SHANG
PROPERTIES

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **SHANG PROPERTIES INC** is responsible for the preparation and fair presentation of the **consolidated** financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of **consolidated** financial statements that are free from material misstatement, whether due to fraud of error.

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

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

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

Isla Lipana and Co., the independent auditors appointed by the stockholders, has audited the **consolidated** financial statements of the Company in accordance with the Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Edward Kuok Khoon Long
Chairman of the Board

Wolfgang Krueger
Executive Director

Mabel P. Tacorda
Chief Financial Officer

Signed this 19th day of March, 2024

SUBSCRIBED AND SWORN to before me, this MAR 1 9 2024 at Mandaluyong City who exhibited to me his/her competent proof of identity, ______ issued at ______, Philippines on ______.

DOC NO.: 154;
PAGE NO.: 32;
BOOK NO: II;
SERIES OF 2024.

ATTY. KEVIN A. BONAOBRA
Commission No. 0678-23
Notary Public for Mandaluyong City
Until December 31, 2024
Shang Properties, Inc., Level 5 Shangri-La Plaza
EDSA cor. Shaw Boulevard, Mandaluyong City
Roll No. 64345
PTR No. 5432459, 01/09/2024; Mandaluyong City
IBP No. 393881, 01/03/2024; Albay Chapter
MCLE Compliance No. VII-0020270

Independent Auditor's Report

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

Our Opinion

In our opinion, the accompanying consolidated financial statements of Shang Properties, Inc. (the "Parent Company") and its subsidiaries (together, the "Group") as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 are prepared, in all material respects, in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC), as described in Note 31 to the consolidated financial statements.

What we have audited

The consolidated financial statements of the Group comprise:

- the consolidated statements of financial position as at December 31, 2023 and 2022;
- the consolidated statements of comprehensive income for each of the three years in the period ended December 31, 2023;
- the consolidated statements of changes in equity for each of the three years in the period ended December 31, 2023;
- the consolidated statements of cash flows for each of the three years in the period ended December 31, 2023; and
- the notes to the consolidated financial statements, including material accounting policy information.

Basis for Opinion

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

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

Independence

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

Emphasis of Matter

We draw attention to Note 31 to the consolidated financial statements, which describes the basis of preparation of the consolidated financial statements. The consolidated financial statements as at and for the year ended December 31, 2023, have been prepared in accordance with PFRS, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The details of the financial reporting reliefs availed by the Group and the impact on the consolidated financial statements are discussed in detail in Note 31. Our opinion is not modified in respect of this matter.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarized as follows:

- Valuation of investment properties; and
- Revenue recognition on condominium sales based on percentage of completion (PoC).

Key Audit Matters	How our Audit Addressed the Key Audit Matters
a) Valuation of investment properties Refer to Note 10 to the consolidated financial statements for the details of the investment properties and discussion on critical accounting estimates and assumptions. As at December 31, 2023, total investment properties, carried at fair value, amounts to P37 billion which accounts for about 50% of the total consolidated assets of the Group. The determination of fair values by an external appraiser involves significant estimation using assumptions such as property prices for similar market listing in the area, occupancy rate, rental rate and discount rate. A fair value assessment is performed regularly based on the requirements of PFRS 13, Fair Value Measurement, and Philippine Accounting Standards (PAS) 40, Investment Property.	We have addressed the matter by obtaining the latest appraisal report. We have assessed the appropriateness of the valuation methodology used as well as the reasonableness of the significant inputs and assumptions used in the fair valuation. In particular, comfort over the reliability of the appraiser reports was obtained through independent verification of significant fair value assumptions and inputs specifically: • similar market listing in the area by comparing to records of recent sales and offerings of similar land; • occupancy rate by agreeing to management's records and historical actual information; • expense-revenue ratio by comparing to the historical experience of the Group's leasing operations; • rental rate by comparing to prevailing market rents on leasing transactions of comparable properties; and • discount rate by comparing to published market yields. We have also assessed the reasonableness of these assumptions given the current market and economic conditions. We have evaluated the competence, capabilities and objectivity of the independent appraiser engaged by the Group by reviewing its profile, licenses and client portfolio. We have also verified the appropriateness and sufficiency of the disclosures in accordance with PFRS 13 and PAS 40.

Key Audit Matters	How our Audit Addressed the Key Audit Matters
b) Revenue recognition on condominium sales based on PoC as a measure of progress Refer to Note 6 to the consolidated financial statements for the discussion on critical accounting estimates and assumptions. The revenue arising from condominium sales for the year ended December 31, 2023 amounts to P3.1 billion which accounts for about 31% the consolidated revenues. It is therefore, material to the consolidated financial statements. Revenue from sale of condominium is recognized over time using the output method in accordance with the guidance set in PFRS 15, Revenue from contracts with customers, and Philippine Interpretations Committee Questions and Answers (PIC Q&A) 2016-04. Under the output method, revenue is calculated with reference to the PoC of the project. In the case of the Group, PoC is determined based on the actual physical completion of the project. Hence, revenue recognition on condominium sales require significant judgment and estimation.	We have addressed the matter by understanding the process employed by the Group in estimating the actual physical completion of the condominium project as performed by independent quantity surveyors. We have evaluated the competence, capabilities and objectivity of independent quantity surveyors engaged by the Group by reviewing their profile, professional licenses and client portfolio. We have examined the detailed accomplishment reports that provide information and analysis about the status of ongoing projects. We have also conducted interviews with project engineers. We inspected relevant contracts, contractors’ billings, invoices, and other supporting documents to verify the reasonableness of the recorded actual costs.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report, but do not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Management is responsible for the preparation of the consolidated financial statements in accordance with PFRS, as modified by the application of the financial reporting reliefs issued and approved by the SEC, as described in Note 31 to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in accordance with PFRS, as modified by the application of the financial reporting reliefs issued and approved by the SEC, as described in Note 31 to the consolidated financial statements.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Zaldy D. Aguirre.

Isla Lipana & Co.

Zaldy D. Aguirre
Partner
CPA Cert No. 0105660
P.T.R. No. 0024447, issued on January 12, 2024, Makati City
TIN 221-755-698
BIR A.N. 08-000745-077- 2023, issued on December 22, 2023; effective until December 21, 2026
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
March 27, 2024

Statements Required by Rule 68
Securities Regulation Code (SRC)

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

We have audited the consolidated financial statements of Shang Properties, Inc. and Subsidiaries as at and for the year ended December 31, 2023, on which we have rendered the attached report dated March 27, 2024. The supplementary information shown in the Reconciliation of Retained Earnings Available for Dividend Declaration, Map of the Group of Companies within which the Reporting Entity Belongs, effective as at December 31, 2023, as additional components required by Part I, Section 5 of the Revised Rule 68 of the SRC, and Schedules A, B, C, D, E, F and G, as required by Part II, Section 6 of the Revised Rule 68 of the SRC, are presented for purposes of filing with the Securities and Exchange Commission and is not a required part of the basic consolidated financial statements. Such supplementary information is the responsibility of management and have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements. In our opinion, the supplementary information has been prepared in accordance with the Revised Rule 68 of the SRC.

Isla Lipana & Co.

Zaldy D. Aguirre
Partner
CPA Cert No. 0105660
P.T.R. No. 0024447, issued on January 12, 2024, Makati City
TIN 221-755-698
BIR A.N. 08-000745-077- 2023, issued on December 22, 2023; effective until December 21, 2026
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Makati City
March 27, 2024

Statements Required by Rule 68
Securities Regulation Code (SRC)

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Shang Properties, Inc. and its subsidiaries (the Group) as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated March 27, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Rule 68 of the SRC issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

Isla Lipana & Co.

Zaldy D. Aguirre
Partner
CPA Cert No. 0105660
P.T.R. No. 0024447, issued on January 12, 2024, Makati City
TIN 221-755-698
BIR A.N. 08-000745-077- 2023, issued on December 22, 2023; effective until December 21, 2026
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
March 27, 2024

Shang Properties, Inc. and Subsidiaries

Consolidated Statements of Financial Position
As at December 31, 2023 and 2022
(All amounts in thousands of Philippine Peso)

	Notes	2023	2022
ASSETS			
Current assets			
Cash and cash equivalents	3	1,408,142	1,318,603
Financial assets at fair value through profit or loss	4	35,405	31,393
Trade and other receivables, net	5	6,839,024	5,553,712
Properties held for sale	6	5,259,074	4,447,333
Prepaid taxes and other current assets	7	2,613,474	2,259,298
Total current assets		16,155,119	13,610,339
Non-current assets			
Investments in and advances to associates and a joint venture	8	8,219,286	5,748,050
Investment properties	10	37,289,273	35,971,930
Financial assets at fair value through other comprehensive income	11	829,468	812,468
Property and equipment, net	12	10,246,065	10,574,074
Goodwill	13	269,871	269,871
Deferred income tax assets	25	224,928	494,516
Other non-current assets	14	1,416,300	148,670
Total non-current assets		58,495,191	54,019,579
Total assets		74,650,310	67,629,918
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and other current liabilities	15	5,322,481	5,058,741
Current portion of:			
Bank loans	16	10,115,000	8,006,519
Deposits from tenants	17	710,830	697,694
Deferred lease income	17	11,566	2,065
Income tax payable	25	44,268	41,726
Dividends payable		69,992	61,167
Total current liabilities		16,274,137	13,867,912
Non-current liabilities			
Retirement benefit liability	24	126,940	83,842
Bank loans, net of current portion	16	-	299,673
Deferred income tax liabilities, net	25	7,416,148	7,094,585
Deposits from tenants, net of current portion	17	319,987	307,585
Deferred lease income, net of current portion	17	24,838	40,132
Total non-current liabilities		7,887,913	7,825,817
Total liabilities		24,162,050	21,693,729
Equity			
Share capital	18	4,764,059	4,764,059
Share premium	18	834,440	834,440
Treasury shares	18	(6,850)	(6,850)
Equity reserves		(141,133)	(141,133)
Other comprehensive income	18	289,713	274,339
Retained earnings	18	38,576,729	34,436,407
Total equity attributable to shareholders of the Parent Company		44,316,958	40,161,262
Non-controlling interests	9	6,171,302	5,774,927
Total equity		50,488,260	45,936,189
Total liabilities and equity		74,650,310	67,629,918

The notes on pages 1 to 67 are integral part of these consolidated financial statements.

Shang Properties, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income
For each of the three years in the period ended December 31, 2023
(All amounts in thousands of Philippine Peso)

	Notes	2023	2022	2021
Revenues				
Condominium sales		3,073,245	2,850,803	1,951,231
Rental and cinema	10	2,540,440	2,165,080	1,820,270
Hotel operation		4,203,092	2,844,976	802,425
		9,816,777	7,860,859	4,573,926
Cost of sales and services				
Condominium sales		1,233,491	1,226,558	957,902
Rental and cinema		70,883	174,018	81,441
Hotel operation		2,162,346	1,729,476	1,525,726
	20	3,466,720	3,130,052	2,565,069
Gross profit		6,350,057	4,730,807	2,008,857
Operating expenses				
Staff costs	21	634,831	603,251	581,065
Taxes and licenses		192,983	166,583	182,534
Depreciation and amortization	12	34,006	32,036	39,113
Insurance		38,423	13,657	8,490
Other operating expenses	22	1,210,438	910,619	540,145
		2,110,681	1,726,146	1,351,347
Other income (charges), net				
Foreign exchange (losses) gains, net	3	(10,195)	14,575	4,525
Other income, net	23	387,532	100,605	181,346
		377,337	115,180	185,871
Income from operations		4,616,713	3,119,841	843,381
Finance income, net				
Finance income	23	125,229	233,135	194,640
Finance costs	23	(52,119)	(109,448)	(120,052)
		73,110	123,687	74,588
Share in net income of associates and a joint venture	8	2,460,747	1,422,114	404,707
Income before income tax		7,150,570	4,665,642	1,322,676
Income tax (expense) benefit	25	(1,049,013)	(677,481)	867,600
Net income for the year		6,101,557	3,988,161	2,190,276
Other comprehensive income				
Item that will be subsequently reclassified to profit or loss				
Translation adjustments		6,627	2,717	208
Items that will not be subsequently reclassified to profit or loss				
Change in fair value of financial assets at fair value through other comprehensive income, net of tax	11	14,450	(811)	(1,425)
Remeasurement of retirement benefit, net of tax		(5,703)	3,932	55,555
		15,374	5,838	54,338
Total comprehensive income for the year		6,116,931	3,993,999	2,244,614
Net income attributable to:				
Shareholders of the Parent Company		5,518,419	3,634,479	2,124,063
Non-controlling interests	9	583,138	353,682	66,213
		6,101,557	3,988,161	2,190,276
Total comprehensive income attributable to:				
Shareholders of the Parent Company		5,533,793	3,640,011	2,173,319
Non-controlling interests	9	583,138	353,988	71,295
		6,116,931	3,993,999	2,244,614
Basic and diluted earnings per share attributable to shareholders of the Parent Company	26	1.159	0.763	0.446

The notes on pages 1 to 67 are integral part of these consolidated financial statements.

