SHANG
PROPERTIES

14 November 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 Form 17-Q (Quarterly Report) as of 30 September 2023, 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

PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

SHANG PROPERTIES, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	Unaudited September 30, 2023	Audited December 31, 2022
ASSETS			
Current Assets			
Cash and cash equivalents	3	1,758,421,252	1,318,603,295
Financial assets at fair value through profit or loss	4	33,587,870	31,393,069
Trade and other receivables, net	5	6,338,583,019	5,553,712,185
Properties held for sale	6	5,881,076,796	4,447,332,585
Prepaid taxes and other current assets	7	2,977,930,959	2,259,295,838
Total Current Assets		16,989,599,896	13,610,336,972
Non-Current Assets			
Investment in and advances to associates and a joint venture	8	7,316,021,456	5,748,050,305
Investment properties	10	36,751,571,130	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	10,389,579,281	10,574,074,338
Goodwill		269,870,864	269,870,864
Deferred income tax assets		317,467,529	494,516,419
Other non-current assets	13	201,359,663	148,670,287
Total Non-Current Assets		56,058,338,419	54,019,581,181
Total Assets		**73,047,938,315**	**67,629,918,153**
LIABILITIES & STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and other current liabilities	14	5,525,907,369	5,058,740,720
Current portion of:			
Installment payable		-	-
Bank loans	15	10,314,230,224	8,006,519,593
Deposits from tenants	16	669,870,580	697,693,738
Deferred lease income		892,340	2,064,727
Income tax payable		83,196,699	41,725,962
Dividends payable		72,865,034	61,167,401
Total Current Liabilities		16,666,962,246	13,867,912,141
Non-Current Liabilities			
Accrued employee benefits		90,201,391	83,841,520
Bank loans, net of current portion	15	-	299,672,875
Deferred income tax liabilities, net		7,331,694,887	7,094,584,618
Advance rental, net of current portion		-	-
Deposit from tenants, net of current portion		352,451,086	307,585,412
Deferred lease income, net of current portion	16	34,589,837	40,131,978
Total Non-Current Liabilities		7,808,937,201	7,825,816,403
TOTAL LIABILITIES		24,475,899,447	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		278,861,373	274,339,482
Retained earnings		36,803,463,729	34,436,407,109
Total equity attributable to shareholders of the Parent Company		42,532,841,021	40,161,262,510
Non-controlling interest	9	6,039,197,847	5,774,927,099
Total equity		48,572,038,868	45,936,189,609
Total Liabilities and Equity		**73,047,938,315**	**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 NINE (9) MONTHS ENDED	
	September 30, 2023	**September 30, 2022**	**September 30, 2023**	**September 30, 2022**
REVENUES				
Condominium sales	1,362,442,891	836,490,064	2,158,509,747	2,143,515,047
Rental and cinema	1,249,551,788	567,441,627	1,868,471,638	1,543,575,634
Hotel operations	2,045,642,623	800,137,717	3,018,390,123	1,782,443,581
	4,657,637,302	2,204,069,408	7,045,371,508	5,469,534,262
COST OF SALES AND SERVICES				
Cost of condominium sales	541,818,051	322,271,412	902,479,462	859,621,671
Cost of rental and cinema	48,882,722	66,053,157	76,598,967	134,892,374
Cost of hotel operations	1,043,596,256	460,727,086	1,545,458,743	1,086,031,049
	1,634,297,029	849,051,655	2,524,537,172	2,080,545,094
GROSS PROFIT	**3,023,340,273**	**1,355,017,753**	**4,520,834,336**	**3,388,989,168**
OPERATING EXPENSES				
Staff Costs	238,795,380	107,500,154	354,247,238	349,516,525
Taxes, licenses and fees	103,390,234	18,710,853	130,534,708	123,373,280
Depreciation	15,436,670	6,946,846	23,151,207	21,024,080
Insurance	18,659,712	6,045,885	24,388,672	14,260,265
Other operating expenses	566,606,919	250,117,356	866,995,618	671,738,034
	942,888,915	389,321,094	1,399,317,443	1,179,912,184
OTHER INCOME				
Foreign exchange gains-net	(4,266,613)	8,876,674	(6,550,107)	21,081,262
Other income - net	135,078,003	21,181,885	165,259,633	104,015,608
	130,811,390	30,058,559	158,709,526	125,096,870
Income from operations	2,211,262,748	995,755,218	3,280,226,419	2,334,173,854
Finance income, net				
Finance Income	38,974,645	31,148,512	96,578,563	96,640,656
Finance Costs	(22,889,180)	(27,897,947)	(31,602,085)	(83,125,099)
	16,085,465	3,250,565	64,976,478	13,515,557
SHARE IN PROFIT OF ASSOCIATES AND A JOINT VENTURE	1,062,702,302	274,544,909	1,562,715,350	856,980,109
INCOME BEFORE INCOME TAX	**3,290,050,515**	**1,273,550,692**	**4,907,918,247**	**3,204,669,520**
Income tax benefit (expense)	(530,119,768)	(236,893,418)	(762,660,942)	(518,255,470)
NET INCOME FOR THE YEAR	**2,759,930,747**	**1,036,657,274**	**4,145,257,305**	**2,686,414,050**
NET INCOME ATTRIBUTABLE TO:				
Shareholders of the Parent company	**2,489,571,549**	**939,932,151**	**3,745,155,602**	**2,447,505,871**
Non-controlling Interest	270,359,199	96,725,123	400,101,703	238,908,179
	2,759,930,748	**1,036,657,274**	**4,145,257,305**	**2,686,414,050**
OTHER COMPREHENSIVE INCOME				
Translation adjustments	-	341,998	-	436,748
Remeasurement gain (loss) on retirement benefit obligation, net of tax	-	-	-	(14,004,307)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,759,930,748	1,036,999,272	4,145,257,305	2,672,846,491
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Shareholders of the Parent company	**2,489,571,549**	**940,274,149**	**3,745,155,602**	**2,433,938,312**
Non-controlling Interest	270,359,199	96,725,123	400,101,703	238,908,179
	2,759,930,748	**1,036,999,272**	**4,145,257,305**	**2,672,846,491**
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY	**0.523**	**0.197**	**0.786**	**0.514**

