COVER SHEET

0 0 0 0 0 0 1 4 5 4 9 0

SEC Registration Number

SHANG PROPERTIES, INC.

(Company's Full Name)

ADMINISTRATION OFFICE SHANGRI-LA PLAZA MALL, EDSA COR. SHAW BLVD. MANDALUYONG CITY

(Business Address: No. Street City/Town/Province)

ATTY. FEDERICO G. NOEL, JR.	**(02)8370-2700**
(Contract Person)	(Company Telephone Number)

1 2 / 3 1	2 0 - D I S	
Month *Day*	(Form Type)	*Month* *Day*
(Fiscal Year)		(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

7		
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

NOTICE OF ANNUAL STOCKHOLDERS' MEETING
OF
SHANG PROPERTIES, INC.

To be held on 18 June 2024 at 10:00 A.M.

To All Stockholders:

Please be advised that the Annual Meeting of the Stockholders of **SHANG PROPERTIES, INC.** (the **"Corporation"**) will be held on 18 June 2024 at 10:00 A.M. at EDSA Shangri-La Manila, No. 1 Garden Way, Ortigas Center, Mandaluyong City_

The Board of Directors has fixed the close of business hours on **19 May 2024** as the record date for the determination of the stockholders in good standing entitled to notice of and to vote at such meeting.

Minutes of the Stockholders' Meetings and SEC Form 17-A (Annual Report) for the year ended 31 December 2023 as well as the resolutions of the Board of Directors, will be available for examination during office hours at the office of the Corporate Secretary and at the Corporation's website at http://www.shangproperties.com and at the PSE Edge.

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

Mandaluyong City, Metro Manila, 2nd day of May 2024.

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

FEDERICO G. NOEL, JR.
Corporate Secretary

AGENDA ITEMS

1) Call to Order

2) Certification of Notice and Quorum

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

3) Approval of the Minutes of the Annual Meeting held on 29 June 2023.

The Stockholders will be asked to approve the Minutes of the Annual Meeting of Stockholders held on 28 June 2023.

4) Report of Management

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

5) Ratification of Acts of Management and the Board of Directors for the year 2024-2025.

The Chairman will submit for the consideration and ratification of stockholders all acts and/or resolutions of the Board of Directors and Management of the Corporation for the last Annual Shareholders' meeting up to the present stockholders' meeting.

6) Election of the Board of Directors for the year 2024-2025.

Pursuant to the Amended By-Laws of the Corporation, the stockholders present representing at least a majority of the outstanding capital stock of the Corporation entitled to vote, shall elect the Independent Directors and Regular Directors of the Corporation's Board of Directors to serve for the fiscal year 2024-2025 and until their successors are qualified and elected.

The following are the qualified nominees to the Board of Directors for the year 2024-2025:

Edward Kuok Khoon Loong
Mauren Alexandra R. Padilla
Benjamin Ivan S. Ramos
Antonio O. Cojuangco
Cynthia R. Del Castillo
Maximo G. Licauco III
Wolfgang Krueger
Dennis Au Hing Lun
Karlo Marco P. Estavillo
Maria Rochelle S. Diaz

7) Election of External Auditors

The Stockholders shall vote upon the appointment of the Company's External Auditors for the fiscal year 2024-2025.

8) Other Matters

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

9) Adjournment

8 May 2024

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

Thru: Corporate Finance Department

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

Gentlemen:

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

Thank you.

Very truly yours,
SHANG PROPERTIES, INC.
By:

FEDERICO G. NOEL, JR.
Corporate Secretary

COVER SHEET

1 4 5 4 9 0

SEC Registration Number

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

(Company's Full Name)

5 T H   L E V E L   S H A N G R I - L A   P L A Z A   M A L L

E D S A   C O R N E R   S H A W   B O U L E V A R D

M A N D A L U Y O N G   C I T Y

(Business Address: No. Street City/Town/Province)

ATTY. FEDERICO G. NOEL, JR.	8370-2700
(Contract Person)	(Company Telephone Number)

1 2	3 1	2 0 - I S		
Month	*Day*	(Form Type)	*Month*	*Day*
(Fiscal Year)			(Annual Meeting)	

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [✓] Preliminary Information Statement   [ ] Definitive Information Statement

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

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

4. SEC Identification Number: 145490

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

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

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

8. The annual meeting of Registrant's stockholders will be held on **18 JUNE 2024 at 10:00 A.M. at Edsa Shangri-La Manila, No. 1 Garden Way, Ortigas Center, Mandaluyong City.**
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **27 MAY 2024**, which is fifteen (15) business days prior to the date of the Annual Stockholders' Meeting on **18 JUNE 2023**.

10. No proxy solicitations will be made by Registrant.

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

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

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

    Yes ✓ No ____

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

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

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

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

The annual meeting of Registrant's stockholders will be held on **18 JUNE 2024 at 10:00 A.M. at Edsa Shangri-La Manila, No. 1 Garden Way, Ortigas Center, Mandaluyong City.**

The approximate date on which the Information Statement is first to be sent and will be accessible at the Issuer's website at www.shangproperties.com , or be given to security holders, starting on **27 MAY 2024, which is fifteen (15) business days prior to the date of the Annual Stockholders' Meeting on 18 JUNE 2024.**

Registrant's complete mailing address is as follows: **SHANG PROPERTIES, INC.**, Level 5, Administration Office, Shangri-La Plaza Mall, EDSA cor. Shaw Boulevard, Mandaluyong City 1550.

Item 2. Dissenters' Right of Appraisal

Any stockholder of the Issuer must have voted against any proposed corporate action to avail himself of the appraisal right and demand payment of the fair value of his shares as provided in the Revised Corporation Code of the Philippines. None of the stockholders on record voted against any proposed corporate action, thus, there is no matter scheduled to be taken up during the Annual Stockholder's Meeting which would give rise to the exercise of a stockholder's right of appraisal.

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

If, within sixty (60) days from the approval of the Registrant's action by the stockholders, the withdrawing stockholder and the Registrant cannot agree on the far value of the shares, it shall be determined and appraised and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the Registrant, and the third by the two (2) thus chosen. The findings of the majority appraisers shall be final, and their award shall be paid by the Registrant within (30) days after such award is made: Provided, That no payment shall be made to any dissenting stockholder unless the Registrant has unrestricted retained earnings in its books to cover such payment: Provided, further, That upon payment by the Registrant of the agreed or awarded price, the stockholder shall forthwith transfer the shares to the Registrant. [1]

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

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

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

[1] Sec. 81 of the Revised Corporation Code

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) Number of Shares Outstanding as of 30 APRIL 2024.

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

The Top 20 stockholders of the Issuer as of 31 MARCH 2024 [2]are:

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

(b) <u>The record date for the Registrant's Annual Stockholders' Meeting is 19 MAY 2024.</u>

(c) Manner of Voting

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

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

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

As of **30 APRIL 2024**, the total number of shareholders of Issuer's common shares is **5,123**[3].

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

Following are the stockholders who are known to the Issuer to be directly or indirectly the record and/or beneficial owner of more than 5% of any class of the Issuer's voting shares as of **30 APRIL 2024**[4].

Title of Class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	Travel Aim Investment B.V. 25/F Kerry Centre 683 King's Road Quarry Bay, HK	Kerry Properties Limited[5]	Foreign	1,648,869,372	34.61%
Common	Ideal Sites & Properties, Inc.	Ideal Sites & Properties, Inc.[6]	Filipino	1,465,144,627	30.75%
Common	PCD Nominee Corporation	PCD participants[7]	Filipino	1,012,913,413	21.26%

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

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

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

Security Ownership of Management (as of 31 MARCH 2024)[8]

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

[3] SPI Board Lot Report as of 30 April 2024
[4] SPI Public Ownership as of 31 March 2024
[5] Travel Aim Investments B. V. is a wholly-owned subsidiary of Kerry Properties Limited.
[6] Ideal Sites and Properties, Inc. (Ideal) is the owner of record of 1,465,144,626 shares. These shares serve as underlying securities to the Philippine Deposit Receipts (PDRs) issued by Ideal. Ideal is a member of the Kuok Group of Companies.
[7] The PCD Nominee Corporation is the registered owner of the shares in the books of the Company's transfer agent in the Philippines.
[8] SPI Public Ownership as of 30 April 2024

Common	Karlo Marco P. Estavillo	5,000 (Direct)	Filipino	0.00%
Common	Dennis Au Hing Lun	1 (Direct)	Chinese	0.00%
Common	Wolfgang Krueger	1,440,000 (Direct)	Deutsch	0.00%
Common	Federico G. Noel	1 (Direct)	Filipino	0.00%

As of the reporting of **SEC Form 20-IS for 2024**, the aggregate ownership of all directors and officers as a group unnamed is **5,280,978** shares or **0.1%** of the outstanding shares of Issuer.