Shang Properties, Inc. and Subsidiaries

Consolidated Statements of Changes in Equity
For each of the three years in the period ended December 31, 2023
(All amounts in thousands of Philippine Peso)

	Equity attributable to shareholders of the Parent Company								
	Share capital (Note 18)	**Share premium (Note 18)**	**Treasury shares (Note 18)**	**Other comprehensive income (Note 18)**	**Equity reserves**	**Retained earnings (Note 18)**	**Total**	**Non-controlling interests (Note 9)**	**Total equity**
Balances at January 1, 2021	4,764,059	834,440	(6,850)	219,551	(141,133)	30,053,959	35,724,026	5,950,341	41,674,367
Comprehensive income									
Net income for the year	-	-	-	-	-	2,124,063	2,124,063	66,213	2,190,276
Other comprehensive income	-	-	-	49,256	-	-	49,256	5,082	54,338
Total comprehensive income	-	-	-	49,256	-	2,124,063	2,173,319	71,295	2,244,614
Transaction with owners									
Cash dividends declared (Note 19)	-	-	-	-	-	(590,478)	(590,478)	(389,480)	(979,958)
Balances at December 31, 2021	4,764,059	834,440	(6,850)	268,807	(141,133)	31,587,544	37,306,867	5,632,156	42,939,023
Comprehensive income									
Net income for the year	-	-	-	-	-	3,634,479	3,634,479	353,682	3,988,161
Other comprehensive income	-	-	-	5,532	-	-	5,532	306	5,838
Total comprehensive income	-	-	-	5,532	-	3,634,479	3,640,011	353,988	3,993,999
Transaction with owners									
Cash dividends declared (Note 19)	-	-	-	-	-	(785,616)	(785,616)	(211,217)	(996,833)
Balances at December 31, 2022	4,764,059	834,440	(6,850)	274,339	(141,133)	34,436,407	40,161,262	5,774,927	45,936,189
Comprehensive income									
Net income for the year	-	-	-	-	-	5,518,419	5,518,419	583,138	6,101,557
Other comprehensive income	-	-	-	15,374	-	-	15,374	-	15,374
Total comprehensive income	-	-	-	15,374	-	5,518,419	5,533,793	583,138	6,116,931
Transaction with owners									
Cash dividends declared (Note 19)	-	-	-	-	-	(1,378,097)	(1,378,097)	(186,763)	(1,564,860)
Balances at December 31, 2023	4,764,059	834,440	(6,850)	289,713	(141,133)	38,576,729	44,316,958	6,171,302	50,488,260

The notes on pages 1 to 67 are integral part of these consolidated financial statements.

Shang Properties, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
For each of the three years in the period ended December 31, 2023
(All amounts in thousands of Philippine Peso)

	Notes	2023	2022	2021
Cash flows from operating activities				
Income before income tax		7,150,570	4,665,642	1,322,676
Adjustments for:				
Depreciation and amortization	12	377,127	387,938	995,487
Finance costs	23	51,032	108,512	119,436
Retirement benefit expense	24	37,362	36,032	42,046
(Gain) loss on fair value adjustment of financial assets at fair value through profit or loss	4,23	(4,012)	(577)	2,810
(Recovery of) provision for doubtful accounts	5,22	(51)	157	322
Unrealized foreign exchange gain	3	(2,108)	(24,255)	(6,360)
Gain on sale of property and equipment	23	(1,313)	(374)	(7,886)
Amortization of deferred lease income	17	4,679	(15,040)	(34,403)
Dividend income	23	(8,168)	(668)	(11,659)
Share in net income of associates and a joint venture	8	(2,460,747)	(1,422,114)	(404,707)
Finance income	23	(125,229)	(233,135)	(194,640)
Operating income before working capital changes		5,019,142	3,502,118	1,823,122
Changes in working capital:				
Trade and other receivables		(1,281,744)	(1,215,386)	(89,825)
Properties held for sale		(897,466)	(782,346)	(265,508)
Prepaid taxes and other current assets		(333,815)	(311,864)	(284,217)
Other non-current assets		(1,266,385)	28,099	118
Accounts payable and other current liabilities		367,744	370,268	(825,478)
Retirement benefit liability		10,025	4,602	(27,372)
Installment payable		-	(47,883)	(94,868)
Advance rentals		(17,459)	(250,591)	(175,880)
Deposits from tenants		(2,251)	(23,393)	(134,201)
Net cash generated from (used in) operations		1,597,791	1,273,624	(74,109)
Income tax paid		(475,942)	(307,346)	(468,119)
Interest received		127,951	230,963	196,825
Retirement benefits paid directly by the Group		(13,137)	(16,374)	(8,225)
Net cash provided by (used in) operating activities		1,236,663	1,180,867	(353,628)
Cash flows from investing activities				
Additions to:				
Property and equipment	12	(117,841)	(148,414)	(126,722)
Advances to a joint venture	8	(10,489)	(7,813)	(5,409)
Investment properties	10	(1,231,618)	(586,937)	(457,744)
Financial assets at fair value through other comprehensive income	11	-	(16,100)	-
Dividends received	23	8,168	668	11,659
Proceeds from sale of property and equipment	12,23	7,624	8,738	9,776
Net cash used in investing activities		(1,344,156)	(749,858)	(568,440)
Cash flows from financing activities				
Payments of:				
Loan principal	16	(1,370,000)	(2,865,000)	(1,433,333)
Interest	16	(54,040)	(110,577)	(88,358)
Cash dividends paid to:				
Shareholders	19	(1,369,273)	(786,346)	(602,612)
Non-controlling shareholders of subsidiaries	9	(186,763)	(211,218)	(389,480)
Proceeds from loan availment	16	3,175,000	3,460,000	3,256,000
Net cash provided by (used in) financing activities		194,924	(513,141)	742,217
Net increase (decrease) in cash and cash equivalents for the year		87,431	(82,132)	(179,851)
Cash and cash equivalents at January 1	3	1,318,603	1,376,480	1,549,971
Effects of exchange rate changes on cash and cash equivalents	3	2,108	24,255	6,360
Cash and cash equivalents at December 31	3	1,408,142	1,318,603	1,376,480

The notes on pages 1 to 67 are integral part of these consolidated financial statements.

Shang Properties, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements
As at December 31, 2023 and 2022
and for each of the three years in the period ended December 31, 2023
(All amounts are shown in thousands of Philippine Peso unless otherwise stated)

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.

The consolidated financial statements have been approved and authorized for issue in accordance with a resolution of the Board of Directors dated March 19, 2024. There are no subsequent events from the approval of these financial statements up to March 27, 2024.

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 Project in Pasig City. SPI Land Development, Inc. ("SPI-LDI") is the developer of an upcoming project in Quezon City.

(b) Hotel operations

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

(c) Leasing

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

In 2019, the Parent Company started construction of the Shang One Horizon. The Project is a located in the City of Mandaluyong 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 construction of the land project was subsequently assigned from the Parent Company to SPI Property Developers, Inc. ("SPI-PDI"), a subsidiary.

(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, 2022, and 2021. 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, 2022, and 2021.

The segment assets, liabilities and results of operations of the reportable segments of the Group as at and for the year ended December 31, 2023 are as follows:

	Property development	Hotel operations	Leasing	Others	Total segments	Eliminations	Consolidated
Revenues							
Condominium sales	3,072,945	-	300	-	3,073,245	-	3,073,245
Rental and cinema	131,328	-	2,748,569	-	2,879,897	(339,457)	2,540,440
Hotel operation	-	4,203,092	-	-	4,203,092	-	4,203,092
Cost of sales and services							
Condominium sales	(1,233,263)	-	(228)	-	(1,233,491)	-	(1,233,491)
Rental and cinema	(21,922)	-	(56,689)	-	(78,611)	7,728	(70,883)
Hotel operation	-	(2,162,346)	-	-	(2,162,346)	-	(2,162,346)
Gross profit	1,949,088	2,040,746	2,691,952	-	6,681,786	(331,729)	6,350,057
Operating expenses	(447,785)	(875,285)	(1,322,654)	(53,031)	(2,698,755)	588,074	(2,110,681)
Other income and expenses	147,956	192,041	1,596,871	276,080	2,212,948	(1,710,382)	502,566
Share in net income of associates and a joint venture	-	-	2,460,747	-	2,460,747	-	2,460,747
Interest expense and bank charges	(316)	(33,715)	(18,080)	(8)	(52,119)	-	(52,119)
Income before income tax	1,648,943	1,323,787	5,408,836	223,041	8,604,607	(1,454,037)	7,150,570
Income tax expense	(426,668)	(333,274)	(276,781)	(4,216)	(1,040,939)	(8,074)	(1,049,013)
Net income for the year	1,222,275	990,513	5,132,055	218,825	7,563,668	(1,462,111)	6,101,557
Segment assets	18,691,978	8,389,937	63,657,448	2,104,201	92,843,564	(26,412,540)	66,431,024
Associate and joint venture companies (Note 8)	-	-	-	8,219,286	8,219,286	-	8,219,286
Total assets	18,691,978	8,389,937	63,657,448	10,323,487	101,062,850	(26,412,540)	74,650,310
Segment liabilities	11,795,753	994,521	24,765,911	7,627,521	45,183,706	(21,021,654)	24,162,052
Capital expenditures for the year (Notes 10 and 12)	7,602	72,944	37,181	115	117,842	-	117,842

The segment assets, liabilities and results of operations of the reportable segments of the Group as at and for the year ended December 31, 2022 are as follows:

	Property development	Hotel operations	Leasing	Others	Total segments	Eliminations	Consolidated
Revenues							
Condominium sales	2,850,803	-	-	-	2,850,803	-	2,850,803
Rental and cinema	67,965	-	2,254,360	-	2,322,325	(157,245)	2,165,080
Hotel operation	-	2,844,976	-	-	2,844,976	-	2,844,976
Cost of sales and services							
Condominium sales	(1,226,558)	-	-	-	(1,226,558)	-	(1,226,558)
Rental and cinema	(23,518)	-	(146,553)	-	(170,071)	(3,947)	(174,018)
Hotel operation	-	(1,729,476)	-	-	(1,729,476)	-	(1,729,476)
Gross profit	1,668,692	1,115,500	2,107,807	-	4,891,999	(161,192)	4,730,807
Operating expenses	(485,598)	(531,610)	(1,085,310)	(58,018)	(2,160,536)	434,390	(1,726,146)
Other income and expenses	191,743	9,696	1,597,773	244,955	2,044,167	(1,695,851)	348,316
Share in net income of associates and a joint venture	-	-	1,422,114	-	1,422,114	-	1,422,114
Interest expense and bank charges	(189)	(84,678)	(24,575)	(6)	(109,448)	-	(109,448)
Income before income tax	1,374,648	508,908	4,017,809	186,931	6,088,296	(1,422,653)	4,665,643
Income tax expense	(318,664)	(131,067)	(241,734)	(5,143)	(696,608)	19,127	(677,481)
Net income for the year	1,055,984	377,841	3,776,075	181,788	5,391,688	(1,403,526)	3,988,162
Segment assets	15,220,101	8,765,497	55,894,572	4,465,193	84,345,363	(22,463,495)	61,881,868
Associate and joint venture companies (Note 8)	-	-	-	5,748,050	5,748,050	-	5,748,050
Total assets	15,220,101	8,765,497	55,894,572	10,213,243	90,093,413	(22,463,495)	67,629,918
Segment liabilities	9,231,333	2,354,890	19,444,483	7,518,732	38,549,438	(16,855,709)	21,693,729
Capital expenditures for the year (Notes 10 and 12)	13,069	18,718	476,947	808	509,452	-	509,452

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

	Property development	Hotel operations	Leasing	Others	Total segments	Eliminations	Consolidated
Revenues							
Condominium sales	1,951,231	-	-	-	1,951,231	-	1,951,231
Rental and cinema	29,414	-	1,870,556	-	1,899,970	(79,700)	1,820,270
Hotel operation	-	802,425	-	-	802,425	-	802,425
Cost of sales and services							
Condominium sales	(957,902)	-	-	-	(957,902)	-	(957,902)
Rental and cinema	(23,883)	-	(52,849)	-	(76,732)	(4,709)	(81,441)
Hotel operation	-	(1,525,726)	-	-	(1,525,726)	-	(1,525,726)
Gross profit (loss)	998,860	(723,301)	1,817,707	-	2,093,266	(84,409)	2,008,857
Operating expenses	(445,205)	(240,529)	(949,935)	(69,175)	(1,704,844)	353,497	(1,351,347)
Other income and expenses	146,573	5,179	1,836,218	533,710	2,521,680	(2,141,169)	380,511
Share in net income of associates and a joint venture	-	-	404,707	-	404,707	-	404,707
Interest expense and bank charges	(239)	(68,815)	(50,992)	(6)	(120,052)	-	(120,052)
Income before income tax	699,989	(1,027,466)	3,057,705	464,529	3,194,757	(1,872,081)	1,322,676
Income tax benefit	(75,836)	188,274	716,874	34,228	863,540	4,060	867,600
Net income for the year	624,153	(839,192)	3,774,579	498,757	4,058,297	(1,868,021)	2,190,276
Segment assets	13,790,274	9,013,578	50,775,922	5,813,005	79,392,779	(19,934,131)	59,458,648
Associate and joint venture companies (Note 8)	-	-	-	4,318,124	4,318,124	-	4,318,124
Total assets	13,790,274	9,013,578	50,775,922	10,131,129	83,710,903	(19,934,131)	63,776,772
Segment liabilities	8,219,642	2,981,523	16,324,221	7,422,370	34,947,756	(14,110,007)	20,837,749
Capital expenditures for the year (Notes 10 and 12)	361	116,036	468,006	63	584,466	-	584,466

3 Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2023	2022
Cash on hand	9,208	11,194
Cash in banks	811,706	750,528
Cash equivalents	587,228	556,881
	1,408,142	1,318,603

Cash in banks earned interest at prevailing bank deposit rates.

Cash equivalents are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the prevailing short-term deposit rates.

Interest income earned for the year ended December 31, 2023 amounted to P22.1 million (2022 - P7 million; 2021 - P2.3 million) (Note 23).

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

			2023			2022
	Foreign currency	Exchange rate	Peso equivalent	Foreign currency	Exchange rate	Peso equivalent
US Dollar	839	55.57	46,612	1,180	56.12	66,199
HK Dollar	7	7.11	50	0	7.20	-

The realized and unrealized exchange losses for the years ended December 31 included within Other income in the consolidated statement of comprehensive income are as follows:

	2023	2022	2021
Foreign exchange gains (losses)			
Realized	(12,303)	(9,680)	(1,835)
Unrealized	2,108	24,255	6,360
Total	(10,195)	14,575	4,525

4 Financial assets at fair value through profit or loss

This account represents equities that are listed in the Philippine Stock Exchange (PSE). Movements in the account for the years ended December 31 are as follows:

	Note	2023	2022
At January 1		31,393	30,816
Gain on fair value adjustment	23	4,012	577
At December 31		35,405	31,393

The fair values have been derived based on current bid prices in the PSE (Level 1 valuation). The fair value adjustment is included in Other Income in the statements of comprehensive income.

