SHANG
PROPERTIES

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **SHANG PROPERTIES INC**. is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 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 financial statements that are free from material misstatement, whether due to fraud of error.

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

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

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

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

Edward Kuok Khoon Loong
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 19 2024 at Mandaluyong City who exhibited to me his/her competent proof of identity, ______ issued at ______, Philippines on ______.

DOC NO.: 153;
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

COPY FOR THE
BUREAU OF INTERNAL REVENUE

Independent Auditor's Report

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

Report on the Audits of the Separate Financial Statements

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Shang Properties, Inc. (the "Company") as at December 31, 2023 and 2022, and its separate financial performance and its separate cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

What we have audited

The separate financial statements of the Company comprise:

- the statements of financial position as at December 31, 2023 and 2022;
- the statements of comprehensive income for the years ended December 31, 2023 and 2022;
- the statements of changes in equity for the years ended December 31, 2023 and 2022;
- the statements of cash flows for the years ended December 31, 2023 and 2022; and
- the notes to the separate 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 Financial Statements section of our report.

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

Independence

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on the Bureau of Internal Revenue Requirement

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

Isla Lipana & Co.

Zaldy D. Aguirre
Partner
CPA Cert No. 0105660
P.T.R. No. 0024447, issued on January 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

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

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

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

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

Isla Lipana & Co.

Zaldy D. Aguirre
Partner
CPA Cert No. 0105660
P.T.R. No. 0024447, issued on January 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.

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

	Notes	2023	2022
Assets			
Current assets			
Cash and cash equivalents	2	148,159,751	292,140,463
Financial assets at fair value through profit or loss	3	2,644,570	3,116,445
Trade and other receivables, net	4	18,710,452,660	10,720,543,827
Properties held for sale, net	5	11,305,000	-
Prepayments and other current assets	6	42,334,912	299,866,982
Total current assets		18,914,896,893	11,315,667,717
Non-current assets			
Investments and advances	7	13,453,835,783	15,528,543,698
Investment properties	8	14,019,681,255	13,987,020,630
Financial assets at fair value through other comprehensive income, net	9	218,983,642	201,983,642
Property and equipment, net	10	53,950,509	49,078,021
Creditable withholding tax	6	294,408,186	-
Refundable deposits	11	1,925,582	847,541
Total non-current assets		28,042,784,957	29,767,473,532
Total assets		46,957,681,850	41,083,141,249
Liabilities and equity			
Current liabilities			
Accounts payable and other current liabilities	12	2,887,262,963	2,809,780,408
Short-term bank loans	13	10,115,000,000	6,940,000,000
Dividends payable		70,080,485	61,167,401
Total current liabilities		13,072,343,448	9,810,947,809
Non-current liabilities			
Deferred income tax liabilities, net	19	3,405,186,480	3,402,500,897
Retirement benefit liability	18	37,158,987	20,093,595
Deposits from tenants		1,269,161	1,269,161
Total non-current liabilities		3,443,614,628	3,423,863,653
Total liabilities		16,515,958,076	13,234,811,462
Equity			
Share capital	14	4,764,058,982	4,764,058,982
Share premium	14	1,210,073,869	1,210,073,869
Treasury shares	14	(6,850,064)	(6,850,064)
Other comprehensive income	9, 18	99,864,418	85,550,000
Retained earnings	14	24,374,576,569	21,795,497,000
Total equity		30,441,723,774	27,848,329,787
Total liabilities and equity		46,957,681,850	41,083,141,249

The notes on pages 1 to 37 are integral part of these separate financial statements.

Shang Properties, Inc.

Statements of Comprehensive Income
For the years ended December 31, 2023 and 2022
(All amounts in Philippine Peso)

	Notes	2023	2022
Revenue			
Rental	22	346,667,084	169,789,300
Sale of condominium units		300,000	-
	8	346,967,084	169,789,300
Cost of sale and services			
Rental	8	23,396,135	18,947,416
Cost of condominium units sold		227,500	-
		23,623,635	18,947,416
Gross profit		323,343,449	150,841,884
Operating expenses			
Staff costs	15	245,918,298	256,032,431
Taxes and licenses		8,262,958	21,652,140
Depreciation and amortization	10	21,771,966	22,540,329
Other general and administrative expenses	16	115,057,111	113,254,435
		391,010,333	413,479,335
Other income			
Dividend income	20	1,455,217,100	1,451,982,012
Miscellaneous income, net	17	20,411,805	4,711,119
		1,475,628,905	1,456,693,131
Income from operations		1,407,962,021	1,194,055,680
Finance income, net			
Interest income	2, 7	93,394,964	111,618,988
Interest expense		-	(3,195,395)
		93,394,964	108,423,593
Share in net income of a joint venture	7	2,460,747,135	1,422,113,933
Income before income tax		3,962,104,120	2,724,593,206
Income tax expense	19	(4,927,209)	(2,659,600)
Net income for the year		3,957,176,911	2,721,933,606
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
Decrease in fair value of equity investments at fair value through other comprehensive income, net of tax	9	14,450,000	13,175,000
Remeasurement on retirement benefit obligation, net of tax	18	(135,582)	542,330
		14,314,418	13,717,330
Total comprehensive income for the year		3,971,491,329	2,735,650,936
Basic and diluted earnings per share	14	0.83	0.57

The notes on pages 1 to 37 are integral part of these separate financial statements.

Shang Properties, Inc.