VOTING TRUST / HOLDERS OF 5% OR MORE

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

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

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

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

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

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

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

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

Issuer's subsidiary Shang Properties Realty Corporation and SLPC have in turn entered into an agreement whereby SLPC shall lease said mall facility from Issuer of a period of five (5) years commencing on September

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

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

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

<u>Business of Issuer</u>

(A) Description of Issuer

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Shang Robinsons Properties, Inc. is a joint venture with Robinsons Land Corporation for the development of a condominium projects known as the Aurelia, located in Bonifacio Global City, Taguig City and <u>Haraya at Bridgetowne, Pasig City</u>

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

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

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

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

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

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

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

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

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

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

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

a. With Shangri-La Plaza Corporation (SLPC)

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

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

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

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

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

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

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

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

With Issuer's affiliates:

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

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

b. With other affiliates:

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

Between Issuer's Affiliates:

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

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

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

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

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

FOREIGN OWNERSHIP LEVEL AS OF 30 APRIL 2024[9]:

Security	Total Outstanding Shares	Shares Owned By Foreigners	Percent of Ownership
Common Shares	4,764,056,287	1,882,957,487	39.52%

[9] SPI's Report on Foreign Ownership as of 30 April 2024

Item 5. Directors and Executive Officers

CHANGES IN CONTROL

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

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

Name	Citizenship	Director/ No. of Years	Age	Office Held	Directorship in other reporting (Listed) Companies
Edward Kuok Khoon Loong[10]	Malaysian	Yes /32 yrs.	71	Chairman	None
Maximo G. Licauco III[11]	Filipino	Yes/10 yrs. & 5 mos.	73	Vice Chairman	None
Maureen Alexandra Ramos-Padilla[12]	Filipino	Yes/1 yr. & 5 mos.	51		None
Cynthia R. Del Castillo[13]	Filipino	Yes /22 yrs. & 10 mos.	71		Sanitary Wares & Mfg. Corp.
Benjamin Ivan S. Ramos[14]	Filipino	Yes /13 yrs. & 8 mos.	55		None
Dennis Au Hing Lun[15]	Malaysian	Yes/ 1 yr. & 1 mo.	66		None
Antonio O. Cojuangco[16]	Filipino	Yes /13 yrs. & 8 mos.	72		None
Karlo Marco P. Estavillo[17]	Filipino	Yes/7 yrs. & 7 mos.	52	Chief Operating Officer	None
Wolfgang Krueger[18]	Deutsch	Yes/3 yrs. & 4 mos.	59	Executive Vice President	None
Rajeev Garg	Indian	(No)	49	VP Finance	None
Federico G. Noel, Jr.	Filipino	(No)	62	Corporate Secretary	None
Mabel P. Tacorda	Filipino	(No)	51	Chief Financial Officer	None

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

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

Au Hing Lun, Dennis has been the Deputy Chief Executive Officer and an Executive Director of Kerry Properties Limited ("KPL") since May 2022. He is also a member of the KPL's Executive Committee and Finance Committee.

[10] Regular Director
[11] Independent Director
[12] She was elected as Regular Director to replace Mr. Alfredo Ramos who ceased to hold his office/ position by reason of his passing last 26 November 2022.
[13] Regular Director
[14] Independent Director
[15] Regular Director
[16] Independent Director
[17] Regular Director
[18] Regular Director

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) Significant Employees

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

(3) Family Relationships

Mr. Benjamin Ramos is the nephew of Mr. Alfredo Ramos. Mr. Maximo G. Licauco III is the brother-in-law of Mr. Alfredo Ramos. <u>Ms. Maureen Alexandra R. Padilla is the daughter of Mr. Alfredo Ramos who is the former Chairman of the issuer and first cousin of Mr. Benjamin Ramos.</u>

Other than those mentioned, there are no other family relationships up to the fourth civil degrees either by consanguinity or affinity among the Directors, Executive Officers or persons nominated.

(4) Involvement in Certain Legal Proceedings

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

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

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

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

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

<u>Nomination of Regular (Non-independent) and Independent Directors</u>

Pursuant to the SEC approved Amended by-Laws of the Registrant wherein new provisions on the nomination and election of the regular and independent members of the Board of Directors were added in compliance with the SRC and SEC Rules and Regulations, the Registrant duly published in a newspaper of general circulation the Notice to Stockholders calling for nominations for regular and independent members of the Registrant's Board of Directors who shall be elected during the Annual Stockholders Meeting on _18 June 2024 (published on 11 April 2024 in The Manila Times)._ _Pursuant to the nominations received by the Corporate Secretary of the Issuer, the following names have been forwarded to the Corporate Governance Committee / Nomination Committee for nomination to the Board of Directors during the Annual Stockholders Meeting:_

Edward Kuok Khoon Loong
Maureen Alexandra Ramos-Padilla
Cynthia R. Del Castillo
Karlo Marco P. Estavillo
Antonio O. Cojuangco
Maximo G. Licauco III
Dennis Au Hing Lun
Wolfgang Krueger
Benjamin Ivan S. Ramos
Maria Rochelle S. Diaz

Messrs. Maximo G. Licauco III, Benjamin C. Ramos, and Antonio O. Cojuangco nominated themselves to be voted upon as independent members of the Board during the Annual Stockholders' Meeting on **18 June 2024.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Involvement in Certain Legal Proceedings

There are no material pending legal proceedings of the Issuer or any of its subsidiaries or affiliates is a party as of date. The cases it has been reporting in the past years have been resolved by the Supreme Court with finality in Issuer's favor.

Information on Cases, Judgments, Decrees, etc., Against Registrant's Directors and Executive Officers or any of its Subsidiaries

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

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

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

Parents of Registrant

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

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

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

Resignation of Director Since the Last Annual Shareholders' Meeting

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

Proxy Solicitations

No proxy solicitations will be made by the Registrant.

Item 6. Compensation of Directors and Executive Officers

The following is a summary of the aggregate compensation paid or accrued during the last two (2) fiscal years, i.e. **2022 and 2023 and to be paid in the ensuing fiscal year 2024** to the Company's Chief Executive Officer and four (4) other most highly compensated executive officers who are individually named, and to all other officers and directors of the Company as a group:

OFFICERS/DIRECTOR	FISCAL YEAR	AGGREGATE COMPENSATION (in ₱)		
		Basic	**Bonus**	**Total**
	2024	**113,517,576.08**	**13,424,236.92**	**126,941,813.00**
Wolfgang Krueger				
Andrew de Audsten				
Maria Rochelle S. Diaz				
Rajeev Garg				
Federico G. Noel, Jr.				
Karlo Marco P. Estavillo				
Mabel P. Tacorda				
	2023	**89,164,054.20**	**14,647,893.79**	**103,811,947.99**
Wolfgang Krueger				
Jose Juan Z. Jugo				
Rajeev Garg				
Federico G. Noel Jr.				
Karlo Marco P. Estavillo				
Mabel P. Tacorda				
	2022	**65,400,783.50**	**11,336,978.13**	**76,737,761.63**
Wolfgang Krueger				
Jose Juan Z. Jugo				
Rajeev Garg				
Federico G. Noel, Jr.				
Karlo Marco P. Estavillo				

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

(2) Description of Any Standard Arrangement

Section 13 of the Issuer's By-Laws provides that the By-Laws officers shall receive such remuneration as the Board of Directors may determine. All other officers shall receive such remuneration as the Board of Directors may determine upon recommendation of the President. A director shall not be precluded from serving the Corporation in any other capacity as an officer, agent, or otherwise and receiving compensation therefor.

(3) Description of Material Terms of Any Other Arrangement

There has been no other arrangement regarding the remuneration of the Issuer's officers and directors.

(4) Description of the Terms and Conditions of each of the following:

a) Employment Contract between the Registrant and Named Executive Officers

Letters of appointment were issued to the officers of the Issuer stating their respective job description.

b) Compensatory Plan or Arrangement
The Issuer has no other existing compensatory plan other than the one mentioned in the By-Laws.

c) Information on all outstanding Warrants or Options held by Directors, Officers (in tabular form)
None of the Directors/ Officers held an outstanding warrants or options.

(5) If Price or Stock Warrants or Options are Adjusted or Amended

There has been no Stock Warrants or Options available for the Issuer's Officers.

Item 7. Independent Public Accountants

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

The Registrant is compliant with the SRC rule 68, as amended, par 3(b)(iv), and has observed the rotation of signing partners for its Independent Public Accountants, Isla Lipana & Co. (Price WaterHouse Coopers Philippines). With respect to Isla Lipana & Co., the signing partner starting FY 2021 is Zaldy Aguirre. Isla Lipana & Co. is a SEC-accredited external auditing firm, is valid to audit 2020 to 2024 financial statements and will be recommended for re-appointment as External Auditor for the year 2024-2025 during the Annual Stockholders' Meeting on 18 June 2024.

AUDIT COMMITTEE

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

(B) Information of Independent Accountant and other related matters

a. External Audit Fees and Services

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

	2022	2023
Audit Fees	3,964,000	4,039,000
Tax Consultancy Fees	-	-
	3,964,000	**4,039,000**

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

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

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

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

Not Applicable.

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

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

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

Not Applicable

Item 8. Compensation Plans

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

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

The merger of Registrant and Kuok Philippine Properties, Inc. ("KPPI"), with the Registrant as the surviving entity, and KPPI as the absorbed entity, was duly approved by the SEC on 25 July 2007. Pursuant to the Plan of Merger of Registrant and KPPI, as approved by the Board of Directors of Registrant, all KPPI shareholders as of the date of approval by the Securities and Exchange Commission of the Merger ("Record Date"), were entitled to exchange every seven (7) of their KPPI shares with one (1) share of the Registrant. Fractional shares (shares less than 7) held by the qualified KPPI shareholders were paid by the Registrant in cash. The shares of the Registrant which was issued to the KPPI shareholders was taken from out of an increase in the Authorized Capital Stock of the Registrant from ₱6,000,000,000 (representing 6,000,000,000 common shares at ₱1.00 par value per share) to ₱8,000,000,000 (representing 8,000,000,000 common shares at ₱1.00 par value per share), which increase in the Authorized Capital Stock has been duly approved by the SEC. All shares issued to KPPI shareholders have been duly listed with the Philippine Stock Exchange.

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

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

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

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

No dividends in arrears or defaults in principal interest

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

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

Cash Dividends

2023

- During the regular meeting of the Issuer's Board held on 17 August 2023, the Board approved the declaration of P0.1344 per share cash dividend to all shareholders of record as of 08 September 2023, to be taken from the unrestricted retained earnings as reflected in the financial statements of the Issuer as of 30 June 2023, to be paid on or before 22 September 2023.

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

2022

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

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

Item 10. Modifcation/ Exchange of Securities

There has no outstanding securities to be modified and no securities to be issued in exchange for outstanding securities.

The Issuer has no plans of applying for registration of new or reclassified securities in the Philippine Stock Exchange and/ or in any other exchange.

Item 11. Financial and Other Information

The Management's Discussion, Analysis, Market Price of Shares and Dividends, and the Audited Financial Statements as of 31 December 2023 are all attached herein for reference.