5 Trade and other receivables, net

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

	Note	2023	2022
Trade			
Installment contracts receivable		5,010,318	3,078,169
Rent receivables		182,365	258,256
Receivables from guests and concessionaires		120,707	158,561
Non-trade			
Related parties	27	1,415,010	1,984,205
Advances to officers and employees		5,551	2,119
Interest		1,635	4,303
Others		116,461	89,296
		6,852,047	5,574,909
Allowance for impairment of receivables		(13,023)	(21,197)
		6,839,024	5,553,712

Installment contracts receivable arises from sale of condominium units in the Group's ordinary course of business. Contract receivables are collectible within a period based on the payment schedule agreed with the buyers. Interest income earned from installment contracts receivable for the year ended December 31, 2023 amounted to P0 (2022 - P92.4 million; 2021 - P111.6 million) (Note 23).

Rent receivables are non-interest bearing and pertain to rental fees charged to tenants. The normal credit terms range from 30 to 60 days.

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

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

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

Movements in allowance for impairment of receivables for the years ended December 31 are as follows:

	Note	2023	2022
At January 1		21,197	21,040
Provision	22	(51)	157
Write-off		(8,123)	-
At December 31		13,023	21,197

The Group's trade and other receivables are all denominated in Philippine Peso.

There were no trade and other receivables pledged as collaterals as at December 31, 2023 and 2022.

6 Properties held for sale

Properties held for sale as at December 31 consist of:

	2023	2022
Condominium units held for sale	303,748	338,002
Project under development held for sale	4,955,326	4,109,331
	5,259,074	4,447,333

The cost of condominium sales recognized as expense amounted to P1.2 billion in 2023 (2022 - P1.2 billion; 2021 - P957.9 million) (Note 20).

(a) Condominium units held for sale

This account represents the accumulated actual construction costs of unsold units of completed condominium projects. The movements in condominium units held for sale as at December 31 are as follows:

	Note	2023	2022
At January 1		338,002	422,130
Additional development costs for the year		-	19,010
Transfer to property and equipment	12	-	(96,636)
Cost of condominium units sold (excluding commissions)		(34,254)	(6,502)
At December 31		303,748	338,002

The above transfers are considered a noncash transaction.

(b) Project under development held for sale

This account represents the accumulated actual construction costs of unsold units of ongoing condominium projects. The movements in this account as at December 31 are as follows:

	Note	2023	2022
At January 1		4,109,331	3,242,857
Construction and development costs incurred:			
Land cost		1,501	895,281
Construction cost		973,928	703,534
Project management expenses		326,988	186,954
Professional and consultancy fees		336,512	87,754
Taxes, permits and licenses		106,761	74,646
Insurance and bonds		48,575	5,437
Others		205,454	19,166
Transfer to investment property	10	(85,725)	(3,659)
Allocated cost of condominium sold (excluding commissions)		(1,067,999)	(1,102,639)
At December 31		4,955,326	4,109,331

The transfers relate to construction and development costs incurred during the period attributable to the retail portion of The Rise Makati condominium (Note 10). This is considered a non-cash transaction.

Critical accounting estimate - Estimation of net realizable value of properties held for sale

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

NRV has been assessed to be higher than cost based on circumstances or conditions as at December 31, 2023 and 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 project is Shang Residences at Wack Wack and its PoC as at December 31, 2023 is 81% (2022 – 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 10% would demonstrate the buyer's commitment to pay, based on historical data.

7 Prepaid taxes and other current assets

Prepaid taxes and other current assets as at December 31 consist of:

	2023	2022
Advances to contractors and suppliers	1,470,484	1,339,425
Creditable withholding tax (CWT)	471,907	451,545
Input value added tax (VAT)	331,109	161,686
Prepaid commission	3,127	71,019
Prepaid property tax	66,212	47,347
Consumables and supplies	40,429	27,045
Prepaid insurance	45,766	15,898
Deferred input VAT	2,549	7,206
Other prepaid expenses	181,891	138,127
	2,613,474	2,259,298

Advances to contractors and suppliers pertain to initial payments made by the Group for the construction and development of its condominium projects. These are applied as payments of progress billing by the contractors and suppliers based on milestones or percentage of accomplishment or delivery as stipulated in the contracts.

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

Prepaid commission represents advance commission paid to property consultants and brokers based on the percentage of completion of the project sold. This account is treated as a fulfilment cost under PFRS 15, Revenue from contracts with customers, and therefore amortized as an expense.

Input VAT represents tax paid to suppliers that can be claimed as credit against the future output VAT liabilities and has no expiration.

Consumables and supplies consist of food, beverages and other recreational consumable items for the hotel operations.

Other prepaid expenses mainly consist of advance payments for rent, staff accommodation rentals, software support, refundable deposits, and other expenses which are normally utilized within the next financial year.

8 Investments in and advances to associates and a joint venture

This account as at December 31 consist of:

	2023	2022
Investment in a joint venture		
At January 1	3,157,821	1,727,895
Additional investments	10,489	7,812
Share in net income for the year	2,460,747	1,422,114
At December 31	5,629,057	3,157,821
Advances to a joint venture	2,590,096	2,590,096
Investments in various associates	133	133
	8,219,286	5,748,050

(a) Investment in and advances to a joint venture

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

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

The authorized capital stock of SRPI is P3 billion divided into 3 billion common shares with par value of P1 per share. On April 19, 2018, the Parent Company subscribed and paid in full the amount of P1 billion equivalent to 1 billion common shares at P1 per share.

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

SRPI commenced operations in 2019 and had since then presold 60% of its Aurelia Residences condominium units. As at December 31, 2023, the Aurelia Residences Project is 65% complete (2022 - 37%) while Haraya Residences Project is 7% complete (2022 - 3%). In 2023, the Group's share in net income of the joint venture amounted to P2.5 billion (2022 - P1.4 billion; 2021 - P404.7 million).

In 2019, advances amounting to P1 billion were extended to SRPI by the Parent Company. These advances matured on April 1, 2023 and bear interest at a rate of 4%. However, the advances were partially collected in 2023 amounting to P750 million. The remaining balance has been agreed to be collectible at a future date to be agreed upon by both parties.

In 2021, an additional P1.59 billion advances was extended to SRPI with the same interest rate, as indicated above. The outstanding balance is collectible on demand.

Interest income earned from these advances amounted to P91.9 million in 2023 (2022 - P106.2 million; 2021 - P73.9 million) (Note 23).

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

	2023	2022
Cash and cash equivalents	676,345	959,579
Other current assets	8,028,720	9,730,997
Current assets	8,705,065	10,690,576
Non-current assets	10,193,763	8,780,499
Total assets	18,898,828	19,471,075
Financial liabilities (excluding trade payables)	2,637,603	2,743,946
Other current liabilities	433,067	6,925,695
Current liabilities	3,070,670	9,669,641
Financial liabilities (excluding trade payables)	3,369,446	3,241,965
Other current liabilities	1,331,775	354,026
Non-current liabilities	4,701,221	3,595,992
Total liabilities	7,771,891	13,265,633
Net assets	11,126,937	6,205,442
Revenue	10,809,146	6,369,968
Depreciation and amortization	833	329
Interest income	34,727	15,166
Interest expense	-	-
Income tax expense	(1,355,003)	(805,122)
Net income for the year	4,921,494	2,841,776
Other comprehensive income for the year	-	-
Total comprehensive income for the year	4,921,494	2,841,231

The reconciliation of SRPI's net assets multiplied by the ownership interest and the carrying amount of each investment as at December 31, are shown in the table below:

	2023	2022
Net assets	11,126,937	6,205,442
Effective ownership interest	50%	50%
	5,563,469	3,102,721
Additional investments	65,588	55,100
	5,629,057	3,157,821

(b) Investments in various associates

The Group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

Critical accounting judgment - Recoverability of investment and advances

The Group's investments in associates and a joint venture are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. Management has assessed that all investments and advances are fully recoverable as there are no impairment indicators as of reporting date.

Significant accounting judgment - joint control assessment

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

9 Non-controlling interests

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

	2023	2022
KSA	29.96%	29.96%
SGCPI	40.00%	40.00%

The summarized financial information of subsidiaries with material NCI are provided below. The information is based on amounts before inter-company eliminations.

(a) KSA Realty Corporation

	2023	2022
Summarized statements of financial position		
Current assets	200,260	170,010
Current liabilities	487,792	334,154
Non-current assets	10,664,177	10,664,106
Non-current liabilities	2,234,810	2,358,077
Equity	8,141,836	8,141,886
Equity attributable to:		
Equity holders of the Parent Company	5,699,320	5,699,320
NCI	2,442,566	2,442,566
	8,141,886	8,141,886
Dividends declared to NCI	186,950	211,218

	2023	2022	2021
Summarized statements of comprehensive income			
Revenues	904,133	948,079	1,247,331
Cost and expenses	(141,255)	(118,057)	(39,088)
Other income (expense), net	2,647	(1,300)	(59,171)
Income before income tax	765,525	828,722	1,149,072
Income tax benefit (expense)	(141,575)	(152,626)	192,396
Net income for the year	623,950	676,096	1,341,468
Other comprehensive income (loss)	-	58	18
Total comprehensive income	623,950	676,154	1,341,486
Net income attributable to:			
Equity holders of the Parent Company	437,015	473,268	939,564
NCI	186,935	202,828	401,904
	623,950	676,096	1,341,468
Total comprehensive income attributable to:			
Equity holders of the Parent Company	437,015	473,308	939,577
NCI	186,935	202,846	401,909
	623,950	676,154	1,341,486

	2023	2022	2021
Summarized statements of cash flows			
Operating activities	626,656	668,835	776,966
Investing activities	(261)	(160)	(23)
Financing activities	(624,000)	(705,000)	(1,321,422)

(b) Shang Global City Properties, Inc.

	2023	2022
Summarized statements of financial position		
Current assets	976,582	716,797
Current liabilities	845,720	1,202,720
Non-current assets	7,413,355	8,048,936
Non-current liabilities	148,801	1,153,115
Equity	7,395,417	6,409,898
Equity attributable to:		
Equity holders of the Parent Company	4,437,250	3,845,939
NCI	2,958,167	2,563,959
	7,395,417	6,409,898

	2023	2022	2021
Summarized statements of comprehensive income			
Revenues	4,203,092	2,844,976	802,425
Cost of sales and services	(2,162,346)	(1,765,362)	(1,525,726)
Operating expenses	(875,285)	(478,381)	(240,529)
Other expenses, net	158,326	(93,033)	(63,636)
Income before income tax	1,323,787	508,200	(1,027,466)
Income tax benefit (expense)	(333,274)	(131,067)	188,274
Net income (loss) for the year	990,513	377,133	(839,192)
Other comprehensive income (loss)	-	-	12,690
Total comprehensive income (loss)	990,513	377,133	(826,502)
Net income (loss) attributable to:			
Equity holders of the Parent Company	594,308	226,280	(503,515)
NCI	396,205	150,853	(335,677)
	990,513	377,133	(839,192)
Total comprehensive income attributable to:			
Equity holders of the Parent Company	594,308	226,280	(495,901)
NCI	396,205	150,853	(330,601)
	990,513	377,133	(826,502)

	2023	2022	2021
Summarized statements of cash flows			
Operating activities	1,568,219	1,256,381	(525,728)
Investing activities	123,316	(50,437)	(84,782)
Financing activities	(1,406,585)	(1,040,452)	608,193

No dividends were declared and paid by SGCPI in 2023 and 2022.

10 Investment properties

This account consists of properties that are either held for capital appreciation or for rental purposes or both. The Group's investment properties are carried at fair value. Details of this account as at December 31 are as follows:

	Note	Land	Buildings	Total
At January 1, 2022		15,905,947	19,479,047	35,384,994
Transfers due to change in use from properties held for sale	6	-	3,659	3,659
Capitalized subsequent expenditures		-	583,277	583,277
At December 31, 2022		15,905,947	20,065,983	35,971,930
Transfers due to change in use from properties held for sale	6	-	85,725	85,725
Capitalized subsequent expenditures		-	1,231,618	1,231,618
At December 31, 2023		15,905,947	21,383,326	37,289,273

The transfers relate to construction and development costs incurred during the period attributable to the retail portion of The Rise Makati condominium (Note 6).

Capitalized subsequent expenditures pertain to the construction and development costs incurred for Shang One Horizon project.

As at December 31, 2023 and 2022, the fair values of the properties are based on valuations performed by an independent external appraiser engaged by the management. The valuation models are in accordance with that recommended by the International Valuation Standards Committee.

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

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

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

	2023	2022	2021
Rental revenue	2,516,453	2,147,405	1,819,174
Cinema revenue	23,987	17,675	1,096
Total rental and cinema revenue	2,540,440	2,165,080	1,820,270
Cost of rental and cinema	(70,883)	(174,018)	(81,441)
Profit arising from investment properties carried at fair value	2,469,557	1,991,062	1,738,829

Cost of rental and cinema include share in common expenses, real property taxes and insurance expenses (Note 20).

The Group (as a lessor) has cancellable lease agreements with third parties covering the freehold buildings and their improvements. The lease arrangements are either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Critical accounting estimate - Determination of fair values of investment properties

Information on the fair value of investment property as at December 31 as to hierarchy is as follows:

			2023
Fair value of hierarchy	Land	Buildings	Total
Level 2	10,223,517	2,995,047	13,218,564
Level 3	6,972,804	17,097,905	24,070,709
Total	17,196,321	20,092,952	37,289,273

			2022
Fair value of hierarchy	Land	Buildings	Total
Level 2	10,034,573	2,995,047	13,029,620
Level 3	5,871,374	17,070,936	22,942,310
Total	15,905,947	20,065,983	35,971,930

(a) Fair value of condominium units and other properties (Level 2)

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

These investment properties relate to individually immaterial land and building properties whose fair values have been determined in the prior years and are subject to reassessment in accordance with the Group’s accounting policy.

