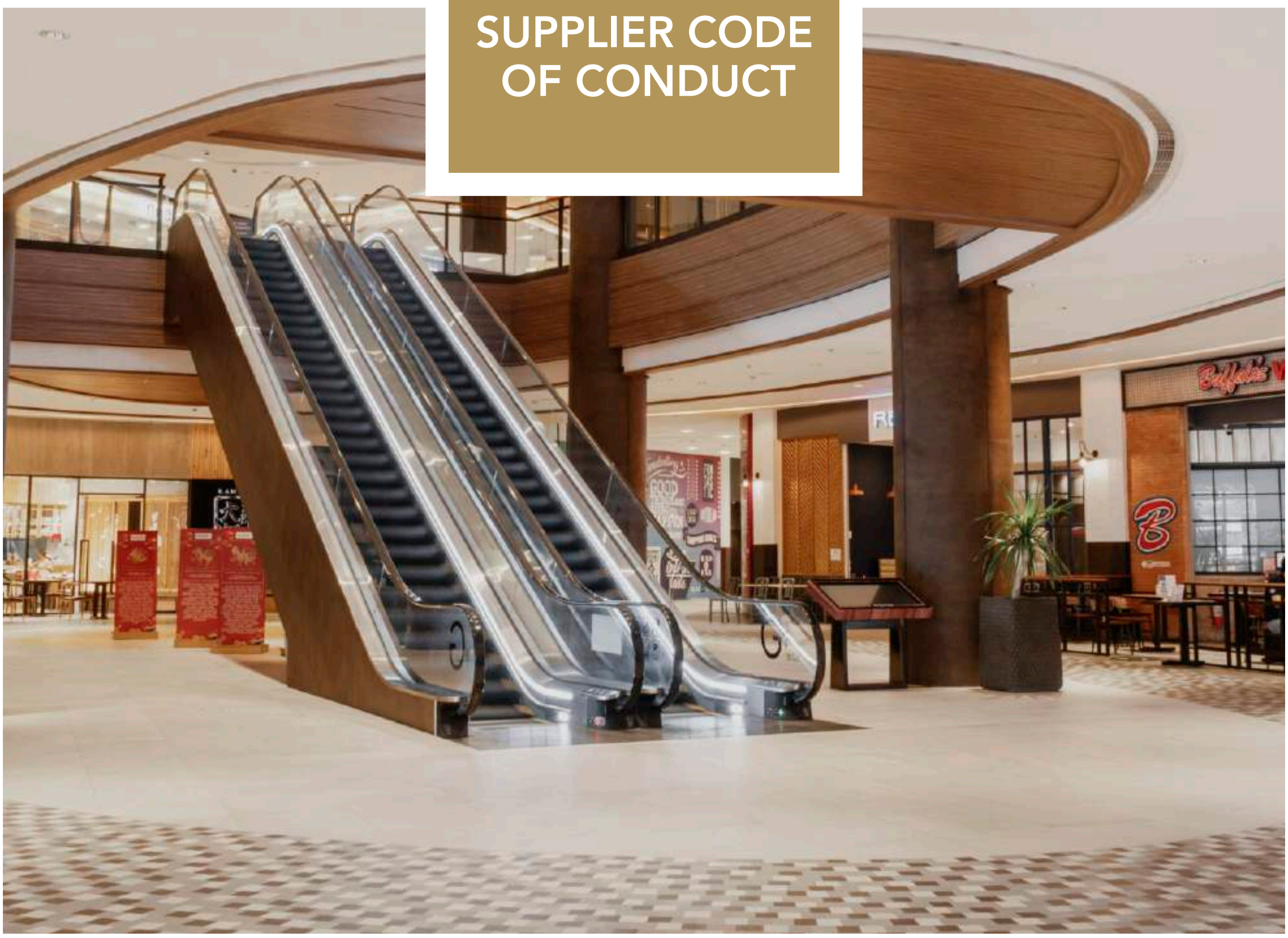
Process	Requirements / Remarks
Letter of Intent/ Invitation Letter	• Responsible: Purchasing/ Third Party Assessor • Purchasing is responsible for informing the vendor about the accreditation process and requirements.
Vendor Information Sheet (VIS)	• Responsible: Vendor/ Third Party Assessor • Vendors shall submit complete details of their company through VIS Form. • For Third Party Assessor - must include all required information in their Report.
Compilation of the Requirements	• Responsible: Purchaser/Third Party Assessor • Purchaser must consolidate all Legal, Technical and Financial Requirement, same with the Third Party Assessment through DNB Report.
Vendor Rating Sheet	• Responsible: Purchasing • Purchasing must prepare and seek the approval rating of all VAC Member Committees. • Vendor Rating Sheet must be approved in accordance to the Approval Authorization Chart
Vendor Accreditation Certificate	• Responsible: Purchasing • Once accredited and approved as per Approval Authorization chart, Purchasing must issue an Accreditation Certificate to vendor.
Vendor Master File (VMF)	• Responsible: Purchasing • Purchasing must prepare a list of all vendor information necessary in VMF database.

Prepared by:	Reviewed and Checked by:	Initial Issue Date
Lenie M. Parto Assistant Purchasing Manager	Eric G. Santos Senior Purchasing Manager	Oct 04, 2018
Recommended by: Rajeev 4/24/19 Rajeev Garg Vice President/ Group Financial Controller	Approved by: Karlo P Estavillo Chief Operations Officer/Chief Finance Officer	Revision No.



ANNEX 2

SUPPLIER CODE OF CONDUCT



SUPPLIER CODE OF CONDUCT

The Shangri-La group of companies including Shangri-La Asia Limited, Shangri-La International Hotel Management Limited, their respective subsidiaries, affiliates and controlled entities, as well as hotels and properties operated by the Group (collectively, Ò**Group**Ó), are committed to the core values that define the GroupÕs reputation and brand: integrity, fairness, respect, ethical business conduct and excellence in service.

We require our suppliers, their employees, subsidiaries, affiliates and sub-contractors (collectively, Ò**Suppliers**Ó) to uphold the GroupÕs core values and adhere to ethically, socially and environmentally responsible practices when doing business with the Group. These requirements are set out in more detail in this code of conduct (Ò**Code**Ó).

As a minimum, Suppliers are required to comply with the Code. Failure to comply with any provision of the Code could result in termination of the business and/or contractual relationship with the Group. The Group prefers to do business with Suppliers whose operations and business practices exceed the requirements of the Code.

1. Compliance with Laws and Regulations

Suppliers shall comply with all applicable laws, rules and regulations, including (but not limited to) those relating to labour, health and safety, and the environment, of the place in which they operate or conduct business.

Suppliers shall notify the Group immediately of any violation of applicable laws, rules and regulations that may affect their ability to supply products or services to the Group in accordance with the Code.

2. Product Quality and Safety

Suppliers shall supply products and services that are safe, fit for purpose, of merchantable quality and comply with all applicable laws, rules and regulations.

3. Business Integrity and Ethics

Suppliers shall deal honestly, fairly and ethically in every aspect of their business, including sourcing, operations and relationships with clients, employees, suppliers and business partners.

Suppliers must not resort to anti-competitive, deceptive, discriminatory, dishonest, unlawful or unethical business practices.

4. Labour Standards and Practices

Suppliers shall comply with all applicable laws, rules and regulations pertaining to working hours, wages, benefits, minimum age, working conditions, occupational health and safety, and industrial relations.

Suppliers shall implement fair, humane and non-discriminatory employment practices, treat their employees fairly, with dignity and respect, and respect diversity and inclusion. Suppliers shall ensure that no threats of violence, physical punishment, or other forms of physical, sexual, psychological or verbal harassment or abuse are used as a method of discipline or control of their employees. Suppliers shall not use any form of forced labour, including coerced, bonded, indentured or child labour. Any form of slavery and/or human trafficking, or any contribution thereto, is strictly prohibited.

Suppliers shall provide a safe and healthy work environment to their employees and take measures to prevent workplace hazards and accidents.

Where employee housing is provided, we expect our Suppliers to meet or exceed the standards for health and safety as those that apply in the workplace.

Suppliers shall provide employees with avenues to raise issues of concern in confidence, without fear of reprisal or negative repercussion.

Where the right to freedom of association and collective bargaining is not restricted under law, Suppliers shall respect the rights of their employees to join or form trade unions and to bargain collectively.

5. Environment

Suppliers shall comply with all applicable environmental codes, laws, rules and regulations in the place where they operate and ensure that they obtain and maintain all necessary environmental permits and registrations to conduct their business.

Suppliers shall adopt appropriate environmentally friendly practices to minimise negative environmental impacts of their operations, products and services through measures such as proper waste management, pollution control and recycling, while continually advancing the sustainability of the products and services provided to the Group.

6. Community Engagement

Suppliers are encouraged to engage with, promote and contribute to the communities in which they operate to help foster social and economic development and sustainability.

7. Anti-Corruption

Any and all forms of corruption and bribery are strictly prohibited. Suppliers must comply with all applicable anti-corruption laws, rules and regulations of the country where their businesses are being conducted.

Suppliers shall not, directly or indirectly, offer, solicit, pay or accept any form of unlawful advantages such as (but not limited to) bribes, kickbacks, secret commissions, reward, favours, cash, gifts, loans, employment, facilitation payments or any other thing of value (Ò**Advantages**Ó) to secure improper business advantages.

Suppliers doing business with the Group must not offer, solicit, pay or accept any form of Advantages to or from the GroupÕs employee or representative on account of the SupplierÕs business dealings with the Group. Likewise, Suppliers must not offer any employee or representative of the Group excessive business entertainment that could be seen to compromise their objectivity in making decisions, that creates the appearance of impropriety, or that violates the law.

A Supplier must not offer or transfer any form of Advantages, directly or indirectly, to any public official, body or agency in order to secure any improper business advantage for or on behalf of the Group.

The Group is required to comply with various anti-corruption laws and regulations, including without limitation Hong KongÕs Prevention of Bribery Ordinance (Cap. 201). Suppliers doing business with the Group must be familiar and comply with the requirements of these laws and regulations.

8. Accurate Books and Records

Suppliers shall maintain proper, accurate and complete books and records in accordance with applicable laws, rules, regulations and recognised accounting standards and practices.

Suppliers shall promptly and in good faith, provide accurate information reasonably required to enable the Group to comply with its legal, regulatory and reporting obligations to governmental authorities, financial and stock exchange regulators. The intentional creation of false, misleading and deceptive books, records or documents is strictly prohibited.

9. Confidentiality

All information provided by the Group or otherwise obtained by Suppliers in their course of dealings with the Group (Ò**Group Information**Ó), including without limitation those pertaining to the GroupÕs businesses, operations and policies, shall be treated as confidential, sensitive and proprietary information. Suppliers shall only use the Group Information for legitimate business purposes, in accordance with non-disclosure agreement(s), local laws, rules and regulations. Unless specifically authorised by the Group or otherwise required under law, Suppliers shall not disclose or communicate any Group Information to unauthorised third parties, the public and/or the media.

10. Data Protection

The Group is required to comply with various data privacy laws and regulations, including without limitation Hong KongÕs Personal Data (Privacy) Ordinance (Cap. 486) (Ò**PDPO**Ó). In the event that a Supplier receives, becomes privy to or is given access to the personal data of the GroupÕs guest(s), customer(s) and/or employee(s) (Ò**Personal Data**Ó), we expect our Suppliers to collect, use, handle, process, store, disclose and transfer such Personal Data in compliance with the GroupÕs policies, the PDPO and all data protection and privacy laws and regulations of all applicable jurisdictions. Suppliers shall not use or disclose any such Personal Data, or engage and/or authorise any third-party service providers to process any such Personal Data, without the prior written consent from the Group.

Suppliers shall promptly notify us in the event of any unauthorised disclosure, leakage or use of Personal Data (Ò**Data Incident**Ó) and work with us in good faith to mitigate the impact of any Data Incident on us, our guest(s), customers and employees and in compliance with the applicable data protection and privacy laws and regulations.

11. Intellectual Property Rights

Suppliers shall recognise and respect the GroupÕs intellectual property rights in its trademarks, copyright, design and patents. Suppliers shall not engage in any activities that may infringe upon any of the GroupÕs intellectual property rights or tarnish the GroupÕs reputation.

12. Implementation of the Code

Suppliers shall take appropriate steps to ensure that the principles of this Code are communicated to, adopted and applied by their employees and throughout their own supply chains (including their suppliers, sub-contractors and business partners who are involved in the provision of products and services to the Group), where applicable. The Group reserves the right, upon provision of reasonable notice to Suppliers, to conduct compliance audit with Suppliers on the Code. Suppliers shall promptly and in good faith, provide relevant information to demonstrate compliance with the Code. If necessary, Suppliers shall facilitate site visits by us and/or our auditor(s) to assess compliance with the Code.

Reporting Violations

Suppliers shall report any violations or suspected violations of applicable laws, regulations and the Code to the Group. To report a violation confidentially, please click on the following link: http://www.shangri-la.com/corporate/about-us/supplier-code-of-conduct/violation-reporting/

The Code may be updated from time to time. Suppliers should refer to the GroupÕs website at: http://www.shangri-la.com/corporate/about-us/supplier-code-of-conduct/ for the most up-to-date version of the Code.

COPY FOR THE

BUREAU OF INTERNAL REVENUE

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 Financial Statements

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Shang Properties, Inc. (the "Company") as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

What we have audited

The financial statements of the Company comprise:

- the statements of financial position as at December 31, 2022 and 2021;
- the statements of comprehensive income for the years ended December 31, 2022 and 2021;
- the statements of changes in equity for the years ended December 31, 2022 and 2021;
- the statements of cash flows for the years ended December 31, 2022 and 2021; 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 (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Isla Lipana & Co., 29th Floor Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
T: +63 (3) 8845 2728, F: +63 (3) 8845 2806, www.pwc.com/ph

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 PFRS, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA 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 PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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 audits 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.

Isla Lipana & Co.

Zaldy D. Aguirre
Partner
CPA Cert No. 0105660
P.T.R. No. 0024447, issued on January 9, 2023, Makati City
SEC A.N. (individual) as general auditors 105660-SEC, Category A; valid to audit 2020 to 2024 financial statements
SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024 financial statements
TIN 221-755-698
BIR A.N. 08-000745-077-2020, issued on December 14,2020; effective until December 13, 2023
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
March 22, 2023

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.

Zaldy D. Aguirre
Partner
CPA Cert No. 0105660
P.T.R. No. 0024447, issued on January 9, 2023, Makati City
SEC A.N. (individual) as general auditors 105660-SEC, Category A; valid to audit 2020 to 2024 financial statements
SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024 financial statements
TIN 221-755-698
BIR A.N. 08-000745-077-2020, issued on December 14,2020; effective until December 13, 2023
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
March 22, 2023

Shang Properties, Inc.

Statements of Financial Position
As at December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
A S S E T S			
Current assets			
Cash and cash equivalents	2	292,140,463	184,664,709
Financial assets at fair value through profit or loss	3	3,116,445	2,767,676
Trade and other receivables, net	4	10,720,543,827	8,275,192,152
Prepayments and other current assets	6	299,866,982	295,023,363
Total current assets		11,315,667,717	8,757,647,900
Non-current assets			
Investments and advances	7	15,528,543,698	14,098,617,177
Investment properties	8	13,987,020,630	13,951,003,549
Financial assets at fair value through other comprehensive income	9	201,983,642	186,483,642
Property and equipment, net	10	49,078,021	60,662,574
Other non-current assets	11	847,541	22,326,425
Total non-current assets		29,767,473,532	28,319,093,367
Total assets		41,083,141,249	37,076,741,267
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and other current liabilities	12	2,809,780,408	2,320,948,071
Bank loans	13	6,940,000,000	5,390,000,000
Dividends payable	14	61,167,401	61,896,969
Total current liabilities		9,810,947,809	7,772,845,040
Non-current liabilities			
Deferred income tax liabilities, net	19	3,402,500,897	3,400,175,897
Retirement benefit liability	18	20,093,595	4,155,550
Deposits from tenants		1,269,161	1,269,161
Total non-current liabilities		3,423,863,653	3,405,600,608
Total liabilities		13,234,811,462	11,178,445,648
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	85,550,000	71,832,670
Retained earnings	14	21,795,497,000	19,859,180,162
Total equity		27,848,329,787	25,898,295,619
Total liabilities and equity		41,083,141,249	37,076,741,267

The notes on pages 1 to 48 are integral part of these separate financial statements.

Shang Properties, Inc.

Statements of Comprehensive Income
For the years ended December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
Rental revenue	8, 22	169,789,300	68,587,143
Costs of services	8	18,947,416	14,511,255
Gross profit		150,841,884	54,075,888
Operating expenses			
Staff costs	15	256,032,431	261,432,075
Taxes and licenses		21,652,140	37,588,028
Depreciation and amortization	10	22,540,329	22,705,864
Other operating expenses	16	113,254,435	82,858,354
		413,479,335	404,584,321
Other income			
Dividend income	20	1,451,982,012	1,630,378,790
Miscellaneous	17	4,711,119	97,325,966
		1,456,693,131	1,727,704,756
Income from operations		1,194,055,680	1,377,196,323
Finance income, net			
Finance income	2, 7	111,618,988	78,610,295
Finance costs	13	(3,195,395)	(16,250,114)
		108,423,593	62,360,181
Share in net income of a joint venture	7	1,422,113,933	404,707,422
Income before income tax		2,724,593,206	1,844,263,926
(Provision for) benefit from income tax	19	(2,659,600)	556,966,789
Net income for the year		2,721,933,606	2,401,230,715
Other comprehensive income (loss)			
Items that will not be subsequently reclassified to profit or loss			
Increase (decrease) in fair value of equity investments at fair value through other comprehensive income, net of tax	9	13,175,000	(1,633,324)
Remeasurement on retirement benefit obligation, net of tax	18	542,330	16,254,940
		13,717,330	14,621,616
Total comprehensive income for the year		2,735,650,936	2,415,852,331
Basic and diluted earnings per share	14	0.57	0.50

The notes on pages 1 to 48 are integral part of these separate financial statements.

Shang Properties, Inc.

Statements of Changes in Equity
For the years ended December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Share capital (Note 14)	Share premium (Note 14)	Treasury shares (Note 14)	Other comprehensive income (loss): Cumulative changes in fair value of FVOCI (Note 9)	Other comprehensive income (loss): Remeasurement on retirement benefit obligation (Note 18)	Other comprehensive income (loss): Total comprehensive income	Retained earnings (Note 14)	Total equity
Balances at January 1, 2021	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
Comprehensive income								
Net income for the year	-	-	-	-	-	-	2,401,230,715	2,401,230,715
Other comprehensive income	-	-	-	(1,633,324)	16,254,940	14,621,616	-	14,621,616
Total comprehensive income	-	-	-	(1,633,324)	16,254,940	14,621,616	2,401,230,715	2,415,852,331
Transaction with owners								
Cash dividends declared (Note 14)	-	-	-	-	-	-	(590,477,874)	(590,477,874)
Balances at December 31, 2021	4,764,058,982	1,210,073,869	(6,850,064)	86,616,848	(14,784,178)	71,832,670	19,859,180,162	25,898,295,619
Comprehensive income								
Net income for the year	-	-	-	-	-	-	2,721,933,606	2,721,933,606
Other comprehensive income	-	-	-	13,175,000	542,330	13,717,330	-	13,717,330
Total comprehensive income	-	-	-	13,175,000	542,330	13,717,330	2,721,933,606	2,735,650,936
Transaction with owners								
Cash dividends declared (Note 14)	-	-	-	-	-	-	(785,616,768)	(785,616,768)
Balances at December 31, 2022	4,764,058,982	1,210,073,869	(6,850,064)	99,791,848	(14,241,848)	85,550,000	21,795,497,000	27,848,329,787

The notes on pages 1 to 48 are integral part of these separate financial statements.

Shang Properties, Inc.

Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
Cash flows from operating activities			
Income before income tax		2,724,593,206	1,844,263,926
Adjustments for:			
Interest expense	13	3,195,395	16,250,114
Depreciation and amortization	10	22,540,329	22,705,864
Retirement benefit expense	18	14,001,682	18,068,605
Unrealized foreign exchange gain, net	2	(4,672,629)	(816,538)
(Loss) gain on fair value adjustment of financial assets at fair value through profit or loss	3	(348,769)	683,271
Interest income	2, 7	(111,618,988)	(78,610,295)
Share in net income from a joint venture	7	(1,422,113,933)	(404,707,422)
Dividend income	20	(1,451,982,012)	(1,630,378,790)
Operating loss before working capital changes		(226,405,719)	(212,541,265)
Changes in working capital:			
Trade and other receivables		(2,445,311,954)	(5,683,295,802)
Properties held for sale		-	12,082,779
Prepayments and other current assets		(7,503,219)	1,895,413
Other non-current assets		21,478,884	885,740,499
Accounts payable and other current liabilities		488,832,336	98,171,354
Cash absorbed by operations		(2,168,909,672)	(4,897,947,022)
Interest received		111,579,269	146,187,539
Retirement benefit liabilities released due to transfers	18	2,478,692	482,727
Net cash used in operating activities		(2,054,851,711)	(4,751,276,756)
Cash flows from investing activities			
Dividends received	20	1,451,982,012	1,546,472,029
(Decrease) increase in investments and advances	7	(7,812,588)	2,094,185,110
Deductions from (additions to):			
Investment properties	8	(36,017,081)	614,677,290
Property and equipment	10	(10,955,776)	(10,182,328)
Net cash provided by investing activities		1,397,196,567	4,245,152,101
Cash flows from financing activities			
Availment of loan	13	3,460,000,000	2,590,000,000
Payments of:			
Cash dividends	14	(786,346,336)	(581,189,991)
Loan principal	13	(1,910,000,000)	(1,433,333,334)
Interest	13	(3,195,395)	(17,534,959)
Net cash provided by financing activities		760,458,269	557,941,716
Net increase in cash and cash equivalents		102,803,125	51,817,061
Cash and cash equivalents as at January 1		184,664,709	132,031,110
Effects of exchange rate changes on cash and cash Equivalents		4,672,629	816,538
Cash and cash equivalents as at December 31	2	292,140,463	184,664,709

The notes on pages 1 to 48 are integral part of these separate financial statements.

Shang Properties, Inc.

Notes to the Separate Financial Statements
As at and for the years ended December 31, 2022 and 2021
(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 also being leased out to another related party.

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 P2.54 per share. As at December 31, 2022, the Company has 5,144 shareholders (2021 - 5,160). The details of the Company’s shareholders are disclosed in the annual report.

COVID-19 pandemic

The COVID-19 pandemic did not have a significant impact on the Company as at and for the years ended December 31, 2022 and 2021. While the pandemic still poses some risk and uncertainties, the Company, however, remains confident in its ability to absorb some conceivable financial shocks that may arise due to volatile economic conditions.

The separate financial statements have been approved and authorized for issue in accordance with a resolution of the Board of Directors dated March 22, 2023.

Note 2 - Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2022	2021
Cash on hand	303,264	318,264
Cash in banks	58,406,067	163,639,769
Cash equivalents	233,431,132	20,706,676
	292,140,463	184,664,709

For the purpose of presentation in the statements 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.

Cash in 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, 2022 amounted to P1,212,001 and P235,294, respectively (2021 - P252,813 and P43,083, 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:

	2022			2021		
	Foreign currency	Exchange rate	Peso Equivalent	Foreign currency	Exchange rate	Peso Equivalent
US Dollar	412,775	56.12	23,164,933	320,021	50.58	16,185,837
HK Dollar	-	-	-	2,000	6.39	12,776
			23,164,933			16,198,613

Unrealized foreign exchange gain charged to income for the year ended December 31, 2022 amounted to P4,672,629 (2021 - P816,538) (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	2022	2021
January 1		2,767,676	3,450,947
(Loss) gain on fair value adjustments (included in Miscellaneous income)	17	348,769	(683,271)
December 31		3,116,445	2,767,676

Note 4 - Trade and other receivables, net

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

	Notes	2022	2021
Trade			
Rental - related parties	20	53,783,240	70,304,764
Rental - third parties		235,884	1,740,872
Non-trade			
Receivables from related parties	20	10,665,413,871	8,171,813,082
Advances to officers and employees		142,147	1,165,614
Interest	2	235,294	43,083
Others		890,148	30,124,737
		10,720,700,584	8,275,192,152
Allowance for impairment of non-trade receivables		(156,757)	-
		10,720,543,827	8,275,192,152

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:

	2022	2021
January 1	-	12,082,779
Recognized cost of condominium units sold	-	-
Transfer to investment properties	-	(12,082,779)
December 31	-	-

Properties held for sale are stated at cost and no allowance for write-down is provided as at December 31, 2022 and 2021.

Note 6 - Prepayments and other current assets

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

	2022	2021
Creditable withholding tax	280,490,177	271,607,532
Input VAT	16,175,346	20,609,990
Prepaid expenses	3,201,459	2,805,841
	299,866,982	295,023,363

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	
	2022	2021	2022	2021
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	100	1,000,000	1,000,000
SPI Property Developers, Inc.	100	100	1,000,000	1,000,000
SPI Property Holdings, Inc.	100	100	1,000,000	1,000,000
Leasing:				
KSA Realty Corporation (KSA)	70	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:	100	100		
Gipsey, Ltd. (Gipsey)	100	100	2,095,810,078	2,095,810,078
EPHI Logistics Holdings, Inc. (ELHI)	100	100	900,000	900,000
Guidebo Properties, Inc.	100	100	62,500	62,500
Laguna Hills Property Ventures, Inc.	100	100	62,500	62,500
			9,066,254,431	9,066,254,431
Immaterial 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	3,157,821,432	1,727,894,911
Deposits for future share subscription, and advances to subsidiaries, associate, and joint venture			4,837,725,520	4,837,725,520
Allowance for impairment losses			(1,533,507,685)	(1,533,507,685)
			15,528,543,698	14,098,617,177

The following subsidiaries and associates are owned through acquisition of shares of stock:

(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*, investments in subsidiaries, associate and joint venture are 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, 2022 and 2021.

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, 2022 are as follows:

	KSA	SGCPI
Total current assets	170,010,211	715,203,685
Total non-current assets	10,664,105,858	8,050,292,915
Total assets	10,834,116,069	8,765,496,600
Total current liabilities	(334,153,584)	(1,972,889,671)
Total non-current liabilities	(2,358,076,887)	(382,000,030)
Total liabilities	(2,692,230,471)	(2,354,889,701)
Net assets	8,141,885,598	6,410,606,899
Non-controlling interest share in net assets	2,442,565,679	2,564,242,759

Revenue	948,079,146	2,844,976,129
Cost and expenses	(118,057,033)	(2,233,696,080)
Other expense	(1,299,536)	(101,662,151)
Income before provision for income tax	828,722,577	509,617,898
Income tax (expense) benefit	(152,625,942)	(131,066,524)
Net income for the year	676,096,635	378,551,374
Other comprehensive income	57,588	709,248
Total comprehensive income for the year	676,154,223	379,260,622
Non-controlling interest share in total comprehensive income for the year	202,846,267	151,704,249

	KSA	SGCPI
Cash flows provided by (used in):		
Operating activities	668,835,236	1,244,081,340
Investing activities	(159,662)	(50,698,807)
Financing activities	(705,000,000)	(67,096,999)

The summarized financial information of subsidiaries with significant non-controlling interest as at and for the year ended December 31, 2021 are as follows:

	KSA	SGCPI
Total current assets	217,652,623	686,647,703
Total non-current assets	10,664,093,012	8,413,718,132
Total assets	10,881,745,635	9,100,365,835
Total current liabilities	(432,973,791)	(1,812,676,481)
Total non-current liabilities	(2,273,227,675)	(1,262,955,255)
Total liabilities	(2,706,201,466)	(3,075,631,736)
Net assets	8,175,544,169	6,024,734,099
Non-controlling interest share in net assets	2,449,393,033	2,409,893,640

Revenue	1,254,214,669	802,424,771
Cost and expenses	(92,793,189)	(1,750,387,177)
Other expense	(6,995,776)	(74,601,600)
Income (loss) before provision for income tax	1,154,425,704	(1,022,564,006)
Income tax benefit	192,472,563	188,741,049
Net income (loss) for the year	1,346,898,267	(833,822,957)
Other comprehensive loss	(13,951)	-
Total comprehensive income (loss) for the year	1,346,8844,316	(833,822,957)
Non-controlling interest share in total comprehensive income (loss) for the year	330,065,155	(333,529,183)

	KSA	SGCPI
Cash flows provided by (used in):		
Operating activities	775,714,330	516,728,127
Investing activities	-	(84,782,469)
Financing activities	(1,321,444,947)	599,193,050

Investment in and advances to 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 (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 registered office address of SRPI, which is also its principal place of business, is at Cyber Sigma, Lawton Avenue, Taguig City.

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.

SRPI is engaged in: (i) the business of developing a property into a mixed-use development, and (ii) the marketing and sale of the residential condominium units in the project.

SRPI is the developer of Aurelia Residences, a two-tower high-rise condominium project launched on September 18, 2019 and the developer of Haraya which was soft-launched in November 2022. As at December 31, 2022, the Aurelia Residences Project is 36.83% complete (2021 - 15.6%). In 2022, the Company's share in net income of the joint venture amounted to P1,422,113,933 (2021 - P404,707,422).

In 2019, advances amounting to P1 billion were extended to SRPI by the Company. These advances will mature on April 1, 2023 and bear interest at a rate of 4%, whereas the repayment of the advances may be deferred upon mutual agreement of both parties. In 2021, an additional P1.59 billion advances was extended to SRPI with the same interest rate. Of this amount, P888 million came from funds previously restricted for this purpose (Note 14). Interest income earned from these advances amounted to P106,192,679 in 2022 (2021 - P73,918,875).

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

	2022	2021
Summarized statements of financial position		
Current assets	12,990,219,768	12,542,718,617
Current liabilities	(1,328,335,674)	(4,504,631,214)
Non-current assets	74,098,436	269,339,168
Non-current liabilities	(5,528,087,807)	(4,943,113,600)
Net assets	6,207,894,723	3,364,312,971

	2022	2021
Summarized statements of comprehensive income		
Gross revenue	6,369,968,347	2,004,051,580
Net income for the year	2,844,227,866	809,414,844
Other comprehensive income for the year	-	-
Total comprehensive income for the year	2,844,227,866	809,414,844

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. The company recognizes an allowance for impairment losses on its investments and advances amounting to P1,533,507,685 as at December 31, 2022 and 2021. No additional allowance for impairment recognized during the reporting period since management believes that the remaining carrying amount of its investments and advances are fully recoverable.

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, 2021	13,217,221,203	1,348,459,636	14,565,680,839
Capitalized subsequent expenditure	-	108,227,102	108,227,102
Transfer from PPE	-	12,082,779	12,082,779
Other transfers	-	(734,987,171)	(734,987,171)
December 31, 2021	13,217,221,203	733,782,346	13,951,003,549
Capitalized subsequent expenditure	-	21,244,633	36,017,081
Other transfers	-	14,772,448	-
December 31, 2022	13,217,221,203	769,799,427	13,987,020,630

The Company's investment properties in 2022 and 2021 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, in the same year that the Company started the construction of the land project, which is expected to be completed in 2023.

In 2021, the construction of the land project was subsequently assigned to a related party. As a result, the construction cost of the project incurred as of date was reclassified to Receivables from related parties under Trade and other receivables. Upon completion, the project will be subsequently leased out to third parties and related parties.

As at December 31, 2022 and 2021, the fair values of the properties are based on valuations performed by an independent external appraiser engaged by the management. The valuation models are in accordance with that recommended by the International Valuation Standards Committee.

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

	2022	2021
Rental revenue	169,789,300	68,587,143
Direct operating expenses	(18,947,416)	(14,511,255)
Profit arising from investment properties carried at fair value	150,841,884	54,075,888

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. Please refer to Note 13 for restrictions imposed on investment properties of the Company in relation to its long-term loan facility. There are no other restrictions imposed on the Company's property and equipment.