Item 12. Merger, Consolidation, Acquisition & Similar Matters

A. There is no proposed merger, consolidation, acquisition, sale or transfer of all or any substantial part of the Issuer's assets and/ or liquidation or dissolution of the Registrant and similar matters that are included in the agenda of the meeting.

B. Not applicable as there is no proposed sale/ merger and/ or transaction entered into by the Registrant.

C. Not applicable.

Item 13. Acquisition or Disposition of Property

There is no act of acquisition or disposition of property by the Issuer.

Item 14. Restatement of Accounts

None

Item 15. Action with respect to Reports

The agenda during the annual stockholders' meeting, the shareholders shall be requested to:

(i) approve the minutes of the Annual Stockholders' Meeting held on **28 JUNE 2023** which minutes reflect the following: call to order, proof of notice of meeting, certification of quorum, approval of minutes of the previous annual stockholders' meeting, approval of the Management's report of operations for **2023**, ratification of the acts of the Board of Directors, election of directors, appointment of the firm of Isla Lipana & Co. (Price WaterHouse Coopers Philippines) as the Registrant's External Auditors, and adjournment.

(ii) ratify the acts of Management and the Board of Directors since the Annual Stockholders' Meeting held **28 JUNE 2023** up to the date of this year's Annual Stockholders' Meeting. The items covered with respect to this general ratification are the acts of Board of Directors in the ordinary course of business, with those acts of significance having been subject of prior disclosures to the SEC.

(iii) approve and ratify the Registrant's Audited Financial Statements as of **31 December 2023,** elect the Board of Directors for the year **2024-2025**, elect the Registrant's external auditors.

(iv) approve the appointment of the Issuer's External Auditors Isla Lipana & Co. (Price WaterHouse Coopers Philippines) for the fiscal year **2024-2025**.

The Minutes of the 2023 Stockholders' Meeting is uploaded on the Registrant's website five (5) days from the date of the Meeting and may be viewed at www.shangproperties.com.

The Minutes contain the following information:

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

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

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

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

Other than the above, no other action shall be taken during the annual stockholders' meeting.

Item 16. Matters Not Required to be Submitted

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

Item 17. Amendment of Charter, By-Laws or Other Documents

No recent amendment of Charter, By-Laws, or other documents.

Item 18. Other Proposed Action

None

Item 19. Voting Procedures

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

Item 20. Participation of Shareholders by Remote Communication

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

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

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

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

Item 21. Acceptance of Stockholder Proposals on Agenda Item

Stockholders of record as of **19 May 2024** owning at least 5% of the total outstanding capital stock of the Corporation may submit proposals on items for inclusion in the Agenda on or before **19 May 2024**.

CORPORATE GOVERNANCE MANUAL

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

- Compliance System
- Duties and responsibilities of Compliance Officer
- Plan for Compliance including the general responsibilities and qualifications of:
  - Board of Directors
  - Board Committees
  - Corporate Secretary
  - External Auditor
  - Internal Auditor

- Communication Process
- Training Process
- Reportorial/Disclosure System
- Monitoring Assessment

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

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

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

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

Internal Control

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

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

Audit Committee

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

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

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

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

Nomination of Independent Director/s

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

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

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

In compliance with PSE Memorandum No. 2010-0505 which requires the disclosure of the level of public ownership of the Issuer, as of 31 MARCH 2024, is 34.52%[19] of the Issuer's total issued and outstanding shares is publicly owned in accordance with the PSE's guidelines for the computation of public ownership.

MARKET INFORMATION AND DIVIDENDS

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

Year	High	Low
2023		
First Quarter	**₱2.75**	**₱2.50**
Second Quarter	**₱3.00**	**₱2.55**
Third Quarter	**₱3.65**	**₱3.00**
Fourth Quarter	**₱3.79**	**₱3.47**
2022		
First Quarter	**₱2.62**	**₱2.50**
Second Quarter	**₱2.61**	**₱2.45**
Third Quarter	**₱2.62**	**₱2.45**
Fourth Quarter	**₱2.60**	**₱2.41**

The high and low of Issuer's shares for the period **01 January 2024 to 31 March 2024** are as follows:

High: **₱4.00**
Low: **₱3.62**

The closing price for the Issuer's shares on **30 April 2024** is **₱3.68**[20]

The high and low of Issuer's shares for **30 April 2024** are as follows:

High: **₱3.71**
Low: **₱3.68**

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

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

STOCK DIVIDENDS

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

[19] SPI Public Ownership Report as of 31 March 2024 Source: https://www.shangproperties.com/
[20] https://www.pse.com.ph/company-information-SHNG/

RECENT SALE OF SECURITIES

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

CORPORATE GOVERNANCE

(a) The Board establishes an effective performance management framework through annual performance evaluation of the Registrant using set standards for evaluation.
The Company's President, senior officers, and employees are subjected to a yearly performance evaluation through the Company's Performance Evaluation Development System (PEDS). With the PEDS, specific objective are set (i.e., output/deliverables to be accomplished are determined; the standards to measure the attainment of end results is established; specific actions to accomplish the end results are identified. He is rated by the Board of Directors on the basis of each of the specific functions and responsibilities of his office as indicated in a formal evaluation form). The CEO's/President's performance for the year is then appraised and assessed against these performance measures and targets.

(b) Aside from other policies of the Registrant, the Registrant's Manual on Corporate Governance also provides measures to fully comply with the adopted leading practices on good governance.
The Issuer recognizes that a key part of governance is its open and effective engagement with its shareholders and stakeholders, so that measures are in place to assure open channels of communications. Thus, shareholders can raise comments on the performance and future directions of the Company during the annual stockholders meetings; annual results are distributed to the stockholders and disclosed to the public; the Company's website features various information and announcements about the Company and its operations, directions, disclosures, and financial strength, as well as encourages feedback from shareholders and the public alike. For significant announcements of the Company, after proper disclosures would have been made to the regulators (SEC and PSE), briefings or press releases are distributed to the media in order to reach a wider audience. Significant announcements of the Company are passed upon the Executive Committee and by the Board of Directors. Internally, the Company ensures that the relevant responsibility centers in respect of investor relations are abreast of their respective mandates.

(c) There were no deviations by the Registrant from its Manual on Corporate Governance and full compliance therewith has been made since the adoption of the Manual.

(d) The Registrant's internal control system is reviewed on an annual basis based on the Company's annual audit plan to enhance and ensure that principles and practices are in accordance with the Manual on Corporate Governance.

PART II.

INFORMATION REQUIRED IN A PROXY FORM

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

UNDERTAKING

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

PART III.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Mandaluyong this **8th day of MAY 2024.**

SHANG PROPERTIES, INC.

By:

FEDERICO G. NOEL JR.
Corporate Secretary

MANAGEMENT REPORT

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

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

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

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

(2) Management's Discussion and Analysis

(a) Full Fiscal Years

Key Performance Indicators

		31-Dec		**%**
		2023	2022	Change
Turnover	(Php M)	9,817	7,861	24.88%
Profit Attributable to shareholders	(Php M)	5,518	3,635	51.84%
Earnings per share	(Php Ctv)	1.159	0.763	51.84%
Net Asset Value per share	(Php)	9.307	8.434	10.35%
Price Earnings Ratio	(Times)	3.167	3.341	-5.21%

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

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

- Turnover consists of revenue from condominium sales, rental and cinema, and hotel operations. Shang Properties' gross revenue increased by ₱1.956B to ₱9.817B in 2023 from ₱7.861B in 2022. Sales of residential condominium units of ₱3.073B accounted for 31% of the Group's turnover in 2023. Revenue from rental and cinema operations amounted to ₱2.54B, higher by ₱375.4M from last year's ₱2.165B. Hotel operations of Shangri-La at the Fort contributed revenue amounting to P4.203B or 43% of turnover in 2023, higher by ₱1.358B from last year's ₱2.845B.

- Profit attributable to shareholders pertains to net income from operations of the Group, net of minority shareholders' share. It increased by ₱1.884B or 51.84% compared with last year.

- Earnings per share of ₱1.159 were higher by 51.84% from last year's ₱0.763.

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

- Net asset value per share increased by 10.35% mainly due to increase in Investment in Associates for because of the SPI's share in net income of the associate company and additional Investment Properties due to land acquisition and ongoing property development.

- Price Earnings ratio is a valuation of the company's current share price compared to earnings per share and calculated by dividing the market value per share by the earnings per share. Price earnings ratio is lower by 5.21% at 3.167 times this year from 3.341 times last year. The Group' year-end share price in 2023 is ₱3.67 from ₱2.55 in 2022.

Results of Operations

Calendar Year 2023 Compared to Calendar Year 2022

	For the Period Ended December 31		Horizontal Analysis		Vertical Analysis	
In Php Millions	2023	2022	Increase (Decrease)		2023	2022
REVENUES						
Condominium sales	3,073	2,851	222	8%	48%	60%
Rental and cinema	2,540	2,165	375	17%	40%	46%
Hotel operations	4,203	2,845	1,358	48%	66%	60%
	9,817	7,861	1,956	25%	155%	166%
COST OF SALES AND SERVICES						
Condominium sales	1,233	1,227	7	1%	19%	26%
Rental and cinema	71	174	(103)	-59%	1%	4%
Hotel operations	2,162	1,729	433	25%	34%	37%
	3,467	3,130	337	11%	55%	66%
GROSS INCOME	6,350	4,731	1,619	34%	100%	100%
OPERATING EXPENSES						
General and administrative	1,845	1,514	331	22%	29%	32%
Taxes, licenses and fees	193	167	26	16%	3%	4%
Depreciation	34	32	2	6%	1%	1%
Insurance	38	14	25	181%	1%	0%
	2,111	1,726	385	22%	33%	36%
OTHER INCOME						
Finance income, net	73	124	(51)	-41%	1%	3%
Foreign exchange gains-net	(10)	15	(25)	-170%	0%	0%
Other income - net	388	101	287	285%	6%	2%
	450	239	212	89%	7%	5%
INCOME BEFORE SHARE IN PROFIT (LOSS) OF ASSOCIATED COMPANIES	4,690	3,244	1,446	101%	74%	69%
SHARE IN NET INCOME OF ASSOCIATES AND A JOINT VENTURE	2,461	1,422	1,039	100%	39%	30%
INCOME BEFORE INCOME TAX	7,151	4,666	2,485	53%	113%	99%
Provision for income tax	(1,049)	(677)	(372)	55%	-17%	-14%
NET INCOME	6,102	3,988	2,113	53%	96%	84%
Net Income Attributable to:						
Equity holders of the Parent Company	5,518	3,634	1,884	52%	87%	77%
Non-controlling interests	583	354	229	65%	9%	7%
	6,102	3,988	2,113	53%	96%	84%
BASIC AND DILUTED EARNINGS PER SHARE	**1.159**	**0.763**	**0.40**	**52%**		

Shang Properties' consolidated net income attributable to shareholders for the year ended December 31, 2023 amounted to ₱5.518B, P1.88B higher than the ₱3.634B posted in the same period last year.