(b) Fair value of retail and office spaces (Level 3)

The following table presents the valuation techniques and unobservable key inputs used to value the following investment properties:

Investment property type	Fair value as at December 31, 2023 and 2022	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability - weighted average)	Relationship of unobservable inputs to fair value
Building (The Enterprise Center (Office))	P10,662,565	Direct income capitalization	Rental value	P1,680 per square meter (2022 - P1,680)	The higher the rental value and occupancy rate, the higher the fair value.
			Occupancy rate	95% (2022 - 95%)	
			Expense-revenue ratio	5.55% (2022 - 5.55%)	The higher the expense- revenue ratio and discount rate, the lower the fair value.
			Discount rate	11.37% (2022 - 11.37%)	
Land and building (Main wing and east wing of Shangri-La Plaza mall (Retail), including the land where the property is located)	P12,232,029 (Land - P 5,871,374; Building – P6,360,655)	Direct income capitalization	Rental value	P1,700 per square meter (2022 - P1,700)	The higher the rental value and occupancy rate, the higher the fair value.
			Occupancy rate	96% (2022 - 96%)	
			Expense-revenue ratio	23% (2022 - 23%)	The higher the expense- revenue ratio and discount rate, the lower the fair value.
			Discount rate	12.37% (2022 - 12.37%)	

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

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

The following are the significant unobservable inputs:

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

For sensitivity analysis purposes, any +/- 1% change in market rental value per square meter would increase/decrease total assets and pre-tax income in 2023 and 2022 by P229 million.

Critical accounting judgments

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

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

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

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

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

(b) Classification of leases as operating lease

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

The carrying values of investment properties as at December 31, 2023 and 2022 are disclosed in the previous table.

11 Financial assets at fair value through other comprehensive income

This account consists of equity securities as follows:

	2023	2022
Unquoted securities	488,430	488,430
Quoted securities	9,101	9,101
Acquisition cost	497,531	497,531
Cumulative changes in fair value	331,937	314,937
Fair value	829,468	812,468

The fair values of the unquoted equity securities are based on the net asset value of the underlying assets of investee companies which are mainly investment properties consisting of land and buildings which are measured and carried at fair value of underlying assets. The fair value measurements have been categorized as Level 3. Estimated fair value of assets classified as Level 3 are considered not significant relative to the overall size of the Group's total assets.

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

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

The movements in the cumulative changes in fair value recognized as other comprehensive income in the statement of financial position for the years ended December 31 are as follows:

	2023	2022
At January 1	256,473	257,284
Gain on fair value adjustment	17,000	15,500
Deferred income tax effect	(2,550)	(16,311)
At December 31	270,923	256,473

12 Property and equipment, net

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

	Building and building improvements	Transportation equipment	Furniture, fixtures and other equipment	Total
Cost				
At January 1, 2023	9,641,838	53,959	7,035,247	16,731,044
Additions	28,800	8,576	80,465	117,841
Disposals	(61,546)	-	(7,295)	(68,841)
At December 31, 2023	9,609,092	62,535	7,108,417	16,780,044
Accumulated depreciation and amortization				
At January 1, 2023	1,599,451	43,890	4,513,629	6,156,970
Depreciation and amortization	132,325	2,641	242,161	377,127
Disposals	-	-	(118)	(118)
At December 31, 2023	1,731,776	46,531	4,755,672	6,533,979
Cost				
At January 1, 2022	9,532,396	50,592	7,008,110	16,591,098
Transfer from properties held for sale	96,636	-	-	96,636
Additions	12,806	4,338	34,634	51,778
Disposals	-	(971)	(7,393)	(8,364)
Others	-	-	(104)	(104)
At December 31, 2022	9,641,838	53,959	7,035,247	16,731,044
Accumulated depreciation and amortization				
At January 1, 2022	1,466,041	39,511	4,271,687	5,777,239
Depreciation and amortization	133,410	5,350	249,178	387,938
Disposals	-	(971)	(7,236)	(8,207)
At December 31, 2022	1,599,451	43,890	4,513,629	6,156,970
Net book values at				
At December 31, 2023	7,877,316	16,004	2,352,745	10,246,065
At December 31, 2022	8,042,387	10,069	2,521,618	10,574,074

Depreciation and amortization were allocated as follows:

	Note	2023	2022	2021
Cost of sales and services	20	343,121	352,667	956,163
Operating expenses		34,006	32,036	39,113
Capitalized under property held for sale		-	3,235	211
		377,127	387,938	995,487

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

Critical accounting estimate - Useful lives of property and equipment

The useful life of each item of the Group’s property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimate is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any property and equipment would increase the recorded operating expenses and decrease non-current assets. In 2023 and 2022, there were no changes in the estimated useful lives of property and equipment.

If the actual useful lives of the property and equipment differ by 10% (assessment threshold used by management), the carrying amount of property and equipment would have been P786 million higher or P458 million lower (2022 - P684 million higher or P560 million lower).

Critical accounting judgment - Impairment of non-financial assets

The Group reviews its non-financial assets, such as investments in associates and in a joint venture (Note 8) and property and equipment (Note 12), for any indicator of impairment in value. This includes considering certain factors such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. If indicators of impairment have been identified, the Group determines the recoverable amount of the asset, which is the higher of the asset's fair value less costs to sell and value in use.

Given historical profitable operations and profit projections, the Group has assessed that there are no impairment indicators with respect to the non-financial assets as at December 31, 2023 and 2022.

13 Goodwill

Goodwill acquired through business combinations has been allocated to SGCPI, the CGU, for impairment testing purposes.

The recoverable amount of the CGU has been based on value in use calculation using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to cash flow is 6.37% (2022 - 6.37%). Cash flows beyond the five-year period are extrapolated using a steady growth rate of 6.09% (2022 - 6.09%), which does not exceed the compounded annual growth rate for the real estate industry. As a result of the analysis, management did not identify impairment for this CGU.

14 Other non-current assets

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

	Note	2023	2022
Advances to contractors and suppliers, noncurrent		1,203,589	-
Refundable deposits		196,663	134,133
Retirement benefit asset	24	13,241	11,997
Deferred input VAT		2,807	2,540
		1,416,300	148,670

Advances to contractors and suppliers

Advances to contractors and suppliers pertain to initial payments made by the Group for the construction and development of its investment property under construction. These are applied as payments of progress billing by the contractors and suppliers based on milestones or percentage of accomplishment or delivery as stipulated in the contracts.

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.

15 Accounts payable and other current liabilities

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

	Notes	2023	2022
Trade:			
Accounts payable		1,012,735	504,596
Advance rentals	29	207,672	227,289
Accrued expenses:			
Construction		728,275	980,668
Employee benefits		198,268	187,854
Titling cost		120,955	85,385
Outside services		89,402	75,526
Commission		52,493	55,381
Utilities		36,943	78,626
Repairs and maintenance		16,004	86,116
Professional fees		6,945	47,367
Advertising and promotion		2,119	11,265
Taxes		21,111	227,069
Interest	16	-	3,008
Others		430,404	57,144
Retention payables		496,407	450,565
Customers' deposits from:			
Condominium buyers		301,814	420,375
Hotel guests		169,309	157,064
Advances from condominium unit buyers		58,498	162,355
Construction bonds		73,695	63,812
Contract liabilities		52,272	38,562
Payable to contractors and suppliers		51	-
Reservation payables		134,056	11,957
Non-trade:			
Deferred output VAT		45,518	732,104
Payable to related parties	27	81,889	198,413
Payable to government agencies		47,158	70,902
Output VAT		778,843	64,407
Others	28	159,645	60,931
		5,322,481	5,058,741

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.

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

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

Advances from condominium unit buyers mainly pertain to amounts collected from buyers upon unit turnover, which are intended to pay for expenses incurred in process of transferring title to the buyers, utility deposits and real property taxes during titling period. These amounts are liquidated after title has been transferred to the buyer and any excess is refunded to the buyer.

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

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

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

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

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

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

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

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

16 Bank loans

Bank loans, net of debt issue costs, as at December 31 consist of:

	2023	2022
Current portion		
Parent Company	10,115,000	6,940,000
SGCPI	-	1,066,519
	10,115,000	8,006,519
Non-current portion		
Parent Company	-	-
SGCPI	-	299,673
	-	299,673
	10,115,000	8,306,192

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

	2023	2022
At January 1	8,306,192	7,705,898
Amortized debt issue cost	3,808	5,294
Proceeds from loan availment	3,175,000	3,460,000
Payments	(1,370,000)	(2,865,000)
At December 31	10,115,000	8,306,192

The repayments of the above bank loans are scheduled as follows:

Year	2023	2022
2023	-	8,006,519
2024	10,115,000	299,673
	10,115,000	8,306,192

Total interest expense arising from these loans as shown in the consolidated statements of comprehensive income in 2023 amounted to P34 million (2022 - P99.3 million; 2021 - P85 million) (Note 23). Total capitalized interest amounted to P429 million in 2023 (2022 - P231 million; 2021 - P125 million) and was included as part of investment properties (Note 10). The capitalization rate used to determine the amount of capitalized interest which is the weighted average interest rate applicable to the Group's general borrowings during the year is 5.8% (2022 - 2.9%).

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

	Notes	2023	2022
At January 1		3,008	14,278
Interest expense	23	51,032	99,307
Payments		(54,040)	(110,577)
At December 31	15	-	3,008

(a) Parent Company

Bank loans of the Parent Company as of December 31 consist of unsecured short term loans. These are composed of unsecured loans from various banks with interest rates ranging from 6.0% to 6.4% (2022 - 5.7% to 6.8%). These loans have payment terms of 3 to 12 months (2022 - 3 to 12 months).

(b) SGCPI

Bank loans of SGCPI as of December 31, 2022 consist of:

	2022
Long term loan facility	
Current portion	796,519
Non-current portion	299,673
	1,096,192
Short term loans	270,000
	1,366,192

All SGCPI loans have been settled as of December 31, 2023.

Long term loan facility

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

On July 28, 2021, the Company and the 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 Pilipinas (BSP) overnight borrowing rate minus spread of 0.95% per annum	Floating rate – the higher of (a) 3-month BVAL plus spread of 1.60% or (b) BSP Overnight Reverse Repurchase Rate 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

The loan is subject to a front-end fee of 25 basis points (0.25%) of the total principal amount. The front-end fee is considered a transaction cost, which is allocated based on each drawdown and amortized using effective interest rate. Debt issue costs also include the documentary stamp tax paid by the Company for each drawdown. The Company paid P9 million documentary stamp tax for the restructuring of loan. Average floating interest rates is 6.92% in 2023 (2022 - 3.88%). Starting September 6, 2021, the Company opted to fix the interest rate at 2.87% until maturity.

The loan is secured by an absolute and unconditional continuing suretyship of the sureties namely, Shangri-La Asia Limited and the Parent Company and an unregistered real estate mortgage over the Company’s residential condominium unit.

On December 5, 2023, SGCPI prepaid the loan in full amounting to P300 million.

Short-term loans

On June 22, 2020, SGCPI obtained a short-term loan facility amounting to P500.00 million from a local bank to be used to fund its current year operations. SGCPI shall pay interest at a fixed rate based on the bank's prevailing rate under the relevant program applied for and determined on the date of initial drawdown payable monthly commencing from the date of initial drawdown and subject to adjustment by the bank at such rate as it may be determined at the end of the loan.

On August 27, 2021 and June 21, 2022, the local bank granted SGCPI a credit facility of P1.00 billion and P2.00 billion, respectively, to be used in its operations and in meeting the Company’s working capital requirements.

In 2023, total payments made by SGCPI in relation to short-term loans amounted to P270 million (2022 - P 855 million).

17 Deposits from tenants

This account represents non-interest-bearing rental deposits from tenants. Deposits from tenants is based on the present value of estimated future cash flows using applicable market rates at reporting date. The difference between the discounted and face value of the deposits is recognized as deferred lease income. Deferred lease income is amortized on a straight-line basis over the lease term and is recognized in profit or loss as additional rent income. Interest is accreted on the deposits from tenants using the effective interest rate method and is recognized as additional interest expense in profit or loss.

Details of deposits from tenants as at December 31 and their movements during the years are as follows:

	2023	2022
At January 1	1,005,279	1,038,976
Net additions	8,221	(42,902)
Accretion of interest	17,317	9,205
	1,030,817	1,005,279

	2023	2022
Current portion	710,830	697,694
Non-current portion	319,987	307,585
	1,030,817	1,005,279

Details of deferred lease income as at December 31 and its movement during the years are as follows:

	2023	2022
At January 1	42,197	54,492
Additions	(10,472)	2,745
Amortization	4,679	(15,040)
At December 31	36,404	42,197

	2023	2022
Current portion	11,566	2,065
Non-current portion	24,838	40,132
	36,404	42,197

18 Equity

(a) Share capital, share premium and treasury shares

Details of share capital and share premium at December 31, 2023 and 2022 are as follows:

	Absolute number of shares	Amount
Authorized, at P1 par value per share		
Common shares	8,000,000,000	8,000,000
Issued and outstanding shares		
Common shares	4,764,058,982	4,764,059
Share premium		834,440
		5,598,499

In 2007, the Parent Company repurchased 2,140,645 common shares at a price of P3.20 per share or a total of P6.9 million and the amount is presented as treasury shares in the consolidated statements of financial position.

The Parent Company is listed in the Philippine Stock Exchange (PSE). It was registered on June 13, 1991 with total listed shares of 4,764,058,982 which was initially issued at P1.18 per share. There were no subsequent listings since the initial listing with PSE.

As at December 31, 2023, the Parent Company has 5,127 shareholders (2022 - 5,144). The details of the Parent Company's shareholders are disclosed in the annual report.

(b) Other comprehensive income

Details of other comprehensive income at December 31 are as follows:

	Cumulative changes in fair value of financial assets at FVOCI (Note 11)	Cumulative translation adjustments	Remeasurement of retirement benefit plan (Note 24)	Total other comprehensive income
Balances at January 1, 2021	258,709	(1,836)	(37,322)	219,551
Other comprehensive income (loss)	(1,425)	208	50,473	49,256
Balances at December 31, 2021	257,284	(1,628)	13,151	268,807
Other comprehensive income (loss)	(811)	2,717	3,626	5,532
Balances at December 31, 2022	256,473	1,089	16,777	274,339
Other comprehensive income (loss)	14,450	6,627	(5,703)	15,374
Balances at December 31, 2023	270,923	7,716	11,074	289,713

(c) Retained earnings

As at December 31, 2023, total unrestricted retained earnings of the Parent Company amounted to P24.4 billion (2022 - P21.8 billion). The Parent Company's unrestricted retained earnings exceeded its share capital by P18.4 billion (2022 - P15.8 billion). The excess retained earnings include accumulated fair value gain of P9.87 billion (2022 - P9.87 billion) which are not considered available for dividend declaration.
The management of the Parent Company plans to use the excess retained earnings to support the Parent Company's working capital requirements, planned business growth and expansion strategies. Further the Parent Company annually declares dividends in compliance with SEC Memorandum Circular No. 11, Series of 2008 (Note 19).