(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	-	-	-	-	(13,567,559)	-	-	(13,567,559)
Cash dividends	-	-	-	-	-	(785,969,644)	(169,274,000)	(955,243,644)
Net income for the period	-	-	-	-	-	2,447,505,871	238,908,179	2,686,414,050
Balances as of September 30, 2022	4,764,058,982	834,439,607	(6,850,064)	(141,132,606)	255,239,123	33,249,080,007	5,701,791,092	44,656,626,141
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	-	-	-	-	4,521,892	(8)	187,445	4,709,329
Cash dividends	-	-	-	-	-	(1,378,098,975)	(136,018,400)	(1,514,117,375)
Net income for the period	-	-	-	-	-	3,745,155,602	400,101,703	4,145,257,305
Balances as of September 30, 2023	4,764,058,982	834,439,607	(6,850,064)	(141,132,606)	282,439,224	36,803,346,729	6,039,197,847	48,572,038,868

(See accompanying notes to unaudited consolidated financial statements)

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

	September 30, 2023	September 30, 2022
Cash flows from operating activities		
Income before provision for income tax	4,907,918,248	3,204,669,520
Adjustments for:		
Depreciation and amortization	284,516,855	21,024,080
Interest expense	30,986,413	82,503,831
Retirement benefit expense	5,477	(3,851,529)
Loss on fair value adjustment of financial assets at fair value through profit or loss	(2,194,802)	184,970
Cumulative translation adjustment	4,521,892	(13,567,559)
Share in net profits of associates and a joint venture	(1,562,715,350)	(856,980,109)
Unrealized foreign exchange gain	(6,550,107)	21,081,262
Dividend income	-	(782,109)
Interest income	(96,578,563)	(96,640,656)
Operating income before working capital changes	3,559,910,063	2,357,641,701
Changes in working capital:		
Trade and other receivables	(984,419,434)	(850,340,174)
Properties held for sale	(1,433,744,212)	(451,731,647)
Prepaid taxes and other current assets	(718,635,120)	(479,799,783)
Other non-current assets	(52,689,376)	21,501,380
Accounts payable and other current liabilities	469,905,894	(159,769,525)
Installment payable	-	(47,883,236)
Deposits from tenants	10,327,989	(64,247,630)
Net cash generated from operations	850,655,804	325,371,086
Income tax paid	(307,031,046)	(115,963,520)
Interest received	99,211,725	97,583,404
Net cash provided by operating activities	642,836,484	306,990,970
Cash flows from investing activities		
Additions to:		
Investments in and advances to associates and a joint venture	(5,255,801)	(5,613,630)
Investment properties	(779,640,658)	(296,900,447)
Property and equipment	(100,021,799)	(35,624,261)
Deposit for a future project	-	-
Dividends received	-	782,109
Net cash used in investing activities	(884,918,258)	(337,356,229)
Cash flows from financing activities		
Payments of:		
Loan principal	(766,962,244)	(2,020,000,000)
Interest	(27,183,829)	(81,583,544)
Cash dividends payable (paid) to:		
Shareholders	(1,169,485,904)	(765,952,824)
Non-controlling shareholders of subsidiaries	(136,018,400)	(169,274,000)
Proceeds from loan availment, net of debt issue costs	2,775,000,000	3,160,000,000
Net cash provided by financing activities	675,349,623	123,189,632
Net increase in cash and cash equivalents for the period	433,267,849	92,824,373
Cash and cash equivalents at beginning of the period	1,318,603,295	1,376,480,154
Effects of exchange rate changes on cash and cash equivalents	6,550,107	(21,081,262)
Cash and cash equivalents at end of the period	1,758,421,251	1,448,223,265