Increase in Turnover by ₱1.956B or 24.88% to ₱9.817B in 2023 from ₱7.861B in 2022, mainly due to higher revenue from condominium sales, rental and cinema and hotel operations of Shangri-La at the Fort.

1. Increase in condominium sales by ₱222.4M is mainly due to increase in the number of units sold across all projects of the Group, including Laya project which was launched this year.

2. Increase in revenue from rental and cinema by ₱375.8M mainly due to higher occupancy rate of both office leasing at The Enterprise Center and mall operations of Shangri-La Plaza.

3. Increase in revenue from hotel operations by ₱1.358B is mainly due to higher occupancy of the Shangri-La at the Fort Hotel and strong performance of its food and beverage segments.

Cost of sales and services of the Group amounted to ₱3.467B, higher by ₱336.7M compared with last year's ₱3.13B due to the net effect of the following:

1. Increase in cost of condominium sales by ₱6.9M mainly due to higher sales across all projects.

2. Increase in cost of hotel services by ₱432.78M due to higher occupancy compared to same period last year.

3. The increases in condominium sales and cost of hotel services are partially offset by decrease in cost of rental and cinema by ₱103.1M mainly due to higher recovery of common expenses of Group's Mall operations.

Operating expenses of the Group amounted to ₱2.111B higher by ₱384.5M or 22.28% from last year's ₱1.726 mainly due to the net effect of the following:

1. Higher staff cost by ₱31.6M due to annual salary adjustments and increase in number of employees of the Group.

2. Increase in taxes and licenses by ₱26.4M mainly due to higher annual business permits and Real Property Tax paid by the Group.

3. Decrease in depreciation and amortization by ₱1.97M due to additional office improvements made and other equipment for the year.

4. Increase in insurance expense by ₱24.765M mainly due to Terrorism and Sabotage insurance acquired by TRDCI for Assembly Ground and higher premiums of insurance due to market conditions.

5. Increase in other general and administrative expenses by ₱299.8M mainly due to Advertising and Commission Expenses incurred due to the various ongoing projects and Hotel operations.

Other income increased by ₱154.25M mainly due to forfeited payments of cancelled units from The Rise and income from the sale of excess development rights in Shangri-La at the Fort.

Decrease in interest expense and bank charges by ₱57.33M mainly due to lower interest rate on bank loans of Shangri-La at the Fort and Shang Properties Inc and principal payments during the year.

Calendar Year 2022 Compared to Calendar Year 2021

In Php Millions	For the Period Ended December 31 2022	2021	Horizontal Analysis Increase (Decrease)		Vertical Analysis 2022	2021
REVENUES						
Condominium sales	2,851	1,951	900	46%	60%	97%
Rental and cinema	2,165	1,820	345	19%	46%	91%
Hotel operations	2,845	802	2,043	255%	60%	40%
	7,861	4,574	3,287	72%	166%	228%
COST OF SALES AND SERVICES						
Condominium sales	1,227	958	269	28%	26%	48%
Rental and cinema	174	81	93	114%	4%	4%
Hotel operations	1,729	1,526	204	13%	37%	76%
	3,130	2,565	565	22%	66%	128%
GROSS INCOME	4,731	2,009	2,722	135%	100%	100%
OPERATING EXPENSES						
General and administrative	1,514	1,121	393	35%	32%	56%
Taxes, licenses and fees	167	183	(16)	-9%	4%	9%
Depreciation	32	39	(7)	-18%	1%	2%
Insurance	14	8	5	61%	0%	0%
	1,726	1,351	375	28%	36%	67%
OTHER INCOME						
Finance income, net	124	75	49	66%	3%	4%
Foreign exchange gains-net	15	5	10	222%	0%	0%
Other income - net	101	181	(81)	-45%	2%	9%
	239	260	(22)	-8%	5%	13%
INCOME BEFORE SHARE IN PROFIT (LOSS) OF ASSOCIATED COMPANIES	3,244	918	2,326	99%	69%	46%
SHARE IN NET INCOME OF ASSOCIATES AND A JOINT VENTURE	1,422	405	1,017	100%	30%	20%
INCOME BEFORE INCOME TAX	4,666	1,323	3,343	253%	99%	66%
Provision for income tax	(677)	868	(1,545)	-178%	-14%	43%
NET INCOME	3,988	2,190	1,798	82%	84%	109%
Net Income Attributable to:						
Equity holders of the Parent Company	3,634	2,124	1,510	71%	77%	106%
Non-controlling interests	354	66	287	434%	7%	3%
	3,988	2,190	1,798	82%	84%	109%
BASIC AND DILUTED EARNINGS PER SHARE	**0.763**	**0.446**	**0.32**	**71%**		

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Calendar Year 2021 Compared to Calendar Year 2020

In Php Millions	For the Period Ended December 31 2021	2020	Horizontal Analysis Increase (Decrease)		Vertical Analysis 2021	2020
REVENUES						
Condominium sales	1,951	3,010	(1,059)	-35%	97%	116%
Rental and cinema	1,820	2,129	(309)	-14%	91%	82%
Hotel operations	802	1,082	(279)	-26%	40%	42%
	4,574	6,220	(1,647)	-26%	228%	241%
COST OF SALES AND SERVICES						
Condominium sales	958	1,685	(727)	-43%	48%	65%
Rental and cinema	81	100	(19)	-19%	4%	4%
Hotel operations	1,526	1,851	(326)	-18%	76%	72%
	2,565	3,637	(1,072)	-29%	128%	141%
GROSS INCOME	2,009	2,584	(575)	-22%	100%	100%
OPERATING EXPENSES						
General and administrative	1,121	1,270	(149)	-12%	56%	49%
Taxes, licenses and fees	183	183	(0)	0%	9%	7%
Depreciation	39	38	1	2%	2%	1%
Insurance	8	7	1	19%	0%	0%
	1,351	1,499	(147)	-10%	67%	58%
OTHER INCOME						
Finance income, net	75	243	(169)	-69%	4%	9%
Foreign exchange gains (losses) -net	5	(4)	8	-221%	0%	0%
Other income - net	181	316	(134)	-43%	9%	12%
	260	555	(295)	-53%	13%	21%
INCOME BEFORE SHARE IN PROFIT (LOSS) OF ASSOCIATED COMPANIES	918	1,640	(722)	-66%	46%	63%
SHARE IN NET INCOME OF ASSOCIATES AND A JOINT VENTURE	405	186	219	100%	20%	7%
INCOME BEFORE INCOME TAX	1,323	1,826	(503)	-28%	66%	71%
Income tax benefit (expense)	868	(404)	1,272	-315%	43%	-16%
NET INCOME	2,190	1,422	769	54%	109%	55%
Net Income Attributable to:						
Equity holders of the Parent Company	2,124	1,470	654	44%	106%	57%
Non-controlling interests	66	(48)	115	-237%	3%	-2%
	2,190	1,422	769	54%	109%	55%
BASIC AND DILUTED EARNINGS PER SHARE	**0.446**	**0.309**	**0.14**	**44%**		

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Condition

Calendar Year 2023 Compared to Calendar Year 2022

In Php Millions	As of December 31 2023	2022	Horizontal Analysis Increase (Decrease)		Vertical Analysis 2023	2022
ASSETS						
Current Assets						
Cash and cash equivalents	1,408	1,319	90	7%	2%	2%
Financial assets at fair value through profit or loss	35	31	4	13%	0%	0%
Receivables-net	6,839	5,554	1,285	23%	9%	8%
Properties held for sale	5,259	4,447	812	18%	7%	7%
Prepaid and other current assets	2,613	2,259	354	16%	4%	3%
Total Current Assets	16,155	13,610	2,545	19%	22%	20%
Non-Current Assets						
Investment in and advances to associates and a joint venture	8,219	5,748	2,471	43%	11%	8%
Investment properties	37,289	35,972	1,317	4%	50%	53%
Financial assets at fair value through other comprehensive income	829	812	17	2%	1%	1%
Property and equipment - net	10,246	10,574	(328)	-3%	14%	16%
Goodwill	270	270	-	0%	0%	0%
Deferred income tax assets	225	495	(270)	-55%	0%	1%
Other noncurrent assets	1,416	149	1,268	853%	2%	0%
Total Non-Current Assets	58,495	54,020	4,476	8%	78%	80%
Total Assets	**74,650**	**67,630**	**7,020**	**10%**	**100%**	**100%**
LIABILITIES & STOCKHOLDERS' EQUITY						
Current Liabilities						
Accounts payable and other current liabilities	5,322	5,059	264	5%	7%	7%
Current portion of:						
Bank loans	10,115	8,007	2,108	26%	14%	12%
Deposits from tenants	711	698	13	2%	1%	1%
Deferred lease income	12	2	10	460%	0%	0%
Income tax payable	44	42	3	6%	0%	0%
Dividends payable	70	61	9	14%	0%	0%
Total Current Liabilities	16,274	13,868	2,406	17%	22%	21%
Non-Current Liabilities						0%
Retirement benefit liability	127	84	43	51%	0%	0%
Bank loans- net of current portion	(0)	300	(300)	-100%	0%	0%
Deferred income tax liabilities, net	7,416	7,095	322	5%	10%	10%
Deposit from tenants, net of current portion	320	308	12	4%	0%	0%
Deferred lease income, net of current portion	25	40	(15)	-38%	0%	0%
Total Non-Current Liabilities	7,888	7,826	62	1%	11%	12%
Total Liabilities	24,162	21,694	2,468	11%	32%	32%
Stockholders' Equity						0%
Share capital	4,764	4,764	-	0%	6%	7%
Share premium	834	834	(0)	0%	1%	1%
Treasury shares	(7)	(7)	-	0%	0%	0%
Equity reserves	(141)	(141)	0	0%	0%	0%
Other comprehensive income	290	274	15	6%	0%	0%
Retained earnings	38,577	34,436	4,140	12%	52%	51%
Non-controlling interest	6,171	5,775	396	7%	8%	9%
Total equity	50,488	45,936	4,552	10%	68%	68%
Total Liabilities and Equity	**74,650**	**67,630**	**7,020**	**10%**	**100%**	**100%**

Shang Properties' consolidated net income attributable to shareholders for the year ended December 31, 2023 amounted to ₱5.518B, P1.88B higher than the ₱3.634B posted in the same period last year.