Critical accounting estimate - Determination of fair values of investment properties

Information on the fair value of investment property as at December 31 as to hierarchy is as follows:

	2022		
Fair value of hierarchy	Land	Buildings	Total
Level 2	7,345,847,303	769,799,427	8,115,646,730
Level 3	5,871,373,900	-	5,871,373,900
Total	13,217,221,203	769,799,427	13,987,020,630
	2021		
Fair value of hierarchy	Land	Buildings	Total
Level 2	7,345,847,303	733,782,346	8,079,629,649
Level 3	5,871,373,900	-	5,871,373,900
Total	13,217,221,203	733,782,346	13,951,003,549

(a) Fair value of condominium units and other properties (Level 2)

The fair values of the Company's condominium units and properties 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.

(b) Fair value of retail and office spaces (Level 3)

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, 2022 and 2021	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	Direct income capitalization	Rental value	P1,700 per square meter (2021 - P1,700)	The higher the rental value and occupancy rate, the higher the fair value.
			Occupancy rate	96% (2021 - 96%)	
			Expense-revenue ratio	23% (2021 - 23%)	The higher the expense- revenue ratio and discount rate, the lower the fair value.
			Discount rate	12% (2021 - 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. 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. 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.

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.

For sensitivity analysis purposes, any +/- 1% change in market rental value per square meter would increase/decrease total assets and pre-tax income by P59 million (2021 – P59 million).

Critical accounting judgments

(a) 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; and
- Property and equipment generate cash flows that are attributable not only to the property 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.

(b) Classification of leases as operating lease

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

The carrying values of investment properties as at December 31, 2022 and 2021 are disclosed in the previous table.

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:

	2022	2021
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	116,082,849	100,582,849
Fair value	201,983,642	186,483,642

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 of investee companies 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.

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

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

The movements in the cumulative changes in fair value recognized as other comprehensive income in the statement of financial position for the years ended December 31 are as follows::

	2022	2021
January 1	86,616,848	88,250,172
Gain (Loss) on fair value adjustment	15,500,000	(1,921,558)
	102,116,848	86,328,614
Deferred income tax effect	(2,325,000)	288,234
December 31	99,791,848	86,616,848

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, 2021	44,058,929	70,990,898	42,564,040	47,163,011	204,776,878
Additions	78,680	1,545,911	1,897,857	6,659,880	10,182,328
December 31, 2021	44,137,609	72,536,809	44,461,897	53,822,891	214,959,206
Additions	-	4,246,590	4,338,393	2,370,793	10,955,776
Disposals	-	-	(971,429)	-	(971,429)
December 31, 2022	44,137,609	76,783,399	47,828,861	56,193,684	224,943,553
Accumulated depreciation					
January 1, 2021	22,638,594	37,620,581	32,247,458	39,084,135	131,590,768
Depreciation	1,310,355	11,753,563	4,656,826	4,985,120	22,705,864
December 31, 2021	23,948,949	49,374,144	36,904,284	44,069,255	154,296,632
Depreciation	1,310,354	12,263,148	3,957,149	5,009,678	22,540,329
Disposals	-	-	(971,429)	-	(971,429)
December 31, 2022	25,259,303	61,637,292	39,890,004	49,078,933	175,865,532
Net book values at					
December 31, 2021	20,188,660	23,162,665	7,557,613	9,753,636	60,662,574
December 31, 2022	18,878,306	15,146,107	7,938,857	7,114,751	49,078,021

Please refer to Note 13 for restrictions imposed on property and equipment of the Company in relation to its long-term loan facility.

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 would increase the recorded operating expenses and decrease non-current assets. In 2022 and 2021, there were no changes in the estimated useful lives of property and equipment.

As at December 31, 2022, property and equipment have a carrying value of P49,078,021 (2021 - P60,662,574).

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, 2022 and 2021.

Note 11 - Other non-current assets

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

	2022	2021
Deposit to contractors	-	21,478,884
Refundable deposits	847,541	847,541
	847,541	22,326,425

Deposit to contractors

Deposit to contractors as at December 31, 2021 pertained to cash paid by the Company for the construction of SPI tower. In 2022, the deposit was fully applied against related billings from contractors.

Refundable deposits

Refundable deposits are cash paid by the Company as 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	2022	2021
Financial liabilities			
Accounts payable		25,942,669	17,946,665
Accrued expenses		53,088,289	33,751,741
Payable to contractors and suppliers		350,000	350,000
Accrued interest	13	-	10,496,396
Payable to related parties	20	2,690,101,630	2,221,583,742
Others		18,332,039	7,277,266
Non-financial liabilities			
Retention payables to contractors		10,335,807	11,907,929
Payable to regulatory agencies		9,536,847	8,205,738
Unearned rental income		-	6,600,000
Output value added tax (VAT)		2,093,127	2,828,594
		2,809,780,408	2,320,948,071

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 consist of:

	2022	2021
Long term loan facility (all current)	-	400,000,000
Short term loans	6,940,000,000	4,990,000,000
	6,940,000,000	5,390,000,000

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

	2022	2021
January 1	5,390,000,000	4,233,333,334
Additions	3,460,000,000	2,590,000,000
Payments	(1,910,000,000)	(1,433,333,334)
December 31	6,940,000,000	5,390,000,000

Long term loan facility

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

Total drawdown from the above facility amounted to P3.70 billion as at December 31, 2021 and 2020. As at December 31, 2021, the outstanding balance of the loan amounted to P400 million. The outstanding balance with a fixed interest rate of 4% per annum as at December 31, 2021 is payable in equal quarterly installments until August 2022. The loan was fully settled in 2022.

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, 2021, the Company is fully compliant with the loan covenants.

The loan is secured by a negative pledge on all present and future assets of the Company.

Short term loans

Short term loans are composed of unsecured loans from various banks with interest rates ranging from 4% to 6% in 2022 (2021 - 2.5% to 4.5%). These loans have payment terms of 3 to 12 months in 2022 (2021 - 3 to 12 months).

Interest expense charged to profit or loss amounted to P3,195,395 in 2022 (2021 - P16,250,114) as shown in the statements of comprehensive income.

Note 14 - Equity

(a) Share capital, share premium and treasury shares

Details of share capital and share premium at December 31, 2022 and 2021 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
		5,974,132,851

In 2007, the Company repurchased 2,140,645 common shares at a 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, 2022, total unrestricted retained earnings amounted to P21,795,497,000 (2021 - P19,859,180,162). The Company's unrestricted retained earnings exceeded its share capital by P15,821,364,149 (2021 - P13,885,047,311). The excess retained earnings include accumulated fair value gain of P9,868,058,867 (2021 - 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 as follows:

Date of declaration	Shareholders of record as at	Payment date	Total	Per share
2023 (subsequent event)				
March 22, 2023	April 11, 2023	April 21, 2023	738,097,342	0.155
2022				
March 24, 2022	April 8, 2022	April 20, 2022	333,234,605	0.070
August 31, 2022	September 15, 2022	September 27, 2022	452,382,163	0.095
			785,616,768	
2021				
September 7, 2021	September 24, 2021	September 30, 2021	209,524,407	0.044
March 25, 2021	April 9, 2021	April 16, 2021	380,953,467	0.080
			590,477,874	

(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:

	2022	2021
Net income for the year	2,721,933,606	2,401,230,715
Weighted average number of shares outstanding	4,764,058,982	4,764,058,982
Earnings per share	0.57	0.50

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 shareholders, return capital to shareholders or issue new shares. There were no changes in the Company's strategies and policies during 2022 and 2021.

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

	2022	2021
Net debt		
Bank loans	6,940,000,000	5,390,000,000
Less: Cash and cash equivalents	292,140,463	184,664,709
	6,647,859,537	5,205,335,291
Total equity	27,848,329,787	25,898,295,619
Gearing ratio	23.87%	20.10%

The Company was able to meet its capital management objectives.

The Company is not subject to any externally imposed capital requirements.

Note 15 - Staff costs

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

	Note	2022	2021
Salaries and wages		221,607,259	221,009,703
Retirement benefit expense	18	14,001,682	18,068,605
Employee benefits		15,383,850	17,653,530
Others		5,039,640	4,700,237
		256,032,431	261,432,075

Note 16 - Other operating expenses

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

	Note	2022	2021
Professional fees		38,962,145	36,280,700
Repairs and maintenance		7,313,793	5,109,769
Utilities		6,451,515	3,300,241
Janitorial, security and other services		4,944,316	4,135,032
Rent	22	4,726,944	4,726,944
Telephone and communication		2,715,564	3,602,877
Transportation and travel		2,348,096	969,187
Supplies		1,820,529	1,780,888
Membership fees and dues		1,782,940	1,658,927
Insurance		833,482	1,102,690
Entertainment, amusement and recreation		829,646	730,225
Condominium dues		800,588	1,261,079
Reproduction charges		502,698	408,216
Provision for doubtful accounts		156,757	-
Others		39,065,422	17,791,579
		113,254,435	82,858,354

Others primarily include advertising expenses amounting to P28,761,257 (2021 – 10,022,910).

Note 17 – Miscellaneous income

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

	Notes	2022	2021
Management fees	20	-	96,667,296
Gain on sale of property and equipment		374,086	1,000,500
Foreign exchange gain, net	2	4,672,629	816,538
Bank charges		(684,365)	(311,739)
Gain (loss) on fair value adjustments of financial assets at FVTPL	3	348,769	(683,271)
Others		-	(163,358)
		4,711,119	97,325,966

Note 18 - Retirement benefit liability

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. The trustee bank is responsible for investment of the assets. The Pension Fund Board 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 2020 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, 2022. 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, 2022. The principal assumptions used by the actuary for the years ended December 31 are as follows:

	2022	2021
Discount rate	7.10%	4.89%
Salary increase rate	5.00%	3.50%

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

	2022	2021
Present value of defined benefit obligation	107,020,907	94,138,228
Fair value of plan assets	(86,927,312)	(89,982,678)
Retirement benefit liability	20,093,595	4,155,550

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

	Note	2022	2021
Current service cost		14,284,865	17,875,410
Net interest cost		(283,183)	193,195
Retirement benefit expense	15	14,001,682	18,068,605

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

	2022	2021
January 1	94,138,228	108,616,947
Interest expense	3,883,160	3,206,539
Current service cost	14,284,865	17,875,410
Benefits paid by the Company from operating funds	-	-
Benefits paid by the Company from retirement funds	(2,646,134)	(6,593,451)
Remeasurements arising from:		
Experience adjustments	(2,409,600)	(24,069,886)
Changes in financial assumptions	(2,708,304)	(5,380,058)
Net acquired obligation due to employee transfers	2,478,692	482,727
December 31	107,020,907	94,138,228

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

	2022	2021
January 1	89,982,678	95,300,363
Interest income	4,166,343	3,013,344
Return on plan assets	(4,575,575)	(1,737,577)
Benefits paid from plan assets	(2,646,134)	(6,593,452)
December 31	86,927,312	89,982,678

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, 2022 and 2021, the Company had no other transactions with the plan.

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

	2022	2021
Cash in banks	19,147	71,694
Investments in debt instruments:	86,942,940	89,910,984
Liabilities	(34,775)	-
	86,927,312	89,982,678

At December 31, 2022 and 2021, 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, 2022 and 2021.

The company expects to contribute P18,295,647 to the retirement fund in 2023.

The weighted average duration of the defined benefit obligation is 7.76 years (2021 - 10.09 years).

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

	2022	2021
Less than a year	40,823,845	29,455,986
Between 1 and 5 years	31,264,099	36,502,728
Between 5 and 10 years	121,609,723	75,875,064
Over 10 years	208,526,402	155,373,220
	402,224,069	297,206,998

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)	
	2022	2021
Discount rate		
Increase by 1.0%	(102,256,786)	(89,491,930)
Decrease by 1.0%	112,337,263	99,336,829
Salary increase rate		
Increase by 1.0%	112,979,293	99,900,093
Decrease by 1.0%	(101,591,004)	(88,897,720)

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

Corporate Recovery and Tax Incentives for Enterprises Act

On March 26, 2021, Republic Act (RA) No.11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE), was signed into law. Among the salient provisions of CREATE include a reduction of the Corporate Income Tax (CIT) rate to 25% beginning July 1, 2020 as applicable to the Company. 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.

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

	2022	2021
Current	2,659,600	1,497,427
Deferred	-	(558,464,216)
	2,659,600	(556,966,789)

Deferred income tax liabilities that are recognized as at December 31 consist of:

	2022	2021
Deferred income tax liabilities:		
Unrealized gain on cumulative fair value adjustments of		
Investment properties	3,350,879,319	3,350,879,319
Interest income from advances to related parties	34,174,163	34,174,163
Financial assets at FVOCI	17,412,427	15,087,427
Unrealized foreign exchange gain	34,989	34,988
Net deferred income tax liabilities	3,402,500,898	3,400,175,897

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:

	2022	2021
MCIT	6,296,728	10,776,586
NOLCO	173,462,795	207,398,359
Unamortized past service cost	7,111,504	7,111,504
Accrued expenses	12,889,166	8,063,038
Retirement benefit liability	903,305	1,038,888
Unrecognized deferred tax assets	200,663,498	234,388,375

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

	2022	2021
January 1	3,400,175,897	3,946,149,360
Credited to profit or loss	-	(558,464,216)
Charged to other comprehensive income	2,325,000	12,490,753
December 31	3,402,500,897	3,400,175,897

The Company is entitled to the net operating loss carry-over (NOLCO) benefit which can be applied to its taxable income for five succeeding years from the year the loss was incurred for the 2021 and 2022 NOLCO and three succeeding years from the year the loss was incurred for NOLCO prior to 2021. The details of deferred income tax assets on NOLCO at December 31 are as follows:

	Year of expiry	2022	2021
2018	2021	-	157,555,295
2019	2022	256,205,528	256,205,528
2020	2025	321,209,689	321,209,689
2021	2026	252,178,217	252,178,217
2022	2025	120,463,274	-
		950,056,708	987,148,729
Expired		(256,205,528)	(157,555,295)
Total		693,851,180	829,593,434
Unrecognized DTA at 25% (2021 - 25%)		173,462,795	207,398,359

The Company is required to pay the MCIT or the normal income tax, whichever is higher. MCIT is 1% of gross income for the period beginning July 1, 2020 until June 30, 2023 and 2% of gross income prior to July 1, 2020 as defined under the Tax Code. Any excess of MCIT over the normal income tax shall be carried forward annually and applied against the normal income tax for the next succeeding three taxable years applicable.

Year incurred	Year of expiry	2022	2021
2019	2022	-	7,139,458
2020	2023	2,139,701	2,139,701
2021	2024	1,497,427	1,497,427
2022	2025	2,659,600	-
		6,296,728	10,776,586

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

	2022	2021
Tax at statutory rate of 25% (2021 - 25%)	681,148,299	461,065,961
Adjustments resulting from:		
Unrecognized deferred tax assets	37,601,547	160,381,791
Other non-deductible expenses	75,750	1,591,710
Loss on fair value adjustment of financial assets at FVTPL	-	170,818
Depreciation of investment property	1,022,061	-
Derecognition of fair value of equity investments at FVOCI	87,191	40,840
Interest income subjected to final tax	(303,000)	(63,203)
Share in net income from joint venture	(355,528,483)	(101,176,855)
Dividend income	(362,995,500)	(407,594,677)
CREATE impact	1,551,735	(671,383,174)
Effective income tax expense (benefit)	2,659,600	(556,966,789)

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.

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:

	2022		2021		
	Transactions	Outstanding receivables (payables)	Transactions	Outstanding receivables (payables)	Terms and conditions
Subsidiaries					
Rental income (a)	95,974,283	20,273,302	51,723,813	55,110,100	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)	-	-	39,122,484	90,695,373	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	578,449,526	4,496,630,879	1,696,320,714	2,867,411,809	
Dividend income	1,451,982,000	18,200,000	1,612,443,901	18,200,000	
Advances	1,268,416,000	1,268,416,000	(100,000,000)	(1,820,000,000)	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	(21,994,163)	(500,130,329)	(76,085,616)	(386,212,689)	
Rental expense (d)	(4,726,944)	(4,726,944)	(4,726,944)	(5,943,338)	
Entities under common control					
Rental income (a)	68,138,284	20,966,258	20,679,163	15,194,664	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	-	-	17,934,889	16,940,000	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)	11,823,297	3,194,894,730	25,223,963	2,011,487,517	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)	-	-	40,988,419	5,624,291	
Administrative recharges by the Company	171,766,645	974,759,616	794,318,895	959,402,490	
Administrative recharges to the Company	-	-	8,915,092	(9,427,716)	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)	800,588	-	1,261,079	-	
Retirement fund					
Contributions	-	-	-	-	Refer to Note 18.
Key management personnel					
Salaries and other short-term employee benefits	-	91,953,208	-	78,006,285	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 2022 and 2021 nor amounts due to/from key management personnel as at December 31, 2022 and 2021.
Post-employment benefits	-	5,341,354	-	7,094,820	Refer to Note 18.

Significant agreements with related parties are as follows:

a) The company has various rental agreements with SPLC, SPSI and ESHRI, with terms ranging from 1 to 25 years. Rental income is calculated based on a fixed percentage of the counterparties' 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, 2022 and 2021 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, 2022 and 2021.

Note 21 - Provisions and contingencies

In 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 underwent arbitration which resulted in promulgation in 2007 of the Arbitral Tribunal to award to the principal contractor the sum of P38,518,503, net of the award to Company amounting to P8,387,484. Subsequently, this decision was appealed by both parties to the Court of Appeals (CA) who resolved in 2009 to award P24,497,556 to the principal contractor, 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 a Petition for Review in Certiorari to the Supreme Court, where the Company prayed for a reversal of the decision of the CA and for payment of liquidated damages by the Principal Contractor while the Principal Contractor filed a motion to modify the decision of the CA and to be awarded the full amount of their claim.

On July 26, 2021, the parties filed a Joint Manifestation and Motion informing the Supreme Court about the amicable settlement of the case and jointly moved for its dismissal which the Supreme Court granted in December 2021 and deemed the case closed and terminated.

Critical accounting estimate – Provision

As at December 31, 2022 and 2021, 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 has other pending legal cases which are being contested by the Company and their legal counsels. The estimates of the probable costs for the resolution of the above 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	2022	2021
Percentage basis	20	164,112,567	63,106,002
Fixed monthly rental		5,676,733	5,481,141
		169,789,300	68,587,143

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

	2022	2021
Within one (1) year	4,012,878	3,836,545
One to two (1 to 2) years	-	5,677,428
	4,012,878	9,513,973

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 P4,726,944 in 2022 (2021 - P4,726,944) (Note 20).

Note 23 - Net debt reconciliation

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

	Notes	2022	2021
Bank loans, January 1	13	5,390,000,000	4,233,333,334
Additions		3,460,000,000	2,590,000,000
Payments		(1,910,000,000)	(1,433,333,334)
Bank loans, December 31	13	6,940,000,000	5,390,000,000
Accrued interest	12	-	10,496,396
Cash and cash equivalents	2	(292,140,463)	(184,664,709)
Net debt		6,647,859,537	5,215,831,687

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, 2022 and 2021.

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, 2022 and 2021 and net foreign exchange gains/losses for the years ended December 31, 2022 and 2021 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 Company's exposure to cash flow interest risk is considered insignificant to the financial statements.

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, 2022 and 2021.

(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	2022	2021
Receivables from related parties	4	10,665,413,871	8,171,813,082
Advances to officers and employees	4	142,147	1,165,614
Interest receivable	4	235,294	43,083
Others	4	890,148	30,124,737
Refundable deposits	11	847,541	847,541
Total		10,667,529,001	8,203,994,057
Allowance for impairment of other receivables	4	(156,757)	-
		10,667,372,244	8,203,994,057

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

The loss allowance for financial assets is 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:

	2022	2021
Financial liabilities maturing within one year		
Accounts payable and other current liabilities	2,787,814,627	2,291,405,810
Bank loans, including future interest	6,940,000,000	5,459,082,732
Dividends payable	61,167,401	61,896,969
	9,788,982,028	7,812,385,511
Financial liabilities maturing beyond one year		
Deposits from tenants	1,269,161	1,269,161
	9,790,251,189	7,813,654,672

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)
- 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, 2022 and 2021 in order to obtain full information on the financial position, results of operations and changes in financial position of the Company as a whole. The consolidated financial statements of the Group can be obtained from SEC or from the Parent's website: www.shangproperties.com.

Changes in accounting policies and disclosures

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

The Company has adopted certain amendments for the first-time effective January 1, 2022:

- Amendments to PFRS 3, Reference to the Conceptual Framework.
- Amendments to PAS 16, Property, Plant and Equipment: Proceeds before Intended Use.
- Amendments to PAS 37, Onerous Contracts - Costs of Fulfilling a Contract.
- Annual Improvements to PFRSs 2018-2020 Cycle
    - Amendments to PFRS 1, First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter
    - Amendments to PFRS 9, Financial Instruments

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

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

The following amendments to existing standards have been published but are not mandatory for December 31, 2022 reporting periods and have not been early adopted by the Group.

Amendments to PAS 1, Presentation of Financial Statements and PFRS Practice Statement 2, Making Materiality Judgements - Disclosure of Accounting Policies (effective January 1, 2023)

This amendment requires entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. The amendments further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, PFRS Practice Statement 2 Making Materiality Judgements was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The Company expects to have reduced disclosures of accounting policies upon the adoption of this amendment.

Other new standards, amendments to existing standards and interpretations effective after December 31, 2022 are not expected to have a material impact on the Company's financial statements in the 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 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 operating expenses in the separate statement of comprehensive income.

  The Company does not have debt instruments at FVOCI as at December 31, 2022 and 2021.

- 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, 2022 and 2021.

(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, 2022 and 2021, 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 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 bank loans (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 or minus 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 off-set, 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, 2022 and 2021.

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 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 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) Joint ventures

Under PFRS 11, *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Company has an investment in joint ventures as at reporting date (Note 7).

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

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

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

(d) Deposits for future share subscriptions

Deposits for future share subscriptions represents amounts paid to subsidiaries which will be settled by way of issuance of the subsidiaries' 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 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 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 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 comprehensive income.

25.10 Impairment of non-financial assets

Asset that has an indefinite useful life such as investment in 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 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 categories.

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 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 is 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) 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.

(c) Dividend income

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

(d) Miscellaneous income

Miscellaneous income is recognized when earned.

(e) 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

Aside from exemptions in the standard for short-term and low-value leases, 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 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 P18,007,950 for the year based on the Vatable sales amounting to P150,066,249.

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 statement 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, 2022 follow:

Beginning balance	20,671,920
Current year's purchases:	
Purchases other than capital goods	12,925,704
Input tax applied against output tax	(17,422,277)
Total input VAT	16,175,345

(c) Documentary stamp tax

Documentary stamp taxes paid for the year ended December 31, 2022 amounted to P3,935,772 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, 2022 consist of:

	Amount
Real property tax (included in Costs of sales and services)	12,217,208
Deficiency taxes	15,029,808
Documentary stamp tax	3,935,772
Business taxes	659,460
Permits	202,387
Community tax	10,500
BIR registration	500
Others	1,813,713
Subtotal (included in Taxes and licenses)	21,652,140
	33,869,348

The local and national taxes, excluding real property tax, are presented as part of taxes and licenses in the statement of comprehensive income.

Withholding taxes

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

	Paid	Accrued	Total
Creditable withholding tax	8,805,222	-	8,805,222
Withholding tax on compensation	88,825,455	6,271,069	95,096,524
Expanded withholding tax	9,644,810	1,022,892	10,667,702
Final withholding taxes	43,804,234	-	43,804,234
Fringe benefit tax	2,829,813	2,242,886	5,072,699

(e) 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, 2022.

pwc

Isla Lipana & Co.

Independent Auditor's Report

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

Our Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Shang Properties, Inc. (the "Parent Company") and its subsidiaries (together, the "Group") as at December 31, 2022 and 2021, and the consolidated financial performance and consolidated cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC), as described in Note 31 to the consolidated financial statements.

What we have audited

The consolidated financial statements of the Group comprise:

- the consolidated statements of financial position as at December 31, 2022 and 2021;
- the consolidated statements of comprehensive income for each of the three years in the period ended December 31, 2022;
- the consolidated statements of changes in equity for each of the three years in the period ended December 31, 2022;
- the consolidated statements of cash flows for each of the three years in the period ended December 31, 2022; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated 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 Group 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 consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Emphasis of Matter

We draw attention to Note 31 to the consolidated financial statements, which describes the basis of preparation of the financial statements. The financial statements as at and for the year ended December 31, 2022 have been prepared in accordance with PFRS, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The details of the financial reporting reliefs availed by the Group and the impact on the consolidated financial statements are discussed in detail in Note 31. Our opinion is not modified in respect of this matter.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarized as follows:

- Valuation of investment properties; and
- Revenue recognition on condominium sales based on percentage of completion (PoC).

Key Audit Matters	How our Audit Addressed the Key Audit Matters
a) Valuation of investment properties	
Refer to Note 10 to the consolidated financial statements for the details of the investment properties and discussion on critical accounting estimates and assumptions. As at December 31, 2022, total investment properties, carried at fair value, amounts to P36.0 billion which accounts for about 53% of the total consolidated assets of the Group. The determination of fair values by an external appraiser involves significant estimation using assumptions such as property prices for similar market listing in the area, occupancy rate, rental rate and discount rate. A fair value assessment is performed regularly based on the requirements of PFRS 13, Fair Value Measurement, and Philippine Accounting Standards (PAS) 40, Investment Property.	We have addressed the matter by obtaining the latest appraisal report. We have assessed the appropriateness of the valuation methodology used as well as the reasonableness of the significant inputs and assumptions used in the fair valuation. In particular, comfort over the reliability of the appraiser reports was obtained through independent verification of significant fair value assumptions and inputs specifically: • similar market listing in the area by comparing to records of recent sales and offerings of similar land; • occupancy rate by agreeing to management's records and historical actual information; • expense-revenue ratio by comparing to the historical experience of the Group's leasing operations; • rental rate by comparing to prevailing market rents on leasing transactions of comparable properties; and • discount rate by comparing to published market yields. We have also assessed the reasonableness of these assumptions given the current market and economic conditions. We have evaluated the competence, capabilities and objectivity of the independent appraiser engaged by the Group by reviewing its profile, licenses and client portfolio. We have also verified the appropriateness and sufficiency of the disclosures in accordance with PFRS 13 and PAS 40. We have concluded that the valuation methodology used by the Group is appropriate and the significant inputs and assumptions used in the valuation are reasonable. We did not note any significant issues in the evaluation of the work of the independent appraiser and of the appropriateness and sufficiency of the disclosures.

Key Audit Matters	How our Audit Addressed the Key Audit Matters
b) Revenue recognition on condominium sales based on PoC as a measure of progress Refer to Note 6 to the consolidated financial statements for the discussion on critical accounting estimates and assumptions. The revenue arising from condominium sales for the year ended December 31, 2022 amounts to P2.85 billion which accounts for about 36% of the consolidated revenues. It is therefore, material to the consolidated financial statements. Revenue from sale of condominium is recognized over time using the output method in accordance with the guidance set in PFRS 15, *Revenue from contracts with customers*, and Philippine Interpretations Committee Questions and Answers (PIC Q&A) 2016-04. Under the output method, revenue is calculated with reference to the PoC of the project. In the case of the Group, PoC is determined based on the actual physical completion of the project. Hence, revenue recognition on condominium sales require significant judgment and estimation.	We have addressed the matter by understanding the process employed by the Group in estimating the actual physical completion of the condominium project as performed by independent quantity surveyors. We have evaluated the competence, capabilities and objectivity of independent quantity surveyors engaged by the Group by reviewing their profile, professional licenses and client portfolio. We have examined the detailed accomplishment reports that provide information and analysis about the status of ongoing projects. We have also conducted interviews with project engineers. Furthermore, as part of our analytical procedures, we compared PoC reported by surveyors with PoC derived based on total actual costs incurred-to-date in relation to the total estimated project cost. We inspected relevant contracts, contractors' billings, invoices, and other supporting documents to verify the reasonableness of the recorded actual costs. We have concluded that revenues from condominium sales are appropriately recorded in accordance with the related standards. We did not note any significant issues in relating to the work of the independent quantity surveyors, examination of detailed accomplishment reports, interviews with project engineers, analytical procedures and inspection of supporting documents.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report, but do not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report are expected to be made available to us after the date of this auditor's report.

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, as modified by the application of the financial reporting reliefs issued and approved by the SEC, as described in Note 31 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability of each entity within the Group 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 entity or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 PSA 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 ability of each entity within the Group 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 consolidated 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 an entity within the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in accordance with PFRS, as modified by the application of the financial reporting reliefs issued and approved by the SEC, as described in Note 31 to the financial statements.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Zaldy D. Aguirre.

Isla Lipana & Co.

Zaldy D. Aguirre
Partner
CPA Cert No. 0105660
P.T.R. No. 0024447, issued on January 9, 2023, Makati City
SEC A.N. (individual) as general auditors 105660-SEC, Category A; valid to audit 2020 to 2024 financial statements
SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024 financial statements
TIN 221-755-698
BIR A.N. 08-000745-077-2020, issued on December 14,2020; effective until December 13, 2023
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
March 22, 2023

Isla Lipana & Co.

Statements Required by Rule 68
Securities Regulation Code (SRC)

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

We have audited the consolidated financial statements of Shang Properties, Inc. and Subsidiaries as at and for the year ended December 31, 2022, on which we have rendered the attached report dated March 22, 2023. The supplementary information shown in the Reconciliation of Retained Earnings Available for Dividend Declaration, Map of the Group of Companies within which the Reporting Entity Belongs, effective as at December 31, 2022, as additional components required by Part I, Section 5 of Rule 68 of the SRC, and Schedules A, B, C, D, E, F and G, as required by Part II, Section 6 of Rule 68 of the SRC, are presented for purposes of filing with the Securities and Exchange Commission and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements. In our opinion, the supplementary information has been prepared in accordance with Rule 68 of the SRC.

Isla Lipana & Co.

Zaldy D. Aguirre
Partner
CPA Cert No. 0105660
P.T.R. No. 0024447, issued on January 9, 2023, Makati City
SEC A.N. (individual) as general auditors 105660-SEC, Category A; valid to audit 2020 to 2024 financial statements
SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024 financial statements
TIN 221-755-698
BIR A.N. 08-000745-077-2020, issued on December 14,2020; effective until December 13, 2023
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
March 22, 2023

Isla Lipana & Co.

Statements Required by Rule 68
Securities Regulation Code (SRC)

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Shang Properties, Inc. and its subsidiaries (the Group) as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated March 22, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised SRC Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

Isla Lipana & Co.

Zaldy D. Aguirre
Partner
CPA Cert No. 0105660
P.T.R. No. 0024447, issued on January 9, 2023, Makati City
SEC A.N. (individual) as general auditors 105660-SEC, Category A; valid to audit 2020 to 2024 financial statements
SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024 financial statements
TIN 221-755-698
BIR A.N. 08-000745-077-2020, issued on December 14,2020; effective until December 13, 2023
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
March 22, 2023

Shang Properties, Inc. and Subsidiaries

Consolidated Statements of Financial Position
As at December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
A S S E T S			
Current assets			
Cash and cash equivalents	3	1,318,603,295	1,376,480,154
Financial assets at fair value through profit or loss	4	31,393,069	30,815,974
Trade and other receivables, net	5	5,553,712,185	4,380,741,449
Properties held for sale	6	4,447,332,585	3,664,986,160
Prepaid taxes and other current assets	7	2,259,295,838	1,947,431,627
Total current assets		13,610,336,972	11,400,455,364
Non-current assets			
Investments in and advances to associates and a joint venture	8	5,748,050,305	4,318,123,784
Investment properties	10	35,971,930,472	35,384,993,640
Financial assets at fair value through other comprehensive income	11	812,468,496	796,968,495
Property and equipment, net	12	10,574,074,338	10,813,860,164
Goodwill	13	269,870,864	269,870,864
Deferred income tax assets	25	494,516,419	615,730,128
Other non-current assets	14	148,670,287	176,769,549
Total non-current assets		54,019,581,181	52,376,316,624
Total assets		67,629,918,153	63,776,771,988
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and other current liabilities	15	5,058,740,720	4,774,073,850
Current portion of:			
Installment payable	16	-	47,883,236
Bank loans	16	8,006,519,593	6,610,111,377
Deposits from tenants	17	697,693,738	845,472,994
Deferred lease income	17	2,064,727	18,829,063
Income tax payable	25	41,725,962	54,637,882
Dividends payable		61,167,401	61,897,055
Total current liabilities		13,867,912,141	12,412,905,457
Non-current liabilities			
Retirement benefit liability	24	83,841,520	64,676,831
Bank loans, net of current portion	16	299,672,875	1,095,786,300
Deferred income tax liabilities, net	25	7,094,584,618	6,878,525,105
Advance rentals, net of current portion	29	-	156,688,857
Deposits from tenants, net of current portion	17	307,585,412	193,502,993
Deferred lease income, net of current portion	17	40,131,978	35,663,151
Total non-current liabilities		7,825,816,403	8,424,843,237
Total liabilities		21,693,728,544	20,837,748,694
Equity			
Share capital	18	4,764,058,982	4,764,058,982
Share premium	18	834,439,607	834,439,607
Treasury shares	18	(6,850,064)	(6,850,064)
Equity reserves		(141,132,606)	(141,132,606)
Other comprehensive income	11, 24	274,339,482	268,806,682
Retained earnings	18	34,436,407,109	31,587,543,780
Total equity attributable to shareholders of the Parent Company		40,161,262,510	37,306,866,381
Non-controlling interests	9	5,774,927,099	5,632,156,913
Total equity		45,936,189,609	42,939,023,294
Total liabilities and equity		67,629,918,153	63,776,771,988

The notes on pages 1 to 69 are integral part of these consolidated financial statements.