(See accompanying notes to unaudited consolidated financial statements)

Shang Properties, Inc. and Subsidiaries

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 September 30, 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") is the developer of Laya, the Group’s latest project, located in Pasig City.

- SPI Land Development, Inc. ("SPI-LDI") is a new subsidiary in which the Group will develop one of 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 2027. 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"). The Parent Company intends to transfer the land where the project is being constructed to 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 2023 and 2022.

The segment assets, liabilities and results of operations of the reportable segments of the Group as of and for the period ended September 30, 2023 are as follows:

	Property development	Hotel operation	Leasing	Others	Total segments	Eliminations	Consolidated
Revenues:							
Condominium sales	2,158,509,747	-	-	-	2,158,509,747	-	2,158,509,747
Rental and cinema	79,411,781	-	1,941,432,564	-	2,020,844,345	(152,372,707)	1,868,471,638
Hotel operations	-	3,018,390,123	-	-	3,018,390,123	-	3,018,390,123
Cost of sales and services:							
Condominium sales	(902,479,462)	-	-	-	(902,479,462)		(902,479,462)
Rental and cinema	(16,552,292)	-	(29,642,193)	(26,195,626)	(72,390,111)	(4,208,856)	(76,598,967)
Hotel operations	-	(1,545,458,743)	-	-	(1,545,458,743)	-	(1,545,458,743)
Gross profit or revenues	1,318,889,774	1,472,931,380	1,911,790,371	(26,195,626)	4,677,415,899	(156,581,563)	4,520,834,336
Operating Expenses:							
Staff costs	(58,619,822)	-	(307,403,555)	(12,109,184)	(378,132,561)	23,885,323	(354,247,238)
Taxes and licenses	(36,757,732)	(29,195,155)	(60,035,443)	(4,546,378)	(130,534,708)	-	(130,534,708)
Depreciation and amortization	(2,270,707)	-	(184,574,487)	(257,815)	(187,103,009)	163,951,802	(23,151,207)
Insurance	(1,088,881)	(21,190,466)	(2,069,674)	(39,651)	(24,388,672)	-	(24,388,672)
General and administrative expenses	(153,421,946)	(541,555,900)	(322,592,970)	(7,947,648)	(1,025,518,464)	158,522,846	(866,995,618)
Other income (expense)							
Interest income	7,709,833	7,738,437	80,520,246	610,048	96,578,565	-	96,578,565
Foreign exchange gains – net	(67,313)	(5,776,734)	(712,807)	(38,455,437)	(45,012,291)	38,462,185	(6,550,107)
Share in net income of an associate	-	-	1,562,715,350	-	1,562,715,350	-	1,562,715,350
Other income, net	124,267,950	12,699,815	1,160,380,175	285,701,213	1,583,049,153	(1,417,789,519)	165,259,634
Interest expense and bank charges	(197,726)	(27,183,829)	(4,214,517)	(6,014)	(31,602,086)	-	(31,602,086)
Income before income tax	1,198,443,430	868,467,548	3,833,802,689	196,753,508	6,097,467,175	(1,189,548,926)	4,907,918,249
Provision for income tax	(313,004,574)	(221,179,015)	(220,438,944)	195,149	(754,427,384)	(8,233,558)	(762,660,942)
Net income for the year	885,438,856	647,288,533	3,613,363,745	196,558,359	5,343,039,791	(1,197,782,485)	4,145,257,306
Segment assets	17,117,854,763	8,896,008,624	61,565,497,640	2,948,156,653	90,527,517,680	(24,598,685,385)	65,928,832,295
Associate companies	-	-	-	7,316,021,456	7,316,021,456	-	7,316,021,456
Total assets	17,117,854,763	8,896,008,624	61,565,497,640	10,264,178,109	97,843,539,136	(24,598,685,385)	73,244,853,751
Segment liabilities	10,528,624,099	1,838,113,189	23,882,029,088	7,579,081,900	43,827,848,276	(19,155,033,391)	24,672,814,885
Capital expenditures for the year	6,592,406	67,440,856	29,140,337	-	103,173,599	-	103,173,599