Statements of Changes in Equity
For the years ended December 31, 2023 and 2022
(All amounts in Philippine Peso)

	Share capital (Note 14)	Share premium (Note 14)	Treasury shares (Note 14)	Other comprehensive income	Retained earnings (Note 14)	Total equity
Balances at January 1, 2022	4,764,058,982	1,210,073,869	(6,850,064)	71,832,670	19,859,180,162	25,898,295,619
Comprehensive income						
Net income for the year	-	-	-	-	2,721,933,606	2,721,933,606
Other comprehensive income	-	-	-	13,717,330	-	13,717,330
Total comprehensive income	-	-	-	13,717,330	2,721,933,606	2,735,650,936
Transaction with owners						
Cash dividends declared (Note 14)	-	-	-	-	(785,616,768)	(785,616,768)
Balances at December 31, 2022	4,764,058,982	1,210,073,869	(6,850,064)	85,550,000	21,795,497,000	27,848,329,787
Comprehensive income						
Net income for the year	-	-	-	-	3,957,176,911	3,957,176,911
Other comprehensive income	-	-	-	14,314,418	-	14,314,418
Total comprehensive income	-	-	-	14,314,418	3,957,176,911	3,971,491,329
Transaction with owners						
Cash dividends declared (Note 14)	-	-	-	-	(1,378,097,342)	(1,378,097,342)
Balances at December 31, 2023	4,764,058,982	1,210,073,869	(6,850,064)	99,864,418	24,374,576,569	30,441,723,774

The notes on pages 1 to 37 are integral part of these separate financial statements.

Shang Properties, Inc.

Statements of Cash Flows
For the years ended December 31, 2023 and 2022
(All amounts in Philippine Peso)

	Notes	2023	2022
Cash flows from operating activities			
Income before income tax		3,962,104,120	2,724,593,206
Adjustments for:			
Interest expense	13	-	3,195,395
Depreciation and amortization	10	21,771,966	22,540,329
Gain on sale of property and equipment		(290,902)	-
Retirement benefit expense	18	21,735,235	14,001,682
Unrealized foreign exchange gain, net	2	(468,341)	(4,672,629)
Loss (gain) on fair value adjustment of financial assets at fair value through profit or loss	3	471,875	(348,769)
Interest income	2, 7	(93,394,964)	(111,618,988)
Share in net income from a joint venture	7	(2,460,747,135)	(1,422,113,933)
Dividend income	20	(1,455,217,100)	(1,451,982,012)
Operating loss before working capital changes		(4,035,246)	(226,405,719)
Changes in working capital:			
Trade and other receivables		(109,024,738)	(2,445,311,954)
Properties held for sale		227,500	-
Prepayments and other current assets		(41,803,324)	(7,503,219)
Refundable deposits		(1,078,041)	21,478,884
Accounts payable and other current liabilities		72,812,712	488,832,336
Cash absorbed by operations		(82,901,137)	(2,168,909,672)
Interest received		93,394,964	111,579,269
Retirement benefit liabilities released due to transfers	18	-	2,478,692
Net cash provided by (used in) operating activities		10,493,827	(2,054,851,711)
Cash flows from investing activities			
Dividends received	20	1,455,217,100	1,451,982,012
Additions to:			
Investments and advances		(3,345,429,044)	(7,812,588)
Investment properties	8	(44,193,125)	(36,017,081)
Property and equipment	10	(27,089,394)	(10,955,776)
Proceeds from sale of property and equipment		735,841	-
Net cash (used in) provided by investing activities		(1,960,758,622)	1,397,196,567
Cash flows from financing activities			
Availment of loan	13	3,175,000,000	3,460,000,000
Payments of:			
Cash dividends	14	(1,369,184,258)	(786,346,336)
Loan principal	13	-	(1,910,000,000)
Interest	13	-	(3,195,395)
Net cash provided by financing activities		1,805,815,742	760,458,269
Net (decrease) increase in cash and cash equivalents		(144,449,053)	102,803,125
Cash and cash equivalents as at January 1		292,140,463	184,664,709
Effects of exchange rate changes on cash and cash equivalents		468,341	4,672,629
Cash and cash equivalents as at December 31	2	148,159,751	292,140,463

The notes on pages 1 to 37 are integral part of these separate financial statements.

Shang Properties, Inc.

Notes to the Separate Financial Statements
As at and for the years ended December 31, 2023 and 2022
(In the notes, all amounts are shown in Philippine Peso, unless otherwise stated)

1 General information

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

The Company is the owner of the land being leased out to a related party that operates the main building and main-wing parking building of Shangri-La Plaza Mall in Mandaluyong City. It also owns the carpark building located in the north wing of the same mall in Mandaluyong City also being leased out to another related party.

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

The Company has its primary listing on the Philippine Stock Exchange (PSE). It was registered on June 13, 1991 with total listed shares of 4,764,058,982, which was initially issued at P2.54 per share. As at December 31, 2023, the Company has 5,127 shareholders (2022 - 5,144). The details of the Company's shareholders are disclosed in the annual report.

The separate 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 Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2023	2022
Cash on hand	218,264	303,264
Cash in banks	92,645,984	58,406,067
Cash equivalents	55,295,503	233,431,132
	148,159,751	292,140,463

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

Cash in banks and cash equivalents earn interest at prevailing market rates. Total interest income earned and interest receivable for the year ended and as at December 31, 2023 amounted to P1,513,346 and P8,602, respectively (2022 - P1,212,001 and P235,294, respectively) (Note 4).

The carrying amounts of the Company's cash and cash equivalents are generally denominated in Philippine Peso and US Dollar. The Company'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	226,569.98	55.567	2,589,814	412,775	56.12	23,164,933

Unrealized foreign exchange gain charged to income for the year ended December 31, 2023 amounted to P468,341 (2022 - P4,672,629) (Note 17).

3 Financial assets at fair value through profit or loss

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

	Note	2023	2022
January 1		3,116,445	2,767,676
(Loss) gain on fair value adjustments (included in Miscellaneous income)	17	(471,875)	348,769
December 31		2,644,570	3,116,445

4 Trade and other receivables, net

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

	Notes	2023	2022
Trade			
Rental - related parties	20	167,172,585	53,783,240
Rental - third parties		1,414,035	235,884
Others		(5,957,615)	-
Non-trade			
Receivables from related parties	20	18,546,297,965	10,665,413,871
Advances to officers and employees		742,274	142,147
Interest	2	8,602	235,294
Others		774,814	890,148
		18,710,452,660	10,720,700,584
Allowance for impairment of non-trade receivables		-	(156,757)
		18,710,452,660	10,720,543,827

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

Trade receivables

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

Receivables from related parties

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

Advances to officers and employees

This account represents noninterest-bearing cash advances that are settled via payroll deduction or expense liquidation.