Shang Properties, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income
For each of the three years in the period ended December 31, 2022
(All amounts in Philippine Peso)

	Notes	2022	2021	2020
Revenues				
Condominium sales		2,850,803,449	1,951,230,634	3,009,946,505
Rental and cinema	10	2,165,079,571	1,820,269,869	2,128,780,051
Hotel operation		2,844,976,129	802,424,771	1,081,762,155
		7,860,859,149	4,573,925,274	6,220,488,711
Cost of sales and services				
Condominium sales		1,226,557,946	957,901,740	1,685,000,495
Rental and cinema		174,017,675	81,441,312	100,248,382
Hotel operation		1,729,475,822	1,525,725,890	1,851,378,118
	20	3,130,051,443	2,565,068,942	3,636,626,995
Gross profit		4,730,807,706	2,008,856,332	2,583,861,716
Operating expenses				
Staff costs	21	603,251,147	581,064,680	530,048,537
Taxes and licenses		166,583,326	182,533,606	182,712,177
Depreciation and amortization	12	32,035,546	39,113,187	38,416,213
Insurance		13,656,881	8,489,829	7,145,262
Other operating expenses	22	910,619,907	540,145,085	740,367,083
		1,726,146,807	1,351,346,387	1,498,689,272
Other income (charges)				
Foreign exchange gains (losses), net	3	14,574,859	4,524,986	(3,729,088)
Other income, net	23	100,606,000	181,346,176	315,522,194
		115,180,859	185,871,162	311,793,106
Income from operations		3,119,841,758	843,381,107	1,396,965,550
Finance income, net				
Finance income	23	233,134,966	194,639,616	382,943,112
Finance costs	23	(109,448,154)	(120,052,078)	(139,646,572)
		123,686,812	74,587,538	243,296,540
Share in net income of associates and a joint venture	8	1,422,113,933	404,707,422	185,533,552
Income before income tax		4,665,642,503	1,322,676,067	1,825,795,642
Income tax benefit (expense)	25	(677,480,923)	867,600,077	(404,215,860)
Net income for the year		3,988,161,580	2,190,276,144	1,421,579,782
Other comprehensive income				
Items that will be subsequently reclassified to profit or loss				
Translation adjustments		2,717,157	208,393	(291,113)
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	11	(811,104)	(1,425,004)	(4,460,505)
Remeasurement gain (loss) on retirement benefit obligation, net of tax		3,933,450	55,554,468	(12,699,757)
		5,839,503	54,337,857	(17,451,375)
Total comprehensive income for the year		3,994,001,083	2,244,614,001	1,404,128,407
Net income attributable to:				
Shareholders of the Parent Company		3,634,480,097	2,124,062,600	1,469,965,012
Non-controlling interests	9	353,681,483	66,213,544	(48,385,230)
		3,988,161,580	2,190,276,144	1,421,579,782
Total comprehensive income attributable to:				
Shareholders of the Parent Company		3,640,012,897	2,173,318,534	1,453,332,976
Non-controlling interests	9	353,988,186	71,295,467	(49,204,569)
		3,994,001,083	2,244,614,001	1,404,128,407
Basic and diluted earnings per share attributable to shareholders of the Parent Company	26	0.763	0.446	0.309

The notes on pages 1 to 69 are integral part of these consolidated financial statements.

Shang Properties, Inc. and Subsidiaries

Consolidated Statements of Changes in Equity
For each of the three years in the period ended December 31, 2022
(All amounts in Philippine Peso)

		Shareholders of the Parent Company										
				Other comprehensive income								
	Share capital (Note 18)	Share premium (Note 18)	Treasury shares (Note 18)	Cumulative changes in fair value of financial assets at FVOCI (Note 11)	Cumulative translation adjustments	Remeasurement loss on defined benefit plan (Note 24)	Total Other comprehensive income	Equity reserves	Retained earnings	Parent's Total Equity	Non-controlling interests (Note 9)	Total equity
Balances at January 1, 2020	4,764,058,982	834,439,607	(6,850,064)	263,169,666	(1,545,237)	(25,441,645)	236,182,784	(141,132,606)	29,329,234,160	35,015,932,863	6,254,206,015	41,270,138,878
Comprehensive income												
Net income for the year	-	-	-	-	-	-	-	-	1,469,965,012	1,469,965,012	(48,385,230)	1,421,579,782
Other comprehensive income (loss)	-	-	-	(4,460,505)	(291,113)	(11,880,418)	(16,632,036)	-	-	(16,632,036)	(819,339)	(17,451,375)
Total comprehensive income (loss)	-	-	-	(4,460,505)	(291,113)	(11,880,418)	(16,632,036)	-	1,469,965,012	1,453,332,976	(49,204,569)	1,404,128,407
Transaction with owners												
Cash dividends declared (Note 19)	-	-	-	-	-	-	-	-	(745,240,118)	(745,240,118)	(254,660,000)	(999,900,118)
Balances at December 31, 2020	4,764,058,982	834,439,607	(6,850,064)	258,709,161	(1,836,350)	(37,322,063)	219,550,748	(141,132,606)	30,053,959,054	35,724,025,721	5,950,341,446	41,674,367,167
Comprehensive income												
Net income for the year	-	-	-	-	-	-	-	-	2,124,062,600	2,124,062,600	66,213,544	2,190,276,144
Other comprehensive income (loss)	-	-	-	(1,425,004)	208,393	50,472,545	49,255,934	-	-	49,255,934	5,081,923	54,337,857
Total comprehensive income (loss)	-	-	-	(1,425,004)	208,393	50,472,545	49,255,934	-	2,124,062,600	2,173,318,534	71,295,467	2,244,614,001
Transaction with owners												
Cash dividends declared (Note 19)	-	-	-	-	-	-	-	-	(590,477,874)	(590,477,874)	(389,480,000)	(979,957,874)
Balances at December 31, 2021	4,764,058,982	834,439,607	(6,850,064)	257,284,157	(1,627,957)	13,150,482	268,806,682	(141,132,606)	31,587,543,780	37,306,866,381	5,632,156,913	42,939,023,294
Comprehensive income												
Net income for the year	-	-	-	-	-	-	-	-	3,634,480,097	3,634,480,097	353,681,483	3,988,161,580
Other comprehensive income (loss)	-	-	-	(811,104)	2,717,157	3,626,747	5,532,800	-	-	5,532,800	306,703	5,839,503
Total comprehensive income (loss)	-	-	-	(811,104)	2,717,157	3,626,747	5,532,800	-	3,634,480,097	3,640,012,897	353,988,186	3,994,001,083
Transaction with owners												
Cash dividends declared (Note 19)	-	-	-	-	-	-	-	-	(785,616,768)	(785,616,768)	(211,218,000)	(996,834,768)
Balances at December 31, 2022	4,764,058,982	834,439,607	(6,850,064)	256,473,053	1,089,200	16,777,229	274,339,482	(141,132,606)	34,436,407,109	40,161,262,510	5,774,927,099	45,936,189,609

The notes on pages 1 to 69 are integral part of these consolidated financial statements.

Shang Properties, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
For each of the three years in the period ended December 31, 2022
(All amounts in Philippine Peso)

	Notes	2022	2021	2020
Cash flows from operating activities				
Income before income tax		4,665,642,503	1,322,676,067	1,825,795,642
Adjustments for:				
Depreciation and amortization	12	387,937,588	995,486,575	1,112,674,834
Finance costs	23	108,512,082	119,436,253	138,903,721
Provision for probable losses	22	-	-	100,150,239
Retirement benefit expense	24	36,032,048	42,045,731	38,105,630
Provision for restructuring	22	-	-	33,985,773
Loss on fair value adjustment of financial assets at fair value through profit or loss	4, 23	(577,095)	2,810,236	2,652,634
Provision for doubtful accounts	5, 22	156,757	322,003	9,113,149
Unrealized foreign exchange (gain) loss	3	(24,254,712)	(6,359,609)	2,522,490
Gain on sale of property and equipment	23	(374,086)	(7,885,500)	(357,806)
Amortization of deferred lease income	17	(15,039,771)	(34,403,409)	(40,478,445)
Dividend income	23	(667,694)	(11,658,709)	(13,002,470)
Share in net income of associates and a joint venture	8	(1,422,113,933)	(404,707,422)	(185,533,552)
Finance income	23	(233,134,966)	(194,639,616)	(382,943,112)
Operating income before working capital changes		3,502,118,722	1,823,122,600	2,641,588,727
Changes in working capital:				
Trade and other receivables		(1,215,385,319)	(89,825,102)	208,110,388
Properties held for sale		(782,346,425)	(265,507,980)	(692,236,187)
Prepaid taxes and other current assets		(311,864,211)	(284,217,405)	(349,195,707)
Other non-current assets		28,099,262	118,248	44,140,926
Accounts payable and other current liabilities		370,267,712	(825,476,317)	(340,014,434)
Retirement benefit liability		4,601,555	(27,372,387)	(12,725,357)
Installment payable		(47,883,236)	(94,867,844)	(301,166,892)
Advance rentals		(250,591,142)	(175,879,730)	13,829,918
Deposits from tenants		(23,393,046)	(134,201,119)	45,149,228
Net cash (used in) generated from operations		1,273,623,872	(74,107,036)	1,257,480,610
Income tax paid		(307,345,620)	(468,119,089)	(609,634,380)
Interest received		230,963,041	196,824,969	381,526,486
Retirement benefits paid directly by the Group		(16,373,667)	(8,225,271)	(1,333,401)
Net cash provided by (used in) operating activities		1,180,867,626	(353,626,427)	1,028,039,315
Cash flows from investing activities				
Additions to:				
Property and equipment	12	(148,413,826)	(126,722,430)	(152,201,324)
Other non-current assets	14	-	-	(465,888,000)
Advances to a joint venture	8	(7,812,589)	(5,409,091)	(10,762,246)
Investment properties	10	(586,936,832)	(457,743,557)	(367,685,862)
Financial assets at fair value through other comprehensive income	11	(16,100,002)	-	-
Dividends received	23	667,694	11,658,709	13,002,470
Proceeds from sale of property and equipment	12, 23	8,738,236	9,775,500	703,857
Net cash used in investing activities		(749,857,319)	(568,440,869)	(982,831,105)
Cash flows from financing activities				
Payments of:				
Loan principal	16	(2,865,000,000)	(1,433,333,333)	(2,603,333,333)
Interest	16	(110,577,456)	(88,357,516)	(106,057,131)
Cash dividends paid to:				
Shareholders	19	(786,346,422)	(602,612,211)	(718,753,242)
Non-controlling shareholders of subsidiaries	9	(211,218,000)	(389,480,000)	(254,660,000)
Proceeds from loan availment	16	3,460,000,000	3,255,999,987	2,550,000,000
Net cash (used in) provided by financing activities		(513,141,878)	742,216,927	(1,132,803,706)
Net decrease in cash and cash equivalents for the year		(82,131,571)	(179,850,369)	(1,087,595,496)
Cash and cash equivalents at January 1	3	1,376,480,154	1,549,970,914	2,640,088,900
Effects of exchange rate changes on cash and cash equivalents	3	24,254,712	6,359,609	(2,522,490)
Cash and cash equivalents at December 31	3	1,318,603,295	1,376,480,154	1,549,970,914

The notes on pages 1 to 69 are integral part of these consolidated financial statements.

Shang Properties, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements
As at December 31, 2022 and 2021
and for each of the three years in the period ended December 31, 2022
(All amounts are shown in Philippine Peso unless otherwise stated)

Note 1 - General information

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

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

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

COVID-19 pandemic

The COVID-19 pandemic did not have a significant impact on the Group for each of the three years in the period ended December 31, 2022. While the pandemic still poses some risk and uncertainties, the Group, however, remains confident in its ability to absorb some conceivable financial shocks that may arise due to volatile economic conditions.

The consolidated financial statements have been approved and authorized for issue in accordance with a resolution of the Board of Directors dated March 22, 2023.

Note 2 - Segment information

The Group's operating businesses are organized and managed according to the nature of the products and services marketed. Each segment represents a strategic business unit that offers different products and serves different markets. The Group has operations only in the Philippines. The Group derives revenues from three (3) main segments as follows:

(a) Property development

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

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

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

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

- Shang Wack Wack Properties, Inc. ("SWWPI") is the developer of Shang Residences at Wack Wack Project, located in Mandaluyong City.

- SPI Property Holdings, Inc. ("SPI-PHI"), and SPI Land Development, Inc. ("SPI-LDI") are new subsidiaries in which the Group will develop its upcoming projects.

(b) Hotel operations

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

(c) Leasing

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

As disclosed in Note 10, in 2019, the Parent Company started construction of a project located in the City of Mandaluyong. The project is being constructed on a parcel of land registered in the Parent Company's name. The construction of the project is ongoing and is expected to be completed in 2024. Upon completion, the project will be subsequently leased out to third parties and related parties. In 2021, the Parent Company has transferred the construction-in-progress to SPI Property Developers, Inc. ("SPI-PDI").

(d) Other business segments

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

Except for the rental revenue from ESHRI, all revenues come from transactions with third parties. There are no revenues derived from a single external customer above 10% of total revenue in 2022, 2021 and 2020. There is no need to present reconciliation since measure of segment assets, liabilities and results of operations are consistent with those of the consolidated financial statements.

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

There are no changes in the Group's reportable segments and related strategies and policies in 2022, 2021, and 2020.

The segment assets, liabilities and results of operations of the reportable segments of the Group as at and for the year ended December 31, 2022 are as follows:

	Property development	Hotel operations	Leasing	Others	Total segments	Eliminations	Consolidated
Revenues							
Condominium sales	2,850,803,449	-	-	-	2,850,803,449	-	2,850,803,449
Rental and cinema	67,965,270	-	2,254,359,907	-	2,322,325,176	(157,245,605)	2,165,079,571
Hotel operation	-	2,844,976,129	-	-	2,844,976,129	-	2,844,976,129
Cost of sales and services							
Condominium sales	(1,226,557,946)	-	-	-	(1,226,557,946)	-	(1,226,557,946)
Rental and cinema	(23,518,162)	-	(146,553,197)	-	(170,071,359)	(3,946,316)	(174,017,675)
Hotel operation	-	(1,729,475,822)	-	-	(1,729,475,822)	-	(1,729,475,822)
Gross profit (loss)	1,668,692,610	1,115,500,307	2,107,806,710	-	4,891,999,627	(161,191,921)	4,730,807,706
Operating expenses	(485,598,394)	(531,610,114)	(1,085,310,108)	(58,017,727)	(2,160,536,342)	434,389,535	(1,726,146,807)
Other income (expense)	191,743,282	9,696,362	1,597,772,615	244,954,834	2,044,167,093	(1,695,851,268)	348,315,825
Share in net income of associates and a joint venture	-	-	1,422,113,933	-	1,422,113,933	-	1,422,113,933
Interest expense and bank charges	(189,540)	(84,677,913)	(24,574,573)	(6,128)	(109,448,154)	-	(109,448,154)
Income before income tax	1,374,647,958	508,908,642	4,017,808,577	186,930,980	6,088,296,157	(1,422,653,654)	4,665,642,503
Income tax expense (benefit)	(318,663,721)	(131,066,524)	(241,734,185)	(5,142,884)	(696,607,314)	19,126,391	(677,480,923)
Net income for the year	1,055,984,237	377,842,118	3,776,074,392	181,788,096	5,391,688,843	(1,403,527,263)	3,988,161,580
Segment assets	15,220,100,958	8,765,496,603	55,894,571,847	4,465,193,181	84,345,362,589	(22,463,494,741)	61,881,867,848
Associate and joint venture companies (Note 8)	-	-	-	5,748,050,305	5,748,050,305	-	5,748,050,305
Total assets	15,220,100,958	8,765,496,603	55,894,571,847	10,213,243,486	90,093,412,894	(22,463,494,741)	67,629,918,153
Segment liabilities	9,231,332,857	2,354,889,701	19,444,482,714	7,518,732,117	38,549,437,389	(16,855,708,844)	21,693,728,545
Capital expenditures for the year (Notes 10 and 12)	13,068,984	18,718,180	476,946,876	808,468	509,452,508	-	509,452,508

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

	Property development	Hotel operations	Leasing	Others	Total segments	Eliminations	Consolidated
Revenues							
Condominium sales	1,951,230,634	-	-	-	1,951,230,634	-	1,951,230,634
Rental and cinema	29,414,034	-	1,870,556,047	-	1,899,970,081	(79,700,212)	1,820,269,869
Hotel operation	-	802,424,771	-	-	802,424,771	-	802,424,771
Cost of sales and services							
Condominium sales	(957,901,740)	-	-	-	(957,901,740)	-	(957,901,740)
Rental and cinema	(23,882,524)	-	(52,849,225)	-	(76,731,749)	(4,709,563)	(81,441,312)
Hotel operation	-	(1,525,725,890)	-	-	(1,525,725,890)	-	(1,525,725,890)
Gross profit (loss)	998,860,404	(723,301,119)	1,817,706,822	-	2,093,266,107	(84,409,775)	2,008,856,332
Operating expenses	(445,205,066)	(240,529,462)	(949,935,242)	(69,174,744)	(1,704,844,514)	353,498,127	(1,351,346,387)
Other income (expense)	146,573,347	5,179,028	1,836,217,534	533,710,293	2,521,680,202	(2,141,169,424)	380,510,778
Share in net income of associates and a joint venture	-	-	404,707,422	-	404,707,422	-	404,707,422
Interest expense and bank charges	(239,355)	(68,814,748)	(50,991,945)	(6,030)	(120,052,078)	-	(120,052,078)
Income before income tax	699,989,330	(1,027,466,301)	3,057,704,591	464,529,519	3,194,757,139	(1,872,081,072)	1,322,676,067
Income tax expense (benefit)	(75,835,979)	188,273,811	716,873,969	34,228,507	863,540,308	4,059,769	867,600,077
Net income for the year	624,153,351	(839,192,490)	3,774,578,560	498,758,026	4,058,297,447	(1,868,021,303)	2,190,276,144
Segment assets	13,790,274,492	9,013,578,399	50,775,921,997	5,813,004,665	79,392,779,553	(19,934,131,349)	59,458,648,204
Associate and joint venture companies (Note 8)	-	-	-	4,318,123,784	4,318,123,784	-	4,318,123,784
Total assets	13,790,274,492	9,013,578,399	50,775,921,997	10,131,128,449	83,710,903,337	(19,934,131,349)	63,776,771,988
Segment liabilities	8,219,642,381	2,981,522,863	16,324,221,031	7,422,369,764	34,947,756,039	(14,110,007,432)	20,837,748,607
Capital expenditures for the year (Notes 10 and 12)	360,702	116,036,030	468,006,247	63,008	584,465,987	-	584,465,987

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

	Property development	Hotel operations	Leasing	Others	Total segments	Eliminations	Consolidated
Revenues							
Condominium sales	3,009,081,539	-	864,966	-	3,009,946,505	-	3,009,946,505
Rental and cinema	29,819,750	-	2,188,581,255	-	2,218,401,005	(89,620,954)	2,128,780,051
Hotel operation	-	1,081,762,155	-	-	1,081,762,155	-	1,081,762,155
Cost of sales and services				-			
Condominium sales	(1,683,687,995)	-	(1,312,500)	-	(1,685,000,495)	-	(1,685,000,495)
Rental and cinema	-	-	(95,573,669)	-	(95,573,669)	(4,674,713)	(100,248,382)
Hotel operation	-	(1,851,378,118)	-	-	(1,851,378,118)	-	(1,851,378,118)
Gross profit	1,355,213,294	(769,615,963)	2,092,560,052	-	2,678,157,383	(94,295,667)	2,583,861,716
Operating expenses	(375,549,074)	(488,814,726)	(968,701,023)	(63,512,466)	(1,896,577,289)	397,888,017	(1,498,689,272)
Other income (expense)	521,852,549	336,110	1,623,049,579	1,482,381,069	3,627,619,307	(2,932,883,089)	694,736,218
Share in net income of associates and a joint venture	-	-	185,533,552	-	185,533,552	-	185,533,552
Interest expense and bank charges	(382,615)	(54,598,512)	(84,664,886)	(559)	(139,646,572)	-	(139,646,572)
Income before income tax	1,501,134,154	(1,312,693,091)	2,847,777,274	1,418,868,044	4,455,086,381	(2,629,290,739)	1,825,795,642
Income tax expense	(447,929,063)	366,508,509	(330,694,493)	(6,915,883)	(419,030,930)	14,815,070	(404,215,860)
Net income for the year	1,053,205,091	(946,184,582)	2,517,082,781	1,411,952,161	4,036,055,451	(2,614,475,669)	1,421,579,782
Segment assets	13,068,010,430	9,634,940,936	46,277,865,491	11,016,135,980	79,996,952,837	(18,144,906,407)	61,852,046,430
Associate and joint venture companies (Note 8)	-	-	-	1,317,911,271	1,317,911,271	-	1,317,911,271
Total assets	13,068,010,430	9,634,940,936	46,277,865,491	12,334,047,251	81,314,864,108	(18,144,906,407)	63,169,957,701
Segment liabilities	7,442,505,419	2,776,383,880	15,062,265,919	8,323,004,905	33,604,160,123	(12,108,569,589)	21,495,590,534
Capital expenditures for the year (Notes 10 and 12)	2,676,259	136,712,429	380,212,784	285,714	519,887,186	-	519,887,186

Note 3 - Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2022	2021
Cash on hand	11,194,228	15,431,046
Cash in banks	750,528,076	817,622,712
Cash equivalents	556,880,991	543,426,396
	1,318,603,295	1,376,480,154

Cash in banks earned interest at prevailing bank deposit rates.

Cash equivalents are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the prevailing short-term deposit rates.

Interest income earned for the year ended December 31, 2022 amounted to P7,062,745 (2021 - P2,334,180; 2020 - P12,956,641) (Note 23).

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

	2022			2021		
	Foreign currency	Exchange rate	Peso equivalent	Foreign currency	Exchange rate	Peso equivalent
US Dollar	1,179,604	56.12	66,199,376	1,647,584	50.77	83,647,840

The realized and unrealized exchange losses for the years ended December 31 included within Other income in the consolidated statement of total comprehensive income are as follows:

	2022	2021	2020
Foreign exchange gains (losses)			
Realized	(9,679,853)	(1,834,623)	(1,206,598)
Unrealized	24,254,712	6,359,609	(2,522,490)
Total	14,574,859	4,524,986	(3,729,088)

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

This account represents equities that are listed in the Philippine Stock Exchange (PSE). Movements in the account for the years ended December 31 are as follows:

	Note	2022	2021
At January 1		30,815,974	33,626,210
Gain (loss) on fair value adjustment	23	577,095	(2,810,236)
At December 31		31,393,069	30,815,974

The fair values have been derived based on current bid prices in the PSE (Level 1 valuation). The fair value adjustment is included in Other Income in the statements of comprehensive income.

Note 5 - Trade and other receivables, net

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

	Note	2022	2021
Trade			
Installment contracts receivable		3,078,168,899	2,193,098,452
Rent receivables		258,256,262	214,920,610
Receivables from guests and concessionaires		158,561,462	158,365,411
Non-trade			
Related parties	27	1,984,204,839	1,750,160,781
Advances to officers and employees		2,118,845	6,027,757
Interest		4,303,297	2,131,372
Others		89,295,618	77,077,346
		5,574,909,222	4,401,781,729
Allowance for impairment of receivables		(21,197,037)	(21,040,280)
		5,553,712,185	4,380,741,449

Installment contracts receivable arises from sale of condominium units in the Group's ordinary course of business. Contract receivables are collectible within a period based on the payment schedule agreed with the buyers. Interest income earned from installment contracts receivable for the year ended December 31, 2022 amounted to P92,398,578 (2021 - P111,642,591; 2020 - P299,782,769) (Note 23).

Rent receivables are non-interest bearing and pertain to rental fees charged to tenants. The normal credit terms range from 30 to 60 days.

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

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

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

Movements in allowance for impairment of receivables for the years ended December 31 are as follows:

	Note	2022	2021
At January 1		21,040,280	23,020,320
Provision	22	156,757	322,003
Write-off		-	(2,302,043)
At December 31		21,197,037	21,040,280

The Group's trade and other receivables are all denominated in Philippine Peso.

There were no trade and other receivables pledged as collaterals as at December 31, 2022 and 2021.

Note 6 - Properties held for sale

Properties held for sale as at December 31 consist of:

	2022	2021
Condominium units held for sale	338,001,875	422,129,541
Construction in progress	4,109,330,710	3,242,856,619
	4,447,332,585	3,664,986,160

The cost of condominium sales recognized as expense and presented as part of Cost of sales and services in the Consolidated statements of comprehensive income amounted to P1,226,557,946 in 2022 (2021 - P957,901,740; 2020 - P1,685,000,495) (Note 20).

(a) Condominium units held for sale

This account represents the accumulated actual construction costs of unsold units of completed condominium projects.

The movements in condominium units held for sale as at December 31 are as follows:

	Note	2022	2021
At January 1		422,129,541	497,742,705
Additional development costs for the year		19,009,869	29,873,621
Transfer to property and equipment	12	(96,635,850)	(97,160,580)
Cost of condominium units sold (excluding commissions)		(6,501,685)	(8,326,205)
At December 31		338,001,875	422,129,541

The additional development costs presented above pertain to the Shang Salcedo Place and Horizon Homes.

(b) Construction in progress

This account represents the accumulated actual construction costs of unsold units of ongoing condominium projects, recognized based on the ongoing project's percentage-of-completion. The movements in this account as at December 31 are as follows:

	Note	2022	2021
At January 1		3,242,856,619	2,915,322,511
Construction and development costs incurred:			
Land cost		895,281,143	452,138,727
Construction cost		703,534,483	544,966,951
Project management expenses		186,954,134	167,632,766
Professional and consultancy fees		87,754,131	28,740,593
Taxes, permits and licenses		74,645,575	19,781,405
Insurance and bonds		5,437,459	5,603,839
Others		19,165,085	17,391,932
Transfer to investment property	10	(3,659,179)	(13,377,018)
Allocated cost of condominium sold (excluding commissions)		(1,102,638,740)	(895,345,087)
At December 31		4,109,330,710	3,242,856,619

The transfer in 2022 and 2021 relate to construction and development costs incurred during the period attributable to the retail portion of The Rise Makati condominium (Note 10).

As at December 31, 2022, the estimated costs to complete the Group's on-going projects follow:

	2022	2021
The Rise Makati	-	690,336,332
Shang Residences at Wack Wack	2,002,440,379	3,101,382,539
	2,002,440,379	3,791,718,871

Critical accounting judgment - Estimation of net realizable value of properties held for sale

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

NRV has been assessed to be higher than cost based on circumstances or conditions as at December 31, 2022 and 2021. Accordingly, no write-down is deemed necessary.

Critical accounting estimates - Estimation of percentage-of-completion of the Group's projects

Revenue from condominium sales is recognized over time using the output method in accordance with the guidance set in PFRS 15, *Revenue from contracts with customers*, and Philippine Interpretations Committee Questions and Answers (PIC Q&A) 2016-04. Under the output method, revenue is calculated with reference to the PoC of the project. PoC is determined based on the actual physical completion of the project. Management believes that revenue from condominium sales reported in the statement of total comprehensive income best reflects the PoC of the projects as at reporting date.

The Group's on-going projects and their PoC as at December 31 are as follows:

Projects	2022	2021
The Rise Makati	100%	99%
Shang Residences at Wack Wack	57%	33%

Critical accounting judgment - Collectability of the transaction price

Identification of a "contract" for particular real estate sale transaction in the context of PFRS 15 requires certain judgments based on the collectability of the transaction price. Collectability of the transaction price is demonstrated by the buyer's commitment to pay which, in turn, is supported by substantial initial and continuing investments that gives the buyer a sufficient stake in the property that risk of loss through default motivates the buyer to honor his obligation. Collectability is also assessed by considering factors such as the credit standing of the buyer, age, and location of the property. For condominium sales, in determining whether the contract prices are collectible, the Company considers that initial and continuing investments by the buyer of about 10% would demonstrate the buyer's commitment to pay, based on historical data.

Note 7 - Prepaid taxes and other current assets

Prepaid taxes and other current assets as at December 31 consist of:

	2022	2021
Advances to contractors and suppliers	1,339,424,650	1,102,047,298
Creditable withholding tax (CWT)	451,544,612	473,399,458
Input value added tax (VAT)	161,685,955	89,830,102
Prepaid commission	71,018,655	112,295,828
Prepaid property tax	47,346,911	46,254,700
Consumables and supplies	27,044,505	12,049,934
Prepaid insurance	15,898,161	9,763,998
Deferred input VAT	7,206,363	6,644,408
Other prepaid expenses	138,126,026	95,145,901
	2,259,295,838	1,947,431,627

Advances to contractors and suppliers pertain to initial payments made by the Group for the construction and development of its condominium projects. These are applied as payments of progress billing by the contractors and suppliers based on milestones or percentage of accomplishment or delivery as stipulated in the contracts.

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

Prepaid commission represents advance commission paid to property consultants and brokers based on the percentage of completion of the project sold. This account is treated as a fulfilment cost under PFRS 15, *Revenue from contracts with customers*, and therefore amortized as an expense.

Input VAT represents tax paid to suppliers that can be claimed as credit against the future output VAT liabilities and has no expiration.

Consumables and supplies consist of food, beverages and other recreational consumable items for the hotel operations.

Other prepaid expenses mainly consist of advance payments for rent, staff accommodation rentals, software support, refundable deposits, and other expenses which are normally utilized within the next financial year.

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

This account as at December 31 consist of:

	2022	2021
Investment in a joint venture		
At January 1	1,727,894,911	1,317,778,398
Additional investments	7,812,588	5,409,091
Share in net income for the year	1,422,113,933	404,707,422
At December 31	3,157,821,432	1,727,894,911
Advances to a joint venture	2,590,096,000	2,590,096,000
Investments in various associates	132,873	132,873
	5,748,050,305	4,318,123,784

(a) Investment in and advances to a joint venture

On March 22, 2018, the Parent Company entered into a Joint Venture Agreement (the "Agreement") with Robinsons Land Corporation (RLC) for the construction and development of a mixed-use condominium project (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 Shang Robinsons Properties, Inc. (SRPI). SRPI is jointly controlled by the Parent Company and RLC, each holding 50% interest.

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

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 Parent Company subscribed and paid in full the amount of P1 billion equivalent to 1 billion common shares at P1 per share.

SRPI is engaged 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 since then presold 60% of its Aurelia Residences condominium units. As at December 31, 2022, the Aurelia Residences Project is 37% complete (2021 - 15%). In 2022, the Group's share in net income of the joint venture amounted to P1,422,113,933 (2021 - P404,707,422).

In 2019, advances amounting to P1 billion were extended to SRPI by the Parent Company. These advances will mature on April 1, 2023 and bear interest at a rate of 4%. In 2021, an additional P1.59 billion advances was extended to SRPI with the same interest rate. Of this amount, P888 million came from funds previously restricted for this purpose (Note 14). Interest income earned from these advances amounted to P106,912,679 in 2022 (2021 - P73,918,875) (Note 23).