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:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Cash on hand	3,790,336	11,194,228
Cash in banks	683,515,920	750,528,076
Cash equivalents	1,071,114,996	556,880,991
	1,758,421,252	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 P14,609,870 and P7,062,745 for the nine (9) months ended September 30, 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 nine (9) months ended September 30, 2023 and the year ended December 31, 2022 respectively are as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
At beginning of period	31,393,069	30,815,974
Gain (Loss) on fair value adjustment	2,194,801	577,095
At end of period	33,587,870	31,393,069

The fair values have been derived based on the 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 September 30, 2023 and December 31, 2022 consist of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Trade		
Installment contracts receivable	4,301,772,998	3,078,168,899
Rent	308,677,441	258,256,262
Receivables from guests and concessionaires	168,637,179	158,561,462
Non-trade		
Related parties	1,497,146,110	1,984,204,839
Advances to officers and employees	9,000,013	2,118,845
Interest	2,715,080	4,303,297
Others	63,657,257	89,295,618
	6,351,606,078	5,574,909,222
Allowance for impairment of receivables	(13,023,059)	(21,197,037)
	6,338,583,019	5,553,712,185

Instalment 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 instalment contracts receivable for the period ended September 30, 2023 amounted to null (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 non-tenant related receivables.

Note 6 - Properties held for sale

Properties held for sale consist of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Condominium units held for sale	336,391,178	338,001,875
Construction in-progress	5,544,685,618	4,109,330,710
	5,881,076,796	4,447,332,585

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 September 30, 2023 and December 31, 2022. 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 the following dates are as follows:

Projects	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
The Rise Makati	100%	100%
Shang Residences at Wack Wack	74%	57%

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 5% to 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:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Advances to contractors and suppliers	1,978,371,360	1,339,424,650
Creditable withholding tax (CWT)	487,683,894	451,544,612
Input value added tax (VAT)	280,876,081	161,685,955
Prepaid commission	8,657,056	71,018,655
Prepaid property tax	39,954,295	47,346,911
Inventories	40,638,107	27,044,505
Prepaid insurance	36,476,080	15,898,161
Deferred input VAT	28,716,166	7,206,363
Other prepaid expenses	76,557,920	138,126,026
	2,977,930,959	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:

	September 30, 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	5,255,801	7,812,588
Share in net income	1,562,715,350	1,422,113,933
At December 31	4,725,792,583	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
	7,316,021,456	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 equivalents 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 78% of its Aurelia Residences condominium units. As at September 30, 2023, the Aurelia Residences Project is 54% complete (December 31, 2022-37%). In 2023, the Group’s share in net income of the joint venture amounted to P1,562,715,801 (December 31, 2022 – P1,422,113,933).

In 2019, advances amounting to P1 billion were extended to SRPI. These advances had an original maturity on April 1, 2023 and bear interest at a rate of 4%. The parties mutually agreed to defer the repayment of said advances. 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 P72,621,801 in 2023 (December 31, 2022- P106,192,679).

(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.

<u>Note 9 - Non-controlling interests</u>

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:

	September 30, 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	-	779,640,658	779,640,658
At September 30, 2023	15,905,946,923	20,845,624,207	36,751,571,130

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 September 30, 2023 and December 31, 2022 are presented below.