1. Increase in Turnover by ₱1.956B or 24.88% to ₱9.817B in 2023 from ₱7.861B in 2022, mainly due to higher revenue from condominium sales, rental and cinema and hotel operations of Shangri-La at the Fort.

2. Increase in condominium sales by ₱222.4M is mainly due to increase in the number of units sold across all projects of the Group, including Laya project which was launched this year.

3. Increase in revenue from rental and cinema by ₱375.8M mainly due to higher occupancy rate of both office leasing at The Enterprise Center and mall operations of Shangri-La Plaza.

4. Increase in revenue from hotel operations by ₱1.358B is mainly due to higher occupancy of the Shangri-La at the Fort Hotel and strong performance of its food and beverage segments.

Cost of sales and services of the Group amounted to ₱3.467B, higher by ₱336.7M compared with last year's ₱3.13B due to the net effect of the following:

1. Increase in cost of condominium sales by ₱6.9M mainly due to higher sales across all projects.

2. Increase in cost of hotel services by ₱432.78M due to higher occupancy compared to same period last year.

3. The increases in condominium sales and cost of hotel services are partially offset by decrease in cost of rental and cinema by ₱103.1M mainly due to higher recovery of common expenses of Group's Mall operations.

Operating expenses of the Group amounted to ₱2.111B higher by ₱384.5M or 22.28% from last year's ₱1.726 mainly due to the net effect of the following:

1. Higher staff cost by ₱31.6M due to annual salary adjustments and increase in number of employees of the Group.

2. Increase in taxes and licenses by ₱26.4M mainly due to higher annual business permits and Real Property Tax paid by the Group.

3. Decrease in depreciation and amortization by ₱1.97M due to additional office improvements made and other equipment for the year.

4. Increase in insurance expense by ₱24.765M mainly due to Terrorism and Sabotage insurance acquired by TRDCI for Assembly Ground and higher premiums of insurance due to market conditions.

5. Increase in other general and administrative expenses by ₱299.8M mainly due to Advertising and Commission Expenses incurred due to the various ongoing projects and Hotel operations.

Other income increased by ₱154.25M mainly due to forfeited payments of cancelled units from The Rise and income from the sale of excess development rights in Shangri-La at the Fort.

Decrease in interest expense and bank charges by ₱57.33M mainly due to lower interest rate on bank loans of Shangri-La at the Fort and Shang Properties Inc and principal payments during the year.

Provision for income tax is higher by ₱371.53M mainly due to higher taxable income generated during the year.

Calendar Year 2022 Compared to Calendar Year 2021

In Php Millions	As of December 31 2022	2021	Horizontal Analysis Increase (Decrease)		Vertical Analysis 2022	2021
ASSETS						
Current Assets						
Cash and cash equivalents	1,319	1,376	(58)	-4%	2%	2%
Financial assets at fair value through profit or loss	31	31	1	2%	0%	0%
Receivables-net	5,554	4,381	1,173	27%	8%	7%
Properties held for sale	4,435	3,665	770	21%	7%	6%
Prepaid and other current assets	2,259	1,947	312	16%	3%	3%
Total Current Assets	13,598	11,400	2,198	19%	20%	18%
Non-Current Assets						
Investment in and advances to associates and a joint venture	5,748	4,318	1,430	33%	8%	7%
Investment properties	35,984	35,385	599	2%	53%	55%
Financial assets at fair value through other comprehensive income	812	797	16	2%	1%	1%
Property and equipment - net	10,574	10,814	(240)	-2%	16%	17%
Goodwill	270	270	-	0%	0%	0%
Deferred income tax assets	495	616	(121)	-20%	1%	1%
Other noncurrent assets	149	177	(28)	-16%	0%	0%
Total Non-Current Assets	54,032	52,376	1,655	3%	80%	82%
Total Assets	**67,630**	**63,777**	**3,853**	**6%**	**100%**	**100%**
LIABILITIES & STOCKHOLDERS' EQUITY						
Current Liabilities						
Accounts payable and other current liabilities	5,059	4,774	285	6%	7%	7%
Current portion of:						
Installment payable	-	48	(48)	-100%	0%	0%
Bank loans	8,007	6,610	1,396	21%	12%	10%
Deposits from tenants	698	845	(148)	-17%	1%	1%
Deferred lease income	2	19	(17)	-89%	0%	0%
Income tax payable	42	55	(13)	-24%	0%	0%
Dividends payable	61	62	(1)	-1%	0%	0%
Total Current Liabilities	13,868	12,413	1,455	12%	21%	19%
Non-Current Liabilities						0%
Retirement benefit liability	84	65	19	30%	0%	0%
Bank loans- net of current portion	300	1,096	(796)	-73%	0%	2%
Deferred income tax liabilities, net	7,095	6,879	216	3%	10%	11%
Advance rentals, net of current portion	-	157	(157)	-100%	0%	0%
Deposit from tenants, net of current portion	308	194	114	59%	0%	0%
Deferred lease income, net of current portion	40	36	4	13%	0%	0%
Total Non-Current Liabilities	7,826	8,425	(599)	-7%	12%	13%
Total Liabilities	21,694	20,838	856	4%	32%	33%
Stockholders' Equity						0%
Share capital	4,764	4,764	-	0%	7%	7%
Share premium	834	834	-	0%	1%	1%
Treasury shares	(7)	(7)	-	0%	0%	0%
Equity reserves	(141)	(141)			0%	0%
Other comprehensive income	274	269	6	2%	0%	0%
Retained earnings	34,436	31,588	2,849	9%	51%	50%
Non-controlling interest	5,775	5,632	143	3%	9%	9%
Total equity	45,936	42,939	2,997	7%	68%	67%
Total Liabilities and Equity	**67,630**	**63,777**	**3,853**	**6%**	**100%**	**100%**

Total assets of the Group as of December 31, 2022 amounted to ₱67.630B, increased by ₱3.853B from the total assets of ₱63.777B on December 31, 2021. The following are the significant movements in the assets:

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

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

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

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

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

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

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

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

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

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

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

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

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

Calendar Year 2021 Compared to Calendar Year 2020

In Php Millions	As of December 31 2021	2020	Horizontal Analysis Increase (Decrease)		Vertical Analysis 2021	2020
ASSETS						
Current Assets						
Cash and cash equivalents	1,376	1,550	(173)	-11%	2%	2%
Financial assets at fair value through profit or loss	31	34	(3)	-8%	0%	0%
Receivables-net	4,381	4,996	(616)	-12%	7%	8%
Properties held for sale	3,665	3,413	252	7%	6%	5%
Prepaid and other current assets	1,947	1,663	284	17%	3%	3%
Total Current Assets	11,400	11,656	(256)	-2%	18%	18%
Non-Current Assets						
Investment in and advances to associates and a joint venture	4,318	2,318	2,000	86%	7%	4%
Investment properties	35,385	34,914	471	1%	55%	55%
Financial assets at fair value through other comprehensive income	797	798	(1)	0%	1%	1%
Property and equipment - net	10,814	11,685	(871)	-7%	17%	18%
Goodwill	270	270	-	0%	0%	0%
Deferred income tax assets	616	465	151	32%	1%	1%
Other noncurrent assets	177	1,065	(888)	-83%	0%	2%
Total Non-Current Assets	52,376	51,514	863	2%	82%	82%
Total Assets	**63,777**	**63,170**	**607**	**1%**	**100%**	**100%**
LIABILITIES & STOCKHOLDERS' EQUITY						
Current Liabilities						
Accounts payable and other current liabilities	4,774	5,684	(910)	-16%	7%	9%
Current portion of:						
Installment payable	48	143	(95)	-66%	0%	0%
Bank loans	6,610	4,283	2,327	54%	10%	7%
Deposits from tenants	845	615	231	38%	1%	1%
Deferred lease income	19	41	(22)	-54%	0%	0%
Income tax payable	55	124	(70)	-56%	0%	0%
Dividends payable	62	74	(12)	-16%	0%	0%
Total Current Liabilities	12,413	10,964	1,448	13%	19%	17%
Non-Current Liabilities						0%
Retirement benefit liability	65	90	(25)	-28%	0%	0%
Bank loans- net of current portion	1,096	1,596	(500)	-31%	2%	3%
Deferred income tax liabilities, net	6,879	8,018	(1,140)	-14%	11%	13%
Advance rentals, net of current portion	157	233	(76)	-33%	0%	0%
Deposit from tenants, net of current portion	194	540	(347)	-64%	0%	1%
Deferred lease income, net of current portion	36	54	(18)	-34%	0%	0%
Total Non-Current Liabilities	8,425	10,531	(2,106)	-20%	13%	17%
Total Liabilities	20,838	21,496	(658)	-3%	33%	34%
Stockholders' Equity						0%
Share capital	4,764	4,764	-	0%	7%	8%
Share premium	834	834	(0)	0%	1%	1%
Treasury shares	(7)	(7)	-	0%	0%	0%
Equity reserves	(141)	(141)			0%	0%
Other comprehensive income	269	220	49	22%	0%	0%
Retained earnings	31,588	30,054	1,534	5%	50%	48%
Non-controlling interest	5,632	5,950	(318)	-5%	9%	9%
Total equity	42,939	41,674	1,265	3%	67%	66%
Total Liabilities and Equity	**63,777**	**63,170**	**607**	**1%**	**100%**	**100%**

Total assets of the Group amounted to ₱63.777B, increased by ₱607M from the total assets of ₱63.170B on December 31, 2020. The following are the significant movements in the assets:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Statement of Cash Flows</u>

Net cash provided by operating activities in 2023 amounted to ₱1.236B. The cash inflows in 2023, 2022 and 2021 includes collection of revenue from various condominium projects, rental revenue from mall operation of the Shangri-La Plaza and leasing operations of TEC, and hotel operations of Shangri-La at the Fort. Net cash provided by operating activities in 2022 is ₱1.181B while in 2021 the operations resulted to a net cash used in operating activities amounting to ₱353.63M.