Other non-trade receivables

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

5 Properties held for sale

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

	Note	2023	2022
January 1		-	-
Recognized cost of condominium units sold		(227,500)	-
Transfer from investment properties	8	11,532,500	-
December 31		11,305,000	-

Properties held for sale are stated at cost and no allowance for write-down is provided as at reporting date.

6 Prepayments and other current assets

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

	2023	2022
Creditable withholding tax, current	-	280,490,177
Input VAT	8,414,091	16,175,346
Prepaid expenses	33,920,821	3,201,459
	42,334,912	299,866,982
Creditable withholding tax, non-current	294,408,186	-

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

7 Investments and advances

Investments and advances at December 31 consist of:

	Ownership %		Amount	
	2023	2022	2023	2022
Subsidiaries:				
Property development:				
Shang Properties Realty Corporation (SPRC)	100	100	950,036,621	950,036,621
Shang Wack Wack Properties, Inc. (SWWPI)	100	100	850,500,000	850,500,000
Shang Property Developers, Inc. (SPDI)	100	100	5,000,000	5,000,000
SPI Land Development, Inc.	100	100	1,000,000	1,000,000
SPI Property Developers, Inc.	100	100	1,000,000	1,000,000
SPI Property Holdings, Inc.	100	100	1,000,000	1,000,000
Leasing:				
KSA Realty Corporation (KSA)	70	70	4,333,249,902	4,333,249,902
Shangri-la Plaza Corporation (SLPC)	100	100	699,882,830	699,882,830
SPI Parking Services, Inc. (SPSI)	100	100	250,000	250,000
Real estate:				
KPPI Realty Corporation (KRC)	100	100	125,000,000	125,000,000
New Contour Realty, Inc. (NCRI)	100	100	50,000	50,000
Perfect Sites, Inc. (PSI)	100	100	250,000	250,000
Ivory Post Properties, Inc. (IPPI)	100	100	250,000	250,000
Shang Fort Bonifacio Holdings, Inc. (SFBHI)	100	100	500,000	500,000
Shang Global City Holdings, Inc. (SGCHI)	100	100	500,000	500,000
Martin B Properties, Inc. (MBPI)	100	100	400,000	400,000
Property management:				
KPPI Management Services Corporation (KMSC)	100	100	1,000,000	1,000,000
Shang Property Management Services, Inc. (SPMSI)	100	100	50,000	50,000
Other supplementary business:				
Gipsey, Ltd. (Gipsey)	100	100	2,095,810,078	2,095,810,078
EPHI Logistics Holdings, Inc. (ELHI)	60	100	900,000	900,000
Guidebo Properties, Inc.	100	100	62,500	62,500
Laguna Hills Property Ventures, Inc.	100	100	62,500	62,500
			9,066,754,431	9,066,754,431
Immaterial Associate:				
Real estate:				
Ideal Sites and Properties, Inc. (ISPI)	40	40	250,000	250,000
Joint venture:				
Real estate:				
Shang Robinsons Properties, Inc. (SRPI)	50	50	5,628,870,034	3,157,821,432
Deposits for future share subscription, and advances to subsidiaries, associate, and joint venture			291,469,003	4,837,225,520
Allowance for impairment losses			(1,533,507,685)	(1,533,507,685)
			13,453,835,783	15,528,543,698

The following subsidiaries and associates are owned through acquisition of shares of stock:

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

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

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

There has been no movement in the allowance for impairment losses as at December 31, 2023 and 2022.

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

The summarized financial information of subsidiaries with significant non-controlling interest as at and for the year ended December 31, 2023 are as follows:

	KSA	SGCPI
Total current assets	200,260,446	976,581,754
Total non-current assets	10,664,177,290	7,413,355,458
Total assets	10,864,437,736	8,389,937,212
Total current liabilities	333,939,654	845,719,547
Total non-current liabilities	2,388,662,183	148,801,152
Total liabilities	2,722,601,837	994,520,699
Net assets	8,141,835,895	7,395,416,512
Non-controlling interest share in net assets	2,439,294,034	2,958,166,605

Revenue	904,132,802	4,203,091,529
Cost and expenses	141,255,419	3,071,345,588
Other income	2,647,759	192,040,917
Income before provision for income tax	765,525,142	1,323,786,858
Income tax expense	(141,574,842)	(333,273,602)
Net income for the year	623,950,300	990,513,256
Other comprehensive income	-	(5,703,645)
Total comprehensive income for the year	623,950,300	984,809,611
Non-controlling interest share in total comprehensive income for the year	186,935,510	393,923,844

	KSA	SGCPI
Cash flows provided by (used in):		
Operating activities	626,656,102	751,119,732
Investing activities	(260,992)	(38,502,172)
Financing activities	(624,000,000)	(713,311,754)

The summarized financial information of subsidiaries with significant non-controlling interest as at and for the year ended December 31, 2022 are as follows:

	KSA	SGCPI
Total current assets	170,010,211	715,203,685
Total non-current assets	10,664,105,858	8,050,292,915
Total assets	10,834,116,069	8,765,496,600
Total current liabilities	(334,153,584)	(1,972,889,671)
Total non-current liabilities	(2,358,076,887)	(382,000,030)
Total liabilities	(2,692,230,471)	(2,354,889,701)
Net assets	8,141,885,598	6,410,606,899
Non-controlling interest share in net assets	2,442,565,679	2,564,242,759

Revenue	948,079,146	2,844,976,129
Cost and expenses	(118,057,033)	(2,233,696,080)
Other expense	(1,299,536)	(101,662,151)
Income (loss) before provision for income tax	828,722,577	509,617,898
Income tax benefit	(152,625,942)	(131,066,524)
Net income (loss) for the year	676,096,635	378,551,374
Other comprehensive loss	57,588	709,248
Total comprehensive income (loss) for the year	676,154,223	379,260,622
Non-controlling interest share in total comprehensive income (loss) for the year	202,846,267	151,704,249

	KSA	SGCPI
Cash flows provided by (used in):		
Operating activities	668,835,236	1,244,081,340
Investing activities	(159,662)	(50,698,807)
Financing activities	(705,000,000)	(67,096,999)

Investment in and advances to a joint venture

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

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

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

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

SRPI 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).