	September 30, 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	26,910,631	4,788,643	71,474,324	103,173,598
Disposals	(3,151,800)	-	-	(3,151,800)
Reclassification	-	-	-	-
At September 30, 2023	9,665,597,414	58,746,676	7,106,722,167	16,831,066,257
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	99,012,988	1,462,169	184,041,698	284,516,855
Disposals		-	-	-
Reclassification	-	-	-	-
At September 30, 2023	1,698,463,243	45,351,699	4,697,672,034	6,441,486,976
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 September 30, 2023	7,967,134,171	13,394,977	2,409,050,133	10,389,579,281
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 September 30, 2023 and December 31, 2022 consist of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Refundable deposits	134,211,021	134,132,859
Retirement benefit asset	13,154,103	11,996,824
Deferred input VAT	2,444,237	2,540,604
Others	51,550,303	-
	201,359,663	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:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Trade:		
Accounts payable	504,754,274	504,596,085
Advance rentals	208,280,331	227,289,476
Accrued expenses	1,746,172,328	1,895,408,802
Customers' deposits from:		
Condominium sales	346,277,555	420,374,855
Hotel guests	234,026,885	157,063,745
Retention payables	477,307,199	450,565,082
Reservation payables	95,287,502	11,957,120
Advances from condominium unit buyers	170,154,338	162,355,018
Contract liabilities	151,916,360	38,562,465
Payable to contractors and suppliers	600,067	-
Construction bonds	71,848,917	63,811,828
Non-trade:		
Payable to related parties	169,919,337	198,412,729
Deferred output VAT	706,445,752	732,103,518
Payable to government agencies	63,172,031	70,901,765
Output VAT	163,001,430	64,407,032
Others	416,743,063	60,931,200
	5,525,907,369	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:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Current portion		
Parent Company	9,715,000,000	6,940,000,000
SGCPI	599,230,224	1,066,519,593
	10,314,230,224	8,006,519,593
Non-current portion		
SGCPI	-	299,672,875
Parent Company	-	-
	-	299,672,875
	10,314,230,224	8,306,192,468

Movements in the bank loans are as follows:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
At beginning of period	8,306,192,468	7,705,897,677
Amortized debt issue cost	-	5,294,791
Proceeds from loan availment, net of unamortized debt issue costs	2,778,037,756	3,460,000,000
Payments	(770,000,000)	(2,865,000,000)
At end of period	10,314,230,224	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.

As at December 31, 2021, the outstanding balance of the loan amounted to P400 million. The outstanding balance with 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.

Short term loans

Short term loans are composed of unsecured loans from various banks with interest rates ranging from 5.7% to 6.3% in 2023 (2022 – 5.7% to 6.8%). These loans have payment terms of 3 to 12 months in 2023 (2022 – 3 to 12 months).

(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 20th quarter to the 40th quarter after the date of the initial borrowing	Quarterly from the 20th quarter to the 37th quarter and then from 42nd quarter to the 47th 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 September 30, 2023, SGCPI has complied with all the terms and conditions. As at September 30, 2023, SGCPI has complied with all terms and conditions of the bank loan. As of 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.

Short term loans

Short term loans are composed of unsecured loans from various banks with an average interest rate of 6.80% in 2023 (2022 – 6.2%). These loans have payment terms of 5 to 9 months. As of September 30, 2023, SGCPI has fully paid all its short-term loans.

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:

	September 30, 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 September 30, 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 September 30, 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 P599,230,224 as at September 30, 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 P9,715,000,000 as at September 30, 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 September 30, 2023 and December 31, 2022:

	Performing	Under performing	Non-Performing	Total
2023				
Current assets				
Cash and cash equivalents	1,758,421,252	-	-	1,758,421,252
Trade and other receivables	6,522,475,398	-	13,023,059	6,535,498,457
Financial assets at fair value through profit or loss	33,587,870	-	-	33,587,870
Refundable deposits	2,457,057	-	-	2,457,057
Non-current assets				
Advances to a joint venture	2,590,096,000	-	-	2,590,096,000
Refundable deposits	134,211,021		-	134,211,021
Financial assets at FVOCI	812,468,496	-	-	812,468,496
	11,853,717,094	-	13,023,059	11,866,740,153