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

	2022	2021
Summarized statements of financial position		
Current assets	12,990,219,768	12,542,718,617
Current liabilities	1,328,335,674	4,504,631,214
Non-current assets	74,098,436	269,339,168
Non-current liabilities	5,528,087,807	4,943,113,600
Net assets	6,207,894,723	3,364,312,971

	2022	2021
Summarized statements of comprehensive income		
Gross revenue	6,369,968,347	2,004,051,580
Net income for the year	2,844,227,866	809,414,844
Other comprehensive income for the year	-	-
Total comprehensive income for the year	2,844,227,866	809,414,844

(b) Investments in various associates

The Group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

Critical accounting judgment - Recoverability of investment and advances
The Group's investments in associates and a joint venture 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 has assessed that all investments and advances are fully recoverable as there are no impairment indicators as of reporting date.

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 Parent Company has rights to the net assets of SRPI and therefore, the arrangement is classified as a joint venture.

Note 9 - Non-controlling interests

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

	2022	2021
KSA	29.96%	29.96%
SGCPI	40.00%	40.00%

The summarized financial information of subsidiaries with material NCI are provided below. The information is based on amounts before inter-company eliminations.

(a) KSA Realty Corporation

	2022	2021
Summarized statements of financial position		
Current assets	170,010,211	218,308,408
Current liabilities	334,153,584	417,607,011
Non-current assets	10,664,105,858	10,664,109,117
Non-current liabilities	2,358,076,887	2,294,704,766
Equity	8,141,885,598	8,170,105,748
Equity attributable to:		
Equity holders of the Parent Company	5,699,319,919	5,722,342,066
NCI	2,442,565,679	2,447,763,682
	8,141,885,598	8,170,105,748
Dividends declared to NCI	211,218,000	389,480,000

	2022	2021	2020
Summarized statements of comprehensive income			
Revenues	948,079,146	1,247,331,349	1,435,989,656
Cost and expenses	(118,057,033)	(39,088,170)	(70,079,425)
Other income (expense), net	(1,299,536)	(59,171,269)	(1,081,116)
Income before income tax	828,722,577	1,149,071,910	1,364,829,115
Income tax benefit (expense)	(152,625,942)	192,395,507	(263,035,391)
Net income for the year	676,096,635	1,341,467,417	1,101,793,724
Other comprehensive income (loss)	57,588	18,479	(107,625)
Total comprehensive income	676,154,223	1,341,485,896	1,101,686,099
Net income attributable to:			
Equity holders of the Parent Company	473,267,644	939,563,779	771,696,324
NCI	202,828,991	401,903,638	330,097,400
	676,096,635	1,341,467,417	1,101,793,724
Total comprehensive income attributable to:			
Equity holders of the Parent Company	488,951,629	939,576,722	771,620,944
NCI	209,151,782	401,909,174	330,065,155
	698,103,411	1,341,485,896	1,101,686,099

	2022	2021	2020
Summarized statements of cash flows			
Operating activities	776,965,610	776,965,610	1,141,854,238
Investing activities	(22,642)	(22,642)	(671,663)
Financing activities	(1,321,422,305)	(1,321,422,305)	(828,577,695)

(b) Shang Global City Properties, Inc.

	2022	2021
Summarized statements of financial position		
Current assets	716,796,711	604,520,335
Current liabilities	1,202,720,368	1,734,370,736
Non-current assets	8,048,936,305	8,409,058,064
Non-current liabilities	1,153,114,997	1,247,152,126
Equity	6,409,897,651	6,032,055,537
Equity attributable to:		
Equity holders of the Parent Company	3,845,938,591	3,619,233,322
NCI	2,563,959,060	2,412,822,215
	6,409,897,651	6,032,055,537

	2022	2021	2020
Summarized statements of comprehensive income			
Revenues	2,844,976,129	802,424,771	1,081,762,155
Cost of sales and services	(1,765,361,865)	(1,525,725,890)	(1,797,344,447)
Operating expenses	(478,380,764)	(240,529,462)	(392,286,468)
Other expenses, net	(93,034,106)	(63,635,720)	(204,824,327)
Income before income tax	508,199,394	(1,027,466,301)	(1,312,693,087)
Income tax benefit (expense)	(131,066,524)	188,273,811	366,508,509
Net income (loss) for the year	377,132,870	(839,192,490)	(946,184,578)
Other comprehensive income (loss)	-	12,690,968	(1,967,738)
Total comprehensive income (loss)	377,132,870	(826,501,522)	(948,152,316)
Net income (loss) attributable to:			
Equity holders of the Parent Company	226,279,722	(503,515,494)	(567,710,747)
NCI	150,853,148	(335,676,996)	(378,473,831)
	377,132,870	(839,192,490)	(946,184,578)
Total comprehensive income attributable to:			
Equity holders of the Parent Company	226,279,722	(495,900,913)	(568,891,390)
NCI	150,853,148	(330,600,609)	(379,260,926)
	377,132,870	(826,501,522)	(948,152,316)

	2022	2021	2020
Summarized statements of cash flows			
Operating activities	(525,728,135)	(525,728,135)	(302,908,282)
Investing activities	(84,782,469)	(84,782,469)	(71,452,196)
Financing activities	608,193,062	608,193,062	146,159,927

No dividends were declared and paid by SGCPI in 2022 and 2021.

Note 10 - Investment properties

This account consists of properties that are either held for capital appreciation or for rental purposes or both. The Group'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:

	Note	Land	Buildings	Total
At January 1, 2021		15,905,946,923	19,007,926,142	34,913,873,065
Transfers due to change in use from properties held for sale	6	-	13,377,018	13,377,018
Capitalized subsequent expenditures		-	457,743,557	457,743,557
At December 31, 2021		15,905,946,923	19,479,046,717	35,384,993,640
Transfers due to change in use from properties held for sale	6	-	3,659,179	3,659,179
Capitalized subsequent expenditures		-	583,277,653	583,277,653
At December 31, 2022		15,905,946,923	20,065,983,549	35,971,930,472

As at December 31, 2022 and 2021, the fair values of the properties are based on valuations performed by an independent external appraiser engaged by the management. The valuation models are in accordance with that recommended by the International Valuation Standards Committee.

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

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

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

	2022	2021	2020
Rental revenue	2,147,405,123	1,819,173,957	2,124,139,646
Cinema revenue	17,674,448	1,095,912	4,640,405
Total rental and cinema revenue	2,165,079,571	1,820,269,869	2,128,780,051
Cost of rental and cinema	(174,017,675)	(81,441,312)	(100,248,382)
Profit arising from investment properties carried at fair value	1,991,061,896	1,738,828,557	2,028,531,669

Cost of rental and cinema include share in common expenses, real property taxes and insurance expenses (Note 20).

The Group (as a lessor) has cancellable lease agreements with third parties covering the freehold buildings and their improvements. The lease arrangements are either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Critical accounting estimate - Determination of fair values of investment properties

Information on the fair value of investment property as at December 31 as to hierarchy is as follows:

	2022		
Fair value of hierarchy	Land	Buildings	Total
Level 2	10,034,573,023	2,995,047,009	13,029,620,032
Level 3	5,871,373,900	17,070,936,540	22,942,310,440
Total	15,905,946,923	20,065,983,549	35,971,930,472

	2021		
Fair value of hierarchy	Land	Buildings	Total
Level 2	10,034,573,023	2,455,826,617	12,490,399,640
Level 3	5,871,373,900	17,023,220,100	22,894,594,000
Total	15,905,946,923	19,479,046,717	35,384,993,640

(a) Fair value of condominium units and other properties (Level 2)

The fair values of the Group’s condominium units and properties 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.

These investment properties relate to individually immaterial land and building properties whose fair values have been determined in the prior years and are subject to reassessment in accordance with the Group’s accounting policy.

(b) Fair value of retail and office spaces (Level 3)

The following table presents the valuation techniques and unobservable key inputs used to value the following investment properties:

Investment property type	Fair value as at December 31, 2022 and 2021	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability - weighted average)	Relationship of unobservable inputs to fair value
Building (The Enterprise Center (Office))	P10,662,565,000	Direct income capitalization	Rental value	P1,680 per square meter (2021 - P1,680)	The higher the rental value and occupancy rate, the higher the fair value.
			Occupancy rate	95% (2021 - 95%)	
			Expense-revenue ratio	5.55% (2021 - 5.55%)	The higher the expense- revenue ratio and discount rate, the lower the fair value.
			Discount rate	11.37% (2021 - 11.37%)	
Land and building (Main wing and east wing of Shangri-La Plaza mall (Retail), including the land where the property is located)	P12,232,029,000 (Land - P 5,871,373,900; Building – P6,360,655,100)	Direct income capitalization	Rental value	P1,700 per square meter (2021 - P1,700)	The higher the rental value and occupancy rate, the higher the fair value.
			Occupancy rate	96% (2021 - 96%)	
			Expense-revenue ratio	23% (2021 - 23%)	The higher the expense- revenue ratio and discount rate, the lower the fair value.
			Discount rate	12.37% (2021 - 12.37%)	

The fair values of these properties are calculated using the direct income capitalization approach (Level 3). In applying the direct income capitalization approach, the stabilized net operating income (NOl) of each property is divided by an appropriate capitalization rate. 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. 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.

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.

For sensitivity analysis purposes, any +/- 1% change in market rental value per square meter would increase/decrease total assets and pre-tax income by P229 million.

Critical accounting judgments

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

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

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

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

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

(b) Classification of leases as operating lease

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

The carrying values of investment properties as at December 31, 2022 and 2021 are disclosed in the previous table.

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

This account consists of equity securities as follows:

	2022	2021
Unquoted securities	488,429,727	488,429,727
Quoted securities	9,101,515	9,101,515
Acquisition cost	497,531,242	497,531,242
Cumulative changes in fair value	314,937,254	299,437,253
Fair value	812,468,496	796,968,495

The fair values of the unquoted equity securities are based on the net asset value of the underlying assets of investee companies which are mainly investment properties consisting of land and buildings which are measured and carried at fair value of underlying assets. The fair value measurements have been categorized as Level 3. Estimated fair value of assets classified as Level 3 are considered not significant relative to the overall size of the Group's total assets.
The quoted equity securities consist of investments in various golf club shares and stocks. These are carried at fair values which are based on the quoted market prices (Level 1) as at the reporting date.

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

The movements in the cumulative changes in fair value recognized as other comprehensive income in the statement of financial position for the years ended December 31 are as follows:

	2022	2021
At January 1	257,284,157	258,709,161
Gain (loss) on fair value adjustment	15,500,000	(600,000)
Deferred income tax effect	(16,311,104)	(825,004)
At December 31	256,473,053	257,284,157

Note 12 - Property and equipment, net

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

	Building and building improvements	Transportation equipment	Furniture, fixtures and other equipment	Total
Cost				
At January 1, 2022	9,532,396,423	50,591,069	7,008,111,173	16,591,098,665
Transfer from properties held for sale	96,635,850	-	-	96,635,850
Additions	12,806,310	4,338,393	34,633,273	51,777,976
Adjustment	-	-	(103,882)	(103,882)
Disposals	-	(971,429)	(7,392,721)	(8,364,150)
At December 31, 2022	9,641,838,583	53,958,033	7,035,247,843	16,731,044,459
Accumulated depreciation and amortization				
At January 1, 2022	1,466,041,010	39,510,836	4,271,686,655	5,777,238,501
Depreciation and amortization	133,409,245	5,350,123	249,178,220	387,937,588
Disposals	-	(971,429)	(7,234,539)	(8,205,968)
At December 31, 2022	1,599,450,255	43,889,530	4,513,630,336	6,156,970,121
Cost				
At January 1, 2021	9,434,803,085	48,693,212	6,982,848,189	16,466,344,486
Transfer from properties held for sale	97,160,580	-	-	97,160,580
Additions	2,322,758	1,897,857	25,341,235	29,561,850
Adjustment	-	-	(78,251)	(78,251)
Disposals	(1,890,000)	-	-	(1,890,000)
At December 31, 2021	9,532,396,423	50,591,069	7,008,111,173	16,591,098,665
Accumulated depreciation and amortization				
At January 1, 2021	1,336,454,869	34,335,012	3,410,962,045	4,781,751,926
Depreciation and amortization	129,586,141	5,175,824	860,724,610	995,486,575
At December 31, 2021	1,466,041,010	39,510,836	4,271,686,655	5,777,238,501
Net book values at				
At December 31, 2022	8,042,388,328	10,068,503	2,521,617,507	10,574,074,338
At December 31, 2021	8,066,355,413	11,080,233	2,736,424,518	10,813,860,164

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

Depreciation and amortization were allocated as follows:

	Note	2022	2021	2020
Cost of sales and services	20	352,667,345	956,163,370	1,074,039,063
Operating expenses		32,035,546	39,113,187	38,416,213
Capitalized under property held for sale		3,234,697	210,018	219,558
		387,937,588	995,486,575	1,112,674,834

Please refer to Note 16 for restrictions imposed on property and equipment of the Parent Company in relation to its long-term loan facility.

Critical accounting estimate - Useful lives of property and equipment

The useful life of each item of the Group's property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimate is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any property and equipment would increase the recorded operating expenses and decrease non-current assets. In 2022 and 2021, there were no changes in the estimated useful lives of property and equipment.

If the actual useful lives of the property and equipment differ by 10% (assessment threshold used by management), the carrying amount of property and equipment would have been P684.11 million higher or P559.72 million lower (2021 - P641.91 million higher or P525.23 million lower).

Critical accounting judgment - Impairment of non-financial assets

The Group reviews its non-financial assets, such as investments in associates and in a joint venture (Note 8) and property and equipment (Note 12), for any indicator of impairment in value. This includes considering certain factors such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. If indicators of impairment have been identified, the Group determines the recoverable amount of the asset, which is the higher of the asset's fair value less costs to sell and value in use.

Given historical profitable operations and profit projections, the Group has assessed that there are no impairment indicators with respect to the non-financial assets as at December 31, 2022 and 2021.

Note 13 - Goodwill

Goodwill acquired through business combinations has been allocated to SGCPI, the CGU, for impairment testing purposes.

The recoverable amount of the CGU has been based on value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to cash flow is 6.37% (2021 - 6.69%). Cash flows beyond the five-year period are extrapolated using a steady growth rate of 6.09% (2021 - 2.86%), which does not exceed the compounded annual growth rate for the real estate industry. As a result of the analysis, management did not identify impairment for this CGU.

Note 14 - Other non-current assets

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

	Note	2022	2021
Refundable deposits		134,132,859	158,464,474
Retirement benefit asset	24	11,996,824	17,350,712
Deferred input VAT		2,540,604	954,363
		148,670,287	176,769,549

Refundable deposits

Refundable deposits include cash required from the Group for the on-going construction and utilities maintenance. This is refundable at the end of the lease term. Refundable deposits are reflected at their carrying amounts which are assumed to approximate their fair values.

Note 15 - Accounts payable and other current liabilities

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

	Notes	2022	2021
Trade:			
Accounts payable		504,596,085	338,967,230
Advance rentals	29	227,289,476	90,958,156
Accrued expenses:			
Construction		980,668,244	1,093,827,411
Taxes		227,069,413	222,399,022
Employee benefits		187,854,033	64,029,894
Repairs and maintenance		86,116,183	56,257,535
Titling cost		85,384,679	96,439,358
Utilities		78,625,914	30,707,663
Outside services		75,525,906	48,829,610
Commission		55,380,794	32,392,473
Professional fees		47,366,951	13,831,221
Advertising and promotion		11,265,186	6,635,632
Interest	16	3,007,825	14,278,005
Others		57,143,674	76,828,279
Retention payables		450,565,082	527,518,845
Customers' deposits from:			
Condominium buyers		420,374,855	443,028,805
Hotel guests		157,063,745	129,095,127
Advances from condominium unit buyers		162,355,018	246,628,625
Construction bonds		63,811,828	60,161,848
Contract liabilities		38,562,465	86,799,375
Payable to contractors and suppliers		-	13,430,725
Reservation payables		11,957,120	23,101,979
Non-trade:			
Deferred output VAT		732,103,518	749,896,596
Payable to related parties	27	198,412,729	125,638,746
Payable to government agencies		70,901,765	24,682,604
Output VAT		64,407,032	60,829,668
Others	28	60,931,200	96,879,418
		5,058,740,720	4,774,073,850

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

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

In December 2020, SGCPI started to implement a restructuring program and a provision for restructuring amounting to P33.99 million was recognized for the termination benefits of redundated employees. The related provision was recognized under operating expenses in the statements of comprehensive income in 2020 (Note 22). In 2021, SGCPI reversed the excess provision for restructuring amounting to P6.4 million.

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

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

Advances from condominium unit buyers mainly pertain to amounts collected from buyers upon unit turnover, which are intended to pay for expenses incurred in process of transferring title to the buyers, utility deposits and real property taxes during titling period. These amounts are liquidated after title has been transferred to the buyer and any excess is refunded to the buyer.

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

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

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

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

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

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

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

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

Note 16 - Bank loans; Installment payable

16.1 Bank loans

Bank loans, net of debt issue costs, as at December 31 consist of:

	2022	2021
Current portion		
Parent Company	6,940,000,000	5,390,000,000
SGCPI	1,066,519,593	1,220,111,377
	8,006,519,593	6,610,111,377
Non-current portion		
Parent Company	-	-
SGCPI	299,672,875	1,095,786,300
	299,672,875	1,095,786,300
	8,306,192,468	7,705,897,677

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

	2022	2021
At January 1	7,705,897,677	5,879,505,464
Amortized debt issue cost	5,294,791	3,725,559
Proceeds from loan availments, net of unamortized debt issue costs	3,460,000,000	3,255,999,987
Payments	(2,865,000,000)	(1,433,333,333)
At December 31	8,306,192,468	7,705,897,677

The repayments of the above bank loans are scheduled as follows:

Year	2022	2021
2021	-	-
2022	7,210,000,000	6,615,000,000
2023	1,200,000,000	1,100,000,000
	8,410,000,000	7,715,000,000
Unamortized debt issue cost	(3,807,532)	(9,102,323)
	8,406,192,468	7,705,897,677

Total interest expense arising from these loans as shown in the consolidated statements of comprehensive income in 2022 amounted to P99,307,276 (2021 - P85,064,862; 2020 - P100,798,442) (Note 23). Total capitalized interest amounted to P70,313,479 in 2022 (2021 - P70,313,479) and was included as part of investment properties (Note 10). The capitalization rate used to determine the amount of capitalized interest which is the weighted average interest rate applicable to the Group's general borrowings during the year is 2.87% (2021 - 2.87%).

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

	Notes	2022	2021
At January 1		14,278,005	17,570,659
Interest expense	23	99,307,276	85,064,862
Payments		(110,577,456)	(88,357,516)
At December 31	15	3,007,825	14,278,005

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

	Note	2022	2021
Long-term loan, at January 1		7,705,897,677	5,879,505,464
Cash flows		600,294,791	1,826,392,213
Long-term loan, at December 31		8,306,192,469	7,705,897,677
Accrued interest		3,007,825	14,278,005
Cash and cash equivalents	3	(1,318,603,295)	(1,376,480,154)
Net debt		8,231,611,640	6,343,695,528

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

(a) Parent Company

Bank loans of the Parent Company as of December 31 consist of:

	2022	2021
Long term loan facility (all current)	-	400,000,000
Short term loans	6,940,000,000	4,990,000,000
	6,940,000,000	5,390,000,000

Long term loan facility

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

As at December 31, 2021, the outstanding balance of the loan amounted to P400 million. The outstanding balance with a fixed interest rate of 4% per annum as at December 31, 2021 is payable in equal quarterly installments until August 2022. The loan was fully settled in 2022.

The loan agreement requires the Parent Company to comply with certain covenants and financial ratios until the loans are fully paid. Failure to comply with the covenants will render the full amount of loans due and demandable. As at December 31, 2021, the Parent Company was fully compliant with the loan covenants.

The loan is secured by a negative pledge on all present and future assets of the Parent Company.

Short term loans

Short term loans are composed of unsecured loans from various banks with interest rates ranging from 5.7 % to 6.8% (2021 – 2.5% to 4.5%). These loans have payment terms of 3 to 12 months (2021 – 3 to 12 months).

(b) SGCPI

Bank loans of SGCPI as of December 31 consist of:

	2022	2021
Long term loan facility		
Current portion	796,519,593	95,111,377
Non-current portion	299,672,875	1,095,786,300
	1,096,192,468	1,190,897,677
Short term loans	270,000,000	1,125,000,000
	1,366,192,468	2,315,897,677

Long term loan facility

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

On July 28, 2021, SGCPI and its lender-bank executed a loan restructuring agreement paving the way for the following changes in the loan's salient terms and conditions as follows:

Terms	From	To
Repayment date	Quarterly from 20th quarter to the 40th quarter after the date of the initial borrowing until June 2022	Quarterly from the 20th quarter to the 37th quarter and then from 42nd quarter to the 47th quarter after the date of initial borrowing until March 2024
Spread	Floating rate – the higher of (a) 3-month Bloomberg Valuation (BVAL) plus spread of 0.80% or (b) the Bangko Sentral ng Pilipinas (BSP) overnight borrowing rate minus spread of 0.95% per annum	Floating rate – the higher of (a) 3-month BVAL plus spread of 1.60% or (b) BSP Overnight Reverse Repurchase Rate or Fixed rate – the interpolated BVAL plus spread of 0.75%
Collateral	Unconditional continuing suretyship of the sureties (Shangri-La Asia Limited and the Parent Company)	Unconditional continuing suretyship of the sureties (Shangri-La Asia Limited and the Parent Company) and an unregistered real estate mortgage over SGCPI's residential condominium unit

SGCPI is required to comply with certain covenants and maintain certain financial ratios until the loan is fully paid. As at December 31, 2022 and 2021, SGCPI has complied with all terms and conditions except with respect to the maintenance of the required debt-service coverage ratio (DSCR). The lender-bank, through a letter of advice, has provisionally allowed SGCPI's non-compliance with the DSCR for 2022 and 2021 provided that the loan remains current and that all other terms and conditions of the amended loan covenant are complied with. SGCPI remains compliant with the conditions set out under the said letter of advice.

Short term loans
Short term loans are composed of unsecured loans from various banks with an average interest rate of 6.20% (2021 – 4.25%). These loans have payment terms of 5 to 9 months (2021 – 5 to 9 months).

16.2 Installment payable

On November 2, 2015, TRDCI (a subsidiary) entered into a contract with Vivelya Development Company, Inc. (VDCI) (the land owner and seller) to purchase the land where TRDCI's project is currently being constructed. The consideration for the land is for a minimum base price of P1.10 billion, exclusive of 12% VAT. Payment term for the purchase price includes down payment of fifteen percent (15%) of base price amounting to P165 million, exclusive of 12% VAT, upon signing of the contract. The remaining balance of the purchase price is interest-free and payable on a quarterly installment basis. Accordingly, the Company determined the fair value of the remaining installments using an appropriate market rate which resulted in "Day 1 gain".

As at December 31, 2022, there is no outstanding installment payable at amortized cost (2021 - P47,883,236). Interest cost representing amortization of the Day 1 gain has been fully amortized in 2022 (2021 - P674,538; 2020 - P674,538) and has been capitalized as part of construction in-progress. There is no unamortized Day 1 gain on installment payable in 2022 and 2021 (2020 - nil).

Note 17 - Deposits from tenants

This account represents non-interest bearing rental deposits from tenants. Deposits from tenants is based on the present value of estimated future cash flows using applicable market rates at reporting date. The difference between the discounted and face value of the deposits is recognized as deferred lease income. Deferred lease income is amortized on a straight-line basis over the lease term and is recognized in profit or loss as additional rent income. Interest is accreted on the deposits from tenants using the effective interest rate method and is recognized as additional interest expense in profit or loss.

Details of deposits from tenants as at December 31 and their movements during the years are as follows:

	2022	2021
At January 1	1,038,975,987	1,154,772,931
Net additions (refunds)	9,494,494	(54,371,733)
Amortization of Day 1 difference	(43,191,331)	(61,425,211)
	1,005,279,150	1,038,975,987

	2022	2021
Current portion	697,693,738	845,472,994
Non-current portion	307,585,412	193,502,993
	1,005,279,150	1,038,975,987

Details of deferred lease income as at December 31 and its movement during the years are as follows:

	2022	2021
At January 1	54,492,214	95,397,448
Additions	2,744,262	(6,501,825)
Amortization	(15,039,771)	(34,403,409)
At December 31	42,196,705	54,492,214
Current portion	2,064,727	18,829,063
Non-current portion	40,131,978	35,663,151
	42,196,705	54,492,214

Note 18 - Equity

(a) Share capital, share premium and treasury shares

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

	2022	2021
Authorized, at P1 par value per share		
Common shares	8,000,000,000	8,000,000,000
Issued and outstanding shares		
Common shares	4,764,058,982	4,764,058,982
Share premium	834,439,607	834,439,607
	5,598,498,589	5,598,498,589

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

The Parent Company is listed in the Philippine Stock Exchange (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, 2022, the Parent Company has 5,144 shareholders (2021 - 5,160). The details of the Parent Company's shareholders are disclosed in the annual report.

There were no subsequent listings since the initial listing with PSE.

(b) Retained earnings

As at December 31, 2022, total unrestricted retained earnings of the Parent Company amounted to P21.8 billion (2021 - P19.9 billion). The Parent Company's unrestricted retained earnings exceeded its share capital by P15.8 billion (2021 - P13.9 billion). The excess retained earnings include accumulated fair value gain of P9.87 billion (2021 - P9.87 billion) which are not considered available for dividend declaration. The management of the Parent Company plans to use the excess retained earnings to support the Parent Company's working capital requirements, planned business growth and expansion strategies. Further the Parent Company annually declares dividends in compliance with SEC Memorandum Circular No. 11, Series of 2008 (Note 19).

Note 19 - Dividends

The Parent Company annually declares dividends in compliance with SEC Memorandum Circular No. 11, Series of 2008. The Parent 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	Per share	Total
2023 (subsequent event)				
March 22, 2023	April 11, 2023	April 21, 2023	0.155	738,097,342
2022				
March 24, 2022	April 8, 2022	April 20, 2022	0.070	333,384,284
August 31, 2022	September 15, 2022	September 27, 2022	0.095	452,382,163
				785,616,768
2021				
March 25, 2021	April 9, 2021	April 16, 2021	0.080	380,953,467
September 7, 2021	September 24, 2021	September 30, 2021	0.044	209,524,407
				590,477,874
2020				
April 1, 2020	April 7, 2020	April 24, 2020	0.113	535,715,813
August 20, 2020	September 8, 2020	September 18, 2020	0.044	209,524,305
				745,240,118

Cash dividends paid during 2022 amount to P786,346,422 (2021 - P602,612,211, 2020 - P718,753,242). These include payments to non-controlling shareholders of subsidiaries amounting to P211,218,000 at P583.66 per share (2021 - P389,480,000 at P1,076.25 per share, 2020 - P254,660,000 at 703.70 per share).

Note 20 - Cost of sales and services

The components of cost of sales and services for the years ended December 31 are as follows:

(a) Cost of condominium sales

	Note	2022	2021	2020
Construction cost		680,466,933	587,926,195	1,009,565,675
Land cost		175,492,669	160,899,170	337,203,703
Project management		161,090,043	74,348,066	130,233,370
Commission expense		117,417,521	75,620,050	116,076,789
Design and professional fees		38,773,297	27,201,562	45,800,968
Permits and other expenses		33,016,604	13,835,204	17,420,837
Sales and marketing expense		14,434,749	9,595,707	12,919,280
Titling Cost		5,755,479	8,364,848	14,704,751
Makati Commercial Estate Association (MACEA) fees		80,199	62,789	844,264
Insurance		30,452	48,149	230,858
	6	1,226,557,946	957,901,740	1,685,000,495

(b) Cost of rental and cinema

	Note	2022	2021	2020
Real property taxes		81,625,829	60,274,988	71,448,462
Insurance		36,102,479	48,239,850	33,605,613
Share in common expenses		56,289,367	(27,073,526)	(4,805,693)
	10	174,017,675	81,441,312	100,248,382

(c) Cost of hotel operations

	Note	2022	2021	2020
Depreciation and amortization	12	352,667,345	956,163,370	1,074,039,063
Food and beverages		402,036,271	144,812,214	183,101,096
Utilities and maintenance		379,480,301	169,924,034	174,247,722
Staff costs		278,674,928	144,597,973	251,279,123
Property tax and insurance		108,192,750	62,240,385	60,992,759
Supplies		62,555,975	38,449,156	40,026,659
Others		145,868,252	9,538,758	67,691,696
		1,729,475,822	1,525,725,890	1,851,378,118

Others consist of telephone, fax, postage, subscriptions, publications, and hotel guest entertainment expenditures.

Note 21 - Staff costs

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

	Note	2022	2021	2020
Salaries and wages		526,014,060	491,124,222	433,298,536
Retirement benefits costs	24	36,032,048	42,045,731	38,105,630
Employee benefits		28,513,819	28,808,043	42,873,601
Others		12,691,220	19,086,684	15,770,770
		603,251,147	581,064,680	530,048,537

Note 22 - Other operating expenses

The components of other operating expenses for the years ended December 31 are as follows:

	Notes	2022	2021	2020
Advertising		211,966,816	141,116,254	204,292,722
Professional fees		180,167,041	72,720,360	109,342,141
Donations		168,441,661	128,211,642	104,137,294
Systems license and maintenance		103,788,732	37,577,423	55,219,394
Condominium dues		43,763,297	25,564,983	7,932,018
Janitorial, security and other services		40,885,199	38,134,536	42,028,997
Utilities		40,787,119	22,837,524	10,341,828
Repairs and maintenance		15,693,137	6,534,288	4,049,750
Telephone and communication		10,017,369	12,739,484	9,267,173
Supplies		7,162,220	3,688,559	7,597,018
Carpark expense		6,730,208	3,309,898	6,112,036
Transportation and travel		3,382,220	1,221,335	2,284,348
Commission		2,502,496	138,612	258,947
Entertainment, amusement and recreation		2,258,580	2,114,485	1,305,347
Membership fees and dues		4,544,953	1,711,127	1,859,897
Reproduction charges		1,189,930	1,024,716	1,224,319
Gas and oil		2,500,332	4,290,650	2,517,564
Rent		1,548,225	1,284,196	373,791
Provision for doubtful accounts	5	156,757	322,003	9,113,149
Subscriptions, books and manuals		29,145	39,862	252,883
Provision for probable losses	28	-	-	100,150,239
Provision for restructuring	15	-	-	33,985,773
Others		63,104,471	35,563,148	26,720,455
		910,619,908	540,145,085	740,367,083

Donations in 2022 and 2021 were made to accredited donor institutions to support various feeding programs, livelihood projects, and typhoon relief operations.

Systems license and maintenance in 2022 pertains to IT related management and license fees under the hotel operations.

Rent expense pertains to payments associated with short-term leases.

Others mainly pertain to credit card service fees under the hotel operations.

Note 23 - Finance income, other income, and finance costs

The components of interest income, other income, and interest expense and bank charges for the years ended December 31 are as follows:

(a) Finance income

	Notes	2022	2021	2020
Interest arising from:				
Installment contracts receivable	5	92,398,578	111,642,591	299,782,769
Advances to a joint venture	8	106,912,679	73,918,875	64,322,935
Cash in banks and cash equivalents	3	7,062,745	2,334,180	12,956,641
Overdue accounts from tenants		27,480,964	6,092,033	5,880,767
Others		-	651,937	-
		233,134,966	194,639,616	382,943,112

(b) Other income, net

	Note	2022	2021	2020
Administration and management fee		44,614,138	127,688,032	89,259,775
Forfeited security deposits		12,277,959	14,996,441	14,275,842
Dividend income		667,694	11,658,709	13,002,470
Gain on sale of property and equipment		374,086	7,885,500	357,806
Signage fee		6,823,031	6,689,239	7,250,900
Other rental revenue		1,874,026	5,012,933	3,755,357
Income from back-out buyers		12,417,253	4,781,963	6,137,732
Income from ancillary services		3,733,718	2,750,012	4,359,118
Loss on fair value adjustments of financial assets at fair value through profit or loss	4	577,095	(2,810,236)	(2,652,634)
Insurance claims		-	-	9,380,998
Customer lounge fee		-	-	1,745,330
Banner income		-	-	494,732
Income from reversal of liabilities		-	-	159,523,441
Others		17,247,000	2,693,583	8,631,327
		100,606,000	181,346,176	315,522,194

Income from write-back of liabilities in 2022 pertains to reversal of outstanding accruals for various operating expenses of the Group.