In 2019, advances amounting to P1 billion were extended to SRPI by the 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).

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

	2023	2022
Cash and cash equivalents	676,345,427	959,579,451
Other current assets	8,028,719,937	9,730,997,116
Current assets	8,705,065,364	12,542,718,617
Non-current assets	10,193,762,678	269,339,168
Total assets	18,898,828,042	19,471,075,765
Financial liabilities (excluding trade payables)	2,637,603,243	2,910,381,177
Other current liabilities	433,067,107	338,714,298
Current liabilities	3,070,670,350	(4,504,631,214)
Financial liabilities (excluding trade payables)	3,369,446,259	3,247,094,638
Other current liabilities	1,331,774,691	348,897,193
Non-current liabilities	4,701,220,950	(4,943,113,600)
Total liabilities	7,771,891,300	13,265,633,290
Net assets	11,126,936,742	6,205,442,475
Revenue	10,809,146,116	2,004,051,580
Depreciation and amortization	832,596	328,600
Interest income	34,727,382	15,166,417
Interest expense	-	-
Income tax expense	(1,355,003,119)	(805,121,552)
Net income for the year	4,921,494,270	809,776,332
Other comprehensive income for the year	-	-
Total comprehensive income for the year	4,921,494,270	2,813,827,912

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	11,126,936,742	6,205,442,475
Effective ownership interest	50%	50%
	5,563,468,371	3,102,721,238
Additional investments	65,401,663	55,100,194
	5,628,870,034	3,157,821,432

Critical accounting judgment - Recoverability of investment and advances

The Company's investments and advances are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable.
The company recognizes an allowance for impairment losses on its investments and advances amounting to P1,533,507,685 as at December 31, 2023 and 2022. No additional allowance for impairment recognized during the reporting period since management believes that the remaining carrying amount of its investments and advances are fully recoverable.

Significant accounting judgment - joint control assessment

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

8 Investment properties

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

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

	Note	Land	Building	Total
January 1, 2022		13,217,221,203	733,782,346	13,951,003,549
Capitalized subsequent expenditure		-	21,244,633	21,244,633
Other transfers		-	14,772,448	14,772,448
December 31, 2022		13,217,221,203	769,799,427	13,987,020,630
Capitalized subsequent expenditure		-	16,537,264	16,537,264
Construction in Progress		-	27,655,861	27,655,861
Transfers due to change in use to properties held for sale	5	-	(11,532,500)	(11,532,500)
December 31, 2023		13,217,221,203	802,460,052	14,019,681,255

The Company's investment properties in 2023 and 2022 consist of parcels of land, carpark building and condominium units. The land and carpark building are being leased out to subsidiaries and third parties.

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

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

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

	2023	2022
Rental revenue	346,667,084	169,789,300
Direct operating expenses	(23,396,135)	(18,947,416)
Profit arising from investment properties carried at fair value	323,270,949	150,841,884

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

There is no restriction on the Company's title on investment properties. Please refer to Note 13 for restrictions imposed on investment properties of the Company in relation to its long-term loan facility. There are no other restrictions imposed on the Company's property and equipment.

Critical accounting estimate - Determination of fair values of investment properties

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

	2023		
Fair value of hierarchy	Land	Buildings	Total
Level 2	7,345,847,303	802,460,052	8,148,307,355
Level 3	5,871,373,900		5,871,373,900
Total	13,217,221,203	802,460,052	14,019,681,255
	2022		
Fair value of hierarchy	Land	Buildings	Total
Level 2	7,345,847,303	769,799,427	8,115,646,730
Level 3	5,871,373,900	-	5,871,373,900
Total	13,217,221,203	769,799,427	13,987,020,630

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

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

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

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

Property	Fair value as at December 31, 2023 and 2022	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability - weighted average)	Relationship of unobservable inputs to fair value
Land where the main wing and east wing of Shangri-La Plaza mall is located	P5,871,373,900	Direct income capitalization	Rental value	P1,700 per square meter (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% (2022 - 12%)	

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

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

The following are the significant unobservable inputs:

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

For sensitivity analysis purposes, any +/- 1% change in market rental value per square meter would increase/decrease total assets and pre-tax income by P59 million (2022 - P59 million).

Critical accounting judgments

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

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

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

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

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

During 2023, properties that were previously used to earn rental income were reclassified as properties held for sale amounting to P11.5 million.

(b) Classification of leases as operating lease

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

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

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

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

	2023	2022
Unquoted securities	78,349,278	78,349,278
Quoted securities	7,551,515	7,551,515
Acquisition cost	85,900,793	85,900,793
Cumulative changes in fair value	133,082,849	116,082,849
Fair value	218,983,642	201,983,642

Unquoted equity securities include unlisted shares of stock, which are measured at fair value. The fair values of the unquoted equity securities are based on the net asset value of the underlying assets of investee companies which are mainly investment properties consisting of land and buildings measured and carried at fair value of underlying assets. The fair value measurements have been categorized as Level 3.