	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 September 30, 2023 amounted to P13,023,059 (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, 2023 and December 31, 2022 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:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Net debt		
Long-term loan	10,314,230,224	8,306,192,468
Less: cash and cash equivalents	1,758,421,252	1,318,603,295
	8,555,808,972	6,987,589,173
Capital		
Total equity	48,572,038,869	45,936,189,609
Less: Non-controlling interest	6,039,197,847	5,774,927,099
	42,532,841,022	40,161,262,510
Gearing ratio	20.12%	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 September 30, 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	33,587,870	-	-	33,587,870
Investment properties:				
Land	-	10,034,573,023	5,871,373,900	15,905,946,923
Buildings	-	2,709,154,606	18,136,469,601	20,845,624,207
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	-	136,668,078	-	136,668,078
Liabilities for which fair values are disclosed				
Installment payable	-	-	-	-
Deposits from tenants	-	1,022,321,666	-	1,022,321,666

	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	-	1,005,279,150	-	1,005,279,150

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 September 30, 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 September 30, 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 September 30, 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 September 30, 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 September 30, 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 September 30, 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.

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

Key Performance Indicators

		Sept 30 2023	Sept 30 2022	Change
Turnover	(Php M)	7,045.4	5,469.5	28.8%
Profit attributable to shareholders	(Php M)	3,745.2	2,447.5	53.0%
Earnings per share	(Php Ctv)	0.786	0.514	53.0%
Net asset value per share	(Php)	8.932	8.180	9.2%
Debt to equity ratio	(Ratio)	0.508	0.492	3.4%

- Turnover consists of sales of residential condominium units, revenue from rental and cinema and hotel operations. For nine (9) months ended September 30, 2023, Shang Properties' revenue increased by ₱1.575 billion (B) to ₱7.045B from ₱5.470B revenues during the same period in 2022. Sales of residential condominium units accounted for ₱2.158B or 31% of the total revenue and is higher by ₱14.99M from ₱2.143B in the same period last year. Revenue from leasing operations amounted to ₱1.868B or 27% of the total revenue and is higher by ₱324.9M from ₱1.543B in the same period last year. Shangri-La at the Fort's hotel operations contributed revenue amounting to ₱3.018B or 43% of the total revenue and is higher by ₱1.236B from ₱1.782B of the same period last year.

- Profit attributable to shareholders that pertains to net income from operations after tax amounted to ₱3.745B, higher by ₱1.297B or 53% compared with the same period last year.

- Earnings per share of ₱0.786 in 2023 is higher by 53% 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 9.2% mainly due to income generated during the period and additional cost of investments.

- 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 0.50:1 as of September 30, 2023 and 0.49:1 as of September 30, 2022.

Financial Condition

Total assets of the Group as of September 30, 2023 amounted to ₱73.2B, an increase of ₱5.61B 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 increased by ₱439.8M mainly due to collection from condominium sales, leasing and hotel operations.

- Financial Assets at Fair Value Through Profit or Loss increased by ₱2.195M mainly due to increase in value of listed shares owned by the Group.

- Receivables increased by ₱784.9M mainly due to sales of condominium units of Shang Residences Wack Wack and Laya project and receivables from hotel operations.

- Properties Held for Sale increased by ₱1.433B is mainly due to ongoing development of the Groups real estate projects.

- 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 three quarters of the year. These will be recouped from future progress billings. Also, included are expenses paid annually in advance at the beginning of the year and will be amortized monthly.

- Investments in and advances to associates and a Joint Venture increased by ₱1.568B mainly due to the Parent Comapny's share in Net Income from Shang Robinsons Properties, Inc. for 2023.

- Investment Properties increased by ₱779.6M mainly due to Construction costs incurred for Shang One Horizon project.

- Deferred Income Tax Assets decreased by ₱177.04M mainly due to income recognition of Shang Residences Wack Wack during the period which resulted to regular income tax and de-recognition of deferred tax assets.

- Other Noncurrent Assets increased by ₱52.69M mainly due to funds intended for socialized housing of Laya Project which was placed in an escrow fund.

- Current ratio is 1.02:1 as of September 30, 2023 from 0.98:1 as of December 31, 2022.

Total liabilities Increased by ₱2.782B from ₱21.693B in 2022 to ₱24.476B in 2023 mainly due to the net effect of the following:

- Increase in bank loans by ₱2.3B is mainly due to additional loan availments during the first three quarters of the year.

- Increase in Accounts Payable by ₱486.3M is mainly due to payable to suppliers for purchase of goods and services for ongoing and the new projects for the first three quarters of the year.

- Increase in income tax payable by ₱41.5M is mainly due to income tax due on higher net taxable income as of September 30, 2023.