Net cash used in investing activities in 2023 amounted to ₱1.34B mainly used in project development of an investment property, advances to the joint venture with Robinsons Land Corp., and acquisition of property, plant and equipment amounting to ₱1.231B, ₱10.489M and ₱117.841M respectively. Net cash used in investing activities in 2022 and 2021 amounted to ₱749.858M and ₱568.44M, respectively.

Net cash inflow in financing activities in 2023 amounted to ₱194.9M mainly from new short-term loan proceeds for the year. In 2022, net cash used in financing activities amounted to ₱513.14M mainly due to payments of bank loans, interest and cash dividends. In 2021 the net cash provided by financing activities of ₱742.22M was mainly due to loan availments during the year.

(b) Interim Periods

Key Performance Indicators

		31-Mar		**%**
		2024	2023	Change
Turnover	(Php M)	2,594.9	2,311.4	12.27%
Profit Attributable to shareholders	(Php M)	1,134.0	1,141.8	-0.68%
Earnings per share	(Php Ctv)	0.238	0.240	-0.68%
Net Asset Value per share	(Php)	9.545	8.673	10.04%
Debt Equity Ratio	(Times)	0.502	0.453	10.86%

- Turnover consists of sales of residential condominium units, revenue from rental and cinema and hotel operations. For three (3) months ended March 31, 2024, Shang Properties' revenue increased by ₱283.3 million (M) to ₱2.6 billion (B) from ₱2.3B revenue during the same period in 2023. Sales of residential condominium units accounted for ₱858.6M or 33% of the total revenue and is higher by ₱183.2M from ₱675.5M in the same period last year. Revenue from leasing operations amounted to ₱639.9M or 25% of the total revenue and is higher by ₱24.1M from ₱615.8M in the same period last year. Shangri-La at the Fort's hotel operations contributed revenue amounting to ₱1.1B or 42% of the total revenue and is higher by ₱76.0M from ₱1.0B in the same period last year.

- Profit attributable to shareholders amounted to ₱1.13B, lower by ₱7.8M or 0.68% compared with ₱1.14B in the same period last year. The decrease in profit attributable to shareholders is mainly due to higher general and administrative expenses because of new projects; higher advertising and promotion expenses of Shangri-La at the Fort and lower other income from cancelled units of The Rise as the project is now almost fully sold out.

- Earnings per share of ₱0.238 in 2024 is lower by 0.68% compared with ₱0.240 at the end of the first three of 2023.

- Net asset value per share is calculated by dividing the total net asset of the Group (Total assets – Total liabilities and equity attributable to non-controlling interest) by the number of shares outstanding. Net asset value per share increased by 10% mainly due to income generated during the period and additional land acquisitions during the first quarter.

- Debt to equity measures the exposure of creditors to that of the stockholders. It gives an indication of how leveraged the Group is. It is determined by dividing total debt by stockholder's equity. The Group's financial position remains solid with debt to equity ratio of 0.50:1 as of March 31, 2024 and 0.45:1 as of March 31, 2023.

Results of Operation

In Php Millions	For the Period Ended March 31 2024	2023	Horizontal Analysis Increase (Decrease)		Vertical Analysis 2024	2023
REVENUES						
Condominium sales	859	675	183	27%	53%	44%
Rental and cinema	640	616	24	4%	40%	41%
Hotel operations	1,096	1,020	76	7%	68%	67%
	2,595	2,311	283	12%	161%	152%
COST OF SALES AND SERVICES						
Condominium sales	429	285	144	51%	27%	19%
Rental and cinema	25	26	(1)	-5%	2%	2%
Hotel operations	525	482	43	9%	32%	32%
	979	793	186	23%	61%	52%
GROSS INCOME	1,616	1,519	98	6%	100%	100%
OPERATING EXPENSES						
General and administrative	463	382	81	21%	29%	25%
Taxes, licenses and fees	67	67	0	0%	4%	4%
Depreciation	8	8	(0)	-6%	0%	1%
Insurance	9	6	3	55%	1%	0%
	546	463	84	18%	34%	30%
OTHER INCOME						
Finance income, net	24	(4)	28	-676%	1%	0%
Foreign exchange gains-net	2	(4)	6	-139%	0%	0%
Other income - net	48	91	(43)	-47%	3%	6%
	73	83	(9)	-11%	5%	5%
INCOME BEFORE SHARE IN PROFIT (LOSS) OF ASSOCIATED COMPANIES	1,143	1,139	4	-23%	71%	75%
SHARE IN NET INCOME OF ASSOCIATES AND A JOINT VENTURE	409	412	(3)	100%	25%	27%
INCOME BEFORE INCOME TAX	1,553	1,551	2	0%	96%	102%
Provision for income tax	(259)	(261)	2	-1%	-16%	-17%
NET INCOME	1,293	1,290	3	0%	80%	85%
Net Income Attributable to:						
Equity holders of the Parent Company	1,134	1,142	(8)	-1%	70%	75%
Non-controlling interests	159	148	11	8%	10%	10%
	1,293	1,290	3	0%	80%	85%
BASIC AND DILUTED EARNINGS PER SHARE	**0.238**	**0.240**	**0.00**	**-1%**		

Consolidated net income for the period ended March 31, 2024 amounted to ₱1.293B which is slightly higher by ₱3M compared with last year's ₱1.290B. Net Income Attributable to Equity Holders of the Parent Company is ₱1.134B which is less than 1% lower than the same period in 2024 of ₱1.142B. Net Income Attributable to Equity Holders of the Parent Company is lower despite the higher Consolidated Net Income is due to higher share of non-controlling interest in the net income of Shangri-La at the Fort.

Turnover increased by ₱284M to ₱2.6B in 2024 from ₱2.3B in 2023, mainly due to net effect of the following:

- Increase in revenue from condominium sales by ₱183M mainly due to higher number of units sold during the first quarter of the year, with the addition of Laya project which was launched in Q3 2023.

- Increase in revenue from rental and cinema by ₱24M mainly due to higher occupancy rate of Shangri-La Plaza Mall.

- Increase in revenue from hotel operations by ₱76M mainly due to higher occupancy of Shangri-La at the Fort Hotel during the first quarter of 2024 compared with the same period last year.

Total Cost of Sales and Services of the Group amounted to ₱978M, higher by ₱185M compared with last year's ₱793M. This was mainly due to the following:

- Increase in cost of condominium sales due to higher number of units were sold during the first quarter of the year.

- Decrease in cost of rental and cinema by ₱2M mainly due to lower electricity costs and higher recovery of common area expenses during the first quarter of 2024.

- Increase in cost of hotel operations by ₱43M due to higher departmental expenses because of higher occupancy rate. Depreciation expense recognized and allocated as part of cost of hotel operations during the first quarter is also higher compared with the same period last year.

Total Operating Expenses of the Group amounted to ₱548M, higher by ₱86M compared with last year's ₱463M. This was mainly due to the net effect of the following:

- Increase in general and administrative expense by P83M is mainly due Advertising Expenses incurred by Shangri-La at the Fort as well as higher cost of marketing initiatives for the ongoing projects. Staff cost also increased due to annual salary adjustments.

- Increase in taxes and licenses due to documentary stamp tax on bank loans.

- Increase in insurance by ₱3.2M mainly due to Terrorism and Sabotage insurance acquired by TRDCI for Assembly Ground and higher premiums of insurance due to higher property values and higher rates caused by current market conditions.

Other Income decreased by ₱41M mainly due to lower interest on discounting of receivables of Shang Residences Wack Wack as the project nears completion.