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

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

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

	2023	2022
January 1	99,791,848	86,616,848
Gain on fair value adjustment	17,000,000	15,500,000
	116,791,848	102,116,848
Deferred income tax effect	(2,550,000)	(2,325,000)
December 31	114,241,848	99,791,848

10 Property and equipment, net

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

	Building improvements	Leasehold improvements	Transportation equipment	Furniture, fixtures and other equipment	Total
Cost					
January 1, 2022	44,137,609	72,536,809	44,461,897	53,822,891	214,959,206
Additions	-	4,246,590	4,338,393	2,370,793	10,955,776
Disposals	-	-	(971,429)	-	(971,429)
December 31, 2022	44,137,609	76,783,399	47,828,861	56,193,684	224,943,553
Additions	-	-	10,629,714	16,459,680	27,089,394
Disposals	-	-	(2,053,571)	-	(2,053,571)
December 31, 2023	44,137,609	76,783,399	56,405,004	72,653,364	249,979,376
Accumulated depreciation					
January 1, 2022	23,948,949	49,374,144	36,904,284	44,069,255	154,296,632
Depreciation	1,310,354	12,263,148	3,957,149	5,009,678	22,540,329
Disposals	-	-	(971,429)	-	(971,429)
December 31, 2022	25,259,303	61,637,292	39,890,004	49,078,933	175,865,532
Depreciation	1,310,354	9,565,854	3,623,600	7,272,158	21,771,966
Disposals	-	-	(1,608,631)	-	(1,608,631)
December 31, 2023	26,569,657	71,203,146	41,904,973	56,351,091	196,028,867
Net book values at					
December 31, 2022	18,878,306	15,146,107	7,938,857	7,114,751	49,078,021
December 31, 2023	17,567,952	5,580,253	14,500,031	16,302,273	53,950,509

Critical accounting estimate - Useful lives of property and equipment

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

Critical accounting judgment - Impairment of non-financial assets

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

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

11 Refundable deposits

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

12 Accounts payable and other current liabilities

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

	Note	2023	2022
Financial liabilities			
Accounts payable		48,802,870	25,942,669
Accrued expenses		123,632,254	53,088,289
Payable to contractors and suppliers		250,000	350,000
Payable to related parties	20	2,647,162,823	2,690,101,630
Others		24,243,474	18,332,039
Non-financial liabilities			
Retention payables to contractors		10,240,248	10,335,807
Payable to regulatory agencies		16,239,608	9,536,847
Unearned rental income		7,187,864	-
Output value added tax (VAT)		9,503,822	2,093,127
		2,887,262,963	2,809,780,408

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

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

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

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

13 Short-term bank loans

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

	2023	2022
January 1	6,940,000,000	5,390,000,000
Additions	3,175,000,000	3,460,000,000
Payments	-	(1,910,000,000)
December 31	10,115,000,000	6,940,000,000

Short-term loans 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 (2021 - 3 to 12 months).

14 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:

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

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

(b) Retained earnings

As at December 31, 2023, total unrestricted retained earnings amounted to P24,374,574,936 (2022 - P21,795,497,000). The Company's unrestricted retained earnings exceeded its share capital by P18,400,442,085 (2022 - P15,821,364,149). The excess retained earnings include accumulated fair value gain of P9,868,058,867 (2022 - P9,868,058,867) which are not considered available for dividend declaration. The management of the Company plans to use the excess retained earnings to support the Company's working capital requirements, planned business growth and expansion strategies. Further the Company annually declares dividends in compliance with SEC Memorandum Circular No. 11, Series of 2008.

The Company's Board of Directors approved the declaration of the following cash dividends for the years ended December 31 as follows:

Date of declaration	Shareholders of record as at	Payment date	Total	Per share
2024 (subsequent event)				
March 19, 2024	April 4, 2024	April 15, 2024	739,369,000	0.155
2023				
March 22, 2023	April 11, 2023	April 21, 2023	738,097,342	0.155
August 17, 2023	September 8, 2023	September 22, 2023	640,000,000	0.134
			1,378,097,342	
2022				
March 24, 2022	April 8, 2022	April 20, 2022	333,234,605	0.070
August 31, 2022	September 15, 2022	September 27, 2022	452,382,163	0.095
			785,616,768	

(c) Other comprehensive income

	Cumulative changes in fair value of FVOCI (Note 9)	Remeasurement of retirement benefit (Note 18)	Total comprehensive income
Balances at January 1, 2022	86,616,848	(14,784,178)	71,832,670
Other comprehensive income	13,175,000	542,330	13,717,330
Balances at December 31, 2022	99,791,848	(14,241,848)	85,550,000
Other comprehensive income	14,450,000	(135,582)	14,314,418
Balances at December 31, 2023	114,241,848	(14,377,430)	99,864,418

(d) Earnings per share

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

	2023	2022
Net income for the year	3,957,176,911	2,721,933,606
Weighted average number of shares outstanding	4,764,058,982	4,764,058,982
Earnings per share	0.83	0.57

Capital management

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

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There were no changes in the Company's strategies and policies during 2023 and 2022.

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

	2023	2022
Net debt		
Bank loans	10,115,000,000	6,940,000,000
Less: Cash and cash equivalents	148,159,751	292,140,463
	9,966,840,249	6,647,859,537
Total equity	30,441,722,141	27,848,329,787
Gearing ratio	32.74%	23.87%

The Company is not subject to any externally imposed capital requirements.

15 Staff costs

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

	Note	2023	2022
Salaries and wages		190,406,016	221,607,259
Retirement benefit expense	18	21,735,235	14,001,682
Employee benefits		27,406,780	15,383,850
Others		6,370,267	5,039,640
		245,918,298	256,032,431

16 Other operating expenses

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

	Note	2023	2022
Professional fees		20,612,258	38,962,145
Repairs and maintenance		11,279,598	7,313,793
Utilities		7,960,503	6,451,515
Transportation and travel		7,792,633	2,348,096
Janitorial, security and other services		5,219,303	4,944,316
Rent	22	5,075,952	4,726,944
Insurance		3,009,097	833,482
Entertainment, amusement and recreation		2,719,728	829,646
Telephone and communication		2,704,551	2,715,564
Condominium dues		2,385,406	800,588
Membership fees and dues		2,301,744	1,782,940
Supplies		1,966,798	1,820,529
Reproduction charges		543,369	502,698
(Recovery of) Provision for doubtful accounts		(156,757)	156,757
Others		41,642,928	39,065,422
		115,057,111	113,254,435

Others primarily include advertising expenses amounting to P36,931,024 (2022 - P28,761,257).