- Increase in accrued employee benefits by ₱6.4M is mainly due to the accruals for retirement benefits during the period.

- Increase in Deposit from Tenants by ₱44.9M is mainly due to deposit made by new tenants of the Enterprise Center and Shangri-La Plaza Mall from January to September 2023.

- Deferred Income Tax Liabilities increased by ₱237M mainly due to the effect of the difference in accounting method against the tax method of revenue and cost recognition used by Shang Residences Wack Wack.

Results of Operation

Consolidated net income for the period ended September 30, 2023 amounted to ₱3.745B which is higher by 53.02% from last year's ₱2.447B.

Turnover increased by ₱1.575B to ₱7.045B in 2023 from ₱5.469B in 2022, mainly due to net effect of the following:

- Increase in revenue from condominium sales by ₱15M mainly due to additional revenue recognized based on percentage of completion and additional revenue on units sold from January to September 2023.

- Increase in revenue from rental and cinema by ₱324M mainly due to higher rental yield from mall operations of Shangri-La Plaza.

- Increase in revenue from hotel operations by ₱1.235B mainly due to higher occupancy for the period ended September 30, 2023 compared to the same period last year.

Total Cost of Sales and Services of the Group amounted to ₱2.52B, higher by ₱444.0M compared with last year's ₱2.08B This was mainly due to the following:

- Increase in cost of condominium sales on the corresponding revenue recognized during the first three quarters of the year.

- Decrease in cost of rental and cinema by ₱58.29M is mainly due to lower utility costs, repairs and maintenance cost and higher tenants reimbursements in the first nine months of 2023.

- Increase in cost of hotel operations by ₱459.4M mainly due to higher occupancy and increase in hotel operations.

Total Operating Expenses of the Group amounted to ₱1.399B, higher by ₱219M compared with last year's ₱1.179B. This was mainly due to the net effect of the following:

- Increase in general and administrative expense by P195M is mainly due Advertising and Commission Expenses incurred due to the various ongoing projects and Hotel operations.

- Increase in taxes and licenses due to higher business taxes paid by Shangri-La Plaza Mall due to higher revenue and Real Property Tax paid for the third quarter of the year.

- Increase in depreciation by P2.127M due to depreciation expenses recognized on additional equipment acquired by Shangri-La Plaza Mall.

- Increase in insurance by ₱10.1M mainly due to Terrorism and Sabotage insurance acquired for Assembly Grounds and higher premiums of insurance due to current market conditions.

Other Income increased by ₱61.2M mainly due to forfeited payments of cancelled units from The Rise.

Financial Soundness Indicators

	End of September 2023	End of December 2022
Current Ratio[1]	1.02:1	0.98:1
Debt-to-equity ratio[2]	0.50:1	0.47:1
Asset-to-equity ratio[3]	1.50:1	1.47:1
	3Q 2023	**3Q 2022**
Interest rate coverage ratio[4]	156.30	39.55
Return on assets[5]	7.10%	5.01%
Return on equity[6]	10.57%	7.45%

[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 = 3Q Net income x Average Total Assets = average total assets as of end of September 2023 and end of September 2022
Average Stockholders' Equity = average stockholders' equity as of end of September 2023 and end of September 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 September 30, 2023 up to the date of this report that needs disclosure herein.

SHANG PROPERTIES, INC. AND SUBSIDIARIES
AGING OF RECEIVABLES
As of September 30, 2023

TENANTS	TOTAL RECEIVABLES	CURRENT	1-30 DAYS	31-60 DAYS	61-90 DAYS	OVER 90 DAYS
Mall Tenants	160,127,106	149,759,012	4,763,320	2,584,801	775,431	2,244,542
EDSA Shangri-La Hotel & Resort	29,147,655	9,948,767	-	17,459,386	64,790	1,674,712
TSFT Commercial Space	1,362,348	174,114	1,188,234	-	-	-
TEC Tenants	14,438,860	-	3,629,124	119,281	-	10,690,455
Third Parties	168,825,603	898,895	126,754,756	30,211,502	-	10,960,450
Installment Contracts Receivables	4,402,040,202	4,070,453,025	5,266,102	-	4,766,745	321,554,330
	4,775,941,774	4,231,233,813	141,601,536	50,374,970	5,606,966	347,124,489

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

MABEL TACORDA
Chief Financial Officer