(c) Finance costs

	Notes	2022	2021	2020
Interest expense on bank loans	16	99,307,276	85,064,862	100,798,442
Accretion of interest on deposits from tenants	17	9,204,806	34,371,391	38,105,279
Bank charges		936,072	615,825	742,851
		109,448,154	120,052,078	139,646,572

Note 24 – Accrued employee benefits

The Group, except SGCPI, has a funded, non-contributory defined benefit plan, providing death, disability and retirement benefits for all of its regular employees. Under this plan the normal retirement age is 60 years old and completion of at least five (5) 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. The trustee bank is responsible for investment of the assets. The Pension Fund Board defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes into account the plans objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy).

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

The actuarial present value of the retirement benefit obligation under the plan is measured in terms of actuarial assumptions for discount rate, salary increases, retirement rates and mortality using the 2017 Philippine Intercompany Mortality Table. The discount rates used is a single weighted average rate based on rates as published in the Bankers Association of the PHP BVAL at various tenors. 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 Group 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 Group. However, the Group 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 Group’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.

The management performs an Asset-Liability Matching Study (ALM) annually. The overall investment policy and strategy of the Group's defined benefit plans 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 plans. The Group's current strategic investment strategy mainly consists of treasury notes and bonds accounting for 99% of the total plan assets.

The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Group has not changed the processes used to manage its risks from previous periods. The Group 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 Group’s plan assets consist of investment in debt instruments and cash in banks. The Group believes that equities offer the best returns over the long term with an acceptable level of risk.

The actuarial valuation of the Group’s retirement plan was performed by an independent actuary. The latest actuarial valuation report prepared was for the year ended December 31, 2021. The principal assumptions used by the actuary for the years ended December 31 are as follows:

	2022	2021	2020
Discount rate	7.10%	4.89%	3.31%
Salary increase rate	5.00%	3.50%	3.00%

The retirement benefit assets and liabilities recognized in the consolidated statements of financial position as part of “other non-current assets” and “retirement benefit liability” amount to P11,996,824 and P83,841,520, respectively (2021 - P17,350,712 and P64,676,831).

The net defined benefit obligation as at December 31 is determined as follows:

	2022	2021
Present value of defined benefit obligations	261,441,465	248,845,228
Fair value of plan assets	(189,596,769)	(201,519,107)
	71,844,696	47,326,121

The components of retirement expense for the years ended December 31 recognized in the consolidated statements of total comprehensive income included under staff costs account are as follows:

	Note	2022	2021	2020
Current service cost		34,471,565	39,761,124	32,092,941
Past service cost		-	-	785,741
Net interest cost		1,560,482	2,284,607	5,677,615
Net acquired obligation arising from transfer of employees		-	-	(450,667)
Pension expense	21	36,032,047	42,045,731	38,105,630

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

	2022	2021
At January 1	248,845,228	286,520,516
Interest cost	11,119,519	8,925,939
Current service cost	34,471,565	39,761,124
Net acquired obligation	5,261,606	1,008,310
Benefits paid directly by the Group	(21,468,914)	(21,422,284)
Remeasurement losses (gains) from:		
Experience adjustments	1,159,294	(47,337,186)
Change in demographic assumptions	-	(102,769)
Changes in financial assumptions	(17,946,833)	(18,508,422)
At December 31	261,441,465	248,845,228

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

	2022	2021
At January 1	201,519,107	210,913,555
Interest income	9,559,037	5,825,411
Losses on plan assets	(11,692,292)	(2,839,220)
Benefits paid from plan assets	(9,789,083)	(12,380,639)
At December 31	189,596,769	201,519,107

Apart from the benefit payments to certain qualified employees advanced by the Group and the contributions to the plan as presented above for the years ended December 31, 2022 and 2021, the Group had no other transactions with the plan.

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

	2022	2021
Cash in banks	41,762	157,429
Money market deposits and trust funds	1,911,178	17,291,681
Investments in equity	12,832,786	116,106,602
Investments in debt instruments:		
Treasury notes and bonds	138,936,463	54,487,450
Corporate notes and bonds	35,874,580	13,475,945
	189,596,769	201,519,107

At December 31, 2022 and 2021, the Group's plan assets (investment in debt instruments) are determined by reference to published price quotations in an active market (classified as Level 1 in the fair value hierarchy).

There are no plan assets invested in related parties as at and for the years ended December 31, 2022 and 2021.

Expected contribution to post-employment benefit plans for the year ending December 31, 2023 amounts to P28 million.

The weighted average duration of the defined benefit obligation is 11.62 years.

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

	2022	2021
Less than a year	59,924,036	45,680,104
Between one and five years	102,271,028	189,377,495
Over five years	1,007,068,194	723,824,559
	1,169,263,258	958,882,158

Critical accounting estimate - Determining retirement benefit obligation

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

Actual results that differ from assumptions are accumulated and amortized over future periods and, therefore, generally affect recognized expense and the recorded obligation in future periods. While the Group believes that the assumptions used are reasonable, differences in actual experience or changes in assumptions may materially affect the Group's retirement obligation and future expense.
In determining the long-term rates of return, the Group considers the nature of the plans' investments, an expectation for the plans' investment strategies, historical rates of return and current economic forecasts. The Group evaluates the expected long-term rate of return annually and adjusts such rate as necessary.
The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions are as follows:

	Increase (decrease)	
	2022	2021
Discount rate		
Increase by 1.0%	(241,075,848)	(235,562,330)
Decrease by 1.0%	272,348,228	264,518,340
Salary increase rate		
Increase by 1.0%	272,096,697	226,382,983
Decrease by 1.0%	(239,533,002)	(203,380,296)

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/liability recognized within the consolidated statements of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to prior years.

Note 25 - Income taxes

Corporate Recovery and Tax Incentives for Enterprises Act

On March 26, 2021, RA No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE), was signed into law. Among the salient provisions of CREATE include changes to the Corporate Income Tax (CIT) rates 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.

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

	2022	2021	2020
Current	360,309,275	428,889,884	483,630,844
Deferred	317,171,648	(1,296,489,961)	(79,414,984)
	677,480,923	(867,600,077)	404,215,860

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

	2022	2021
Deferred income tax assets:		
Net operating loss carry over (NOLCO)	500,420,221	621,288,642
Advance rentals	56,533,084	61,911,753
Difference in profit, installment method versus PoC method	1,064,595	15,557,087
Deferred lease income	17,533,039	15,167,581
Accrued expenses	24,600,811	61,934,739
Retirement benefit liability	31,661,509	13,103,473
Unamortized funded past service cost	6,442,029	8,085,347
Guest and banquets prepayments and deposits	22,827,262	16,195,164
Minimum corporate income tax (MCIT)	14,020,526	1,795,825
Allowance for doubtful accounts	3,203,176	3,196,932
Unrealized loss on foreign exchange	108,946	-
Others	1,586,979	2,313,093
	680,002,177	820,549,636
Deferred income tax liabilities:		
Unrealized increase in fair value of investment property	(7,058,545,512)	(6,748,885,416)
Difference in profit, installment method versus PoC method	(98,423,307)	(217,568,458)
Difference between cost of condominium sales for accounting and income tax purposes	(33,601,448)	(33,780,439)
Unrealized increase in fair value of FVOCI	(40,192,412)	(37,731,829)
Day 1 difference on deposits from tenants	(2,809,261)	(1,814,323)
Rent income per PFRS 16/PAS 17	(7,476,318)	(7,341,373)
Interest income	(34,174,163)	(34,174,163)
Unrealized gain on foreign exchange	(4,847,955)	(2,048,612)
	(7,280,070,376)	(7,083,344,613)
Net deferred income tax liabilities	(6,600,068,199)	(6,262,794,977)

The balances of deferred income tax assets and liabilities presented in the consolidated statements of financial position are netted on a per entity basis as follows:

	2022	2021
Deferred income tax assets	494,516,419	615,730,128
Deferred income tax liabilities	(7,094,584,618)	(6,878,525,105)
	(6,600,068,199)	(6,262,794,977)

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

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

	2022	2021
At January 1	(6,262,794,977)	(7,552,890,791)
Charged to profit or loss	(317,171,648)	1,296,489,961
(Charged) Credited to other comprehensive income	(20,101,574)	(6,394,147)
At December 31	(6,600,068,199)	(6,262,794,977)

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

Year incurred	Year of expiry	2022	2021
2019	2022	-	16,799,864
2020	2025	353,902,384	353,902,384
2021	2026	727,974,689	727,974,689
2022	2027	164,307,428	-
		1,246,184,501	1,098,676,937
Unrecognized DTA at 25%		373,855,350	139,768,685

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

	2022	2021	2020
Tax at statutory rate of 25% (2021 – 25%; 2020 – 30%)	1,166,410,626	330,669,017	547,738,693
Additions (reductions) to income tax resulting from:			
Other non-deductible expenses	73,935,444	9,036,596	35,259,005
Unrecognized NOLCO	41,076,857	181,993,672	106,170,715
MCIT	125	413	-
Dividend income	-	(79,293,277)	(3,900,741)
Interest income subjected to final tax	(29,303,814)	(583,546)	(3,886,994)
Difference between itemized and optional standard deductions (OSD)	(88,268,221)	50,160	(142,479,803)
Other non-taxable income	(130,841,611)	(80,537,145)	(79,024,949)
Share in net losses of associates	(355,528,483)	(101,176,855)	(55,660,066)
Effects of changes in statutory income tax rate	-	(1,127,759,112)	-
Effective income tax expense	677,480,923	(867,600,077)	404,215,860

Income tax payable amounted to P41,725,962 as at December 31, 2022 (2021 - P54,637,882).

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

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

Note 26 - Basic and diluted earnings per share

The computations of basic and diluted earnings per share for the years ended December 31 are as follows:

	2022	2021	2020
Net income attributable to the shareholders of Parent Company	3,634,480,097	2,124,062,600	1,469,965,012
Divided by the average number of outstanding common shares	4,761,918,337	4,761,918,337	4,761,918,337
Basic and diluted earnings per share	0.763	0.446	0.309

Basic and diluted earnings per share are the same due to the absence of dilutive potential common shares.

Note 27 - Related party transactions

In the normal course of business, the Group transacts with companies which are considered related parties. Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Group.

The transactions and outstanding balances of the Group with its related parties as at and for the years ended December 31 are as follows:

	2022		2021		
	Transactions	Outstanding receivables (payables)	Transactions	Outstanding receivables (payables)	Terms and conditions
Affiliates					
Rental income (a) (Note 5)	68,138,284	29,970,035	23,633,642	15,194,664	Balances to be collected in cash and are due generally within 30 to 60 days. These are non-interest bearing and are not covered by any security.
Affiliates					
Management services (b)	57,101,083	82,909,674	32,602,756	32,078,702	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.
Reimbursed expenses (f)	7,468,145	2,260,966	3,212,499	1,462,982	
Affiliates share in Group's expenses (f)	302,578,165	717,860,223	323,224,545	550,223,531	
Advances (d)	-	1,144,187,554	-	1,144,187,554	
Associates					
Associates' share in Group's expenses (g)	3,039	7,016,387	1,307,075	7,013,348	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.
Total (Note 5)		1,984,204,839		1,750,160,781	
Affiliates					
Marketing, management and other service fees (c)	72,545,569	(34,533,287)	20,461,749	(14,160,762)	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)	43,375,676	(8,543,560)	28,284,356	(8,672,138)	
Group's share in affiliates' expenses (g)	169,659,585	(155,335,882)	119,468,158	(102,805,846)	
Total (Note 15)		(198,412,729)		(125,638,746)	

Affiliates pertain to entities that have common directors or key management personnel.

All individual material related party transactions shall be approved by at least two-thirds (2/3) vote of the Board, with at least a majority of the independent directors voting to approve the material related party transaction. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Parent Company. For aggregate related party transactions within a twelve-month period which breaches the materiality threshold of ten percent (10%) of the Group's total assets, the same board approval shall be required for the transaction that meets and exceeds the materiality threshold covering the same related party.

Directors with personal interest in the transaction shall abstain from participating in the discussions and voting for the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval. Significant agreements with related parties are as follows:

(a) A portion of the Parent Company's land is being leased by ESHRI, where the EDSA Shangri-La, Manila 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 for another 25 years until August 27, 2042. Rental revenue is based on a fixed percentage of ESHRI's room, food and beverage, dry goods and other service revenue.

(b) Shang Property Management Services, Inc. (SPMSI) provides management services to The Enterprise Center Condominium Corporation (TECCC), St. Francis Shangri-La Place Condominium Corporation (TSFSPCC), The Shang Grand Tower Condominium Corporation (TSGTCC), and One Shangri-La Place Condominium Corporation (OSPCC) for a minimum period of five years starting January 7, 2009, April 1, 2010, January 7, 2007, and January 1, 2015 respectively. As consideration, SPMSI shall receive from TECCC, TSGTCC, TSFSPCC, and OSPCC monthly management fees of P400,000, P100,000, P100,000, and P250,000 respectively, inclusive of VAT, with an escalation rate of 5% to 10% per annum. The parties mutually agreed to renew the agreements for another 5 years upon expiration.

(c) SGCPI entered into a License Agreement with Shangri-La International Hotel Management Limited (SLIM-BV) for the use of intellectual property rights over Shangri-La's policies, practices, procedures, and guidelines affecting different aspects of operations of the Shangri-La chain of hotels. The agreement is for 10 years commencing on the opening date, March 1, 2016, renewable for another 10 years at the option of either parties and subject to the approval of the Bureau of Patents, Trademarks and Technology Transfer of the Republic of the Philippines and applicable authorities. In consideration for such access and use, SGCPI pays SLIM-BV license fees and royalties. License fees paid to SLIM-BV is equivalent to $100 per annum while royalties are computed at 3% of the gross operating revenue per annum payable within 30 days of the end of each calendar month.

    Further, in 2016, SGCPI entered into a Marketing and Reservations Agreement with SLIM, whereby the related party acting as an independent contractor of SGCPI provides marketing, communication, and reservation services to promote SGCPI. The agreement is for a period of 10 years commencing on the opening date, March 1, 2016, renewable for another 10 years at the option of either parties. Under this agreement, SLIM shall act solely for the account of SGCPI and all expenses incurred shall be borne by SGCPI. As a consideration for such services, SGCPI shall pay SLIM an amount equivalent to certain percentage of gross operating revenue. Other charges include reservation, loyalty program, communication, and other group services fees. Basis of these various charges are stipulated in the Marketing and Reservations Agreement.

(d) The outstanding balance as at December 31, 2022 and 2021 amounting to P1,144,187,554 represents cash advances made by Classic Elite Holdings Limited from the Parent Company for working capital and project development.

(e) Condominium dues charged by TSFSPCC and TECCC to Parent Company, KSA, SPDI and SPRC.

(f) Reimbursement of expenses paid for by SLPC for ESHRI.

(g) Certain other general and administrative expenses are initially paid for by the Group/affiliate and are subsequently reimbursed by the affiliate/Group to whom such payment was intended for.

There were no write-offs or provisions made in relation to related party transactions and balances not eliminated during consolidation as at and for the years ended December 31, 2022 and 2021. The following are the significant transactions and outstanding balances with retirement fund and key management personnel as at and for the years ended December 31:

	2022		2021		
	Transactions	Outstanding receivables (payables)	Transactions	Outstanding receivables (payables)	Terms and conditions
Retirement fund					
Contributions					Refer to Note 24.
Advances	-		8,225,271	-	Balance pertains to claims from the retirement fund in relation to employee benefits directly paid by the Group.
Key management personnel:					
Salaries and other short-term employee benefits	91,953,208		86,443,736	-	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 2022 and 2021 nor amounts due to/from key management personnel as at December 31, 2022 and 2021.
Post-employment benefits	5,638,513		7,918,421		Refer to Note 24.

The following related party transactions and balances were eliminated for the purpose of preparing the consolidated financial statements:

	2022	2021	2020
At December 31			
Trade and other receivables	19,447,708,273	15,222,871,310	13,221,433,467
Accounts payable and other current liabilities	15,659,383,906	15,222,871,310	13,221,433,467
For the years ended December 31			
Rental revenue	157,245,605	79,700,212	89,620,954
Cost of sales and services	3,946,316	4,709,563	4,674,713
Operating expenses	434,389,535	353,498,127	397,888,017
Other income	176,130,732	(47,550,576)	199,948,889
Dividend income	1,871,982,000	2,188,720,000	2,732,934,200

The Parent Company and its subsidiaries are a party to significant agreements with related parties as follows:

(a) A portion of the Parent Company's land where the Shangri-La Plaza Mall is located is being leased to SLPC. The lease is 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 revenue is based on a certain percentage of SLPC's annual rental revenue from mall operations and certain percentage of the carpark's net income. Rental revenue of the Parent Company amounted to P169,789,300 in 2022 (2021 - P68,587,143; 2020 - P47,381,177).

    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 SPSI’s gross revenue less direct and indirect expenses relating to the Company’s parking facilities. In 2009, the parties have revised the terms to reduce the consideration to 94%. The agreement is effective until December 31, 2002 and shall be renewed automatically on a yearly basis.

(b) SPRC and SLPC entered into a memorandum of agreement whereby SLPC will operate the mall establishment and constitute it as the East Wing of the Shangri-La Plaza Mall. The lease is for a period of five years from October 1, 2013 and renewable upon mutual agreement by the parties. Rental revenue is based on a certain percentage of SLPC's annual rental revenue from the mall operations.

(c) On January 1, 2009, SPSI entered into an agreement with KSA, whereby SPSI is to manage and operate the parking slots of KSA. The agreement is renewable upon mutual agreement by the parties. The monthly gross parking revenue, less applicable VAT, is shared between KSA and SPSI at 75% and 25%, respectively.

(d) KSA entered into a management agreement with SPMSI for a monthly fee of P150,000 with 10% annual escalation for a period of five years starting March 2008. The parties agreed mutually on the renewal of the agreement. SPMSI shall provide on-site property leasing management including head office support services and periodic audit to ensure compliance with international practices; perform staff recruitment, training and performance evaluation; and perform financial management, including billing and collection and budget provisioning.

(e) In 2011, SPDI obtained an unsecured, noninterest-bearing loan from SHIL amounting to P2,317,500,000, payable on demand. As at December 31, 2022 and 2021, this loan is still outstanding.

(f) The Parent Company's dividend income from declarations of its subsidiaries are as follows:

	2022	2021	2020
KSA	493,782,000	910,520,000	595,340,000
SLPC	300,000,000	-	225,000,000
NCRI	-	-	20,000,000
SWWPI	220,000,000	120,000,000	175,000,000
KRC	420,000,000	570,000,000	400,000,000
SPMSI	15,700,000	16,200,000	15,500,000
SPSI	2,500,000	2,000,000	2,500,000
TRDCI	-	570,000,000	1,299,594,200
	1,451,982,000	2,188,720,000	2,732,934,200

In 2022, TRDCI declared cash dividends amounting to P420,000,000(2021 - P570,000,000; 2020 – P1,299,594,200) to KRC. The declaration was eliminated under both dividend income in the statement of total comprehensive income and dividends declared under equity in the statement of financial position.

The receivables and payables between related parties, except for those arising from reimbursement of expenses and those that are unsecured and noninterest bearing which are payable on demand, have normal credit terms of 30 to 90 days, but may go beyond as agreed.

Note 28 - Provisions and contingencies

In 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 Parent 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 underwent arbitration which resulted in promulgation in 2007 of the Arbitral Tribunal to award to the principal contractor the sum of P38,518,503, net of the award to Parent Company amounting to P8,387,484. Subsequently, this decision was appealed by both parties to the Court of Appeals (CA) who resolved in 2009 to award P24,497,556 to the principal contractor, unpaid progress billings based on the original scope of work, and denied the Parent Company of its motion for partial reconsideration. In 2009, both the Parent Company and the Principal Contractor filed a Petition for Review in Certiorari to the Supreme Court, where the Parent Company prayed for a reversal of the decision of the CA and for payment of liquidated damages by the Principal Contractor while the Principal Contractor filed a motion to modify the decision of the CA and to be awarded the full amount of their claim.

On July 26, 2021, the parties filed a Joint Manifestation and Motion informing the Supreme Court about the amicable settlement of the case and jointly moved for its dismissal which the Supreme Court granted in December 2021 and deemed the case closed and terminated.

Critical accounting estimate - Provision

As at December 31, 2022, the Group recognized provision for a certain tax assessment (Note 15 and 22). The estimate of the probable costs for the resolution has been developed in consultation with outside legal counsel handling the Group'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 Group has other pending legal cases which are being contested by the Parent Company, SLPC and their legal counsels. The estimates of the probable costs for the resolution of these claims have been developed in consultation with the outside legal counsel handling the defense in these matters and are based upon analyses of potential reports. Based on management's assessment, these proceedings will not have a material effect on the Group's financial position and performance.

Note 29 - Advance rentals

Advance rentals are collected from all tenants depending on the agreed terms stated in the contracts which are usually equivalent to three months’ rent and can be applied at the terminal months of the lease. The current portion is included as part of accounts payable and other current liabilities account (Note 15) and the non-current portion is shown separately in the consolidated statements of financial position. Movements in the account for the year ended December 31 are as follows:

	2022	2021
At January 1	247,647,013	401,750,551
Additions	26,977,317	12,992,923
Applications	(47,334,854)	(167,096,461)
At December 31	227,289,476	247,647,013

Advance rentals for the years ended December 31 are as follows:

	Note	2022	2021
Current	15	227,829,476	90,958,156
Non-current		-	156,688,857
		227,289,476	247,647,013

<u>Note 30 - Financial risk and capital management</u>

30.1 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the Group's management under policies approved by its Board of Directors. These policies cover financing structure, foreign exchange and interest rate risk management, guarantees and credit support, as well as treasury control framework. There are no changes in the Group's risk management plans for the years ended December 31, 2022 and 2021.

30.1.1 Market risk

(a) Foreign exchange risk

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

The Group's foreign currency denominated cash in banks and cash equivalents as at and net foreign exchange gains for the years ended December 31, 2022 and 2021 are disclosed in Note 3.

(b) Price risk

The Group's exposure to price risk is minimal and limited only to financial assets at fair value through profit or loss (Note 4) and FVOCI (Note 11) presented in the consolidated statements of financial position. Changes in market prices of these financial assets are not expected to have a significant impact on the financial position or results of operations of the Group.

(c) Cash flow and fair value interest rate risk

Interest rate risk refers to risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's interest-bearing financial instruments include bank loans (Note 16). Loans amounting to P1,366,192,468 as at December 31, 2022 (2021 - P1,190,897,677) have interest rates that are based on the higher between the PHP BVAL rate plus 1.60% per annum and the BSP overnight borrowing rate. A loan amounting to P6,940,000,000 as at December 31, 2022 (2021 - P6,515,000,000) has an interest rate subject to repricing every 30 to 180 days as agreed by the parties.

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

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

At December 31, 2022, 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 P74,480457 (2021 - higher by/lower by P77,058,977) mainly as a result of lower/higher interest expense on floating-rate bank loans. Management uses 100 basis points as threshold in assessing the potential impact of interest rate in the operations.

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

30.1.2 Credit risk

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

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

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

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

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

	Performing (Level 1)	Under performing (Level 2)	Non-performing (Level 3)	Total
2022				
Current assets				
Cash and cash equivalents	1,307,409,067	-	-	1,307,409,067
Trade and other receivables	5,532,515,148	-	21,197,037	5,553,712,185
Financial assets at fair value through profit or loss	31,393,069	-	-	31,393,069
Refundable deposits	2,471,662	-	-	2,471,662
Non-current assets				
Advances to a joint venture	2,590,096,000	-	-	2,590,096,000
Refundable deposits	134,132,859	-	-	134,132,859
Financial assets at FVOCI	812,468,496	-	-	812,468,496
	10,410,486,301	-	21,197,037	10,431,683,338

	Performing (Level 1)	Under performing (Level 2)	Non-performing (Level 3)	Total
2021				
Current assets				
Cash and cash equivalents	1,361,049,108	-	-	1,361,049,108
Trade and other receivables	4,359,701,169	-	21,040,280	4,380,741,449
Financial assets at fair value through profit or loss	30,815,974	-	-	30,815,974
Refundable deposits	2,187,822	-	-	2,187,822
Non-current assets				
Advances to a joint venture	2,590,096,000	-	-	2,590,096,000
Refundable deposits	158,464,474	-	-	158,464,474
Financial assets at FVOCI	796,968,495	-	-	796,968,495
	9,299,283,042	-	21,040,280	9,320,323,322

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

Allowance for impairment of receivables as at December 31, 2022 amounted to P21,197,037 (2021 - P21,040,280). Apart from the financial assets covered by allowance, the remaining financial assets are classified as high performing.

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

(a) Cash and cash equivalents

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

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

	2022	2021
Universal banks	722,688,990	644,523,215
Thrift banks	25,676,855	130,525,796
Commercial banks	2,162,230	42,573,701
	817,622,712	817,622,712

Cash in banks and cash equivalents as at December 31, 2022 and 2021 are all considered high grade financial assets. The remaining cash in the consolidated statements of financial position pertains to cash on hand which is not exposed to credit risk (Note 3).

(b) Receivables

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

Trade receivables

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

The Group applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The loss allowance as at December 31, 2022 and 2021 was determined as follows for trade receivables:

	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
December 31, 2022					
Expected loss rate	0%	0%	0%	100%	
Trade receivables	3,516,285,124	-	-	21,197,037	3,537,482,161
Loss allowance	-	-	-	21,197,037	21,197,037
December 31, 2021					
Expected loss rate	0%	0%	0%	100%	
Trade receivables	2,545,344,193	-	-	21,040,280	2,566,384,473
Loss allowance	-	-	-	21,040,280	21,040,280

The Group's receivables classified as current did not have history of loss arising from contract with customers as it is able to repossess the sold property consequent to customer’s inability to pay the transaction price. The Group believes that this assessment is adequate and reasonable in view of the credit quality of contract receivables. Accordingly, the expected credit loss on these fully performing contract receivables is deemed insignificant for financial reporting purposes.

Non-trade receivables

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

(c) Refundable deposits

Refundable deposits are considered as high performing financial assets. Considering the balance and average term of outstanding lease arrangements, management believes that the impact of discounting is not significant.

30.1.3 Liquidity risk

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

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

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

	0 - 90 days	91 - 180 days	181 - 360 days	Beyond 360 days	Total
At December 31, 2022					
Bank loans	668,824,461	198,955,797	7,138,739,336	299,672,875	8,306,192,469
Accounts payable and other current liabilities*	3,425,023,401	-	-	-	3,425,023,401
Deposits from tenants	-	-	697,693,738	307,585,412	1,005,279,150
Installment payable	-	-	-	-	-
Dividends payable	-	61,167,401	-	-	61,167,401
Future interest payable	108,337,895	102,374,036	132,312,031	1,720,122	344,744,084
	4,202,185,757	362,497,234	7,968,745,105	608,978,409	13,142,406,505
At December 31, 2021					
Bank loans	5,440,000,000	941,666,666	228,444,711	1,095,786,300	7,705,897,677
Accounts payable and other current liabilities*	3,165,681,540	-	-	-	3,165,681,540
Deposits from tenants	-	-	845,472,994	193,502,993	1,038,975,987
Installment payable	-	47,883,235	-	-	47,883,235
Dividends payable	-	61,897,055	-	-	61,897,055
Future interest payable	50,108,735	46,392,593	45,167,794	32,740,619	174,409,741
	8,655,790,275	1,097,839,549	1,119,085,499	1,322,029,912	12,194,745,235

**excluding advance rentals, contract liabilities, customers' deposits, reservation payable, output VAT, deferred output VAT and payable to government agencies and provision for restructuring*

30.2 Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes in the Group's strategies and policies during 2022 and 2021.

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

	2022	2021
Net debt		
Long-term loan	8,306,192,468	7,705,897,677
Less: cash and cash equivalents	1,314,956,254	1,376,480,154
	9,621,148,722	6,329,417,523
Capital		
Total equity	45,936,189,609	42,939,023,294
Less: Non-controlling interest	5,774,927,099	5,632,156,913
	40,161,262,510	37,306,866,381
Gearing ratio	23.96%	16.97%

The Group was able to meet its capital management objectives.

Loan covenants

Under the terms of the major borrowing facilities, the Group is required to comply with certain financial covenants. Details of the Group's compliance with these covenants are disclosed in Note 16.

30.3 Fair value measurement

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

		Fair value measurement using			
	Note	(Level 1)	(Level 2)	(Level 3)	Total
2022					
Assets measured at fair value					
Financial assets at fair value through profit or loss	4	31,393,069	-	-	31,393,069
Investment properties:	10				
Land		-	10,034,573,023	5,871,373,900	15,905,946,923
Buildings		-	2,995,047,009	17,070,936,540	20,065,983,549
Financial assets at FVOCI:	11				
Quoted		47,050,000	-	-	47,050,000
Unquoted		-	-	765,418,496	769,618,480
Assets for which fair values are disclosed					
Financial asset at amortized cost					
Refundable deposits	14	-	134,464,474	-	134,132,859
Liabilities for which fair values are disclosed					
Installment payable	16	-	-	-	-
Deposits from tenants	17	-	1,038,975,987	-	1,038,975,987
2021					
Assets measured at fair value					
Financial assets at fair value through profit or loss	4	30,815,974	-	-	30,815,974
Investment properties:	10				
Land		-	10,034,573,023	5,871,373,900	15,905,946,923
Buildings		-	2,455,826,617	17,023,220,100	19,479,046,717
Financial assets at FVOCI:	11				
Quoted		27,350,015	-	-	27,350,015
Unquoted		-	-	769,618,480	769,618,480
Assets for which fair values are disclosed					
Financial asset at amortized cost					
Refundable deposits	14	-	158,464,474	-	158,464,474
Liabilities for which fair values are disclosed					
Installment payable	16	-	47,883,236	-	47,883,236
Deposits from tenants	17	-	1,038,975,987	-	1,038,975,987

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

There have been no assets and liabilities transferred among Level 1, Level 2 and Level 3 during 2022 and 2021.

The methods and assumptions used to estimate the fair value of each class of financial instrument are disclosed in the referred notes in the table above.

Note 31 - Summary of significant accounting and financial reporting policies

31.1 Basis of preparation

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

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

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

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

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

- Determination of fair values of investment properties (Note 10)
- Useful lives of property and equipment (Note 12)
- Determining retirement benefit obligation (Note 24)
- Estimation of percentage-of-completion of the Group's projects (Note 6)
- Recoverability of investment and advances (Note 8)
- Joint control assessment (Note 8)
- Distinction between properties held for sale, investment properties, and property and equipment (Note 10)
- Revenue Recognition (Note 6)
- Estimation of net realizable value of properties held for sale (Note 6)
- Impairment of non-financial assets (Note 12)
- Contingencies (Note 28)
- Classification of leases as operating lease (Note 10)
- Income tax (Note 25)

31.2 Changes in accounting policy and disclosures

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

The Group has adopted certain amendments for the first-time effective January 1, 2022:

- Amendments to PFRS 3, Reference to the Conceptual Framework.
- Amendments to PAS 16, Property, Plant and Equipment: Proceeds before Intended Use.
- Amendments to PAS 37, Onerous Contracts - Costs of Fulfilling a Contract.
- Annual Improvements to PFRSs 2018-2020 Cycle
    - Amendments to PFRS 1, First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter
    - Amendments to PFRS 9, Financial Instruments

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

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

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

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

i. *Assessing whether the transaction price includes SFC*

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

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

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

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

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

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

The following amendment to existing standards have been published but are not mandatory for December 31, 2022 reporting periods and have not been early adopted by the Group.
Amendments to PAS 1, *Presentation of Financial Statements and PFRS Practice Statement 2, Making Materiality Judgements - Disclosure of Accounting Policies (effective January 1, 2023)*

This amendment requires entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. The amendments further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, PFRS Practice Statement 2 Making Materiality Judgements was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The Company expects to have reduced disclosures of accounting policies upon the adoption of this amendment.