17 Miscellaneous income

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

	Notes	2023	2022
Gain on sale of property and equipment		290,902	374,086
Foreign exchange gain, net	2	468,341	4,672,629
Bank charges		(711,108)	(684,365)
(Loss) gain on fair value adjustments of financial assets at FVTPL	3	(471,875)	348,769
Write back of long outstanding liability		13,048,529	-
Others		7,787,016	-
		20,411,805	4,711,119

18 Retirement benefit liability

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

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

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

The actuarial present value of the retirement benefit obligation under the plan is measured in terms of actuarial assumptions for discount rate, salary increases, retirement rates and mortality using the 2020 Philippine Intercompany Mortality Table. The discount rates used is a single weighted average rate based on rates as published in the Bankers Association of the Philippines Peso Bloomberg Valuation (PHP BVAL) at various tenors as at December 31, 2023. Rate for intermediate durations were interpolated. The rates were then weighted by the expected benefit payments at those durations to arrive at the single weighted average discount rate.

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

a) Investment risk

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

b) Interest rate risk

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

c) Longevity risk

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

d) Salary risk

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

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

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

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

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

	2023	2022
Discount rate	7.10%	7.10%
Salary increase rate	5.00%	5.00%

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

	2023	2022
Present value of defined benefit obligation	130,907,633	107,020,907
Fair value of plan assets	(93,748,646)	(86,927,312)
Retirement benefit liability	37,158,987	20,093,595

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

	Note	2023	2022
Current service cost		20,958,085	14,284,865
Net interest cost		777,150	(283,183)
Retirement benefit expense	15	21,735,235	14,001,682

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

	2023	2022
January 1	107,020,907	94,138,228
Interest expense	7,598,484	3,883,160
Current service cost	20,958,085	14,284,865
Benefits paid by the Company from retirement funds	(4,669,843)	(2,646,134)
Remeasurements arising from:		
Experience adjustments	-	(2,409,600)
Changes in financial assumptions	-	(2,708,304)
Net acquired obligation due to employee transfers	-	2,478,692
December 31	130,907,633	107,020,907

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

	2023	2022
January 1	86,927,312	89,982,678
Interest income	6,821,334	4,166,343
Return on plan assets	-	(4,575,575)
Benefits paid from plan assets	-	(2,646,134)
December 31	93,748,646	86,927,312

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

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

	2023	2022
Cash in banks	20,649	19,147
Investments in debt instruments	93,765,501	86,942,940
Liabilities	(37,504)	(34,775)
	93,748,646	86,927,312

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

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

The company expects to contribute P18,295,647 to the retirement fund in 2024.

The weighted average duration of the defined benefit obligation is 6.76 years (2022 - 7.76 years).

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

	2023	2022
Less than a year	49,935,597	40,823,845
Between 1 and 5 years	38,242,146	31,264,099
Between 5 and 10 years	148,752,626	121,609,723
Over 10 years	255,068,831	208,526,402
	491,999,200	402,224,069

Critical accounting estimate - Determining retirement benefit obligation

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

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

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

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

	Increase (decrease)	
	2023	2022
Discount rate		
Increase by 1.0%	(125,080,175)	(102,256,786)
Decrease by 1.0%	137,410,582	112,337,263
Salary increase rate		
Increase by 1.0%	138,195,911	112,979,293
Decrease by 1.0%	(124,265,792)	(101,591,004)

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

19 Income taxes

The income tax expense for the years ended December 31 comprise of current tax.

Deferred income tax liabilities that are recognized as at December 31 consist of:

	2023	2022
Unrealized gain on cumulative fair value adjustments of investment properties	3,350,879,319	3,350,879,319
Interest income from advances to related parties	34,174,163	34,174,163
Financial assets at FVOCI	20,098,009	17,412,426
Unrealized foreign exchange gain	34,989	34,989
	3,405,186,480	3,402,500,897

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

	2023	2022
MCIT	9,084,236	6,296,728
NOLCO	180,232,048	207,398,359
Unamortized past service cost	8,437,947	7,111,504
Accrued expenses	11,311,268	12,889,166
Retirement benefit liability	6,337,114	903,305
Unrecognized deferred tax assets	215,402,613	234,599,062

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

	2023	2022
January 1	3,402,500,897	3,400,175,897
Charged to other comprehensive income	2,685,583	2,325,000
December 31	3,405,186,480	3,402,500,897

The Company is entitled to the net operating loss carry-over (NOLCO) benefit which can be applied to its taxable income for five succeeding years from the year the loss was incurred for the 2021 and 2022 NOLCO and three succeeding years from the year the loss was incurred for NOLCO prior to 2021. The details of deferred income tax assets on NOLCO at December 31 are as follows:

	Year of expiry	2023	2022
2019	2022	-	256,205,528
2020	2025	321,209,689	321,209,689
2021	2026	252,178,217	252,178,217
2022	2025	120,463,274	120,463,274
2023	2026	27,077,013	-
		720,928,193	950,056,708
Expired		-	(256,205,528)
Total		720,928,193	693,851,180
Unrecognized DTA at 25%		180,232,048	207,398,359

The Company is required to pay the MCIT or the normal income tax, whichever is higher. MCIT is 1% of gross income for the period beginning July 1, 2020 until June 30, 2023 and 2% of gross income prior to July 1, 2020 as defined under the Tax Code. Any excess of MCIT over the normal income tax shall be carried forward annually and applied against the normal income tax for the next succeeding three taxable years applicable.