19 Dividends

The Parent Company annually declares dividends in compliance with SEC Memorandum Circular No. 11, Series of 2008. The Parent Company's Board of Directors approved the declaration of the following cash dividends for the years ended December 31 and until the approval of these financial statements.

Date of declaration	Shareholders of record as at	Payment date	Per share	Total
2024				
March 19, 2024	April 4, 2024	April 15, 2024	0.155	739,369
2023				
March 22, 2023	April 11, 2023	April 21, 2023	0.155	738,097
August 17, 2023	September 8, 2023	September 22, 2023	0.134	640,000
				1,378,097
2022				
March 24, 2022	April 8, 2022	April 20, 2022	0.070	333,234
August 31, 2022	September 15, 2022	September 27, 2022	0.095	452,382
				785,616
2021				
March 25, 2021	April 9, 2021	April 16, 2021	0.080	380,953
September 7, 2021	September 24, 2021	September 30, 2021	0.044	209,524
				590,477

Cash dividends paid during 2023 amount to P1.4 billion (2022 - P786.3 million; 2021 - P602.6 million). These include payments to non-controlling shareholders of subsidiaries amounting to P186.8 million (2022 - P211.2 million; 2021 - P389.5 million).

20 Cost of sales and services

The components of cost of sales and services for the years ended December 31 are as follows:

(a) Cost of condominium sales

	Note	2023	2022	2021
Construction cost		824,441	680,467	587,926
Land cost		406,156	175,493	160,899
Commission expense		155,669	117,418	75,620
Project management		42,838	161,090	74,348
Design and professional fees		19,576	38,773	27,202
Sales and marketing expense		979	14,435	9,596
Titling Cost		56,702	5,755	8,365
Makati Commercial Estate Association (MACEA) fees		-	80	63
Permits and other expenses		(272,922)	33,017	13,835
Insurance		52	30	48
	6	1,233,491	1,226,558	957,902

(b) Cost of rental and cinema

	Note	2023	2022	2021
Real property taxes		80,030	81,626	60,275
Insurance		37,217	36,102	48,240
Share in common expenses		(46,364)	56,290	(27,074)
	10	70,883	174,018	81,441

(c) Cost of hotel operations

	Note	2023	2022	2021
Depreciation and amortization	12	343,121	352,667	956,163
Food and beverages		935,365	402,036	144,812
Utilities and maintenance		496,932	379,480	169,924
Staff costs		249,191	278,675	144,598
Property tax and insurance		-	108,193	62,240
Supplies		-	62,556	38,449
Others		137,737	145,869	9,540
		2,162,346	1,729,476	1,525,726

Others consist of telephone, fax, postage, subscriptions, publications, and hotel guest entertainment expenditures.

21 Staff costs

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

	Note	2023	2022	2021
Salaries and wages		499,226	526,014	491,124
Retirement benefits costs	24	37,362	36,032	42,046
Employee benefits		54,549	28,514	28,808
Others		43,694	12,691	19,087
		634,831	603,251	581,065

22 Other operating expenses

The components of other operating expenses for the years ended December 31 are as follows:

	Note	2023	2022	2021
Advertising		415,344	211,967	141,116
Janitorial, security and other services		337,176	40,885	38,135
Professional fees		70,824	180,167	72,720
Condominium dues		66,735	43,763	25,565
Donations		51,050	168,442	128,212
Utilities		43,813	40,787	22,838
Systems license and maintenance		37,487	103,789	37,577
Commission		30,923	2,502	139
Repairs and maintenance		21,529	15,693	6,534
Telephone and communication		10,615	10,017	12,739
Transportation and travel		8,923	3,382	1,221
Rent		7,915	1,548	1,284
Supplies		7,625	7,162	3,689
Entertainment, amusement and recreation		3,507	2,259	2,114
Gas and oil		2,673	2,500	4,291
Reproduction charges		2,444	1,190	1,025
Membership fees and dues		2,350	4,545	1,711
Carpark expense		2,206	6,730	3,310
(Recovery of) provision for doubtful accounts	5	(51)	157	322
Subscriptions, books and manuals		215	29	40
Others		87,135	63,105	35,563
		1,210,438	910,619	540,145

Donations in 2022 and 2021 were made to accredited donor institutions to support various feeding programs, livelihood projects, and typhoon relief operations.

Systems license and maintenance in 2022 pertains to IT related management and license fees under the hotel operations.

Rent pertains to payments associated with short-term leases.

Others mainly pertain to credit card service fees under the hotel operations.

23 Finance income, other income, and finance costs

The components of interest income, other income, and interest expense and bank charges for the years ended December 31 are as follows:

(a) Finance income

	Notes	2023	2022	2021
Interest arising from:				
Advances to a joint venture	8	91,882	106,193	73,919
Cash in banks and cash equivalents	3	22,141	7,063	2,334
Overdue accounts from tenants		10,745	27,480	6,092
Installment contracts receivable	5	-	92,399	111,643
Others		461	-	652
		125,229	233,135	194,640

(b) Other income, net

	Note	2023	2022	2021
Income from ancillary services		189,464	3,734	2,750
Forfeited security deposits		111,883	12,278	14,996
Administration and management fee		74,235	44,614	127,688
Dividend income		8,168	668	11,659
Gain on sale of property and equipment		1,313	374	7,886
Other rental revenue		9,337	1,874	5,013
Signage fee		7,308	6,823	6,689
Income from back-out buyers		-	12,417	4,782
Banner income		246	-	-
Gain (loss) on fair value adjustments of financial assets at fair value through profit or loss	4	4,012	577	(2,810)
Others		(18,434)	17,246	2,693
		387,532	100,605	181,346

Others in 2022 pertains to reversal of outstanding accruals for various operating expenses of the Group.

(c) Finance costs

	Notes	2023	2022	2021
Interest expense on bank loans	16	33,715	99,307	85,065
Accretion of interest on deposits from tenants	17	17,317	9,205	34,371
Bank charges		1,087	936	616
		52,119	109,448	120,052

24 Retirement benefit liability

The Group, except SGCPI, has a funded, non-contributory defined benefit plan, providing death, disability and retirement benefits for all of its regular employees. Under this plan the normal retirement age is 60 years old and completion of at least five (5) years of service. Normal retirement benefit consists of a lump sum benefit equivalent to 100% of the employee's final pay for every year of service.

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

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

The actuarial present value of the retirement benefit obligation under the plan is measured in terms of actuarial assumptions for discount rate, salary increases, retirement rates and mortality using the 2017 Philippine Intercompany Mortality Table. The discount rates used is a single weighted average rate based on rates as published in the Bankers Association of the PHP BVAL at various tenors. Rate for intermediate durations were interpolated. The rates were then weighted by the expected benefit payments at those durations to arrive at the single weighted average discount rate. The plan typically exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(a) Investment risk

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

(b) Interest rate risk

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

(c) Longevity risk

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

(d) Salary risk

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

The management performs an Asset-Liability Matching Study (ALM) annually. The overall investment policy and strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay retirement benefits as they fall due while also mitigating the various risk of the plans. The Group's current strategic investment strategy mainly consists of treasury notes and bonds accounting for 99% of the total plan assets.

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

The Group’s plan assets consist of investment in debt instruments and cash in banks. The Group believes that equities offer the best returns over the long term with an acceptable level of risk.

The actuarial valuation of the Group’s retirement plan was performed by an independent actuary. The latest actuarial valuation report prepared was for the year ended December 31, 2022. The principal assumptions used by the actuary for the years ended December 31 are as follows:

	2023	2022	2021
Discount rate	7.10%	7.10%	4.89%
Salary increase rate	5.00%	5.00%	3.50%

The retirement benefit assets and liabilities recognized in the consolidated statements of financial position as part of “other non-current assets” and “retirement benefit liability” amount to P13.2 million and P126.9 million, respectively (2022 - P12 million and P83 million, respectively).

The net defined benefit obligation as at December 31 is determined as follows:

	2023	2022
Present value of defined benefit obligations	318,936	261,441
Fair value of plan assets	(205,237)	(189,597)
Retirement benefit liability	113,699	71,844

The components of retirement expense for the years ended December 31 recognized in the consolidated statements of total comprehensive income included under staff costs account are as follows:

	Note	2023	2022	2021
Current service cost		34,611	34,472	39,761
Net interest cost		3,359	1,560	2,285
Net acquired obligation arising from transfer of employees		(608)	-	-
Pension expense	21	37,362	36,032	42,046

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

	2023	2022
At January 1	261,441	248,845
Interest cost	18,999	11,119
Current service cost	34,611	34,472
Net acquired obligation	(608)	5,262
Benefits paid directly by the Group	(3,112)	(21,469)
Remeasurement losses (gains) from:		
Experience adjustments	1,999	1,159
Change in demographic assumptions	-	-
Changes in financial assumptions	5,606	(17,947)
At December 31	318,936	261,441

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

	2023	2022
At January 1	189,597	201,519
Interest income	15,640	9,559
Losses on plan assets	-	(11,692)
Benefits paid from plan assets	-	(9,789)
At December 31	205,237	189,597

Apart from the benefit payments to certain qualified employees advanced by the Group and the contributions to the plan as presented above for the years ended December 31, 2023 and 2022, the Group had no other transactions with the plan.

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

	2023	2022
Cash in banks	45	42
Money market deposits and trust funds	2,069	1,911
Investments in equity	13,891	12,833
Investments in debt instruments:		
Treasury notes and bonds	150,398	138,936
Corporate notes and bonds	38,834	35,875
	205,237	189,597

At December 31, 2023 and 2022, the Group's plan assets (investment in debt instruments) are determined by reference to published price quotations in an active market (classified as Level 1 in the fair value hierarchy).

There are no plan assets invested in related parties as at and for the years ended December 31, 2023 and 2022.

Expected contribution to post-employment benefit plans for the year ending December 31, 2024 amounts to P28 million.

The weighted average duration of the defined benefit obligation is 10.62 years.

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

	2023	2022
Less than a year	69,808	59,924
Between one and five years	119,139	102,271
Over five years	1,173,172	1,007,068
	1,362,119	1,169,263

Critical accounting estimate - Determining retirement benefit obligation

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

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

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

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

	Increase (decrease)	
	2023	2022
Discount rate		
Increase by 1.0%	(280,838)	(241,076)
Decrease by 1.0%	317,269	272,348
Salary increase rate		
Increase by 1.0%	316,976	272,097
Decrease by 1.0%	(279,041)	(239,533)

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

25 Income taxes

Corporate Recovery and Tax Incentives for Enterprises Act

On March 26, 2021, RA No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE), was signed into law. Among the salient provisions of CREATE include changes to the Corporate Income Tax (CIT) rates as follows:

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

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

	2023	2022	2021
Current	457,727	360,309	428,890
Deferred	591,286	317,172	(1,296,490)
	1,049,013	677,481	(867,600)

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

	2023	2022
Deferred income tax assets:		
Net operating loss carry over (NOLCO)	174,421	500,420
Advance rentals	51,918	56,533
Retirement benefit liability	31,146	31,662
Accrued expenses	28,326	24,601
Guest and banquets prepayments and deposits	46,050	22,827
Deferred lease income	17,585	17,533
Minimum corporate income tax (MCIT)	47,114	14,021
Unamortized funded past service cost	5,951	6,442
Allowance for doubtful accounts	1,199	3,203
Difference in profit, installment method versus PoC method	1,065	1,065
Unrealized loss on foreign exchange	1,034	109
Others	292	1,584
	406,101	680,000
Deferred income tax liabilities:		
Unrealized increase in fair value of investment property	(6,728,705)	(7,058,546)
Difference in profit, installment method versus PoC method	(741,571)	(98,423)
Unrealized increase in fair value of FVOCI	(50,245)	(40,192)
Interest income	(34,174)	(34,174)
Difference between cost of condominium sales for accounting and income tax purposes	(33,601)	(33,601)
Rent income per PFRS 16/PAS 17	(8,900)	(7,476)
Unrealized gain on foreign exchange	(125)	(4,848)
Day 1 difference on deposits from tenants	-	(2,809)
	(7,597,321)	(7,280,069)
Net deferred income tax liabilities	(7,191,220)	(6,600,069)

The balances of deferred income tax assets and liabilities presented in the consolidated statements of financial position are netted on a per entity basis as follows:

	2023	2022
Deferred income tax assets	224,928	494,516
Deferred income tax liabilities	(7,416,148)	(7,094,585)
	(7,191,220)	(6,600,069)

Realization of the future tax benefits related to the deferred income tax assets is dependent on many factors, including the Group's ability to generate taxable income in the future. The Group's management believes that the related future tax benefit will be realized.

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

	2023	2022
At January 1	(6,600,069)	(6,262,795)
Charged to profit or loss	(590,891)	(317,172)
Charged to other comprehensive income	(260)	(20,102)
At December 31	(7,191,220)	(6,600,069)

The details of deferred income tax assets on NOLCO at December 31 which could be carried over as deductible expense from taxable income for three (3) consecutive years following the year of incurrence are as follows:

Year incurred	Year of expiry	2023	2022
2020	2025	2,098,315	2,098,315
2021	2026	363,933	363,933
2022	2027	236,817	236,817
2023	2028	152,292	-
		2,851,357	2,699,065
Applied		(1,371,740)	-
		1,479,617	2,699,065
Deferred tax at 25%		326,413	646,584
Deferred tax at 20%		43,480	28,175
		369,893	674,759
Recognized		174,421	500,420
Unrecognized		195,472	174,339
		369,893	674,759

A reconciliation of the income tax expense computed at the statutory income tax rate and the effective income tax expense as shown in the consolidated statements of total comprehensive income for the years ended December 31 follows:

	2023	2022	2021
Tax at statutory rate of 25%	1,787,642	1,166,411	330,669
Additions (reductions) to income tax resulting from:			
Non-deductible expenses	12,427	73,935	9,037
Unrecognized NOLCO	5,194	41,077	181,994
MCIT	4,927	0.1	0.4
Tax difference for entities subject to 20% statutory rate	3	-	-
Dividend income	(2,042)	-	(79,293)
Interest income subjected to final tax	(6,676)	(29,304)	(584)
Other non-taxable income	(64,093)	(130,842)	(80,537)
Difference between itemized and optional standard deductions (OSD)	(73,182)	(88,268)	50
Share in net income of associates and a joint venture	(615,187)	(355,528)	(101,177)
Effects of changes in statutory income tax rate	-	-	(1,127,759)
Effective income tax expense	1,049,013	677,481	(867,600)

SLPC, KSA and TRDCI availed of OSD for the computation of its taxable income for 2022 and 2023. KSA availed of OSD for the computation of its taxable income for 2021.