Financial Condition

In Php Millions	Unaudited March 31 2024	Audited December 31 2023	Horizontal Analysis Increase (Decrease)		Vertical Analysis 2024	2023
ASSETS						
Current Assets						
Cash and cash equivalents	1,579	1,408	170	12%	2%	2%
Financial assets at fair value through profit or loss	35	35	(0)	-1%	0%	0%
Receivables-net	7,621	6,839	782	11%	10%	9%
Properties held for sale	7,221	5,259	1,962	37%	9%	7%
Prepaid and other current assets	3,220	2,613	607	23%	4%	4%
Total Current Assets	19,676	16,155	3,521	22%	25%	22%
Non-Current Assets						
Investment in and advances to associates and a joint venture	8,744	8,219	525	6%	11%	11%
Investment properties	37,521	37,289	231	1%	48%	50%
Financial assets at fair value through other comprehensive income	829	829	-	0%	1%	1%
Property and equipment - net	10,197	10,246	(49)	0%	13%	14%
Goodwill	270	270	-	0%	0%	0%
Deferred income tax assets	140	225	(84)	-38%	0%	0%
Other noncurrent assets	202	1,416	(1,214)	-86%	0%	2%
Total Non-Current Assets	57,903	58,495	(592)	-1%	75%	78%
Total Assets	**77,579**	**74,650**	**2,929**	**4%**	**100%**	**100%**
LIABILITIES & STOCKHOLDERS' EQUITY						
Current Liabilities						
Accounts payable and other current liabilities	4,633	5,322	(689)	-13%	6%	7%
Current portion of:						
Bank loans	12,375	10,115	2,260	22%	16%	14%
Deposits from tenants	711	711	-	0%	1%	1%
Deferred lease income	12	12	-	0%	0%	0%
Income tax payable	168	44	124	280%	0%	0%
Dividends payable	70	70	(0)	0%	0%	0%
Total Current Liabilities	17,969	16,274	1,695	10%	23%	22%
Non-Current Liabilities						0%
Retirement benefit liability	131	127	4	3%	0%	0%
Deferred income tax liabilities, net	7,495	7,416	78	1%	10%	10%
Deposit from tenants, net of current portion	323	320	3	1%	0%	0%
Deferred lease income, net of current portion	25	25	-	0%	0%	0%
Total Non-Current Liabilities	7,973	7,888	86	1%	10%	11%
Total Liabilities	25,942	24,162	1,780	7%	33%	32%
Stockholders' Equity						0%
Share capital	4,764	4,764	-	0%	6%	6%
Share premium	834	834	-	0%	1%	1%
Treasury shares	(7)	(7)	-	0%	0%	0%
Equity reserves	(141)	(141)	-	0%	0%	0%
Other comprehensive income	290	290	(0)	0%	0%	0%
Retained earnings	39,711	38,577	1,134	3%	51%	52%
Non-controlling interest	6,186	6,171	15	0%	8%	8%
Total equity	51,637	50,488	1,149	2%	67%	68%
Total Liabilities and Equity	**77,579**	**74,650**	**2,929**	**4%**	**100%**	**100%**

Total assets of the Group as of March 31, 2024 amounted to ₱77.6B, an increase of ₱2.93B from total assets of ₱74.6B in December 31, 2023. Following are significant movements in assets during the first quarter of the year:

- Cash and Cash Equivalents increased by P170M mainly due to additional bank loans availed during the period.

- Receivables increased by ₱781M mainly due to sales of condominium units and parking slots of all ongoing projects including The Rise, Shang Residences Wack Wack and Laya

- Properties Held for Sale increased by ₱1.9B mainly due to additional land acquisition for property development as well as additional development costs of all ongoing projects.

- Prepaid and Other Current Assets increased mainly due to down payments made to contractors of Laya & Shang One Horizon projects during the first quarter of the year. These will be recouped from future progress billings. Also, included are annual prepaid expenses paid at the beginning of the year and will be amortized monthly.

- Investments in and advances to associates and a Joint Venture increased by ₱525M mainly due to the parent's share in Net Income from Shang Robinsons Properties, Inc. for 2024.

- Investment Properties increased by ₱231M mainly due to Construction costs incurred for Shang One Horizon project.

- Deferred Income Tax Assets decreased by ₱84M mainly due to income recognition of Shang Residences Wack Wack during the period which resulted to regular income tax and de-recognition of deferred tax assets.

- Other Noncurrent Assets decreased by ₱1.2B mainly due to reclassification to properties held for sale the initial payments made for acquisition of land purchased for property development. The property was fully paid for and deed of absolute sale was signed in the first quarter of the year.

- Current ratio is 1.09:1 as of March 31, 2024 from 1.07:1 as of December 31, 2023.

Total liabilities increased by ₱1.78B from ₱24.2B in 2023 to ₱25.9B in 2024 mainly due to the net effect of the following:

- Increase in bank loans by ₱2.2B is mainly due to additional loan availments during the first quarter of 2024. New loans were used to finance land acquisition and current project development.

- Decrease in Accounts Payable by ₱689M is mainly due to payments made to suppliers during the first quarter of the year.

- Increase in income tax payable by ₱124M is mainly due to income tax due for the first quarter of 2024 as well as final income tax payment for the year 2023 which were paid only in April 2024.

- Increase in accrued employee benefits by ₱M is mainly due to the accruals for retirement benefits for first three months of 2024.

- Deferred Income Tax Liabilities increased by ₱78M mainly due to the effect of the difference in accounting method used by Shang Residences Wack Wack.

Information required by Part III, Paragraph (A) (2) (b) of "Annex C" of SRC Rule 2 (Applicable to all fiscal and interim periods in this report)

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

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

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

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

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

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

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

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

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

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

Not Applicable

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

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

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

Not Applicable

Information of Independent Accountant and other related matters

a. External Audit Fees and Services

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

	2023	**2022**
Audit Fees	4,039,000	3,964,000
Tax Consultancy Fees	-	-
	4,039,000	**3,964,000**

No other service was provided by external auditors to the Company for the fiscal years 2022 and 2023.

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

None

Consolidated Audited Financial Statements

The Consolidated Audited Financial Statements of the Group for 2023 are incorporated in the accompanying Exhibits and Schedules.

Statements Required by Rule 68 Securities Regulation Code (SRC)

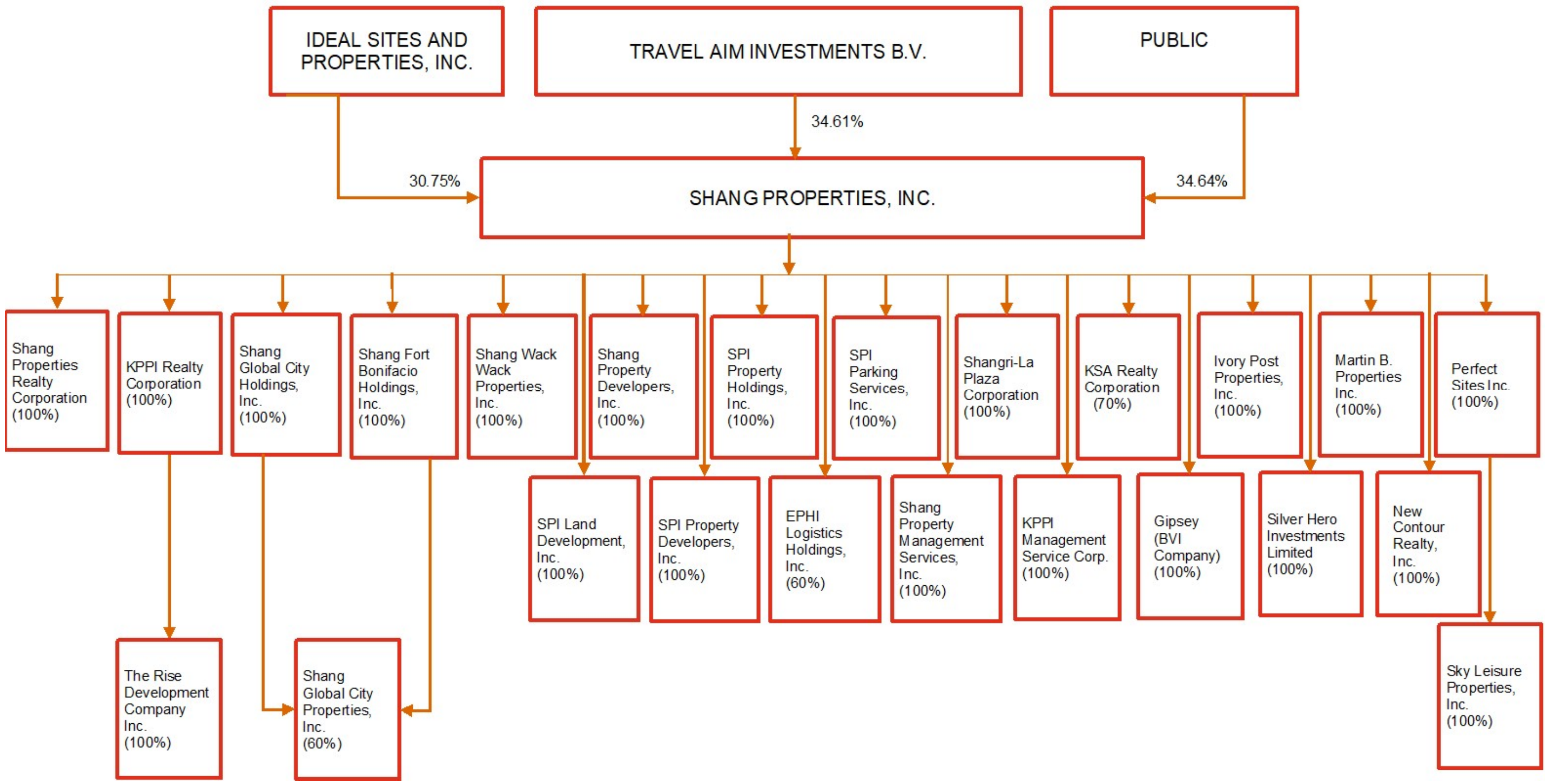
Other Required Disclosures

A.) The attached interim financial reports were prepared in accordance with Philippine Financial Reporting Standard. The accounting policies and methods of computation followed in these interim financial statements are the same compared with the audited financial statements for the period ended March 31, 2024.

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

Shang Properties, Inc. and Subsidiaries

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



Shang Properties, Inc. and Subsidiaries

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

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

Shang Properties, Inc. and Subsidiaries

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

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

Shang Properties, Inc. and Subsidiaries

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

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

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

Shang Properties, Inc. and Subsidiaries

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

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

See Notes 5 and 27 to the Consolidated Financial Statements.

Shang Properties, Inc. and Subsidiaries

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

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

See Note 27 to the Consolidated Financial Statements.

Shang Properties, Inc. and Subsidiaries

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

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

Shang Properties, Inc. and Subsidiaries

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

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

See Notes 15 and 27 to the Consolidated Financial Statements.

Shang Properties, Inc. and Subsidiaries

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

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

Shang Properties, Inc. and Subsidiaries

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

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

See Note 18 to the Consolidated Financial Statements.

Shang Properties, Inc.