Year incurred	Year of expiry	2023	2022
2019	2022	-	7,139,458
2020	2023	2,139,701	2,139,701
2021	2024	1,497,427	1,497,427
2022	2025	2,659,600	2,659,600
2023	2026	4,927,209	-
		11,223,937	13,436,186
Expired		(2,139,701)	(7,139,458)
		9,084,236	6,296,728

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

	2023	2022
Tax at statutory rate of 25%	990,548,276	681,148,299
Adjustments resulting from:		
Non-deductible expenses	861,095	75,750
Loss on fair value adjustment of financial assets at FVTPL	117,969	-
CREATE impact	-	1,551,735
Derecognition of fair value of equity investments at FVOCI	-	87,191
Interest income subjected to final tax	(378,337)	(303,000)
Depreciation of investment property	(1,022,061)	1,022,061
Unrecognized deferred tax assets	(6,208,674)	37,601,547
Dividend income	(363,804,275)	(362,995,500)
Share in net income from joint venture	(615,186,784)	(355,528,483)
Effective income tax expense	4,927,209	2,659,600

Critical accounting judgment - Income tax

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

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

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

20 Related party transactions

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

	2023		2022		
	Transactions	Outstanding receivables (payables)	Transactions	Outstanding receivables (payables)	Terms and conditions
Subsidiaries					
Rental income (a)	257,362,428	130,622,681	95,974,283	20,273,302	Balances to be collected in cash and are due generally within 60 days. These are non-interest bearing and are not covered by any security.
Management fees (b)	-	-	-	-	Balances to be collected in cash and are due generally within 30 days. These are non-interest bearing and are not covered by any security.
Administrative recharges by the Company	979,588,122	11,198,358,364	578,449,526	4,496,630,879	
Dividend income	1,455,217,100	83,750,000	1,451,982,012	18,200,000	
Advances	2,290,276,682	3,713,692,682	1,268,416,000	1,268,416,000	Balances are to be settled in cash and are generally due within 30 days. These balances are non-interest bearing and not covered by any guarantee.
Administrative recharges to the Company	(5,292,262)	(620,789,798)	(21,994,163)	(500,130,329)	
Rental expense (d)	-	-	(4,726,944)	(4,726,944)	
Entities under common control					
Rental income (a)	117,605,982	36,549,904	68,138,284	20,966,258	Balances to be collected in cash and are due generally within 60 days. These are non-interest bearing and are not covered by any security.
Dividend income	8,167,500	25,107,500	-	-	Balances to be collected in cash and are due generally within 30 days from date of declaration. These are non-interest bearing and are not covered by any security.
Advances (c)	91,881,618	2,536,776,348	11,823,297	3,194,894,730	Balances are to be collected in cash and are generally due within 30 days. These balances are non-interest bearing and not covered by any guarantee.
Administrative recharges by the Company	107,346,349	988,613,072	171,766,645	974,759,616	
Administrative recharges to the Company	8,073,516	(1,373,025)	-	-	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)	2,385,406	-	800,588	-	

	2023		2022	
Key management personnel				
Salaries and other short-term employee benefits	109,174,978	-	91,953,208	Salaries and wages are settled in cash at the period incurred. Other short-term benefits are payable within the current year. There were no stock options or other long-term benefits provided in 2023 and 2022 nor amounts due to/from key management personnel as at December 31, 2023 and 2022.
Post-employment benefits	3,530,583	-	5,341,354	Refer to Note 18.

Significant agreements with related parties are as follows:

a) The company has various rental agreements with SLPC, SPSI and ESHRI, with terms ranging from 1 to 25 years. Rental income is calculated based on a fixed percentage of the counterparties' revenue.

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

c) The outstanding balance as at December 31, 2023 and 2022 mainly includes cash advances to Classic Elite Holdings Limited from the Company for working capital and project development.

d) The Company pays dues to The St. Francis Shangri-La Place Condominium Corporation, One Shangri-la Place Condominium Corporation and Horizon Homes for real property tax, association dues and condominium dues for condominium units owned by the Company.

There were no write-offs or provisions made in relation to related party transactions and balances as at and for the years ended December 31, 2023 and 2022.

21 Provisions and contingencies

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

In 1998, the parties underwent arbitration which resulted in promulgation in 2007 of the Arbitral Tribunal to award to the principal contractor the sum of P38,518,503, net of the award to Company amounting to P8,387,484. Subsequently, this decision was appealed by both parties to the Court of Appeals (CA) who resolved in 2009 to award P24,497,556 to the principal contractor, unpaid progress billings based on the original scope of work, and denied the Company of its motion for partial reconsideration. In 2009, both the Company and the Principal Contractor filed a Petition for Review in Certiorari to the Supreme Court, where the Company prayed for a reversal of the decision of the CA and for payment of liquidated damages by the Principal Contractor while the Principal Contractor filed a motion to modify the decision of the CA and to be awarded the full amount of their claim.

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

Critical accounting estimate - Provision

As at December 31, 2023 and 2022, the Company recognized provision for a certain legal case. The estimate of the probable costs for the resolution has been developed in consultation with outside legal counsel handling the Company's defense in this matter. Disclosure of additional details beyond the present disclosures may seriously prejudice the Company's position. Thus, as allowed by PAS 37, Provisions, Contingent Liabilities and Contingent Assets, only general disclosures were provided.

Critical accounting judgment - Contingencies

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

22 Lease commitments

(a) Company as a lessor

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

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

	Note	2023	2022
Percentage basis	20	340,839,692	164,112,567
Fixed monthly rental		5,827,392	5,676,733
		346,667,084	169,789,300

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

	2023	2022
Within one (1) year	5,582,153	4,012,878
One to two (1 to 2) years	8,863,371	-
	14,445,524	4,012,878

Critical accounting judgment - Operating lease commitments - Company as lessor

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

(b) Company as a lessee

The Company leases its office space from SLPC and incurred rent expense amounting to P5,075,952 in 2023 (2022 - P4,726,944) (Note 20).

23 Net debt reconciliation

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

	Notes	2023	2022
Bank loans, January 1	13	6,940,000,000	5,390,000,000
Additions		3,175,000,000	3,460,000,000
Payments		-	(1,910,000,000)
Bank loans, December 31	13	10,115,000,000	6,940,000,000
Cash and cash equivalents	2	(148,159,751)	(292,140,463)
Net debt		9,966,840,249	6,647,859,537

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

24 Financial risk management

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

24.1.1 Market risk

(a) Foreign exchange risk

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

The Company’s foreign currency denominated cash in banks and cash equivalents as at December 31, 2023 and 2022 and net foreign exchange gains/losses for the years ended December 31, 2023 and 2022 are disclosed in Note 2.