Other new standards, amendments to existing standards and interpretations effective after December 31, 2022 are not expected to have a material impact on the Group's financial statements in the future reporting periods and on foreseeable future transactions.

31.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2022 and 2021. The subsidiaries' financial statements are prepared for the same reporting year as the Parent Company. The Group uses uniform accounting policies, any difference between subsidiaries and the Parent Company are adjusted properly.

The Group is composed of the subsidiaries listed below:

Nature and name of entity	Ownership % 2022	2021	2020
Property development:			
Shang Properties Realty Corporation (SPRC)	100	100	100
Shang Property Developers, Inc. (SPDI)	100	100	100
The Rise Development Corporation, Inc. (TRDCI)	100	100	100
Shang Wack Wack Properties, Inc. (SWWPI)	100	100	100
SPI Property Holdings, Inc. (SPI-PHI)	100	100	100
SPI Land Development, Inc. (SPI-LDI)	100	100	100
Hotel operation:			
Shang Global City Properties, Inc. (SGCPI)	60	60	60
Leasing:			
SPI Parking Services, Inc. (SPSI)	100	100	100
Shangri-la Plaza Corporation (SLPC)	100	100	100
KSA Realty Corporation (KSA)	70.04	70.04	70.04
SPI Property Developers, Inc. (SPI-PDI)	100	100	100
Real estate:			
Ivory Post Properties, Inc. (IPPI)	100	100	100
KPPI Realty Corporation (KRC)	100	100	100
Martin B Properties, Inc. (MBPI)	100	100	100
New Contour Realty, Inc. (NCRI)	100	100	100
Perfect Sites, Inc. (PSI)	100	100	100
Shang Fort Bonifacio Holdings, Inc. (SFBHI)	100	100	100
Shang Global City Holdings, Inc. (SGCHI)	100	100	100
Sky Leisure Properties, Inc. (SLPI)	100	100	100
Property management:			
KPPI Management Services Corporation (KMSC)	100	100	100
Shang Property Management Services, Inc. (SPMSI)	100	100	100
Other supplementary business:			
Gipsey, Ltd. (Gipsey)	100	100	100
Silver Hero Investments Limited (SHIL)	100	100	100
EPHI Logistics Holdings, Inc. (ELHI)	60	60	60

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

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

The summarized financial information of subsidiaries with significant non-controlling interest as at and for the years ended December 31, 2022 and 2021 are disclosed in Note 9.

(a) Subsidiaries

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

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

If the excess of the consideration is transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of the consideration is transferred, and the difference of the non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.
Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

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

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

(c) Disposal of subsidiaries

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

(d) Associates and joint ventures

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

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

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

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

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

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

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

The Group determines at each reporting date whether there is any objective evidence that the investment is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investments and its carrying value and recognizes the amount adjacent to 'share in net earnings of associates' in the consolidated statement of total comprehensive income. The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 31.12.

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

31.4 Cash and cash equivalents

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

31.5 Financial instruments

31.5.1 Classification of financial assets

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

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

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

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

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

31.5.2 Measurement of financial assets

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

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

Debt instruments

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

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

The Group's financial assets at amortized cost consist of cash and cash equivalents (Note 3), trade and other receivables (Note 5), refundable deposits under prepaid taxes and other current assets (Note 7) and other non-current assets (Note 14) in the consolidated statements of financial position.

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

  The Group does not have debt instruments at FVOCI as at December 31, 2022.

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

  The Group does not have debt instruments at FVTPL as at December 31, 2022.

Equity instruments

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

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

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

31.5.3 Impairment

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

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

The expected loss rates are based on the payment profiles of counterparties over a period of 36 months before January 1, 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has assessed that the impact of forward-looking information on the loss rates applied is immaterial.

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

31.5.4 Classification and measurement of financial liabilities

Financial liabilities are classified in the following categories: financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that designated at fair value); and financial liabilities at amortized cost. The Group did not measure its financial liabilities at fair value through profit or loss as at December 31, 2022.

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

The Group's accounts payable and other current liabilities (excluding advanced rental, contract liabilities, customers' deposits, reservation payable, output VAT, deferred output VAT and payable to government agencies) (Note 15), installment payable (Note 16), deposits from tenants (Note 17), dividends payable (Note 19), and bank loans (Note 16) are classified under financial liabilities at amortized cost.

31.5.5 Initial recognition

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

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

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

31.5.6 Day 1 difference

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

31.5.7 Derecognition

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

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

31.5.8 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty. There are no offsetting arrangements as at December 31, 2022 and 2021.

31.6 Trade and other receivables

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

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

The expected loss rates are based on the payment profiles of sales over a relevant period 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 31.5 for other relevant accounting policies on trade and other receivables.

31.7 Properties held for sale

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

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

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

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

31.8 Prepaid taxes and other assets

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

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

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

Other current assets include assets that are realized as part of the normal operating cycle and are expected to be realized within 12 months after the reporting period.

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

31.9 Investment properties

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

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

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

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

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

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

Removal of an item within investment property is triggered by a change in use, by sale or disposal. If an investment property becomes owner-occupied, it is reclassified as property and equipment (Note 31.10), and its fair value at the date of reclassification becomes its cost for accounting purposes. Gain or loss arising from disposal is determined as the difference between the net disposal proceeds and the carrying amount of the asset. Gain or loss on disposal is recognized in profit or loss in the period of the disposal.

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

Impairment of investment properties is discussed in Note 31.12.

31.10 Property and equipment

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

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 31.12).

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

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

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

31.11 Goodwill

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

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

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

31.12 Impairment of non-financial assets

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

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

31.13 Accounts payable and other current liabilities

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

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

Relevant accounting policies for classification, recognition, measurement and derecognition of accounts payable and other current liabilities and financial liabilities at amortized cost are presented in Note 31.5.

31.14 Deposits from tenants

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

31.15 Borrowings and borrowing costs

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

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non- cash assets transferred or liabilities assumed, is recognised within interest expense and bank charges in the consolidated statement of total comprehensive income.

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

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. All other borrowing costs are recognized and charged to profit or loss in the year in which they are incurred. The Group decided to avail relief issued by the SEC per Memorandum Circular No. 4-2020. The SEC provided for the relief to the real estate industry by deferring the implementation of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) until December 31, 2023 (Note 31.2).

31.16 Fair value measurement

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

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

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

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

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

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

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

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

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

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

Specific valuation techniques used to value financial instruments include:

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

31.17 Current and deferred income tax

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

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

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

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

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

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

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

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

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

31.18 Provisions

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

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

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

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

31.19 Equity

(a) Share capital

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

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

(b) Treasury shares

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

(c) Retained earnings

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

(d) Dividend distribution

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

31.20 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.

31.21 Employee benefits

(a) Retirement benefits

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

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

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

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

(b) Termination benefits

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

(c) Short-term employee benefits

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

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

31.22 Income and expense recognition

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

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

Revenue

(a) Revenue from condominium sales

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

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

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

Revenue is measured at the transaction price agreed under the contract, except for contracts where the timing difference between the construction period and payment by the customer exceeds one year. In such contracts, the Group assessed that it is necessary to adjust the transaction price for the effects of a significant financing component as required by PIC Q&A 2018-12, but the Group decided not to adjust the transaction price and availed the relief issued by the SEC per Memorandum Circular No. 34-2020 dated December 15, 2020. The SEC provided relief to the real estate industry by deferring the application of the provisions of PIC Q&A 2018-12 for a period of three (3) years until January 1, 2024 or completed projects, revenue from condominium sales are recognized in full (ie. point in time) once the Group assessed that the contract meets all criteria for revenue recognition.

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

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

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

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

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

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

Condominium units arising from cancellation of contracts to sell are initially measured by the Group based on its original carrying amount at the time it was sold.

(b) Rental

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

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

(c) Hotel operations

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

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

(d) Interest income and expense

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

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

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

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

(e) Dividend income

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

(f) Other income

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

(g) Cost and expenses

Cost and expenses are recognized when these are incurred.

31.23 Leases

(a) Group is the lessor

Rental income from operating lease is recognized on a straight-line basis over the term of the relevant lease or based on a certain percentage of gross revenue of the lessees, whichever is applicable. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term. Assets under these arrangements are classified as investment property in the consolidated statement of financial position (Note 31.9).

(b) Group is the lessee

Payments associated with short-term leases are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

31.24 Foreign currency transactions and translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

31.25 Related party relationships and transactions

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

31.26 Segment reporting

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

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

31.27 Contingencies

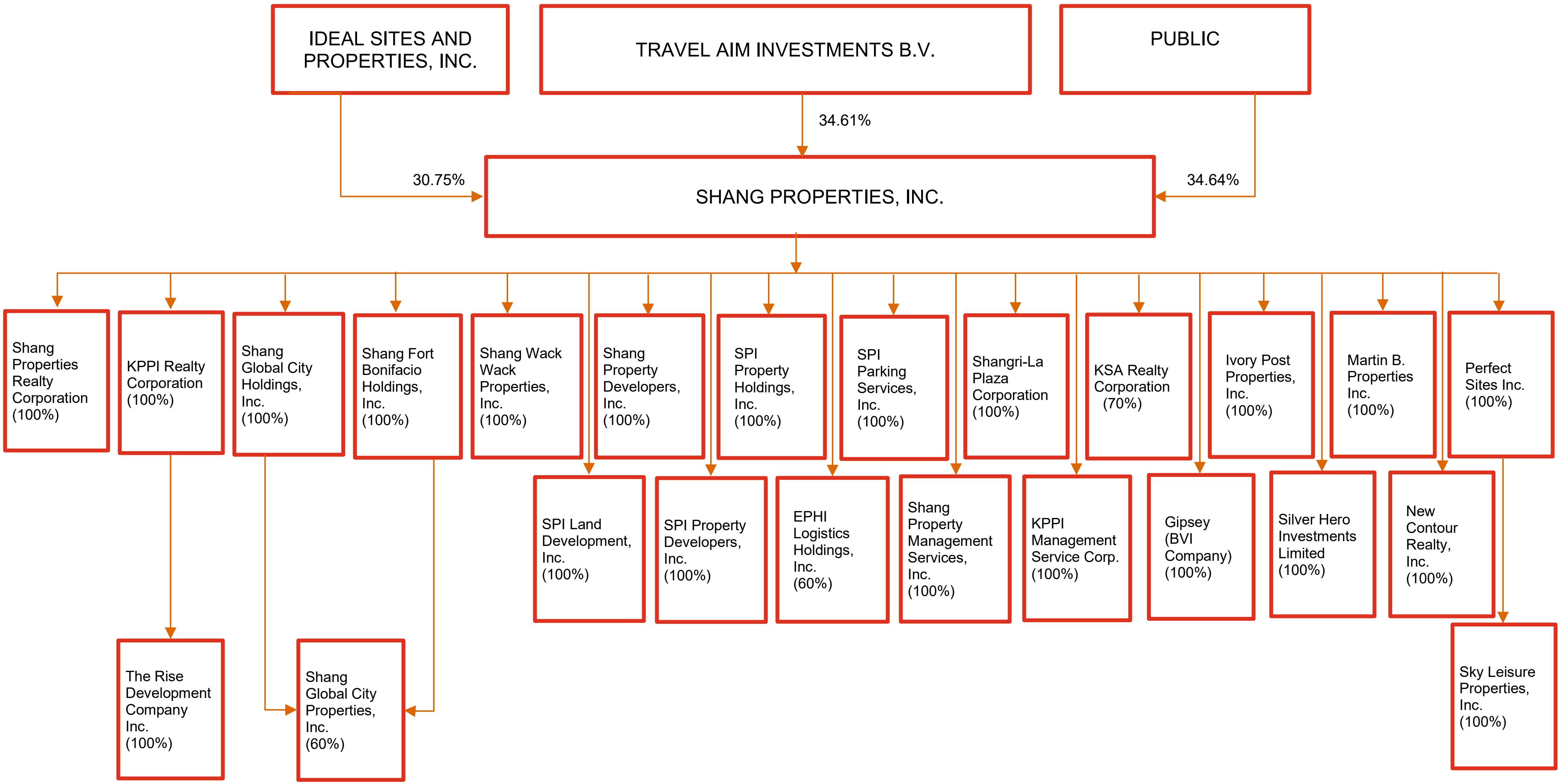
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of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

31.28 Events after the reporting period

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

Shang Properties, Inc. and Subsidiaries

Map of the Group of Companies within which the Reporting Entity Belongs
As at December 31, 2022



Shang Properties, Inc. and Subsidiaries

Financial Soundness Indicators
As at December 31, 2022, 2021 and 2020

Ratio	Formula		2022	2021	2020
A. Current and Liquidity Ratios					
1. Current ratio	Total current assets	13,610,336,972	0.98	0.92	1.06
	Divided by: Total current liabilities	13,867,912,141			
	Current ratio	0.98			
2. Acid test ratio	Total current assets	13,610,336,972	0.82	0.76	0.91
	Less: Prepaid taxes and other current assets	2,259,295,838			
	Quick assets	11,351,041,134			
	Divided by: Total current liabilities	13,867,912,141			
	Acid test ratio	0.82			
B. Solvency ratio	Net income	3,988,161,580	0.20	0.15	0.12
	Add: Depreciation*	387,958,563			
	Net income before depreciation	4,376,120,143			
	Divided by: Total liabilities	21,693,728,544			
	Solvency ratio	0.20			
C. Debt to equity ratio	Total liabilities	21,693,728,544	0.47	0.49	0.52
	Divided by: Total equity	45,936,189,609			
	Debt to equity ratio	0.47			
D. Asset to equity ratio	Total assets	67,629,918,153	1.47	1.49	1.52
	Divided by: Total equity	45,936,189,609			
	Asset to equity ratio	1.47			
E. Debt ratio	Total liabilities	21,693,728,544	0.32	0.33	0.34
	Divided by: Total assets	67,629,918,153			
	Debt ratio	0.32			

Ratio	Formula		2022	2021	2020
F. Profitability ratios					
1. Return on assets (%)	Net income	3,988,161,580	5.90	3.43	2.25
	Divided by: Total assets	67,629,918,153			
	Return on assets (%)	5.90			
2. Return on equity (%)	Net income	3,988,161,580	8.68	5.10	3.41
	Divided by: Total equity	45,936,189,609			
	Return on equity (%)	8.68			
3. Net profit margin	Net income	3,988,161,580	50.73	47.89	22.85
	Divided by: Total revenues	7,860,859,149			
	Net profit margin (%)	50.73			
G. Earnings per share (EPS) attributable to equity holders of Parent	Net income after minority interest	3,634,480,097	0.76	0.45	0.31
	Divided by: Total shares outstanding	4,761,918,337			
	EPS attributable to equity holders of Parent	0.76			
H. Book value per share (BPS) attributable to equity holders of Parent	Total equity after minority interest	40,161,262,510	8.43	7.83	7.50
	Divided by: Total shares outstanding	4,761,918,337			
	BPS attributable to equity holders of Parent	8.43			

Shang Properties, Inc. and Subsidiaries

Schedule A - Financial Assets
As at December 31, 2022
(All amounts in Philippine Peso)

Description of each issue	Number of shares	Amount shown in the Consolidated Statement of Financial Position	Value based on market quotations at statement date	Income (loss) received and accrued
Cash and cash equivalents*		1,318,603,295	1,318,603,295	7,062,745
Trade and other receivables**		5,553,712,185	5,553,712,185	92,398,578
Financial assets at fair value through profit or loss***		31,393,069	31,393,069	577,095
Refundable deposits****		136,604,521	136,604,521	-
Financial assets at fair value through other comprehensive income*****				
Quoted shares	8	47,050,000	47,050,000	-
Unquoted shares	298,516	765,418,496	765,418,496	15,500,000
		812,468,496	812,468,496	15,500,000
		7,852,781,566	7,852,781,566	115,538,417

* See Note 3 to the Consolidated Financial Statements.
** See Note 5 to the Consolidated Financial Statements.
*** See Note 4 to the Consolidated Financial Statements.
**** See Notes 7 and 14 to the Consolidated Financial Statements.
***** See Note 11 to the Consolidated Financial Statements.

Shang Properties, Inc. and Subsidiaries

Schedule B - Amounts Receivable from Directors, Officers,
Employees, Related Parties and Principal Stockholders
(Other than Related Parties)
As at December 31, 2022
(All amounts in Philippine Peso)

Name and designation of debtor	Balance at beginning of period	Additions	Deduction: Amount collected	Deduction: Amount written-off	Current	Non-current	Balance at end of period
Classic Elite Holdings Limited	1,144,187,554				-	1,144,187,554	1,144,187,554
One Shangri-la Place Condominium Corp	53,445,509	13,637,298	(10,497,070)	-	13,471,788	43,113,949	56,585,737
Shang Salcedo Place Condo. Corp.	66,649,671	10,773,407	(21,763)	-	50,312,345	27,088,969	77,401,314
EDSA Shangri-la Hotel & Resorts, Inc.	18,450,381	84,701,128	(69,052,460)	-	1,307,160	32,791,889	34,099,049
Makati Shangri-la Hotel	12,294,051	7,406,206	(7,850,427)	-	3,331,539	8,518,290	11,849,830
The St. Francis Shangri-la Place Condo. Corp	38,685,089	15,758,640	(6,435,451)	-	16,664,258	31,344,020	48,008,277
The Shang Grand Tower Condo. Corp.	21,330,518	7,329,396	(1,059,042)	-	7,903,491	19,697,381	27,600,873
Ideal Sites Property Inc.	7,013,348	3,039			3,039	7,013,348	7,016,388
Mactan Shangri-la Hotel	27,664,040	16,206,844	(4,001,663)	-	12,534,766	27,334,456	39,869,222
The Enterprise Centre Condo. Corp.	15,569,489	40,819,832	(22,348,229)	-	31,224,321	2,816,772	34,041,093
Shang Robinsons Properties, Inc.	198,018,968	154,300,644	(669,504)	-	148,025,525	203,624,583	351,650,108
Others	146,852,162	83,779,863	(78,736,630)	-	38,408,663	113,486,732	151,895,395
	1,750,160,780	434,716,298	(200,672,239)	-	323,186,896	1,661,017,944	1,984,204,839

See Notes 5 and 27 to the Consolidated Financial Statements.

Shang Properties, Inc. and Subsidiaries

Schedule C - Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements
As at December 31, 2022
(All amounts in Philippine Peso)

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Shang Properties, Inc.	8,773,599,769	2,735,856,713	(432,631,202)	-	2,326,540,772	8,750,284,508	11,076,825,281
Shangri-la Plaza Corp.	40,340,225	488,560,511	(26,789,666)	-	460,422,010	41,689,059	502,111,069
Shang Property management Services, Inc.	42,881,676	46,716,059	(15,454,281)	-	46,613,234	27,530,220	74,143,454
Shang Properties Realty Corporation	179,172,965	155,685,574	(165,817,768)	-	92,574,657	76,466,114	169,040,772
SPI Parking Services, Inc.	2,143	4,035	(4,728)	-	1,450	-	1,450
KSA Realty Corporation	1,026,699	18,114,916	(17,406,057)	-	1,735,558	-	1,735,558
Shang Property Developers, Inc.	2,368,032,904	927,000	(95,000,000)	-	2,273,959,904	-	2,273,959,904
Silver Hero from SPDI	2,317,500,000	-	-		-	2,317,500,000	2,317,500,000
The Rise Development Company, Inc.	224,478,691	50,263,342	(16,951,291)	-	36,844,020	220,946,722	257,790,742
New Contour Realty Inc.	4,023,361	2,508	-	-	5,111	4,020,758	4,025,869
Shang Global City Properties, Inc.	942,306	1,690,118	(1,664,654)	-	967,769	-	967,769
Shang Wack Wack Properties, Inc.	54,696,437	13,886,195	(13,339,622)	-	55,243,009	-	55,243,009
Perfect Sites Inc.	116,108,696	11,000,000	-	-	11,000,000	116,108,696	127,108,696
KPPI Realty Corporation	3,612	-	-	-	-	3,612	3,612
SPI LDI	-	1,318,847	-	-	1,318,847	-	1,318,847
SPI PDI	-	6,634,275	-	-	6,634,275	-	6,634,275
SPI PHI	-	162,416	-	-	162,416	-	162,416
	14,122,809,484	3,530,822,508	(785,059,270)		5,314,023,033	11,554,549,690	16,868,572,723

See Note 27 to the Consolidated Financial Statements.

Shang Properties, Inc. and Subsidiaries

Schedule D - Long-Term Debt
As at December 31, 2022
(All amounts in Philippine Peso)

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related Statement of Financial Position	Amount shown under caption "Long-term debt" in related Statement of Financial Position
10-year loan with interest based on the higher between the PHP BVAL rate plus spread of 0.80% per annum and the Bangko Sentral ng Pilipinas (BSP) overnight borrowing rate minus spread of 0.95% per annum	1,096,192,468	796,519,593	299,672,875
12-month loan with fixed interest rate of 5.65% per annum	5,000,000,000	5,000,000,000	-
	6,096,192,468	5,796,519,593	299,672,875

Shang Properties, Inc. and Subsidiaries

Schedule E - Indebtedness to Related Parties
As at December 31, 2022
(All amounts in Philippine Peso)

Name of related party	Balance at beginning of period	Balance at end of period
Shangri-La International Hotel Management Limited	34,820,808	94,279,579
St. Francis Shangri-La place Condo. Corp.	316,967	316,967
The Enterprise Center condo. Corp	12,807,215	12,678,637
Others	77,693,756	91,137,547
	125,638,746	198,412,730

See Notes 15 and 27 to the Consolidated Financial Statements.

Shang Properties, Inc. and Subsidiaries

Schedule F - Guarantees of Securities of Other Issuers
As at December 31, 2022
(All amounts in Philippine Peso)

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

Shang Properties, Inc. and Subsidiaries

Schedule G - Share Capital
As at December 31, 2022
(All amounts in Philippine Peso)

Title of issue	Number of shares authorized	Number of Shares issued and outstanding as shown under related Statement of Financial Position	Number of shares reserved for options, warrants, conversions, and other rights	Number of shares held by related parties	Number of shares held by directors, officers, and employees	Others
Issued shares:						
Common shares	8,000,000,000	4,764,058,982	-	-	-	-
Outstanding shares:						
Common shares	-	4,764,056,287	-	3,114,013,999	4,053,136	1,645,989,152
Total		4,764,056,287	-	3,114,013,999	4,053,136	1,645,989,152

See Note 18 to the Consolidated Financial Statements.

Shang Properties, Inc.

Reconciliation of Retained Earnings Available for Dividend Declaration
As at December 31, 2022
(All amounts in Philippine Peso)

Unappropriated Retained Earnings beginning		19,859,180,162
Fair value adjustment of investment properties in prior years, net of tax		(9,868,058,867)
Equity in net income of associate/joint venture in prior years, net of tax		(504,270,033)
Fair value adjustment in prior years, net of tax		134,606
Treasury shares		(6,850,064)
Unappropriated Retained Earnings, as adjusted to available for dividend declaration, beginning of the year		9,480,135,804
Net income based on the face of audited financial statements	2,721,933,606	
Less: Non-actual/unrealized income net of tax	-	
Equity in net income of associate/joint venture	-	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	-	
Unrealized actuarial gain	-	
Fair value adjustment	(261,576)	
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)	-	
Fair value adjustment	-	
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	2,721,672,030	2,721,672,030
Add (Less):		
Realized remeasurement loss during the year		
Dividends declarations during the year		(785,616,768)
Appropriations of retained earnings		-
Reversal of appropriateness		-
Other reserves from restatement due to PAS19 Revised		-
Treasury shares		-
TOTAL RETAINED EARNINGS, END OF THE YEAR AVAILABLE FOR DIVIDEND		**11,416,191,066**

SHANG
PROPERTIES

15 May 2023

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building,
PICC Complex
Roxas Boulevard, Manila

Thru: Corporate Finance Department

Re: **Shang Properties, Inc. (SPI)**

Gentlemen:

We are submitting herewith SPI's SEC Form 17-Q, which we have submitted to the Philippine Stock Exchange, Inc.

Thank you.

Very truly yours,
SHANG PROPERTIES, INC.
By:

FEDERICO G. NOEL, JR.
Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE

1. For the quarterly period ended : 31 March 2023

2. Commission Identification Number : 145490

3. BIR Tax Identification Number : 000-144-386

SHANG PROPERTIES, INC.

4. Exact name of the Issuer as specified in this charter:

5. Province, country or other jurisdiction of incorporation or organization: Not Applicable

6. Industry Classification Code: [ ] (SEC Use Only)

7. Shangri-La Plaza Adm. Office, 5th Floor, Shangri-La Plaza, EDSA cor. Shaw Blvd. Mandaluyong City 1550
Address of issuer's principal office Postal Code

(632) 8370-2700

8. Issuer's telephone number, including area code

9. Former name, former address and former fiscal year, if changed since last report:

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Stock	4,764,056,287 common shares

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

Yes [x] **No [ ]**

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

Philippine Stock Exchange

12. Indicate by check mark whether the registrant:

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

Yes [x] **No [ ]**

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

Yes [x] **No [ ]**

PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached.

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

Please see attached.

SIGNATURES

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

SHANG PROPERTIES, INC.
Issuer

By:

MABEL P. TACORDA
Chief Finance Officer

RAJEEV GARG
VP – Group Controllership

Date of Signing: 15 May 2023

PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

SHANG PROPERTIES, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	Unaudited March 31, 2023	Audited December 31, 2022
ASSETS			
Current Assets			
Cash and cash equivalents	3	1,105,068,731	1,318,603,295
Financial assets at fair value through profit or loss	4	31,330,366	31,393,069
Trade and other receivables, net	5	5,889,922,927	5,553,712,185
Properties held for sale	6	4,710,049,411	4,447,332,585
Prepaid taxes and other current assets	7	2,261,474,069	2,259,295,838
Total Current Assets		13,997,845,504	13,610,336,972
Non-Current Assets			
Investment in and advances to associates and a joint venture	8	6,162,979,599	5,748,050,305
Investment properties	10	36,225,258,461	35,971,930,472
Financial assets at fair value through other comprehensive income	11	812,468,496	812,468,496
Property and equipment, net	12	10,498,699,631	10,574,074,338
Goodwill		269,870,864	269,870,864
Deferred income tax assets		414,810,486	494,516,419
Other non-current assets	13	154,080,887	148,670,287
Total Non-Current Assets		54,538,168,424	54,019,581,181
Total Assets		**68,536,013,928**	**67,629,918,153**
LIABILITIES & STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and other current liabilities	14	4,893,486,178	5,058,740,720
Current portion of:			
Installment payable		-	—
Bank loans	15	7,987,368,008	8,006,519,593
Deposits from tenants	16	666,353,222	697,693,738
Deferred lease income		2,064,727	2,064,727
Income tax payable		116,797,676	41,725,962
Dividends payable		61,086,761	61,167,401
Total Current Liabilities		13,727,156,572	13,867,912,141
Non-Current Liabilities			
Accrued employee benefits		85,071,321	83,841,520
Bank loans, net of current portion	15	-	299,672,875
Deferred income tax liabilities, net		7,156,000,537	7,094,584,618
Advance rental, net of current portion		-	-
Deposit from tenants, net of current portion		364,966,482	307,585,412
Deferred lease income, net of current portion	16	40,131,978	40,131,978
Total Non-Current Liabilities		7,646,170,318	7,825,816,403
TOTAL LIABILITIES		21,373,326,890	21,693,728,544
Stockholders' Equity			
Share capital	17	4,764,058,982	4,764,058,982
Share premium	17	834,439,607	834,439,607
Treasury shares		(6,850,064)	(6,850,064)
Equity reserves		(141,132,606)	(141,132,606)
Other comprehensive income		273,601,489	274,339,482
Retained earnings		35,578,234,787	34,436,407,109
Total equity attributable to shareholders of the Parent Company		41,302,352,195	40,161,262,510
Non-controlling interest	9	5,860,334,843	5,774,927,099
Total equity		47,162,687,038	45,936,189,609
Total Liabilities and Equity		**68,536,013,928**	**67,629,918,153**

(See accompanying notes to unaudited consolidated financial statements)

SHANG PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF TOTAL COMPREHENSIVE INCOME

	UNAUDITED FOR THE QUARTER ENDED		UNAUDITED FOR THE THREE (3) MONTHS ENDED	
	31-March-23	**31-March-22**	**31-March-23**	**31-March-22**
REVENUES				
Condominium sales	675,453,020	658,408,896	675,453,020	658,408,896
Rental and cinema	615,763,473	466,743,338	615,763,473	466,743,338
Hotel operations	1,020,168,073	322,316,506	1,020,168,073	322,316,506
	2,311,384,566	1,447,468,740	2,311,384,566	1,447,468,740
COST OF SALES AND SERVICES				
Cost of condominium sales	284,518,961	283,472,406	284,518,961	283,472,406
Cost of rental and cinema	25,853,882	18,925,070	25,853,882	18,925,070
Cost of hotel operations	482,308,561	253,641,689	482,308,561	253,641,689
	792,681,404	556,039,165	792,681,404	556,039,165
GROSS PROFIT	**1,518,703,162**	**891,429,575**	**1,518,703,162**	**891,429,575**
OPERATING EXPENSES				
Staff Costs	122,579,632	118,961,989	122,579,632	118,961,989
Taxes, licenses and fees	66,830,192	73,455,008	66,830,192	73,455,008
Depreciation	8,018,471	7,303,700	8,018,471	7,303,700
Insurance	5,881,550	4,249,129	5,881,550	4,249,129
Other operating expenses	259,302,498	224,040,382	259,302,498	224,040,382
	462,612,343	428,010,208	462,612,343	428,010,208
OTHER INCOME				
Foreign exchange gains-net	(4,141,587)	2,994,039	(4,141,587)	2,994,039
Other income - net	90,794,092	31,394,503	90,794,092	31,394,503
	86,652,505	34,388,542	86,652,505	34,388,542
Income from operations	1,142,743,324	497,807,909	1,142,743,324	497,807,909
Finance income, net				
Finance Income	7,183,056	31,849,451	7,183,056	31,849,451
Finance Costs	(11,275,294)	(29,866,745)	(11,275,294)	(29,866,745)
	(4,092,238)	1,982,706	(4,092,238)	1,982,706
SHARE IN PROFIT OF ASSOCIATES AND A JOINT VENTURE	412,297,721	107,101,875	412,297,721	107,101,875
INCOME BEFORE INCOME TAX	**1,550,948,807**	**606,892,490**	**1,550,948,807**	**606,892,490**
Income expense	(260,984,822)	(82,890,171)	(260,984,822)	(82,890,171)
NET INCOME FOR THE YEAR	**1,289,963,985**	**524,002,319**	**1,289,963,985**	**524,002,319**
NET INCOME ATTRIBUTABLE TO:				
Shareholders of the Parent company	**1,141,827,685**	**476,315,611**	**1,141,827,685**	**476,315,611**
Non-controlling Interest	148,136,300	47,686,708	148,136,300	47,686,708
	1,289,963,985	**524,002,319**	**1,289,963,985**	**524,002,319**
OTHER COMPREHENSIVE INCOME				
Remeasurement gain (loss) on retirement benefit obligation, net of tax	-	(14,004,307)	-	(14,004,307)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,289,963,985	509,998,012	1,289,963,985	509,998,012
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Shareholders of the Parent company	**1,141,827,685**	**462,311,304**	**1,141,827,685**	**462,311,304**
Non-controlling Interest	148,136,300	47,686,708	148,136,300	47,686,708
	1,289,963,985	**509,998,012**	**1,289,963,985**	**509,998,012**
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY	**0.240**	**0.100**	**0.240**	**0.100**

(See accompanying notes to unaudited consolidated financial statements)

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

	Shareholders of the Parent Company							
	Capital stock	Additional Paid-in Capital	Treasury Stock	Equity Reserves	Other Comprehensive Income	Retained Earnings	Non-controlling Interest	Total
Balances as of January 1, 2022	4,764,058,982	834,439,607	(6,850,064)	(141,132,606)	268,806,682	31,587,543,780	5,632,156,913	42,939,023,294
Translation adjustments	-	-	-	-	(14,004,307)	-	-	(14,004,307)
Cash dividends	-	-	-	-	-	-	(29,960,000)	(29,960,000)
Net income for the period	-	-	-	-	-	476,315,618	47,686,702	524,002,320
Balances as of March 31, 2022	4,764,058,982	834,439,607	(6,850,064)	(141,132,606)	254,802,375	32,063,859,398	5,649,883,615	43,419,061,307
Balances as of January 1, 2023	4,764,058,982	834,439,607	(6,850,064)	(141,132,606)	274,339,482	34,436,407,109	5,774,927,099	45,936,189,609
Translation adjustments	-	-	-	-	(737,993)	(7)	187,444	(550,556)
Cash dividends	-	-	-	-	-	-	(62,916,000)	(62,916,000)
Net income for the period	-	-	-	-	-	1,141,827,685	148,136,300	1,289,963,985
Balances as of March 31, 2023	4,764,058,982	834,439,607	(6,850,064)	(141,132,606)	273,601,489	35,578,234,787	5,860,334,843	47,162,687,038

(See accompanying notes to unaudited consolidated financial statements)

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

	March 31, 2023	March 31, 2022
Cash flows from operating activities		
Income before provision for income tax	1,550,948,808	606,892,490
Adjustments for:		
Depreciation and amortization	95,198,245	93,942,121
Interest expense	11,016,645	29,665,100
Retirement benefit expense	1,271,729	1,283,843
Loss on fair value adjustment of financial assets at fair value through profit or loss	62,703	(860,665)
Cumulative translation adjustment	(737,993)	(14,004,307)
Share in net profits of associates and a joint venture	412,297,721	(107,101,875)
Unrealized foreign exchange gain	(4,141,587)	2,994,039
Dividend income	-	-
Interest income	7,183,056	(31,849,451)
Operating income before working capital changes	2,073,099,327	580,961,295
Changes in working capital:		
Trade and other receivables	(338,843,904)	(403,237,645)
Properties held for sale	(262,716,826)	109,347,238
Prepaid taxes and other current assets	(2,178,231)	(437,988,798)
Other non-current assets	(5,410,600)	4,131,249
Accounts payable and other current liabilities	(301,957,677)	(100,207,318)
Installment payable	-	(47,883,236)
Deposits from tenants	26,040,554	(28,506,750)
Net cash generated from operations	1,188,032,643	(323,383,965)
Income tax paid	(44,791,256)	-
Interest received	(4,549,895)	32,895,168
Net cash provided by operating activities	1,138,691,492	(290,488,797)
Cash flows from investing activities		
Additions to:		
Investments in and advances to associates and a joint venture	(827,227,015)	(1,779,275)
Investment properties	(253,327,988)	(41,880,771)
Property and equipment	(19,823,538)	(15,122,587)
Deposit for a future project	-	-
Dividends received	-	-
Net cash used in investing activities	(1,100,378,542)	(58,782,633)
Cash flows from financing activities		
Payments of:		
Loan principal	(318,824,460)	(433,333,333)
Interest	-	(25,181,884)
Cash dividends payable (paid) to:		
Shareholders	(80,641)	(5,614,829)
Non-controlling shareholders of subsidiaries	62,916,000	(14,280,000)
Proceeds from loan availment, net of debt issue costs	-	870,000,000
Net cash used in financing activities	(255,989,101)	391,589,954
Net increase (decrease) in cash and cash equivalents for the period	217,676,144	42,318,524
Cash and cash equivalents at beginning of the period	1,318,603,288	1,376,480,154
Effects of exchange rate changes on cash and cash equivalents	4,141,587	(2,994,039)
Cash and cash equivalents at end of the period	1,105,068,731	1,415,804,639

(See accompanying notes to unaudited consolidated financial statements)

Notes to the Unaudited Consolidated Financial Statements
(All amounts are shown in Philippine Peso unless otherwise stated)

Note 1 - General information

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

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

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

COVID-19 Pandemic

The COVID-19 pandemic did not have a significant impact on the Group for the year ended December 31, 2022 and the period ended March 31, 2023. While the pandemic still poses some risk and uncertainties, the Group, however, remains confident in its ability to absorb some conceivable financial shocks that may arise due to volatile economic conditions.