Income tax payable amounted to P44.3 million as at December 31, 2023 (2022 - P41.7 million).

Critical accounting judgment - Income tax

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

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

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

26 Basic and diluted 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.

The computations of basic and diluted earnings per share for the years ended December 31 are as follows:

	2023	2022	2021
Net income attributable to the shareholders of Parent Company	5,518,419	3,634,479	2,124,063
Divided by the average number of outstanding common shares	4,761,918	4,761,918	4,761,918
Basic and diluted earnings per share	1.159	0.763	0.446

Basic and diluted earnings per share are the same due to the absence of dilutive potential common shares.

27 Related party transactions

In the normal course of business, the Group transacts with companies which are considered related parties. Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Group.

The transactions and outstanding balances of the Group with its related parties as at and for the years ended December 31 are as follows:

	2023		2022		
	Transactions	Outstanding receivables (payables)	Transactions	Outstanding receivables (payables)	
Affiliates					
Rental income (a) (Note 5)	119,317,640	36,550	68,138,284	29,970	Balances to be collected in cash and are due generally within 30 to 60 days. These are non-interest bearing and are not covered by any security.
Affiliates					
Management services (b)	33,078,396	55,245	57,101,083	82,910	Balances to be collected in cash and are due generally within 30 days. These are non-interest bearing and are not covered by any security.
Reimbursed expenses (f)	8,291,528	2,410	7,468,145	2,261	
Affiliates share in Group's expenses (f)	801,847,711	169,598	302,578,165	717,860	
Advances (d)	-	1,144,188	-	1,144,188	
Associates					
Associates' share in Group's expenses (g)	2,500	7,019	3,039	7,016	Balances to be collected in cash and are due generally within 30 days. These are non-interest bearing and are not covered by any security.
Total (Note 5)		1,415,010		1,984,205	
Affiliates					
Marketing, management and other service fees (c)	126,090,453	(34,533)	72,545,569	(34,533)	Balances are to be settled in cash and are generally due within 30 days. These balances are non-interest bearing and not covered by any guarantee.
Condominium dues (e)	59,827,134	(9,665)	43,375,676	(8,544)	
Group's share in affiliates' expenses (g)	370,049,652	(37,691)	169,659,585	(155,336)	
Total (Note 15)		(81,889)		(198,413)	

Affiliates pertain to entities that have common directors or key management personnel.

All individual material related party transactions shall be approved by at least two-thirds (2/3) vote of the Board, with at least a majority of the independent directors voting to approve the material related party transaction. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Parent Company. For aggregate related party transactions within a twelve-month period which breaches the materiality threshold of ten percent (10%) of the Group's total assets, the same board approval shall be required for the transaction that meets and exceeds the materiality threshold covering the same related party.

Directors with personal interest in the transaction shall abstain from participating in the discussions and voting for the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

Significant agreements with related parties are as follows:

(a) A portion of the Parent Company's land is being leased by ESHRI, where the EDSA Shangri-La, Manila is located. The lease is for a period of 25 years commencing on August 28, 1992 and renewable for another 25 years at the option of ESHRI. On August 16, 2017, the agreement was renewed by ESHRI for another 25 years until August 27, 2042. Rental revenue is based on a fixed percentage of ESHRI's room, food and beverage, dry goods and other service revenue.

(b) Shang Property Management Services, Inc. (SPMSI) provides certain administrative services to The Enterprise Center Condominium Corporation (TECCC), St. Francis Shangri-La Place Condominium Corporation (TSFSPCC), The Shang Grand Tower Condominium Corporation (TSGTCC), and One Shangri-La Place Condominium Corporation (OSPCC) for a minimum period of five years starting January 7, 2009, April 1, 2010, January 7, 2007, and January 1, 2015 respectively. As consideration, SPMSI shall receive from TECCC, TSGTCC, TSFSPCC, and OSPCC monthly service fees of P400,000, P100,000, P100,000, and P250,000 respectively, inclusive of VAT, with an escalation rate of 5% to 10% per annum. The parties mutually agreed to renew the agreements for another 5 years upon expiration.

(c) SGCPI entered into a License Agreement with Shangri-La International Hotel Management Limited (SLIM-BV) for the use of intellectual property rights over Shangri-La's policies, practices, procedures, and guidelines affecting different aspects of operations of the Shangri-La chain of hotels. The agreement is for 10 years commencing on the opening date, March 1, 2016, renewable for another 10 years at the option of either parties and subject to the approval of the Bureau of Patents, Trademarks and Technology Transfer of the Republic of the Philippines and applicable authorities. In consideration for such access and use, SGCPI pays SLIM-BV license fees and royalties. License fees paid to SLIM-BV is equivalent to $100 per annum while royalties are computed at 3% of the gross operating revenue per annum payable within 30 days of the end of each calendar month.

    Further, in 2016, SGCPI entered into a Marketing and Reservations Agreement with SLIM, whereby the related party acting as an independent contractor of SGCPI provides marketing, communication, and reservation services to promote SGCPI. The agreement is for a period of 10 years commencing on the opening date, March 1, 2016, renewable for another 10 years at the option of either parties. Under this agreement, SLIM shall act solely for the account of SGCPI and all expenses incurred shall be borne by SGCPI. As a consideration for such services, SGCPI shall pay SLIM an amount equivalent to certain percentage of gross operating revenue. Other charges include reservation, loyalty program, communication, and other group services fees. Basis of these various charges are stipulated in the Marketing and Reservations Agreement.

(d) The outstanding balance as at December 31, 2023 and 2022 amounting to P1,144,187,554 represents cash advances made by Classic Elite Holdings Limited from the Parent Company for working Capital and project development.

(e) Condominium dues charged by TSFSPCC and TECCC to Parent Company, KSA, SPDI and SPRC.

(f) Reimbursement of expenses paid for by SLPC for ESHRI.

(g) Certain other general and administrative expenses are initially paid for by the Group/affiliate and are subsequently reimbursed by the affiliate/Group to whom such payment was intended for.

There were no write-offs or provisions made in relation to related party transactions and balances not eliminated during consolidation as at and for the years ended December 31, 2023 and 2022.

The following are the significant transactions and outstanding balances with retirement fund and key management personnel as at and for the years ended December 31:

	2023		2022		
	Transactions	Outstanding receivables (payables)	Transactions	Outstanding receivables (payables)	Terms and conditions
Salaries and other short-term employee benefits	131,878,112	-	91,953,208	-	Settled in cash; payable within the current year.
Post-employment benefits	4,275,036	-	5,638,513	-	Refer to Note 24.

There were no stock options or other long-term benefits provided in 2023 and 2022 nor amounts due to/from key management personnel as at December31, 2023 and 2022.

The following related party transactions and balances were eliminated for the purpose of preparing the consolidated financial statements:

	2023	2022	2021
At December 31			
Trade and other receivables	22,835,823	19,447,708	15,222,871
Accounts payable and other current liabilities	19,049,999	15,659,384	15,222,871
For the years ended December 31			
Rental revenue	339,457	157,246	79,700
Cost of sales and services	7,728	3,946	4,710
Operating expenses	588,074	434,390	353,498
Other income	16,669	176,131	(47,551)
Dividend income	1,727,050	1,871,982	2,188,720

The Parent Company and its subsidiaries are a party to significant agreements with related parties as follows:

(a) A portion of the Parent Company's land where the Shangri-La Plaza Mall is located is being leased to SLPC. The lease is for a period of 25 years from January 6, 1993, and subsequently renewed for another 5 years until January 6, 2023. On October 20, 2022, the agreement was renewed by both parties for another 5 years until January 6, 2028. Rental revenue is based at 20% of the Company's annual rental income from the Main Wing's mall and cinema operations plus 50% of the rental income from carpark building's retail spaces. Rental revenue of the Parent Company amounted to P347 million in 2023 (2022 - P170 million; 2021 - P68.6 million).

    On January 16, 2002, SPSI entered into an agreement with the Company and SLPC. Under the agreement, SPSI is granted limited usufructuary rights over the parking spaces of the Company and SLPC for a consideration equivalent to 95% of SPSI's gross revenue less direct and indirect expenses relating to the Company's parking facilities. In 2009, the parties have revised the terms to reduce the consideration to 94%. The agreement is effective until December 31, 2002 and shall be renewed automatically on a yearly basis.

(b) SPRC and SLPC entered into a memorandum of agreement whereby SLPC will operate the mall establishment and constitute it as the East Wing of the Shangri-La Plaza Mall. The lease is for a period of five years from October 1, 2013 and renewable upon mutual agreement by the parties. Rental revenue is based on a certain percentage of SLPC's annual rental revenue from the mall operations.

(c) On January 1, 2009, SPSI entered into an agreement with KSA, whereby SPSI is to manage and operate the parking slots of KSA. The agreement is renewable upon mutual agreement by the parties. The monthly gross parking revenue, less applicable VAT, is shared between KSA and SPSI at 75% and 25%, respectively.

(d) KSA entered into a management agreement with SPMSI for a monthly fee of P150,000 with 10% annual escalation for a period of five years starting March 2008. The parties agreed mutually on the renewal of the agreement. SPMSI shall provide on-site property leasing management including head office support services and periodic audit to ensure compliance with international practices; perform staff recruitment, training and performance evaluation; and perform financial management, including billing and collection and budget provisioning.

(e) In 2011, SPDI obtained an unsecured, noninterest-bearing loan from SHIL amounting to P2.3 billion, payable on demand. As at December 31, 2022 and 2021, this loan is still outstanding.

(f) The Parent Company's dividend income from declarations of its subsidiaries are as follows:

	2023	2022	2021
KSA	437,050	493,782	910,520
SLPC	700,000	300,000	-
SPRC	10,000	-	-
SWWPI	-	220,000	120,000
KRC	280,000	420,000	570,000
SPMSI	-	15,700	16,200
SPDI	15,000	-	-
SPSI	5,000	2,500	2,000
TRDCI	280,000	420,000	570,000
	1,727,050	1,871,982	2,188,720

The receivables and payables between related parties, except for those arising from reimbursement of expenses and those that are unsecured and noninterest bearing which are payable on demand, have normal credit terms of 30 to 90 days, but may go beyond as agreed.

28 Provisions and contingencies

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

In 1998, the parties underwent arbitration which resulted in promulgation in 2007 of the Arbitral Tribunal to award to the principal contractor the sum of P38.5 million, net of the award to Parent Company amounting to P8.4 million. Subsequently, this decision was appealed by both parties to the Court of Appeals (CA) who resolved in 2009 to award P24.5 million to the principal contractor, unpaid progress billings based on the original scope of work, and denied the Parent Company of its motion for partial reconsideration. In 2009, both the Parent Company and the Principal Contractor filed a Petition for Review in Certiorari to the Supreme Court, where the Parent Company prayed for a reversal of the decision of the CA and for payment of liquidated damages by the Principal Contractor while the Principal Contractor filed a motion to modify the decision of the CA and to be awarded the full amount of their claim.

On July 26, 2021, the parties filed a Joint Manifestation and Motion informing the Supreme Court about the amicable settlement of the case and jointly moved for its dismissal which the Supreme Court granted in December 2021 and deemed the case closed and terminated.

Critical accounting estimate - Provision

As at December 31, 2022, the Group recognized provision for a certain tax assessment (Note 15 and 22). The estimate of the probable costs for the resolution has been developed in consultation with outside legal counsel handling the Group's defense in this matter. Disclosure of additional details beyond the present disclosures may seriously prejudice the Company's position. Thus, as allowed by PAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, only general disclosures were provided.

Critical accounting judgment - Contingencies

The Group has other pending legal cases which are being contested by the Parent Company, SLPC and their legal counsels. The estimates of the probable costs for the resolution of these claims have been developed in consultation with the outside legal counsel handling the defense in these matters and are based upon analyses of potential reports. Based on management's assessment, these proceedings will not have a material effect on the Group's financial position and performance.

29 Advance rentals

Advance rentals are collected from all tenants depending on the agreed terms stated in the contracts which are usually equivalent to three months’ rent and can be applied at the terminal months of the lease. The current portion is included as part of Accounts payable and other current liabilities account (Note 15) and the non-current portion is shown separately in the consolidated statements of financial position.

Movements in the account for the year ended December 31 are as follows:

	2023	2022
At January 1	227,289	247,647
Additions	17,843	26,977
Applications	(37,460)	(47,335)
At December 31	207,672	227,289

Advance rentals as at December 31 are all current.

30 Financial risk and capital management

30.1 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the Group's management under policies approved by its Board of Directors. These policies cover financing structure, foreign exchange and interest rate risk management, guarantees and credit support, as well as treasury control framework. There are no changes in the Group's risk management plans for the years ended December 31, 2023 and 2022.

30.1.1 Market risk

(a) Foreign exchange risk

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

The Group's foreign currency denominated cash in banks and cash equivalents as at and net foreign exchange gains for the years ended December 31, 2023 and 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 (Note 4) and FVOCI (Note 11) presented in the consolidated statements of financial position. Changes in market prices of these financial assets are not expected to have a significant impact on the financial position or results of operations of the Group.

(c) Cash flow and fair value interest rate risk

Interest rate risk refers to risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's interest-bearing financial instruments include bank loans (Note 16). These financial instruments are not exposed to fair value interest rate risk as these are carried at amortized cost. Likewise, these instruments are not exposed to variability in cash flows as these carry fixed interest rate, to be repriced every 30 to 180 days as agreed by the parties. The Company's exposure to cash flow interest risk is considered insignificant to the financial statements.