(b) Price risk

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

(c) Cash flow and fair value interest risk

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

24.1.2 Credit risk

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

(a) Cash and cash equivalents (Note 2)

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

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

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

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

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

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

Allowance for impairment

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables presented above. There were no trade and other receivables pledged as collaterals as at December 31, 2023 and 2022.

(c) Other financial assets at amortized cost

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

	Notes	2023	2022
Receivables from related parties	4	18,546,297,965	10,665,413,871
Advances to officers and employees	4	742,274	142,147
Interest receivable	4	8,602	235,294
Others	4	774,814	890,148
Refundable deposits	11	1,925,582	847,541
Total		18,549,749,237	10,667,529,001
Allowance for impairment of other receivables	4	-	(156,757)
		18,549,749,237	10,667,372,244

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

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

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

24.1.3 Liquidity risk

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

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

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

	2023	2022
Financial liabilities maturing within one year		
Accounts payable and other current liabilities	2,671,406,298	2,787,814,627
Bank loans, including future interest	10,115,000,000	6,940,000,000
Dividends payable	70,082,118	61,167,401
	12,856,488,416	9,788,982,028
Financial liabilities maturing beyond one year		
Deposits from tenants	1,269,161	1,269,161
	12,857,757,577	9,790,251,189

25 Summary of material accounting policies

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

25.1 Basis of preparation

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

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

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

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

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

Users of these separate financial statements should read them together with the Group's consolidated financial statements as at and for the years ended December 31, 2023 and 2022 in order to obtain full information on the financial position, results of operations and changes in financial position of the Company as a whole. The consolidated financial statements of the Group can be obtained from SEC or from the Parent's website: www.shangproperties.com.

Changes in accounting policies and disclosures

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

The Company has adopted certain amendments for the first-time effective January 1, 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) 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 Company. 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.

25.2 Financial assets

(i) Classification and measurement of debt instruments

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

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

There are no financial assets measured at fair value (either through profit or loss or other comprehensive income) as at December 31, 2023 and 2022.

Classification and measurement of financial assets

At initial recognition, the Company measures the above-mentioned financial assets at fair value plus transaction costs, if any. Subsequently, these financial assets are held at amortized cost (see description above) based on the Company's business model (e.g. hold-to collect) and cash flow characteristics of these assets (solely payment of principal and interest).

(ii) Classification and measurement of equity instruments

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

At December 31, 2023 and 2022, the Company's financial assets measured at FVOCI represent unquoted shares of stock of related parties and quoted investments in various golf club shares and stocks. These are classified in the separate statement of financial position (Note 9).

(iii) Impairment of financial assets held at amortized cost

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

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

The expected loss rates are based on the payment profiles of counterparties over a period of 36 months before January 1, 2018 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has assessed that the impact of forward-looking information on the loss rates applied is immaterial.

Impairment losses on receivables are presented in other general and administrative expense in the separate statement of comprehensive income. Subsequent recoveries are credited to miscellaneous income.

25.3 Investments and advances

(a) Subsidiaries

Investment in a subsidiary in the separate financial statements are accounted for using the cost method in accordance with PAS 27 (Amended), *Separate Financial Statements*.

(b) Associates

Investment in associate is initially recognized at cost. It is subsequently carried in the separate financial statements at cost, less allowance for impairment losses.

(c) Joint ventures

Under PFRS 11, *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Company has an investment in joint ventures as at reporting date (Note 7).

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

(d) Deposits for future share subscriptions

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

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

25.4 Investment properties

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

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

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

25.5 Depreciation of property and equipment

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.

25.6 Impairment of non-financial assets

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

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

25.7 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 Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

25.8 Provisions

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

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

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

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

25.9 Employee benefits

(a) Retirement benefits

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

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

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

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

(b) Termination benefits

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

(c) Short-term employee benefits

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

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

25.10 Revenue from sale of condominium units

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

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

25.11 Leases

(a) Company is the lessor

Rental income from operating lease is recognized on a straight-line basis over the term of the relevant lease or based on a certain percentage of gross revenue of the lessees, whichever is applicable. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

(b) Company is the lessee

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

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

25.12 Contingencies

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

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

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

(a) Output value-added tax (VAT)

The Company is a VAT-registered company with VAT output declaration of P30,679,163 for the year based on the Vatable sales amounting to P255,659,695.

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

(b) Input VAT

Movements in input VAT for the year ended December 31, 2023 follow:

Beginning balance	16,175,346
Current year's purchases:	
Purchases other than capital goods	15,511,362
Input tax applied against output tax	23,272,617
Total input VAT	8,414,090

(c) Documentary stamp tax

Documentary stamp taxes paid for the year ended December 31, 2023 amounted to P770,190 which mainly pertain to taxes on dividends and cash advances.

(d) All other local and national taxes

All other local and national taxes accrued and paid for the year ended December 31, 2023 consist of:

	Amount
Real property tax (included in Costs of sales and services)	21,190,259
Deficiency taxes	-
Documentary stamp tax	770,190
Business taxes	1,475,834
Permits	-
Community tax	10,500
BIR registration	500
Others	6,005,934
Subtotal (included in Taxes and licenses)	8,262,958
	29,453,217

The local and national taxes, excluding real property tax, are presented as part of taxes and licenses in the statement of comprehensive income.

(e) Withholding taxes

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

	Paid	Accrued	Total
Creditable withholding tax	13,950,769	-	13,950,769
Withholding tax on compensation	95,060,865	12,170,859	107,231,724
Expanded withholding tax	15,692,421	1,716,571	17,408,992
Final withholding taxes	74,931,240	-	74,931,240
Fringe benefit tax	6,164,864	2,384,937	8,549,801

(f) Tax assessments and cases

There are no outstanding tax assessments and cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR as at December 31, 2023.