Note 2 - Segment information

The Group's operating businesses are organized and managed according to the nature of the products and services marketed. Each segment represents a strategic business unit that offers different products and serves different markets. The Group has operations only in the Philippines. The Group derives revenues from three (3) main segments as follows:

(a) Property development

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

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

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

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

- Shang Wack Wack Properties, Inc. ("SWWPI") is the developer of Shang Residences at Wack Wack Project, located in Mandaluyong City.

- SPI Property Holdings, Inc. ("SPI-PHI"), and SPI Land Development, Inc. ("SPI-LDI") are new subsidiaries in which the Group will develop its upcoming projects.

(b) Hotel operation

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

(c) Leasing

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

In 2019, the Parent Company started construction of a project located in the City of Mandaluyong. The project is being constructed on a parcel of land registered in the Parent Company's name. The construction of the project is ongoing and is expected to be completed in 2026. Upon completion, the project will be subsequently leased out to third parties and related parties. In 2021, the Parent Company has transferred the construction-in-progress to SPI Property Developers, Inc. ("SPI-PDI").

(d) Other Business Segments

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

Except for the rental revenue from ESHRI, all revenues come from transactions with third parties. There are no revenues derived from a single external customer above 10% of total revenue in 2023 and 2022. There is no need to present reconciliation since measure of segment assets, liabilities and results of operations are consistent with those of the consolidated financial statements.

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

There are no changes in the Group's reportable segments and related strategies and policies in 2022 and 2023.

The segment assets, liabilities and results of operations of the reportable segments of the Group as of and for the year ended March 31, 2023 are as follows:

	Property development	Hotel operation	Leasing	Others	Total segments	Eliminations	Consolidated
Revenues:							
Condominium sales	675,453,020	-	-	-	675,453,020	-	675,453,020
Rental and cinema	25,867,015	-	637,490,368	-	663,357,383	(47,593,910)	615,763,473
Hotel operations	-	1,020,168,073	-	-	1,020,168,073	-	1,020,168,073
Cost of sales and services:							
Condominium sales	(284,518,961)	-	-	-	(284,518,961)		(284,518,961)
Rental and cinema	(5,646,567)	-	(11,478,008)	(7,047,105)	(24,171,680)	(1,682,201)	(25,853,881)
Hotel operations	-	(482,308,561)	-	-	(482,308,561)	-	(482,308,561)
Gross profit or revenues	411,154,507	537,859,512	626,012,360	(7,047,105)	1,567,979,274	(49,276,111)	1,518,703,163
Operating Expenses:							
Staff costs	(17,441,088)	-	(111,199,099)	(2,759,799)	(131,399,986)	8,820,354	(122,579,632)
Taxes and licenses	(34,316,478)	(11,114,204)	(19,150,383)	(2,249,128)	(66,830,193)	-	(66,830,193)
Depreciation and amortization	(744,801)	-	(62,547,126)	(87,663)	(63,379,590)	55,361,118	(8,018,472)
Insurance	(73,826)	(4,730,453)	(1,070,273)	(6,998)	(5,881,550)	-	(5,881,550)
General and administrative expenses	(30,539,001)	(167,194,446)	(108,808,504)	(2,005,226)	(308,547,177)	49,244,680	(259,302,497)
Other income (expense)							
Interest income	4,564,518	8,796	2,485,242	124,501	7,183,057	-	7,183,057
Foreign exchange gains – net	(2,870,911)	(723,536)	(533,580)	(13,560)	(4,141,587)	-	(4,141,587)
Share in net income of an associate	-	-	412,297,721	-	412,297,721	-	412,297,721
Other income, net	73,026,569	4,648,107	481,113,201	103,194,745	661,982,622	(571,188,530)	90,794,092
Interest expense and bank charges	(94,366)	(11,016,646)	(163,886)	(396)	(11,275,294)	-	(11,275,294)
Income before income tax	402,665,123	347,737,130	1,218,435,673	89,149,371	2,057,987,297	(617,760,725)	1,550,948,808
Provision for income tax	(94,056,162)	(88,316,668)	(70,361,450)	(886,891)	(253,621,171)	(7,363,652)	(260,984,823)
Net income for the year	308,608,961	259,420,462	1,148,074,223	88,262,480	1,804,366,126	(625,124,377)	1,289,963,985
Segment assets	15,634,207,481	8,708,730,642	56,934,831,907	4,074,420,932	85,352,190,962	(22,979,156,633)	62,373,034,329
Associate companies	-	-	-	6,162,979,599	6,162,979,599	-	6,162,979,599
Total assets	15,634,207,481	8,708,730,642	56,934,831,907	10,237,400,531	91,515,170,562	(22,979,156,633)	68,536,013,928
Segment liabilities	9,435,360,390	2,038,703,279	19,781,544,077	7,544,638,439	38,800,246,184	(17,426,919,295)	21,373,326,890
Capital expenditures for the year	878,067	6,279,192	12,666,279	-	19,823,538	-	19,823,538

The segment assets, liabilities and results of operations of the reportable segments of the Group as of and for the year ended December 31, 2022 are as follows:

	Property development	Hotel operation	Leasing	Others	Total segments	Eliminations	Consolidated
Revenues							
Condominium sales	2,850,803,449	-	-	-	2,850,803,449	-	2,850,803,449
Rental and cinema	67,965,270	-	2,254,359,907	-	2,322,325,176	(157,245,605)	2,165,079,571
Hotel operation	-	2,844,976,129	-	-	2,844,976,129	-	2,844,976,129
Cost of sales and services							
Condominium sales	(1,226,557,946)	-	-	-	(1,226,557,946)	-	(1,226,557,946)
Rental and cinema	(23,518,162)	-	(146,553,197)	-	(170,071,359)	(3,946,316)	(174,017,675)
Hotel operation	-	(1,729,475,822)	-	-	(1,729,475,822)	-	(1,729,475,822)
Gross income	1,668,692,610	1,115,500,307	2,107,806,710	-	4,891,999,627	(161,191,921)	4,730,807,706
Operating expenses	(485,598,394)	(531,610,114)	(1,085,310,108)	(58,017,727)	(2,160,536,342)	434,389,535	(1,726,146,807)
Other Income	191,743,282	9,696,362	1,597,772,615	244,954,834	2,044,167,093	(1,695,851,268)	348,315,825
Share in net gains of associates and a joint venture	-	-	1,422,113,933	-	1,422,113,933	-	1,422,113,933
Interest expense and bank charges	(189,540)	(84,677,913)	(24,574,573)	(6,128)	(109,448,154)	-	(109,448,154)
Income before income tax	1,374,647,958	508,908,642	4,017,808,577	186,930,980	6,088,296,157	(1,422,653,654)	4,665,642,503
Provision for income tax	(318,663,721)	(131,066,524)	(241,734,185)	(5,142,884)	(696,607,314)	19,126,391	(677,480,923)
Net income for the year	1,055,984,237	377,842,118	3,776,074,392	181,788,096	5,391,688,843	(1,403,527,263)	3,988,161,580
Segment assets	15,220,100,958	8,765,496,603	55,894,571,847	4,465,193,181	84,345,362,589	(22,463,494,741)	61,881,867,848
Associate companies	-	-	-	5,748,050,305	5,748,050,305	-	5,748,050,305
Total assets	15,220,100,958	8,765,496,603	55,894,571,847	10,213,243,486	90,093,412,894	(22,463,494,741)	67,629,918,153
Segment liabilities	9,231,332,857	2,354,889,701	19,444,482,714	7,518,732,117	38,549,437,389	(16,855,708,844)	21,693,728,545
Capital expenditures for the year	13,068,984	18,718,180	476,946,876	808,468	509,452,508	-	509,452,508

Note 3 - Cash and cash equivalents

Cash and cash equivalents consist of:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Cash on hand	3,431,938	11,194,228
Cash in banks	710,853,368	750,528,076
Cash equivalents	390,783,425	556,880,991
	1,105,068,731	1,318,603,295

Cash in banks earned interest at prevailing bank deposit rates.

Cash equivalents are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the prevailing short-term deposit rates.

Interest income earned amounted to P1,830,479 and P7,062,745 for the three (3) months ended March 31, 2023 and the year ended December 31, 2022, respectively.

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

This account represents equities that are listed in the Philippine Stock Exchange (PSE). Movements in the account for the three (3) months ended March 31, 2023 and the year ended December 31, 2022 respectively are as follows:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
At beginning of period	31,393,069	30,815,974
Gain (Loss) on fair value adjustment	(62,703)	577,095
At end of period	31,330,366	31,393,069

The fair values have been derived based on the current bid prices in the PSE (Level 1 valuation). The fair value adjustments is included in Other Income in the statements of comprehensive income.

Note 5 – Trade and Other Receivables, net

Trade and other receivables, net, as at March 31, 2023 and December 31, 2022 consist of:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Trade		
Installment contracts receivable	3,315,788,517	3,078,168,899
Rent	248,535,064	258,256,262
Receivables from guests and concessionaires	171,632,253	158,561,462
Non-trade		
Related parties	1,962,878,292	1,984,204,839
Advances to officers and employees	3,434,071	2,118,845
Interest	1,670,135	4,303,297
Others	202,106,088	89,295,618
	5,906,044,420	5,574,909,222
Allowance for impairment of receivables	(16,121,493)	(21,197,037)
	5,889,922,927	5,553,712,185

Installment contracts receivable arises from sale of condominium units in the Group's ordinary course of business. Contract receivables are collectible within a period based on the payment schedule agreed with the buyers. Interest income earned from installment contract receivable for the period ended March 31, 2023 amounted to nil (2022 – P92,398,578).

Rent receivables are non-interest bearing and pertain to rental fees charged to tenants .The normal credit terms range from 30 to 60 days.

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

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

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

<u>Note 6 - Properties held for sale</u>

Properties held for sale consist of:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Condominium units held for sale	338,687,258	338,001,875
Construction in-progress	4,371,362,152	4,109,330,710
	4,710,486,704	4,447,332,585

<u>Critical accounting judgment - Estimation of net realizable value of properties held for sale</u>

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

NRV has been assessed to be higher than cost based on circumstances or conditions as at March 31, 2023 and December 31, 2022. Accordingly, no write-down is deemed necessary.

<u>Critical accounting estimates - Estimation of percentage-of-completion of the Group's projects</u>

Revenue from condominium sales is recognized over time using the output method in accordance with the guidance set in PFRS 15, *Revenue from contracts with customers*, and Philippine Interpretations Committee Questions and Answers (PIC Q&A) 2016-04. Under the output method, revenue is calculated with reference to the PoC of the project. PoC is determined based on the actual physical completion of the project. Management believes that revenue from condominium sales reported in the statement of total comprehensive income best reflects the PoC of the projects as at reporting date.

The Group's on-going projects and their PoC as at the following dates are as follows:

Projects	Mar-23	Dec-22
The Rise Makati	100%	100%
Shang Residences at Wack Wack	57%	57%

<u>Critical accounting judgment - Collectability of the transaction price</u>

Identification of a "contract" for particular real estate sale transaction in the context of PFRS 15 requires certain judgments based on the collectability of the transaction price. Collectability of the transaction price is demonstrated by the buyer's commitment to pay which, in turn, is supported by substantial initial and continuing investments that gives the buyer a sufficient stake in the property that risk of loss through default motivates the buyer to honor his obligation. Collectability is also assessed by considering factors such as the credit standing of the buyer, age, and location of the property. For condominium sales, in determining whether the contract prices are collectible, the Company considers that initial and continuing investments by the buyer of about 10% would demonstrate the buyer's commitment to pay, based on historical data.

Note 7 - Prepaid taxes and other current assets

Prepaid taxes and other current assets consist of:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Advances to contractors and suppliers	1,300,448,379	1,339,424,650
Creditable withholding tax (CWT)	481,983,125	451,544,612
Input value added tax (VAT)	177,490,506	161,685,955
Prepaid commission	36,893,939	71,018,655
Prepaid property tax	66,383,013	47,346,911
Inventories	35,846,050	27,044,505
Prepaid insurance	4,056,842	15,898,161
Deferred input VAT	45,144,619	7,206,363
Other prepaid expenses	113,227,596	138,126,026
	2,261,474,069	2,259,295,838

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

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

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

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

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

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

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

Investment in an associate and a joint venture consist of:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Investment in a joint venture		
At January 1	3,157,821,432	1,727,894,911
Additions to investment	2,631,573	7,812,588
Share in net income	412,297,721	1,422,113,933
At December 31	3,572,750,726	3,157,821,432
Advances to a joint venture	2,590,096,000	2,590,096,000
Investments in various associates		
Acquisition costs	132,873	132,873
	6,162,979,599	5,748,050,305

(a) Investment in and advances to a joint venture

On March 22, 2018, the Parent Company entered into a Joint Venture Agreement (the “Agreement”) with Robinsons Land Corporation (RLC) for the construction and development of 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 Shang Robinsons Properties, Inc. (SRPI), JVC. SRPI is jointly controlled by the Parent Company and RLC, each holding 50% interest.

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

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 Parent Company subscribed and paid in full the amount of P1 billion equivalent to 1 billion commons shares at P1 per share.

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 60% of its Aurelia Residences condominium units. As at December 31, 2022, the Aurelia Residences Project is 37% complete (2021-15%). In 2023, the Group’s share in net income of the joint venture amounted to 412.297.721 (2022 – P1,422,113,933).

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%. In 2021, an additional P1.59 billion advances was extended to SRPI with the same interest rate. Of this amount, P888 million came from its restricted fund. Interest income earned from these advances amounted to P106,912,679 in 2022 (2021- P73,918,875).

(b) Investments in various associates

The Group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

Note 9 - Non-controlling interests

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

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
KSA	29.96%	29.96%
SGCPI	40.00%	40.00%

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

Note 10 - Investment properties

Details of investment properties as at December 31, 2022 and their movements during 2023 are as follows:

	Land	Building	Total
At January 1, 2022	15,905,946,923	19,479,046,717	35,384,993,640
Transfers due to change in use			
From Properties held for sale	-	3,659,179	3,659,179
From Real estate development project	-	-	-
Capitalized subsequent expenditures	-	583,277,653	583,277,653
At December 31, 2022	15,905,946,923	20,065,983,549	35,971,930,472
Properties held for sale	-	-	-
Capitalized subsequent expenditures	-	253,327,989	253,327,989
At March 31, 2023	15,905,946,923	20,319,311,538	36,225,258,461

The Group's investment properties located in Mandaluyong City and Makati City include parcels of land and buildings held for office and retail leases and other parcels of land held for capital appreciation.

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

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

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

Financial assets at fair value through other comprehensive income (FVOCI), net as at March 31, 2023 and December 31, 2022 are presented below.

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Unquoted	488,429,727	488,429,727
Quoted	9,101,515	9,101,515
	497,531,242	497,531,242
Cumulative changes in fair value	314,937,254	314,937,254
	812,468,496	812,468,496

The fair values of the unquoted equity securities are based on the net asset value of the underlying assets of investee companies which are mainly investment properties consisting of land and buildings which are measured and carried at fair value of underlying assets. The fair value measurements have been categorized as Level 3. Estimated fair value of assets classified as Level 3 is considered immaterial relative to the overall size of the Group's total assets.

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

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

Note 12 - Property and equipment, net

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

	Building and building improvements	Transportation equipment	Furniture, fixtures and other equipment	Total
Cost				
At January 1, 2023	9,641,838,583	53,958,033	7,035,247,843	16,731,044,459
Additions	342,755	1,878,786	17,601,998	19,823,539
Disposals	-	-	-	-
Reclassification	-	-	-	-
At March 31, 2023	9,642,181,338	55,836,819	7,052,849,841	16,750,867,998
Accumulated depreciation and amortization				
At January 1, 2023	1,599,450,255	43,889,530	4,513,630,336	6,156,970,121
Depreciation and amortization	33,164,487	960,279	61,073,480	95,198,246
Disposals		-	-	-
Reclassification	-	-	-	-
At March 31, 2023	1,632,614,742	44,849,809	4,574,703,815	6,252,168,367
Cost				
At January 1, 2022	9,532,396,423	50,591,069	7,008,111,173	16,591,098,665
Transfer from properties held for sale	96,635,850	-	-	96,635,850
Additions	12,806,310	4,338,393	34,633,273	51,777,976
Adjustments	-	-	(103,882)	(103,882)
Disposals	-	(971,429)	(7,392,721)	(8,364,150)
At December 31, 2022	9,641,838,583	53,958,033	7,035,247,843	16,731,044,459
Accumulated depreciation and amortization				
At January 1, 2022	1,466,040,010	39,510,836	4,271,686,655	5,777,238,201
Depreciation and amortization	133,409,245	5,350,123	249,178,220	387,937,588
Disposals	-	(971,429)	(7,234,536)	(8,205,968)
At December 31, 2021	1,599,450,255	43,889,530	4,513,630,336	6,156,970,121
Net book values at				
At March 31, 2023	8,009,566,596	10,987,010	2,478,146,025	10,498,699,631
At December 31, 2022	8,042,388,328	10,068,503	2,521,617,507	10,574,074,338

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

Note 13 - Other non-current assets

Other non-current assets as at March 31, 2023 and December 31, 2022 consist of:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Refundable deposits	134,145,879	134,132,859
Retirement benefit asset	16,781,406	11,996,824
Deferred input VAT	3,153,602	2,540,604
	154,080,887	148,670,287

Refundable deposits

Refundable deposits include cash required from the Group for the on-going construction and utilities maintenance. This is refundable at the end of the lease term. Refundable deposits are reflected at their carrying amounts which are assumed to approximate their fair values.

Deferred Input VAT

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

Note 14 - Accounts payable and other current liabilities

Accounts payable and other current liabilities consist of:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Trade:		
Accounts payable	301,039,570	504,596,085
Advance rentals	98,490,511	227,289,476
Accrued expenses	1,711,043,049	1,895,408,802
Customers' deposits from:		
Condominium sales	348,920,061	420,374,855
Hotel guests	215,495,942	157,063,745
Retention payables	492,427,636	450,565,082
Reservation payables	16,610,318	11,957,120
Advances from condominium unit buyers	340,653,649	162,355,018
Contract liabilities	113,450,597	38,562,465
Payable to contractors and suppliers	600,067	-
Construction bonds	65,758,691	63,811,828
Non-trade:		
Payable to related parties	57,832,356	198,412,729
Deferred output VAT	701,219,133	732,103,518
Payable to government agencies	144,532,156	70,901,765
Output VAT	245,395,798	64,407,032
Others	40,016,646	60,931,200
	4,893,486,180	5,058,740,720

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 15 - Bank loans

Bank loans as consist of:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Current portion		
Parent Company	6,940,000,000	6,940,000,000
SGCPI	1,047,368,008	1,066,519,593
	7,987,368,008	8,006,519,593
Non-current portion		
SGCPI	-	299,672,875
Parent Company	-	-
	-	299,672,875
	7,987,368,008	8,306,192,468

Movements in the bank loans are as follows:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
At beginning of period	8,306,192,468	7,705,897,677
Amortized debt issue cost	1,175,540	5,294,791
Proceeds from loan availment, net of unamortized debt issue costs	-	3,460,000,000
Payments	(320,000,000)	(2,865,000,000)
At end of period	7,987,368,008	8,306,192,468

(a) Parent Company

Long term loan facility

On July 30, 2012, the Parent Company obtained a 10-year loan facility from a local bank amounting to P5 billion. The loan was fully settled in 2022.

Short term loans

Short term loans are composed of unsecured loans from various banks with interest rates ranging from 5.7% to 6.8% (2022 – 2.5% to 4.5%). These loans have payment terms of 3 to 12 months for 20223 and 2022.

(b) SGCPI

Long term loan facility

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

On July 28, 2021, SGCPI and the lender-bank executed a loan restructuring agreement paving the way for the following changes in the loan's salient terms and conditions as follows:

Terms	From	To
Repayment date	Quarterly from 20^{th} quarter to the 40^{th} quarter after the date of the initial borrowing	Quarterly from the 20^{th} quarter to the 37^{th} quarter and then from 42^{nd} quarter to the 47^{th} quarter after the date of initial borrowing
Maturity date	June 2022	March 2024
Spread	Floating rate – the higher of (a) 3-month Bloomberg Valuation (BVAL) plus spread of 0.80% or (b) the Bangko Sentral ng Pilipinsas (BSP) overnight borrowing rate minus spread of 0.95% per annum	Floating rate – the higher of (a) 3-month BVAL plus spread of 1.60% or (b) BSP Overnight Reverse Repurchase Rate Fixed rate – the interpolated BVAL plus spread of 0.75%
Collateral	Unconditional continuing suretyship of the sureties (Shangri-La Asia Limited and the Parent Company)	Unconditional continuing suretyship of the sureties (Shangri-La Asia Limited and the Parent Company) and an unregistered real estate mortgage over SGCPI's residential condominium unit

SGCPI is required to comply with certain covenants and maintain certain financial ratios until the loan is fully paid. As at March 31, 2023 and December 31, 2022, SGCPI has complied with all terms and conditions except with respect to the maintenance of the required debt-service coverage ratio (DSCR). The lender-bank, through a letter of advice, has provisionally allowed SGCPI's non-compliance with the DSCR for 2022 provided that the loan remains current and that all other terms and conditions of the amended loan covenant are complied with. SGCPI remains compliant with the conditions set out under the said letter of advice. A letter request to waive the DSCR ratio requirement has been requested for 2023. However, as confirmed by bank, the basis of DSCR computation is based on full year numbers. The DSCR is being closely monitored in close coordination with the bank.

Short term loans

Short term loans are composed of unsecured loans from various banks with an average interest rate of 6.88% (2022 – 6.2%). These loans have payment terms of 5 to 9 months (2022 – 5 to 9 months).

Note 16 - Deposits from tenants

This account represents non-interest bearing rental deposits from tenants. Deposits from tenants is based on the present value of estimated future cash flows using applicable market rates at reporting date. The difference between the discounted and face value of the deposits is recognized as deferred lease income. Deferred lease income is amortized on a straight-line basis over the lease term and is recognized in profit or loss as additional rent income. Interest is accreted on the deposits from tenants using the effective interest rate method and is recognized as additional interest expense in profit or loss.

Note 17 - Equity

Details of share capital and share premium are as follows:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Authorized, at P1 par value per share		
Common shares	8,000,000,000	8,000,000,000
Issued and outstanding shares		
Common shares	4,764,058,982	4,764,058,982
Share premium	834,439,607	834,439,607
	5,598,498,589	5,598,498,589

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

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

Note 18 - Financial risk and capital management

18.1 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the Group's management under policies approved by its Board of Directors. These policies cover financing structure, foreign exchange and interest rate risk management, guarantees and credit support, as well as treasury control framework. There are no changes in the Group's risk management plans for the periods ended March 31, 2023 and December 31, 2022.

18.1.1 Market risk

(a) Foreign exchange risk

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

The Group's foreign currency denominated cash in banks and cash equivalents as at and net foreign exchange gains for the periods ended March 31, 2023 and December 31, 2022 are disclosed in Note 3.

(b) Price risk

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

(c) Cash flow and fair value interest rate risk

Interest rate risk refers to risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's interest-bearing financial instruments include bank loans (Note 15). Interest rates on bank loans amounting to P1,047,368,008 as at March 31, 2023 (2022-P1,366,192,468) are based on the higher between the PHP BVAL rate plus 1.60% per annum and the BSP overnight borrowing rate. A loan amounting to P6,940,000,000 as at March 31, 2023 (2022 – P6,940,000,000) has an interest rate subject to repricing every 30 to 180 days as agreed by the parties.

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

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

18.1.2 Credit risk

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

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

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

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

The following tables summarize the credit quality of the Group's financial assets per category and aging analysis of financial assets as at March 31, 2023 and December 31, 2022:

	Performing	Under performing	Non-Performing	Total
2023				
Current assets				
Cash and cash equivalents	1,105,068,731	-	-	1,105,068,731
Trade and other receivables	5,889,922,927	-	16,121,493	5,906,044,420
Financial assets at fair value through profit or loss	31,330,366	-	-	31,330,366
Refundable deposits	2,471,662	-	-	2,471,662
Non-current assets				
Advances to a joint venture	2,590,096,000	-	-	2,590,096,000
Refundable deposits	134,145,879		-	134,145,879
Financial assets at FVOCI	812,468,496	-	-	812,468,496
	10,565,504,061	-	16,121,493	10,581,625,554

	Performing	Under performing	Non-Performing	Total
2022				
Current assets				
Cash and cash equivalents	1,307,409,067	-	-	1,307,409,067
Trade and other receivables	5,532,515,148	-	21,197,037	5,553,712,185
Financial assets at fair value through profit or loss	31,393,069	-	-	31,393,069
Refundable deposits	2,471,662	-	-	2,471,662
Non-current assets				
Advances to a joint venture	2,590,096,000	-	-	2,590,096,000
Refundable deposits	134,132,859	-	-	134,132,859
Financial assets at FVOCI	812,468,496	-	-	812,468,496
	10,410,486,301	-	21,197,037	10,431,683,338

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

Allowance for impairment of receivables as at March 31, 2023 amounted to P16,121,493 (2022 - P21,197,037). Apart from the financial assets covered by allowance, the remaining financial assets are classified as high performing.

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

(a) Cash and cash equivalents

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

(b) Receivables

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

<u>Trade receivables</u>

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

<u>Non-trade receivables</u>

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

(c) Refundable deposits

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

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

The Group adheres to fixed limits and guidelines in its dealings with counterparties of its investments in financial assets at fair value through profit or loss and financial assets at FVOCI. The Group's maximum exposure to credit risk as at September 30, 2022 and December 31, 2021 is equal to the carrying values of its financial assets. Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

18.1.3 Liquidity risk

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

18.2 Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes in the Group's strategies and policies during 2023 and 2022.

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

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Net debt		
Long-term loan	7,987,368,008	8,306,192,468
Less: cash and cash equivalents	1,105,068,731	1,318,603,295
	6,882,299,277	6,987,589,173
Capital		
Total equity	47,162,687,039	45,936,189,609
Less: Non-controlling interest	5,860,334,843	5,774,927,099
	41,302,352,196	40,161,262,510
Gearing ratio	16.67%	17.40%

The Group was able to meet its capital management objectives.

18.3 Fair value measurement

The Group follows the fair value measurement hierarchy to disclose the fair value measurements of its financial instruments. The table below summarizes the fair value measurement hierarchy of the Group's assets and liabilities at March 31, 2023 and December 31, 2022:

	Fair value measurement using			
	Quoted prices in active markets (Level I)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
2023				
Assets measured at fair value				
Financial assets at fair value through profit or loss	31,330,366	-	-	31,330,366
Investment properties:				
Land	-	10,034,573,023	5,871,373,900	15,905,946,923
Buildings	-	2,709,154,606	17,610,156,932	20,319,311,538
Financial assets at FVOCI:			-	
Quoted	47,050,000	-	-	47,050,000
Unquoted	-	-	765,418,496	765,418,496
Assets for which fair values are disclosed				
Financial asset at amortized cost				
Refundable deposits	-	136,617,541	-	136,617,541
Liabilities for which fair values are disclosed				
Installment payable	-	-	-	-
Deposits from tenants	-	1,031,319,704	-	1,031,319,704

	Fair value measurement using			
	Quoted prices in active markets (Level I)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
2022				
Assets measured at fair value				
Financial assets at fair value through profit or loss	31,393,069	-	-	31,393,069
Investment properties:				
Land	-	10,034,573,023	5,871,373,900	15,905,946,923
Buildings	-	2,995,047,009	17,070,936,540	20,065,983,549
Financial assets at FVOCI:				
Quoted	47,050,000	-	-	47,050,000
Unquoted	-	-	765,418,496	765,418,496
Assets for which fair values are disclosed				
Financial asset at amortized cost				
Refundable deposits	-	134,132,859	-	134,132,859
Liabilities for which fair values are disclosed				
Installment payable	-	-	-	-
Deposits from tenants	-	1,038,975,987	-	1,038,975,987

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

There have been no assets and liabilities transferred among Level 1, Level 2 and Level 3 during 2023 and 2022.