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.

30.1.2 Credit risk

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

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

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

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

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

	Performing (Level 1)	Under performing (Level 2)	Non-performing (Level 3)	Total
2023				
Current assets				
Cash and cash equivalents	1,408,142	-	-	1,408,142
Trade and other receivables	6,852,048	-	13,023	6,865,071
Financial assets at fair value through profit or loss	35,405	-	-	35,405
Refundable deposits	2,999	-	-	2,999
Non-current assets	-		-	-
Advances to a joint venture	2,590,096	-	-	2,590,096
Refundable deposits	125,472	-	-	125,472
Financial assets at FVOCI	829,468	-	-	829,468
	11,843,630	-	13,023	11,856,653

	Performing (Level 1)	Under performing (Level 2)	Non-performing (Level 3)	Total
2022				
Current assets				
Cash and cash equivalents	1,307,409	-	-	1,307,409
Trade and other receivables	5,532,515	-	21,197	5,553,712
Financial assets at fair value through profit or loss	31,393	-	-	31,393
Refundable deposits	2,472	-	-	2,472
Non-current assets				
Advances to a joint venture				
Refundable deposits	2,590,096	-	-	2,590,096
Financial assets at FVOCI	134,133	-	-	134,133
	9,598,018	-	21,197	9,619,215

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

Allowance for impairment of receivables as at December 31, 2023 amounted to P13 million (2022 - P21.2 million). Apart from the financial assets covered by allowance, the remaining financial assets are classified as high performing.

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

(a) Cash and cash equivalents

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

As at December 31, the Group’s cash and cash equivalents are deposited in the following types of financial institutions as approved by the Board of Directors:

	2023	2022
Universal banks	790,780	722,689
Thrift banks	-	25,677
Commercial banks	20,926	2,162
	811,706	817,623

Cash in banks and cash equivalents as at December 31, 2023 and 2022 are all considered high grade financial assets. The remaining cash in the consolidated statements of financial position pertains to cash on hand which is not exposed to credit risk (Note 3).

(b) Receivables

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

<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.

For the leasing operation, the Group enters into lease agreements with recognized and creditworthy third parties who are required to put up security deposits. The Group does not offer credit terms to third parties without the specific approval of management. In addition, receivable balances are monitored on an on-going basis with the result that the exposure of the Group to bad debts is not significant.

The Group applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The loss allowance as at December 31, 2023 and 2022 was determined as follows for trade receivables:

	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
December 31, 2023 (in thousands of Philippine Peso)					
Expected loss rate	0%	0%	0%	100%	
Trade receivables	5,300,367	-	-	13,023	5,313,390
Loss allowance	-	-	-	13,023	13,023
December 31, 2022 (in thousands of Philippine Peso)					
Expected loss rate	0%	0%	0%	100%	
Trade receivables	3,473,789	-	-	21,197	3,494,986
Loss allowance	-	-	-	21,197	21,197

The Group's receivables classified as current did not have history of loss arising from contract with customers as it is able to repossess the sold property consequent to customer’s inability to pay the transaction price. The Group believes that this assessment is adequate and reasonable in view of the credit quality of contract receivables. Accordingly, the expected credit loss on these fully performing contract receivables is deemed insignificant for financial reporting purposes.

<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 are considered as high performing financial assets. Considering the balance and average term of outstanding lease arrangements, management believes that the impact of discounting is not significant.

30.1.3 Liquidity risk

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

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

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

	0 - 90 days	91 - 180 days	181 - 360 days	Beyond 360 days	Total
At December 31, 2023					
Bank loans	1,800,000	8,315,000	-	-	10,115,000
Accounts payable and other current liabilities*	3,023,857	-	-	-	3,023,857
Deposits from tenants	-	-	710,830	240,097	950,927
Dividends payable	-	69,993	-	-	69,993
Future interest payable	108,572	462,376	-	-	570,948
	4,932,429	8,847,369	710,830	240,097	14,730,725
At December 31, 2022					
Bank loans	668,824	198,956	7,138,739	299,673	8,306,192
Accounts payable and other current liabilities*	3,425,023	-	-	-	3,425,023
Deposits from tenants	-	-	697,694	307,585	1,005,279
Dividends payable	-	61,167	-	-	61,167
Future interest payable	108,338	102,374	132,312	1,720	344,744
	4,202,185	362,497	7,968,745	608,978	13,142,405

**excluding advance rentals, contract liabilities, customers' deposits, reservation payable, output VAT, deferred output VAT and payable to government agencies and provision for restructuring*

30.2 Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes in the Group's strategies and policies during 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 as at December 31 is presented below:

	2023	2022
Net debt		
Bank loans	10,115,000	8,306,192
Less: cash and cash equivalents	1,408,142	1,314,956
	8,706,858	6,991,236
Capital		
Total equity	50,488,258	45,936,190
Less: Non-controlling interest	6,171,302	5,774,927
	44,316,956	40,161,263
Gearing ratio	0.20	0.17

The Group was able to meet its capital management objectives.

30.3 Fair value measurement

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

		Fair value measurement			
	Notes	Level 1	Level 2	Level 3	Total
2023					
Assets measured at fair value					
Financial assets at fair value through profit or loss	4	35,405	-	-	35,405
Investment properties:	10				-
Land		-	10,223,517	6,972,804	17,196,321
Buildings		-	2,995,047	17,097,905	20,092,952
Financial assets at FVOCI:	11				-
Quoted		64,050			64,050
Unquoted		-	-	765,418	765,418
Assets for which fair values are disclosed					-
Refundable deposits	14	-	196,663	-	196,663
Liabilities for which fair values are disclosed					-
Deposits from tenants	17	-	950,927	-	950,927
2022					
Assets measured at fair value					
Financial assets at fair value through profit or loss	4	31,393	-	-	31,393
Investment properties:	10				
Land		-	10,034,573	5,871,374	15,905,947
Buildings		-	2,995,047	17,070,937	20,065,984
Financial assets at FVOCI:	11				
Quoted		47,050	-	-	47,050
Unquoted		-	-	765,418	765,418
Assets for which fair values are disclosed					
Refundable deposits	14	-	134,464	-	134,464
Liabilities for which fair values are disclosed					
Deposits from tenants	17	-	1,038,976	-	1,038,976

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 methods and assumptions used to estimate the fair value of each class of financial instrument are disclosed in the referred notes in the table above.

31 Summary of material accounting and financial reporting policies

31.1 Basis of preparation

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

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

The 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 and Sustainability Reporting Standards Council (FSRSC) and adopted by SEC.

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

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

- Determination of fair values of investment properties (Note 10)
- Useful lives of property and equipment (Note 12)
- Determining retirement benefit obligation (Note 24)
- Estimation of percentage-of-completion of the Group's projects (Note 6)
- Recoverability of investment and advances (Note 8)
- Joint control assessment (Note 8)
- Distinction between properties held for sale, investment properties, and property and equipment (Note 10)
- Revenue Recognition (Note 6)
- Estimation of net realizable value of properties held for sale (Note 6)
- Impairment of non-financial assets (Note 12)
- Contingencies (Note 28)
- Classification of leases as operating lease (Note 10)
- Income tax (Note 25)

Changes in accounting policies and disclosures

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

The Company has adopted certain amendments for the first-time effective January 1, 2023:

- Definition of Accounting Estimates – amendments to PAS 8
- International Tax Reform – Pillar Two Model Rules – amendments to PAS 12
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to PAS 12
- Disclosure of Accounting Policies – Amendments to PAS 1 and PFRS Practice Statement 2

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

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

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

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

i. Assessing whether the transaction price includes SFC

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

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

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

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

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

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

Certain amendments to accounting standards have been published that are not mandatory for December 31, 2023 reporting periods and have not been early adopted by the Group. These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

31.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2023 and 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 years ended December 31, 2023 and 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 the consideration is transferred, and the difference of the non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

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

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

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

Disposal of subsidiaries

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

(c) Associates and joint ventures

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

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

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

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

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

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

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

The Group determines at each reporting date whether there is any objective evidence that the investment is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investments and its carrying value and recognizes the amount adjacent to ‘share in net earnings of associates’ in the consolidated statement of total comprehensive income. The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 31.9.

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

31.3 Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition and are subject to an insignificant risk of change in value.

31.4 Financial instruments

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.

Measurement of financial assets

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

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

Debt instruments

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

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

The Group's financial assets at amortized cost consist of cash and cash equivalents (Note 3), trade and other receivables (Note 5), refundable deposits under prepaid taxes and other current assets (Note 7) and other non-current assets (Note 14) in the consolidated statements of financial position.

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

  The Group does not have debt instruments at FVOCI as at December 31, 2023.

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

  The Group does not have debt instruments at FVTPL as at December 31, 2023.

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.

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.

Financial liabilities

Financial liabilities are classified in the following categories: financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that designated at fair value); and financial liabilities at amortized cost. The Group did not measure its financial liabilities at fair value through profit or loss as at December 31, 2023.

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

The Group’s accounts payable and other current liabilities (excluding advanced rental, contract liabilities, customers’ deposits, reservation payable, output VAT, deferred output VAT and payable to government agencies) (Note 15), installment payable (Note 16), deposits from tenants (Note 17), dividends payable (Note 19), and bank loans (Note 16) are classified under financial liabilities at amortized cost.

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.

Day 1 difference

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

31.5 Restricted fund

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

31.6 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, and its fair value at the date of reclassification becomes its cost for accounting purposes. Gain or loss arising from disposal is determined as the difference between the net disposal proceeds and the carrying amount of the asset. Gain or loss on disposal is recognized in profit or loss in the period of the disposal.
Property that is being constructed or developed for future use as investment property is classified as investment property.

Impairment of investment properties is discussed in Note 31.9.

31.7 Depreciation of property and equipment

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

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 31.9).

31.8 Goodwill

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

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

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

31.9 Impairment of non-financial assets

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

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

31.10 Borrowings and borrowing costs

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

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non- cash assets transferred or liabilities assumed, is recognised within interest expense and bank charges in the consolidated statement of total comprehensive income.

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

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. All other borrowing costs are recognized and charged to profit or loss in the year in which they are incurred. The Group decided to avail relief issued by the SEC per Memorandum Circular No. 4-2020. The SEC provided for the relief to the real estate industry by deferring the implementation of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) until December 31, 2023 (Note 31.1).

31.11 Current and deferred income tax

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 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.

31.12 Provisions

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

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

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

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

31.13 Employee benefits

(a) Retirement benefits

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

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

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

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

(b) Termination benefits

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

(c) Short-term employee benefits

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

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

31.14 Income and expense recognition

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

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

Revenue

(a) Revenue from condominium sales

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

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

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

Revenue is measured at the transaction price agreed under the contract, except for contracts where the timing difference between the construction period and payment by the customer exceeds one year. In such contracts, the Group assessed that it is necessary to adjust the transaction price for the effects of a significant financing component as required by PIC Q&A 2018-12, but the Group decided not to adjust the transaction price and availed the relief issued by the SEC per Memorandum Circular No. 34-2020 dated December 15, 2020. The SEC provided relief to the real estate industry by deferring the application of the provisions of PIC Q&A 2018-12 for a period of three (3) years until January 1, 2024 or completed projects, revenue from condominium sales are recognized in full (ie. point in time) once the Group assessed that the contract meets all criteria for revenue recognition.

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

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

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

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

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

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

Condominium units arising from cancellation of contracts to sell are initially measured by the Group based on its original carrying amount at the time it was sold.

(b) Rental

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

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

(c) Hotel operations

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

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

(d) Interest income and expense

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

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

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

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

(e) Dividend income

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

(f) Other income

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

(g) Cost and expenses

Cost and expenses are recognized when these are incurred.

31.15 Leases

(a) Group is the lessor

Rental income from operating lease is recognized on a straight-line basis over the term of the relevant lease or based on a certain percentage of gross revenue of the lessees, whichever is applicable. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term. Assets under these arrangements are classified as investment property in the consolidated statement of financial position (Note 31.6).

(b) Group is the lessee

Payments associated with short-term leases are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

31.16 Segment reporting

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

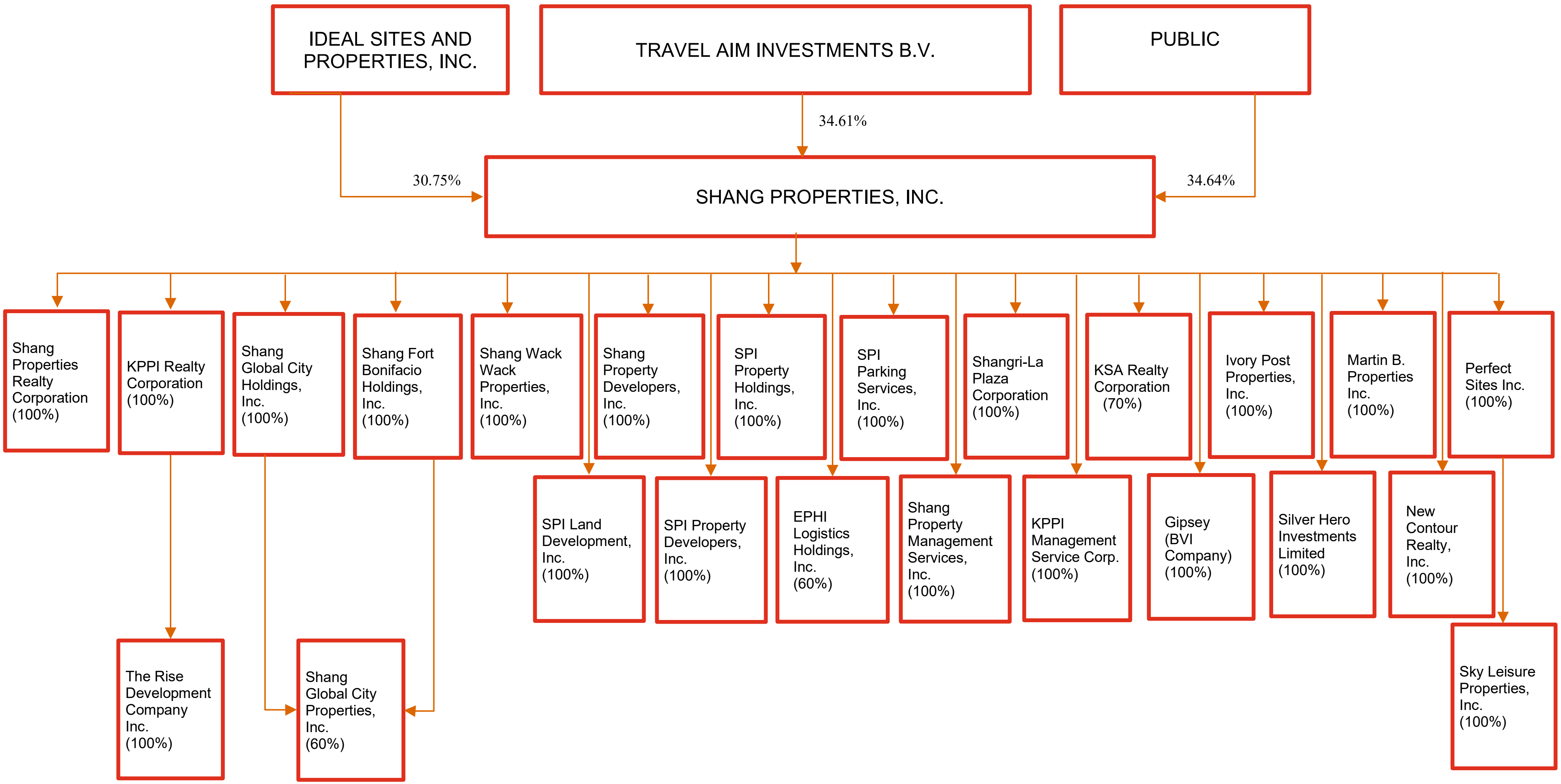
The accounting policies used to recognize and measure the segment's assets, liabilities and profit or loss is consistent with those of the consolidated financial statements.