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

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

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

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

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

(c) *Installment contracts receivable*

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

(d) *Refundable deposits and deposits from tenants*

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

(e) *Bank loans*

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

Note 19 - Summary of significant accounting and financial reporting policies

19.1 Basis of preparation

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

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

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

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

The preparation of consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

19.2 Changes in accounting policy and disclosures

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

The Group has adopted certain amendments for the first-time effective January 1, 2022:

- Amendments to PFRS 3, Reference to the Conceptual Framework.
- Amendments to PAS 16, Property, Plant and Equipment: Proceeds before Intended Use.
- Amendments to PAS 37, Onerous Contracts – Cost of Fulfilling a Contract.
- Annual Improvements to PFRS 2018-2020 Cycle

- Amendments to PFRS 1, First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter
- Amendments to PFRS 9, Financial Instruments

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

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

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

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

i. *Assessing whether the transaction price includes SFC*

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

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

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

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

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

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

The following amendment to existing standards have been published but are not mandatory for December 31, 2022 reporting periods and have not been early adopted by the Group. Amendments to PAS 1, *Presentation of Financial Statements* and PFRS Practice Statement 2, *Making Materiality Judgements - Disclosure of Accounting Policies (effective January 1, 2023)*

This amendment requires entities to disclose their material rather than their significant accounting policies. The amendments define what is material accounting policy information' and explain how to identify when accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, PFRS practice Statement 2 Making Materiality Judgements was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The Company expects to have reduced disclosures of accounting policies upon the adoption of this amendment.

Other new standards, amendments to existing standards and interpretations effective December 31, 2022 are not expected to have a material impact on the Group's financial statements in the future reporting periods and on foreseeable future transactions.

19.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at March 31, 2023 and December 31, 2022. The subsidiaries' financial statements are prepared for the same reporting year as the Parent Company. The Group uses uniform accounting policies, any difference between subsidiaries and the Parent Company are adjusted properly.

The Group is composed of the subsidiaries listed below:

	Ownership %		
Nature and name of entity	2023	2022	2021
Property development:			
Shang Properties Realty Corporation (SPRC)	100	100	100
Shang Property Developers, Inc. (SPDI)	100	100	100
The Rise Development Corporation, Inc. (TRDCI)	100	100	100
Shang Wack Wack Properties, Inc. (SWWPI)	100	100	100
SPI Property Holdings, Inc. (SPI-PHI)	100	100	100
SPI Land Development, Inc. (SPI-LDI)	100	100	100
Hotel operation:			
Shang Global City Properties, Inc. (SGCPI)	60	60	60
Leasing:			
SPI Parking Services, Inc. (SPSI)	100	100	100
Shangri-la Plaza Corporation (SLPC)	100	100	100
KSA Realty Corporation (KSA)	70.04	70.04	70.04
SPI Property Developers, Inc. (SPI-PDI)	100	100	100
Real estate:			
Ivory Post Properties, Inc. (IPPI)	100	100	100
KPPI Realty Corporation (KRC)	100	100	100
Martin B Properties, Inc. (MBPI)	100	100	100
New Contour Realty, Inc. (NCRI)	100	100	100
Perfect Sites, Inc. (PSI)	100	100	100
Shang Fort Bonifacio Holdings, Inc. (SFBHI)	100	100	100
Shang Global City Holdings, Inc. (SGCHI)	100	100	100
Sky Leisure Properties, Inc. (SLPI)	100	100	100
Property management:			
KPPI Management Services Corporation (KMSC)	100	100	100
Shang Property Management Services, Inc. (SPMSI)	100	100	100
Other supplementary business:			
Gipsey, Ltd. (Gipsey)	100	100	100
Silver Hero Investments Limited (SHIL)	100	100	100
EPHI Logistics Holdings, Inc. (ELHI)	60	60	60

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

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

The summarized financial information of subsidiaries with significant non-controlling interest as at and for the period ended March 31, 2023 and the year ended December 31, 2022 are disclosed in Note 9.

(a) Subsidiaries

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

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

(c) Disposal of subsidiaries

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

(d) Associates and joint ventures

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

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

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

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

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

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

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

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

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

19.4 Cash and cash equivalents

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

19.5 Financial instruments

19.5.1 Classification of financial assets

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

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

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

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

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

19.5.2 Measurement of financial assets

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

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

Debt instruments

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

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

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

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

  The Group does not have debt instruments at FVOCI as at March 31, 2023 and December 31, 2022.

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

  The Group does not have debt instruments at FVTPL as at March 31, 2023 and December 31, 2022.

Equity instruments

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

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

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

19.5.3 Impairment

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

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

The expected loss rates are based on the payment profiles of counterparties over a period of 36 months before January 1, 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has assessed that the impact of forward-looking information on the loss rates applied is immaterial.

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

19.5.4 Classification and measurement of financial liabilities

Financial liabilities are classified in the following categories: financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that designated at fair value); and financial liabilities at amortized cost. The Group did not measure its financial liabilities at fair value through profit or loss as at March 31, 2023 and December 31, 2022.

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

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

19.5.5 Initial recognition

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

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

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

19.5.6 Day 1 difference

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

19.5.7 Derecognition

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

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

19.5.8 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty. There are no offsetting arrangements as at March 31, 2023 and December 31, 2022.

19.6 Trade and other receivables

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

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

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

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

19.7 Properties held for sale

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

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

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

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

19.8 Prepaid taxes and other assets

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

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

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

Other current assets include assets that are realized as part of the normal operating cycle and are expected to be realized within 12 months after the reporting period.

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

19.9 Investment properties

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

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

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

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

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

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

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

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

Impairment of investment properties is discussed in Note 19.13.

19.10 Real estate development projects

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

19.11 Property and equipment

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

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

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

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

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

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

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

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

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

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

19.12 Goodwill

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

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

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

19.13 Impairment of non-financial assets

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

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

19.14 Accounts payable and other current liabilities

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

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

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

19.15 Deposits from tenants

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

19.16 Borrowings and borrowing costs

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

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non- cash assets transferred or liabilities assumed, is recognised within interest expense and bank charges in the consolidated statement of total comprehensive income.

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

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. All other borrowing costs are recognized and charged to profit or loss in the year in which they are incurred. The Group decided to avail relief issued by the SEC per Memorandum Circular No. 4-2020. The SEC provided for the relief to the real estate industry by deferring the implementation of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) until December 31, 2023 (Note 19.2).

19.17 Fair value measurement

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

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

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

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

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

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

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

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

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

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

- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

Specific valuation techniques used to value financial instruments include:

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

19.18 Current and deferred income tax

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

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

In the sale of condominium units resulting in recognition of installments contracts receivable, full recognition for income tax purposes is applied when more than 25% of the selling price has been collected in the year of sale. Otherwise, the installment method is applied.
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

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

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

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

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

19.19 Provisions

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

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

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

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

19.20 Equity

(a) Share capital

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

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

(b) Treasury shares

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

(c) Retained earnings

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

(d) Dividend distribution

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

19.21 Earnings per share

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

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

19.22 Employee benefits

(a) Retirement benefits

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

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

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

Past-service costs are recognized immediately in profit or loss.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting date are discounted to present value.

(c) Short-term employee benefits

The Group recognizes a liability and an expense for short-term employee benefits which include salaries, paid sick and vacation leaves and bonuses. Bonuses are based on a formula that takes into consideration the resulting qualified profits. The Group recognizes a provision when contractually obliged or when there is a past practice that has created a constructive obligation.

Liabilities for employee benefits are derecognized when the obligation is settled, cancelled or has expired.

19.23 Income and expense recognition

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or as an agent. The Group has concluded that it is acting as the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has inventory risk and pricing latitude.

The following specific recognition criteria must be met before revenue and expenses are recognized;

(a) Revenue

Revenue from condominium sales

The Group develops and sells condominium units. Under a contract to sell a condominium unit, the object is the property itself, which is the normal output of a real estate business. In addition, this contract contains information such as the contracting parties' rights and payment terms, which are essential elements for a valid revenue contract. The Group assesses that contract must be signed by the contracting parties to make it enforceable prior to revenue recognition. Also, the developer assesses the commercial substance of the contract and the probability that it will collect the consideration. Collectability of the contract price is demonstrated by the buyer's commitment to pay, which is supported by the buyer's initial and continuous investments that motivates the buyer to honor its obligation.

Contracts to sell condominium units are written on a lump sum payment basis or installment basis which include 10-20% reservation, down payments with installment terms ranging from 1-5 years.

The Group satisfies its performance obligation as it develops the property. In accordance with PFRS 15 and Philippine Interpretations Committee (PIC) 2016-04, the Group considers that the Group's performance does not create the asset with an alternative use to the Group and it has an enforceable right to payment for performance completed to date. Therefore, revenue is recognized over time, i.e. as the related obligations are fulfilled, measured principally using the output method on the basis of the estimated completion of a physical proportion of the contract work. Land and materials delivered on site, such as steels, rebars and elevators, which are yet to be installed/attached to the main structure, are excluded from the percentage-of-completion.

Revenue is measured at the transaction price agreed under the contract, except for contracts where the timing difference between the construction period and payment by the customer exceeds one year. In such contracts, the Group assessed that it is necessary to adjust the transaction price for the effects of a significant financing component as required by PIC Q&A 2018-12, but the Group decided not to adjust the transaction price and availed the relief issued by the SEC per Memorandum Circular No. 34-2020 dated December 15, 2020. The SEC provided relief to the real estate industry by deferring the application of the provisions of PIC Q&A 2018-12 for a period of three (3) years until January 1, 2024 or completed projects, revenue from condominium sales are recognized in full (ie. point in time) once the Group assessed that the contract meets all criteria for revenue recognition.

Under the sales contract, customers are required to pay the transaction price (in the form of progress billings) over a certain period of time. Any excess (deficit) of collections over the recognized revenue are recognized as contract liabilities under accounts payable and other current liabilities (installment contracts receivable under Trade and other receivables, net) as shown in the consolidated statement of financial position.

Payments received from potential buyer to provide exclusive rights to buy a specific condominium unit under certain conditions and up to specified period are treated initially as a liability and are recognized as part of "customers' deposits" under accounts payable and other liabilities. These deposits are applied as payment of the transaction price as soon as the revenue recognition criteria are met.

Cost of condominium sales include upfront costs such as land costs and connection fees, which are accounted for as fulfillment costs, and development costs which contribute to the construction progress of the development project. Fulfillment costs are recognized as contract assets arising from fulfillment costs to the extent that such costs give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered. These costs are included in properties held for sale in the consolidated statement of financial position. Such contract assets are amortized as cost of condominium sales consistent with the revenue recognition method applied, subject to impairment up to the extent that the carrying amount of the asset exceeds (a) the remaining amount of consideration that the Group expects to receive; less (b) direct costs that have not been recognized as expenses. Development costs are recognized as expense as the work to which they relate is performed.

Incremental costs of obtaining a contract to sell condominium units include commissions paid to sales or marketing agents. Fixed monthly living allowance, transportation allowance provided to real estate agents and commissions paid prior to signing of contracts to sell are expensed outright. Commissions paid after signing of contracts are recognized as contract assets arising from costs to obtain a contract presented as 'prepaid commission' under prepaid expenses and other current assets in the consolidated statement of financial position. These are amortized as cost of condominium sales consistent with the revenue recognition method applied.

The cost of inventory recognized in profit or loss on disposal (cost of condominium sales) is determined with reference to the specific and allocated costs incurred on the sold property taking into account the POC. The cost of condominium sales also includes the estimated development costs to complete the condominium, as determined by the Group's in-house technical staff, and taking into account the POC. The accrued development costs account is presented under "accounts payable and other current liabilities" in the consolidated statement of financial position.

Estimated loss on unsold units is recognized in profit or loss immediately when it is probable that total project costs will exceed total contract revenue.

Condominium units arising from cancellation of contracts to sell are initially measured by the Group based on its original carrying amount at the time it was sold.

(b) *Rental*

Rental income from operating leases (the Group is the lessor) is recognized as income on a straight-line basis over the lease term or based on a certain percentage of gross revenue of the lessees, whichever is applicable. When the Group provides incentives to its lessees, the cost of incentives are recognized over the lease term, on a straight-line basis, as a reduction of rental income.

When the revenue recognition criteria are not met, cash received from lessees are recognized as advance rentals, until the conditions for recognizing rental income are met.

(c) Hotel operations

Hotel revenue from room rentals, food and beverage sales, and other ancillary services are recognized when the services are rendered. Revenue from other ancillary services include, among others, business center and car rental, laundry service, telephone service and health club services. The services rendered are distinct performance obligations, for which prices invoiced to the guests are representative of their stand-alone selling prices. These obligations are fulfilled over time when they relate to room rentals, that is over the stay within the hotel, at a point in time for other goods or services, when they have been delivered or rendered.

Costs of hotel operations are expensed as incurred. These include expenses incurred for the generation of revenue from food and beverage sales, room rentals, and other ancillary services.

(d) Interest income and expense

Interest income and expense are recognized in profit or loss for all interest-bearing financial instruments using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Once a financial asset or a Group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the original effective interest rate.

Interest income on bank deposits is recognized when earned, net of final withholding tax.

(e) Dividend income

Dividend income is recognized when the Group's right to receive payment is established, which is generally when the Board of the investee company approved the dividend.

(f) Other income

Administration and management services, customer lounge fees, banner income, income from cinema operations and other service income are recognized when the related services have been rendered. Revenues from auxiliary services such as handling, sale of scrap materials, import break bulk and brokerage are recognized when services are provided or when goods are delivered. Money received or amounts billed in advance for rendering of services or delivery of goods are recorded as unearned income until the earning process is complete.

(g) Cost and expenses

Cost and expenses are recognized when these are incurred.

CUSA charges to mall tenants are presented as a reduction to costs and expenses in the consolidated statement of total comprehensive income.

19.24 Leases

(a) Group is the lessor

Rental income from operating lease is recognized on a straight-line basis over the term of the relevant lease or based on a certain percentage of gross revenue of the lessees, whichever is applicable. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term. Assets under these arrangements are classified as investment property in the consolidated statement of financial position (Note 19.9).

(b) Group is the lessee

The Group has adopted PFRS 16 Leases using the modified retrospective approach from January 1, 2019, as permitted under the specific transition provisions in the standard (Note 19.2).

Aside from exemptions in the standard for short-term and low-value leases which are recognized as operating leases under the provisions of PAS 17, lease payments are discounted using the interest rate implicit in the lease. Payments for leases of properties and office equipment are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

19.25 Foreign currency transactions and translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the functional currency). The consolidated financial statements are presented in Philippine Peso, which is the functional and presentation currency of the Group.

(b) Transactions and balances

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the date of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

On consolidation, the assets and liabilities of Gipsey and SHIL, foreign subsidiaries with functional and presentation currency of Hong Kong dollar, are translated into Philippine Peso at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in other components of equity. On disposal of a foreign subsidiary, the component of other components of equity relating to that particular foreign subsidiary is recognized in profit or loss.

19.26 Related party relationships and transactions

Related party relationship exists when one party has the ability to control the other party, directly or indirectly through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

19.27 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. These operating segments are the basis upon which the Group reports its segment information presented in Note 2 to the consolidated financial statements.

The accounting policies used to recognize and measure the segment’s assets, liabilities and profit or loss is consistent with those of the consolidated financial statements.

19.28 Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

19.29 Events after the reporting period

Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

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.

The President of the Republic of the Philippines signed the CREATE Act into law in March 26, 2021.

Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations

Key Performance Indicators

		March 31 2023	March 31 2022	Change
Turnover	(Php M)	2,311.4	1,447.5	59.68%
Profit attributable to shareholders	(Php M)	1,141.8	476.3	139.72%
Earnings per share	(Php Ctv)	0.240	0.100	139.72%
Net asset value per share	(Php)	8.673	8.434	2.84%
Debt to equity ratio	(Ratio)	0.453	0.472	-4.04%

- Turnover consists of sales of residential condominium units, revenue from rental and cinema and hotel operations. For the three (3) months ended March 31, 2023, Shang Properties' revenue increased by ₱863.9 million (M) to ₱2.3 billion (B) from ₱1.4B revenue during the same period in 2022. Sales of residential condominium units accounted for ₱675.5M or 29% of the total revenue and is higher by ₱17.04M from ₱658.4M in the same period last year. Revenue from leasing operations amounted to ₱615.8M or 27% of the total revenue and is higher by ₱149M from ₱466.7M in the same period last year. Shangri-La at the Fort's hotel operations contributed revenue amounting to ₱1.02B or 44% of the total revenue and is higher by ₱697.9M from ₱322.3M in the same period last year.

- Profit attributable to shareholders that pertains to net income from operations after tax amounted to ₱1.1B, higher by ₱665.5M or 139.72% compared with the same period last year.

- Earnings per share of ₱0.240 in 2023 is higher by 139.72% compared with the first three quarters of 2022.

- Net asset value per share is calculated by dividing the total net asset of the Group (Total assets – Total liabilities and equity attributable to non-controlling interest) by the number of shares outstanding. Net asset value per share increased by 2.84% mainly due to ongoing development of the Group's projects as well as additional investment properties and installment receivables arising from sales of condominium units and parking slots.

- Debt to equity measures the exposure of creditors to that of the stockholders. It gives an indication of how leveraged the Group is. It is determined by dividing total debt by stockholder's equity. The Group's financial position remains solid with debt to equity ratio of 0.45:1 as of March 31, 2023 and 0.47:1 as of March 31, 2022.

Financial Condition

Total assets of the Group as of March 31, 2023 amounted to ₱68.5B, an increase of ₱906M from total assets of ₱67.6B in December 31, 2022. Following are significant movements in assets during the first three quarters of the year:

- Cash and Cash Equivalents decreased by ₱213.5M mainly due to payment of the Group's bank loans and operating expenses.

- Financial Assets at Fair Value Through Profit or Loss decreased by ₱62.7K mainly due to decrease in value of listed shares owned by the Group.

- Receivables increased by ₱336.2M mainly due to higher sales of the condominium units of Shang Residences Wack Wack and revenue from hotel operations.

- Properties Held for Sale increased by ₱262.7M mainly due to partial payment of the land purchased for future project.

- Input Tax and Other Current Assets increased mainly due to down payments made to contractors of Shang Residences Wack Wack & Shang One Horizon projects during the first quarter of the year. These will be recouped from future progress billings. Also, included are annual prepaid expenses paid at the beginning of the year and will be amortized monthly.

- Investments in and advances to associates and a Joint Venture increased by ₱414.9M mainly due to the parent's share in Net Income of Shang Robinsons Properties, Inc. for the period ended March 31, 2023.

- Investment Properties increased by ₱253.3M mainly due to Construction costs incurred for Shang One Horizon project.

- Deferred Income Tax Assets decreased by ₱79.7M mainly due to utilization of Shang Global City Properties Inc.'s NOLCO during the first quarter of 2023.

- Other Noncurrent Assets increased by ₱5.4M mainly due to higher refundable deposit for the period.

- Current ratio is 1.02:1 as of March 31, 2023 from 0.98:1 as of December 31, 2022.

Total liabilities decreased by ₱320.4M from ₱21.7B in 2022 to ₱21.4B in 2023 mainly due to the net effect of the following:

- Decrease in bank loans by ₱318.8M is mainly due to payment of the bank loans of Shang Global City Properties Inc.

- Decrease in Accounts Payable by ₱168.6M is mainly due to payments made to suppliers during the first three quarters of the year.

- Increase in income tax payable by ₱75M is mainly due to income tax due for the first quarter of 2023.

- Increase in accrued employee benefits by ₱1.2M is mainly due to the accruals for the first three months of 2023.

- Increase in Deposit from Tenants by ₱26M is mainly due to deposit made by tenants of the retail portion of Shangri-La at the Fort Hotel under Shang Global City Properties Inc. during the first quarter of 2023.

- Deferred Income Tax Liabilities increased by ₱61.4M mainly due to the net effects of the difference in accounting method used by Shang Residences Wack Wack and The Rise Makati projects.

Results of Operation

Consolidated net income for the period ended March 31, 2023 amounted to ₱1.141M which is higher by 139.72% from last year's ₱476.3M.

Turnover increased by ₱863.9M to ₱2.3B in 2023 from ₱1.4B in 2022, mainly due to net effect of the following:

- Increase in revenue from condominium sales by ₱17M mainly due to higher number of units sold during the first three quarters of the year.

- Increase in revenue from rental and cinema by ₱149M mainly due to higher occupancy rate of the mall operations of Shangri-La Plaza.

- Increase in revenue from hotel operations by ₱697.9M mainly due to higher occupancy during the first quarter of the year compared to the same period last year.

Total Cost of Sales and Services of the Group amounted to ₱792.7M, higher by ₱236.6M compared with last year's ₱556M. This was mainly due to the following:

- Increase in cost of condominium sales due to higher number of units were sold during the first quarter of the year.

- Increase in cost of rental and cinema by ₱6.9M is mainly due to higher share in common expenses from mall operations during the first quarter of 2023.

- Increase in cost of hotel operations by ₱228.7M due to higher occupancy which increased the cost for both the rooms and food and beverage outlets of the hotel.

Total Operating Expenses of the Group amounted to ₱462.6M, higher by ₱34.6M compared with last year's ₱428M. This was mainly due to the net effect of the following:

- Increase in general and administrative expense by P38.9M is mainly due Advertising Expenses incurred by the parent & SGCPI.

- Decrease in taxes and licenses due to documentary stamp tax on bank loans as no new loans were obtained during the first quarter of 2023. In the same period last year, additional loans of ₱870.0M was availed by the Group.

- Increase in depreciation by P714.8K due to capital purchases of other equipment in 2022 which we started depreciation in 2023.

- Increase in insurance by ₱1.6M mainly due to Terrorism and Sabotage insurance acquired by TRDCI for Assembly Grounds.

Other Income increased by ₱27.6M mainly due to forfeited payments of cancelled units in The Rise.

Financial Soundness Indicators

	End of March 2023	End of December 2022
Current Ratio[1]	1.02:1	0.98:1
Debt-to-equity ratio[2]	0.45:1	0.47:1
Asset-to-equity ratio[3]	1.45:1	1.47:1
	1Q 2023	**1Q 2022**
Interest rate coverage ratio[4]	39.55	12.75
Return on assets[5]	5.01%	3.83%
Return on equity[6]	7.45%	5.73%

[1]*Curre*nt assets/current liabilities
[2]Total liabilities/stockholders' equity
[3]Total asset/stockholders' equity
[4]Income before interest and taxes/interest expense
[5]Annualized net income/average total assets[7]
[6]Annualized net income/average stockholders' equity[7]
[7]Annualized net income = 1Q Net income x Average Total Assets = average total assets as of end of March 2023 and end of March 2022
Average Stockholders' Equity = average stockholders' equity as of end of of March 2023 and end of March 2022

PART II--OTHER INFORMATION

Item 2. Information required by Part III, Paragraph (A) (2) (b) of "Annex C" of SRC Rule 12

- There are no known trends or any known demands, commitments, events or uncertainties that will result in or that will reasonably likely result in the registrant's liquidity increasing or decreasing in any material way.

- There are no known events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of obligation.

- There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

- There are no material commitments for capital expenditures.

- There are no known trends, events or uncertainties that have or that are reasonably expected to have material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

- There are no significant elements of income or loss that did not arise from the registrant's continuing operations.

- There are no material changes in periodical reports.

- There are no seasonal aspects that had a material effect on the financial statements.

Item 3. Other Required Disclosures

A. The attached interim financial reports were prepared in accordance with Philippine Financial Reporting Standard. The accounting policies and methods of computation followed in these interim financial statements are the same compared with the audited financial statements for the period ended December 31, 2022.

B. Except as reported in the Management's Discussion and Analysis of Financial Condition and Results of Operations, there were no unusual items affecting assets, liabilities, equity, net income or cash flows for the interim period.

C. There were no materials changes in estimates of amounts reported in prior period that have material effects in the current interim period.

D. Except as disclosed in the Management's Discussion and Analysis of Financial Condition and Results of Operations, there were no other issuances, repurchases and repayments of debt and equity securities.

E. There are no significant events that happened subsequent to March 31, 2023 up to the date of this report that needs disclosure herein.

SHANG PROPERTIES, INC. AND SUBSIDIARIES
AGING OF RECEIVABLES
As of March 31, 2023

TENANTS	TOTAL RECEIVABLES	CURRENT	1-30 DAYS	31-60 DAYS	61-90 DAYS	OVER 90 DAYS
Mall Tenants	155,185,456	144,718,883	4,089,073	1,761,076	1,529,715	3,086,709
EDSA Shangri-La Hotel & Resort	26,470,694	10,616,247	15,854,446	-	-	-
TSFT Commercial Space	1,430,633	63,404	1,367,230	-	-	-
TEC Tenants	966,166	97,902	85,365	-	782,919	-
Third Parties	212,385,775	212,385,775	-	-	-	-
Installment Contracts Receivables	3,315,788,517	3,315,788,517	-	-	-	-
	3,712,227,260	3,683,670,728	21,396,114	1,761,076	2,312,634	3,086,709

Note: Installment Contracts Receivables include both current and long-term portion, and are covered by post-dated checks from customers.

MABEL P. TACORDA
Chief Financial Officer

Trusted Since 1898
The Manila Times
www.manilatimes.net

REPUBLIC OF THE PHILIPPINES)
CITY OF MANILA)S.S.

AFFIDAVIT OF PUBLICATION

I, **Eden F. Del Rosario**, of legal age, married, Filipino and a resident of #22 21st Aveñue, Cubao, Quezon City in the Philippines, after having been duly sworn according to law, do hereby depose and state:

That I am the Credit and Collection Head of **The Manila Times**, a newspaper which is published Online and Printed in English and Edited in Metro Manila, and circulated nationwide daily from Monday to Sunday with postal address at 2/F Sitio Grande, 409 A. Soriano Avenue, Intramuros, Manila

That the attached **NOTICE TO SHAREHOLDERS OF SHANG PROPERTIES, INC.**

was published in **The Manila Times** newspaper in its issue/s of **APRIL 26, 2023**

In witness whereof, I signed this Affidavit in Manila, Philippines, this 26 APR 2023 day of __________, 2023

Edelrosario

EDEN F. DEL ROSARIO
Affiant

Subscribe and sworn to before me this 26 APR 2023 day of ________, 2023 in Manila, Philippines, affiant exhibiting to me her **SSS ID No: 33-0045788-4**

Doc. No. 223
Page No 45
Book No. 4
Series of 2023

ATTY. ROGELIO J. BOLIVAR
NOTARY PUBLIC
Valid For Until 2023-2024
Commission No. Adm. Matter No. NP 204 (2023-2024)
IBP O.R. No. 132134 MD 2023 & IBP O.R. No. 133076 MD 2023
PTR O.R. No. 2463255 D 12/31/2023 Roll No. 33832 TIN# 129-871-
MCLE No. VI-0028583

CERTIFICATION

I, **FEDERICO G. NOEL, JR.**, of legal age and with business address at Administration Office, Shangri-La Plaza, EDSA corner Shaw Boulevard, Mandaluyong City, being the duly elected Corporate Secretary of **SHANG PROPERTIES, INC.** (the "Corporation"), under oath, do hereby certify that:

1. None of the incumbent members of the Board of Directors and Executive Officers of the Corporation are connected with or work for any government agency body.

2. This Certification is being issued in compliance with the requirement of the Markets and Securities Regulation Department of the Securities and Exchange Commission.

IN WITNESS WHEREOF, I have signed this Certification this MAY 18 2023 at Mandaluyong City.

FEDERICO G. NOEL, JR.
Corporate Secretary

REPUBLIC OF THE PHILIPPINES)
IN THE CITY OF MANDALUYONG) S.S. PASIG CITY

SUBSCRIBED AND SWORN to before me in the City of Mandaluyong PASIG CITY this MAY 18 2023 day of _____ by Federico G. Noel, Jr., having satisfactorily proven to me his identity through his Philippine Passport No. P6098076A issued by the DFA Manila on 20 February 2018 and valid until 19 February 2028, and who personally appeared before me and signed the foregoing Certification, and acknowledge that he executed the same freely and voluntarily, that he is acting as the authorized representative of Shang Properties, Inc. and that he has the authority to sign in such capacity.

Doc. No. 269;
Page No. 55;
Book No. 1;
Series of 2023.

NOTARY PUBLIC

ATTY. LOUGENIA P. CARIÑO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2024
ROLL NO. 72087
IBP O.R. No. 274123 / 06 January 2023 / Bulacan
PTR No. 3124613 / 06 January 2023 / Mandaluyong City
Notarial Commission Appointment No. 95 (2023-2024)
Unit 125 Banyan Building, East Raya Gardens
Mercedes Ave., Pasig City
MCLE Compliance No. VII - 0021340

NOTICE OF ANNUAL STOCKHOLDERS' MEETING
OF
SHANG PROPERTIES, INC.
To be held on 28 June 2023 at 10:00 A.M.

To All Stockholders:

Please be advised that the Annual Meeting of the Stockholders of **SHANG PROPERTIES, INC.** (the "Corporation") will be held on **28 June 2023 at 10:00 A.M. at EDSA Shangri-La Manila, No. 1 Garden Way, Ortigas Center, Mandaluyong City and *via* video conference by clicking the link or by using the Meeting ID and Passcode below.**

Zoom Meeting Link
https://us02web.zoom.us/j/85955181184?pwd=SSs4SGJMWTMrSnFsMWMyeXFRNVpQQT09

Meeting ID: 859 5518 1184
Passcode: 816871

The Agenda of the meeting is set forth below:

1) Call to Order
2) Certification of Notice and Quorum
3) Approval of the Minutes of the Annual Meeting of the Stockholders held on 22 June 2022
4) Report of Management
5) Ratification of Acts of Management and the Board of Directors
6) Election of the Board of Directors for the Year 2023-2024
7) Election of External Auditors
8) Other Matters
9) Adjournment

The Board of Directors has fixed the close of business hours on **29 May 2023** as the record date for the determination of the stockholders in good standing entitled to notice of and to vote at such meeting.

Minutes of the Stockholders' Meetings and SEC Form 17-A (Annual Report) for the year ended 31 December 2022 as well as the resolutions of the Board of Directors, will be available for examination during office hours at the office of the Corporate Secretary and at the Corporation's Website at http://www.shangproperties.com/ and at the PSE Edge.

In case you cannot personally attend the meeting, you may send a proxy to represent you. Proxies must be filed with and received by the office of the Corporate Secretary of the Corporation before the date set for the annual meeting. In the absence of a written specification to the contrary, proxies in favor of, or which may be voted by, the management, will be in favor of the nominees of the management in the election of directors of the Corporation.

Mandaluyong City, Metro Manila, 11th day of May 2023.

BY ORDER OF THE BOARD OF DIRECTORS
OF SHANG PROPERTIES, INC.

FEDERICO G. NOEL, JR.
Corporate Secretary

AGENDA ITEMS

1) Call to Order

2) Certification of Notice and Quorum
The Chairman will call upon the Secretary to present proof that notice of the meeting was sent out to all concerned stockholders of record in accordance with the By-Laws of the Corporation and the relevant rules of the Securities and Exchange Commission ("SEC") and to report on the attendance of the meeting. If there are present in person or by proxy stockholders representing at least majority of the outstanding capital stock of the Corporation entitled to vote, the meeting shall proceed to take up the business at hand.

3) Approval of the Minutes of the Annual Meeting of the Stockholders held on 22 June 2022.

   The Stockholders will be asked to approve the Minutes of the Annual Meeting of Stockholders held on 22 June 2022.

4) Report of Management
The Chairman will present the Report of Management to the stockholders.

5) Ratification of Acts of Management and the Board of Directors for the year 2023-2024.
The Chairman will submit for the consideration and ratification of stockholders all acts and/or resolutions of the Board of Directors and Management of the Corporation for the last Annual Shareholders' meeting up to the present stockholders' meeting.

6) Election of the Board of Directors for the year 2023-2024
Pursuant to the Amended By-Laws of the Corporation, the stockholders present representing at least a majority of the outstanding capital stock of the Corporation entitled to vote, shall elect the Independent Directors and Regular Directors of the Corporation's Board of Directors to serve for the fiscal year 2023-2024 and until their successors are qualified and elected.

7) Election of External Auditors
The stockholders shall vote upon the appointment of the Company's External Auditors for the fiscal year 2023-2024.

8) Other Matters
The meeting will be opened to the discussion of other matters that may be brought up by the stockholders.

9) Adjournment