31.17 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.

Shang Properties, Inc. and Subsidiaries

Map of the Group of Companies within which the Reporting Entity Belongs
As at December 31, 2023



Shang Properties, Inc. and Subsidiaries

Financial Soundness Indicators
As at December 31, 2023, 2022 and 2021
(All amounts in thousands of Philippine Peso)

Ratio	Formula		2023	2022	2021
A. Current and Liquidity Ratios					
1. Current ratio	Total current assets	17,358,707	1.07	0.98	0.92
	Divided by: Total current liabilities	16,274,139			
	Current ratio	1.07			
2. Acid test ratio	Total current assets	17,358,707	0.82	0.82	0.76
	Less: Prepaid taxes and other current assets	3,817,062			
	Quick assets	13,541,645			
	Divided by: Total current liabilities	16,274,139			
	Acid test ratio	0.83			
B. Solvency ratio	Net income	6,101,557	0.3	0.2	0.15
	Add: Depreciation*	377,127			
	Net income before depreciation	6,478,684			
	Divided by: Total liabilities	24,162,052			
	Solvency ratio	0.3			
C. Debt to equity ratio	Total liabilities	24,162,052	0.48	0.47	0.49
	Divided by: Total equity	50,488,258			
	Debt to equity ratio	0.48			
D. Asset to equity ratio	Total assets	74,650,310	1.48	1.47	1.49
	Divided by: Total equity	50,488,258			
	Asset to equity ratio	1.48			
E. Debt ratio	Total liabilities	24,162,052	0.32	0.32	0.33
	Divided by: Total assets	74,650,310			
	Debt ratio	0.32			

(Continued)

Shang Properties, Inc. and Subsidiaries

Financial Soundness Indicators
As at December 31, 2023, 2022 and 2021
(All amounts in thousands of Philippine Peso)

Ratio	Formula		2023	2022	2021
F. Profitability ratios					
1. Return on assets (%)	Net income	6,101,557	8.17	5.9	3.43
	Divided by: Total assets	74,650,310			
	Return on assets (%)	8.17			
2. Return on equity (%)	Net income	6,101,557	12.09	8.68	5.1
	Divided by: Total equity	50,488,258			
	Return on equity (%)	12.09			
3. Net profit margin (%)	Net income	6,101,557	62.2	50.7	47.9
	Divided by: Total revenues	9,816,776			
	Net profit margin (%)	62.2			
G. Earnings per share (EPS) attributable to equity holders of Parent	Net income after minority interest	5,518,419	1.16	0.76	0.45
	Divided by: Total shares outstanding	4,761,918			
	EPS attributable to equity holders of Parent	1.16			
H. Book value per share (BPS) attributable to equity holders of Parent	Total equity after minority interest	44,316,956	9.31	8.43	7.83
	Divided by: Total shares outstanding	4,761,918			
	BPS attributable to equity holders of Parent	9.31			

Shang Properties, Inc. and Subsidiaries

Schedule A - Financial Assets
As at December 31, 2023
(All amounts in thousands of Philippine Peso)

Description of each issue	Number of shares	Amount shown in the Consolidated Statement of Financial Position	Value based on market quotations at statement date	Income (loss) received and accrued
Cash and cash equivalents*		1,408,142	1,408,142	22,704
Trade and other receivables**		6,839,024	6,839,024	-
Financial assets at fair value through profit or loss***		35,405	35,405	4,012
Refundable deposits****		128,472	128,472	-
Financial assets at fair value through other comprehensive income*****				
Quoted shares	8	64,050	64,050	17,000
Unquoted shares	298,516	765,418	765,418	-
		829,468	829,468	17,000
		9,240,511	9,240,511	

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

Shang Properties, Inc. and Subsidiaries

Schedule B - Amounts Receivable from Directors, Officers,
Employees, Related Parties and Principal Stockholders
(Other than Related Parties)
As at December 31, 2023
(All amounts in thousands of Philippine Peso)

Name and designation of debtor	Balance at beginning of period	Additions	Deduction: Amount collected	Deduction: Amount written-off	Current	Non-current	Balance at end of period
Classic Elite Holdings Limited	1,144,188	-	-	-	-	1,144,188	1,144,188
One Shangri-la Place Condominium Corp	56,586	16,512	(9,862)	-	17,813	45,423	63,236
Shang Salcedo Place Condo. Corp.	77,401	13,902	(3,649)	-	58,751	28,903	87,654
EDSA Shangri-la Hotel & Resorts, Inc.	34,099	19,933	(13,173)	-	38,137	2,722	40,859
Makati Shangri-la Hotel	11,850	5,353	(8,357)	-	7,570	1,276	8,846
The St. Francis Shangri-la Place Condo. Corp	48,008	18,042	-	-	32,084	33,966	66,050
The Shang Grand Tower Condo. Corp.	27,602	26,142	(17,572)	-	14,661	21,511	36,172
Ideal Sites Property Inc.	7,016	3	-	-	3	7,016	7,019
Mactan Shangri-la Hotel	39,869	368	(37,749)	-	368	2,120	2,488
The Enterprise Centre Condo. Corp.	34,041	24,621	(32,770)	-	24,621	1,271	25,892
Shang Robinsons Properties, Inc.	351,650	2,029,284	(9,836)	-	1,648,295	722,803	2,371,098
Others	151,895	129,437	(2,719,824)	-	(2,438,492)	-	(2,438,492)
	1,984,205	2,283,597	(2,852,792)	-	(596,189)	2,011,199	1,415,010

See Notes 5 and 27 to the Consolidated Financial Statements.

Shang Properties, Inc. and Subsidiaries

Schedule C - Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements
As at December 31, 2023
(All amounts in thousands of Philippine Peso)

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Shang Properties, Inc.	11,076,825	4,296,327	(247,056)	-	4,175,761	10,950,335	15,126,096
Shangri-la Plaza Corp.	502,111	44,605	(24,076)	-	6,971	515,669	522,640
Shang Property management Services, Inc.	74,143	61,890	(10,929)	-	98,665	26,439	125,104
Shang Properties Realty Corporation	169,041	189,578	(189,135)	-	97,338	72,146	169,484
SPI Parking Services, Inc.	1	-	(1)	-	-	-	-
KSA Realty Corporation	1,736	22,436	(19,483)	-	4,689	-	4,689
Shang Property Developers, Inc.	2,273,960	-	(21,197)	-	2,252,763	-	2,252,763
Silver Hero from SPDI	2,317,500	-	-	-	-	2,317,500	2,317,500
The Rise Development Company, Inc.	257,791	45,614	(5,774)	-	40,181	257,450	297,631
New Contour Realty Inc.	4,026	2	-	-	8	4,020	4,028
Shang Global City Properties, Inc.	968	6,658	(4,096)	-	3,530	-	3,530
Shang Wack Wack Properties, Inc.	55,243	1,228	(26,529)	-	29,942	-	29,942
Perfect Sites Inc.	127,109	16,000	-	-	16,000	127,109	143,109
KPPI Realty Corporation	4	-	-	-	4	-	4
SPI LDI	1,319	4,430	(37)	-	5,712	-	5,712
SPI PDI	6,634	29,641	(5,715)	-	30,560	-	30,560
SPI PHI	162	2,987	(1,605)	-	1,544	-	1,544
	16,868,573	4,721,396	(555,633)	-	6,763,668	14,270,668	21,034,336

See Note 27 to the Consolidated Financial Statements.

Shang Properties, Inc. and Subsidiaries

Schedule D - Long-Term Debt
As at December 31, 2023
(All amounts in thousands of Philippine Peso)

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption “Current portion of long-term debt” in related Statement of Financial Position	Amount shown under caption “Long-term debt” in related Statement of Financial Position
PNB-Revolving PN Line	2,000,000	-	-
BPI-Short Term Loan Line 1	7,500,000	5,000,000	-
BPI-Short Term Loan Line 2	10,000,000	-	-
BPI Revolving PN Line	5,000,000	3,890,000	-
BDO-Short Term Credit Line	1,000,000	525,000	-
PNB-Revolving PN Line	2,000,000	700,000	-
	27,500,000	10,115,000	-

Shang Properties, Inc. and Subsidiaries

Schedule E - Indebtedness to Related Parties
As at December 31, 2023
(All amounts in thousands of Philippine Peso)

Name of related party	Balance at beginning of period	Balance at end of period
Shangri-La International Hotel Management Limited	94,280	34,533
St. Francis Shangri-La place Condo. Corp.	317	317
The Enterprise Center condo. Corp	12,679	13,800
Others	91,137	33,239
	198,413	81,889

See Notes 15 and 27 to the Consolidated Financial Statements.

Shang Properties, Inc. and Subsidiaries

Schedule F - Guarantees of Securities of Other Issuers
As at December 31, 2023
(All amounts in thousands of Philippine Peso)

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

Shang Properties, Inc. and Subsidiaries

Schedule G - Share Capital
As at December 31, 2023
(All amounts in thousands of Philippine Peso)

Title of issue	Number of shares authorized	Number of Shares issued and outstanding as shown under related Statement of Financial Position	Number of shares reserved for options, warrants, conversions, and other rights	Number of shares held by related parties	Number of shares held by directors, officers, and employees	Others
Issued shares:						
Common shares	8,000,000	4,764,059	-	-	-	-
Outstanding shares:						
Common shares	-	4,764,056	-	3,114,014	4,053	1,645,989
Total		4,764,056	-	3,114,014	4,053	1,645,989

See Note 18 to the Consolidated Financial Statements.

Shang Properties, Inc.

Reconciliation of Retained Earnings Available for Dividend Declaration
As at December 31, 2023
(All amounts in thousands of Philippine Peso)

Unappropriated Retained Earnings, beginning of the year/period[i]		11,416,191
Add: Category A: Items that are directly credited to Unappropriated retained earnings		
Reversal of Retained earnings appropriation/s	-	
Effect of restatements or prior-period adjustments	-	
Others (describe nature)	-	-
Less: Category B: Items that are directly debited to Unappropriated retained earnings		
Dividend declaration during the reporting period	(1,378,097)	
Retained earnings appropriated during the reporting period	-	
Effect of restatements or prior-period adjustments	-	
Others (describe nature)	-	(1,378,097)
Unappropriated Retained Earnings, as adjusted		10,038,094
Add/Less: Net Income (loss) for the current year/period		3,957,177
Less: Category C.1: Unrealized income recognized in the profit or loss during the year/period (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared	(2,460,747)	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	-	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Unrealized fair value gain of investment property	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	(2,460,747)

(continued)

Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)	-	
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	-	
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Realized fair value gain of Investment property	-	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	-	-
Add: Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)	-	
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	-	
Reversal of previously recorded fair value adjustment (mark-to- market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Reversal of previously recorded fair value gain of investment property	-	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded (describe nature)	-	-
Adjusted net income/loss		1,496,430
Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)		-
Add/Less: Category E: Adjustments related to relief granted by the SEC and BSP[ii]		
Amortization of the effect of reporting relief	-	
Total amount of reporting relief granted during the year	-	
Others (describe nature)	-	-

(continued)

Add/Less:	Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution		
	Net movement of treasury shares (except for reacquisition of redeemable shares)	-	
	Net movement of deferred tax asset not considered in the reconciling items under the previous categories	-	
	Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	-	
	Adjustment due to deviation from PFRS/GAAP - gain (loss)	-	
	Others (describe nature)	-	-
Total Retained Earnings, end of the year/period available for dividend declaration[iii]			**11,534,524**

[i] Unappropriated Retained Earnings, beginning of year/period refers to the ending balance as reported in the "Reconciliation of Retained Earnings Available for Dividend Declaration" of the immediately preceding year/period.

[ii] Adjustments related to the relief provided by the SEC and BSP pertain to accounting relief (e.g. losses that are reported on a staggered basis) granted by regulators. However, these are actual losses sustained by the Company and must be adjusted in the reconciliation to reflect the actual distributable amount.

[iii] This Reconciliation of Retained Earnings Available for Dividend Declaration is pursuant to Sec. 42 of the Revised Corporation Code, which prohibits stock corporations to retain surplus profits in excess of one hundred (100%) percent of their paid-in capital and their power to declare dividends. However, this Reconciliation of Retained Earnings should not be used by the REIT companies as a basis to determine the amount of its distributable income or dividends to its shareholders. The determination of its distributable income should be in accordance with the REIT Act and its Implementing Rules and Regulations.