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

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

(continued)

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

(continued)

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

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

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

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

SHANG PROPERTIES

2023 ANNUAL REPORT

VISION

Shang Properties is committed to be the leading developer and manager of prime properties in the Philippines

MISSION

Leading through product innovation

Delighting with excellent service

Fostering fair treatment and mutual respect

Empowering people to attain their full potential

Upholding good corporate citizenship

CORE VALUES

Service

Honesty

Asian

Nobility

Global

CONTENTS

MESSAGE TO OUR SHAREHOLDERS

Dear Shareholders,
The past year was one of revival and growth for Shang Properties, INC. (SPI), as markets reopened both locally and abroad, and with investor and consumer confidence strengthened by promising economic indicators.

Financial Performance
SPI broke records in 2023, posting the highest revenues and net income since its incorporation. Total group revenues amounted to P9.8 billion, up 25% from PhP7.9 billion in 2022. Profit after tax amounted to PhP5.5 billion, a rise of 53% from 2022's PhP3.6 billion.

Our margins continued to be healthy with net profit after tax at 56% – up from the previous year's 46% – thanks to the strong performance across all our business segments.

We recovered from the pandemic with higher revenues from property development, improved occupancy of our leasing business and the return of tourism and unrestricted movement favouring our hotel and retail businesses.

Construction completion status continued to be strong as we fully mobilised and resumed site operations. Investor confidence has been consistent as we have seen in record sales of more than 500 units across our projects.

Residential
The Group's residential business continued to be the main driver of revenue in 2023. More than 500 units were sold at a total sales value of PhP14.6 billion, more than doubling 2022's PhP7.1 billion.

We successfully launched two projects, namely Laya and Haraya South, putting more than 1,800 residential units on the market with an estimated total sales value of at least PhP37 billion.

During the year, residential net income amounted to PhP3.6 billion, compared to the previous year's PhP2.6 billion. We attribute this increase to units sold from new projects launched and completions of ongoing projects, namely Shang Residences Wack Wack, Aurelia Residences and The Rise Makati.

Ongoing Projects
Aurelia Residences is situated in the upscale township development of Bonifacio Global City in Taguig City and is one of two projects under the 50/50 joint venture with Robinsons Land Corporation (RLC).

It won several local and international awards in 2023, including the Best High-Rise Condominium in Asia at the 18th PropertyGuru Asia Property Awards. It was also declared the Best Ultra Luxury Condo Development in Metro Manila.

The 279-unit development has been successful, with fewer than 50 units left in its inventory and contributing PhP30.7 billion in total sales revenue since its launch.

Shang Residences at Wack Wack caters to the higher-end segment. Since its launch, the project has generated a total of PhP10.7 billion in sales value with expected handover by the second half of 2024.

The Rise Makati is located in the Central Business District of Makati and caters to the broader middle-income segment. The 3,019-unit project has been very successful and is almost sold out.

New Projects
Haraya Residences is another joint-venture development with Robinsons Land Corporation (RLC) and is situated in the Bridgetowne Township Development along C-5, Pasig.
The successful launch of the first tower in February 2023 generated PhP6.8 billion in sales revenue. We are currently at the planning stage for the second tower, which is expected to launch in late 2024.

Laya by Shang Properties is conveniently situated in a transit-oriented location in Pasig, near the future train station and in proximity to retail, healthcare and educational institutions. Laya's launch in September 2023 was a welcome addition to the Group's residential portfolio and has already contributed P1.5 billion in total sales value.

Commercial Leasing and Hospitality Operations

The post-pandemic retail and office leasing segments experienced a rebound in 2023. The easing of restrictions, higher vaccination rates and better-managed healthcare encouraged tourism and facilitated better mobility of the population, positively affecting office, mall and hotel occupancy.

There was renewed demand for both shopping and for food and beverage outlets as public confidence grew and workers returned to conventional office spaces.

The leasing business contributed PhP2.54 billion, or 26% of the Group's total revenues – a growth of 17% from 2022.

Shangri-La Plaza Mall returned to its pre-pandemic 2019 level of net income. Occupancy rates have climbed significantly to 92% with new retailers opening stores and lease rates improving through higher daily sales as the market recovered.

The Enterprise Center in Makati, of which SPI owns 70%, saw strong recovery as companies of various sizes returned to their offices. It generated PhP882 million in revenues in 2023.

Shangri-La at the Fort, Manila, of which SPI owns 60%, was severely affected by the pandemic. As borders were reopened and restrictions lifted, however, the hotel's operations saw the greatest improvement in financial performance.

The hotel posted an overall occupancy rate of 62%, a significant increase from 2022's 46%. Revenue is at PhP4.2 billion and SPI's share in net income is at PhP594 million, posting a growth of 47% in revenues and a 163% increase in net profit over 2022.

Hotel operations will continue to be a vital part of the Group's recurring income as the market momentum continues.

Going Forward

I have great confidence in our future as we continue taking the Group forward with dynamic new projects that will generate significant value, both for SPI and for our clients.

In the coming year, residential projects will be launched in Quezon City and in Cebu, highlighting SPI's commitment to growth.

Social Responsibility

While the national economy has fought back hard in recent years and made strong gains in many areas, there have also been setbacks and losses.

SPI has always endeavoured to be socially responsible; recently more than ever. We have made donations amounting to PhP100 million in the year of 2023 for charity through non-government organisations to aid livelihood programmes, typhoon relief, healthcare and education. We are truly thankful for the opportunity to partner with these admirable organisations, and for their tireless work for recovery and relief in underprivileged communities.

New Horizons

We now look forward to opportunities for meaningful, long-term growth presented by a now-thriving business landscape.

Strong redevelopment activity at our malls, rising hotel occupancy and strategic land acquisitions all point the way to an exciting future.

As always, I would like to thank every one of our team of dedicated employees. Their strength of spirit and hard work have carried us through the most challenging times, and they are integral to our future success.

I must also express my deep gratitude to our Board of Directors for their great wisdom, guidance and encouragement. Their invaluable support is, and will always be, vital in navigating the way ahead.

Finally, I thank all of you – my fellow shareholders – most sincerely. Your sterling support maintains our momentum and helps drive us all towards brighter and broader horizons.

Yours sincerely,

Edward Kuok Khoon Loong
Chairman of the Board

RESIDENTIAL

LAYA BY SHANG PROPERTIES

Laya by Shang Properties is conveniently situated in Barangay Oranbo, Pasig City near the bustling district of Ortigas Center. It is just a short walk to shopping malls, restaurants, prestigious schools, and top medical institutions.

Designed with young professionals and growing families in mind, Laya by Shang Properties has 1,283 residential units composed of Studio, One-, Two-, and Three-bedroom units.

The residential tower offers over 2,934 sqm of thoughtfully-designed amenities and events spaces. Residents has exclusive access to a full suite of workspaces, function rooms, private lounges, meeting areas, an outdoor pool, children's pool, fully-equipped fitness and yoga studios, children's playground, game rooms, and a private screening room. Additionally, as of December 31, 2023, 135 units have been sold with a total revenue of PhP1.4 billion. The tower is expexted to be completed by 2028.

Please scan the code to view Laya by Shang Properties website

RESIDENTIAL

HARAYA RESIDENCES

Located at Bridgetowne Destination Estate in Pasig City, Haraya Residences is a vertical gated village offering seamless connectivity to business districts, shopping centers, educational institutions, and recreational hubs.

Beyond its exquisite architecture and breathtaking views, Haraya Residences boasts an array of world-class amenities that are purposely designed for leisure and relaxation. With over 2,500 sqm of outdoor space, the outdoor amenities include a Tropical Pool, Kiddie Pool, Jacuzzi, Children's Play Areas, and beautifully-tended Garden Areas.

The indoor amenities include The Veranda (Indoor and Outdoor Al fresco), The Tea Room, The Studio, The Playroom, The Library, The Lounge, The Chef's Kitchen, The Lobby Lounge, The Game Room, The Viewing Room, The Gym, Changing Rooms, and Sauna.

Haraya Residences is the second project of Shang Robinsons Properties, Inc., a joint venture company of Shang Properties, Inc. and Robinsons Land Corporation. It is a two-tower development with 558 homes at the South Tower and more forthcoming at the North Tower. As of December 31, 2023, 309 units of the South Tower have been sold amounting to PhP6.8 billion in sales revenue.

Please scan the code to view Haraya Residences website

RESIDENTIAL

AURELIA RESIDENCES

Please scan the code to view Aurelia Residences website

Located at Bonifacio Global City, Aurelia Residences features 285 bespoke homes evoking the Italian ideal of "sprezzatura," which means "an understated classic elegance." Stylishly designed amenities include the 40m pool, Kid's Play Areas, fully-equipped fitness gym, The Canopy Room, a home theater, and cozy lounge areas throughout the wings and amenities floors.

Because of the exquisitely-designed features that Aurelia Residences has to offer, Aurelia Residences was hailed the "Best High-Rise Condo Development in Asia" during the 18th PropertyGuru Asia Property Awards held last December 2023 in Bangkok, Thailand. Additionally, Aurelia Residences also received the "Best Condo Development in the

Philippines" and the "Best Ultra Luxury Condo in Metro Manila" at the 11th PropertyGuru Philippines Property Awards. The development has also recently celebrated its Topping Off Ceremony, commemorating the unwavering dedication and vision of the entire Aurelia Residences team.

Aurelia Residences is the first project of Shang Robinsons Properties, Inc., a joint venture company of Shang Properties, Inc. and Robinsons Land Corporation. As of December 31, 2023, 237 units have been sold with a total sales revenue of PhP29.55 billion.

RESIDENTIAL

SHANG RESIDENCES AT WACK WACK

Shang Residences at Wack Wack is uniquely situated in an upscale neighborhood in Mandaluyong City with The Wack Wack Golf & Country Club serving as its backdrop. It is just a few minutes away from the business districts in the metro, making its location ideal for busy professionals and growing families.

Inspired by contemporary tropical luxury resorts, Shang Residences at Wack Wack offers a sanctuary from the stress of a bustling city. Residents can take advantage of the array of amenities such as a resort-like swimming pool, steam and sauna rooms, fully-equipped gym, dedicated spaces for yoga or Pilates, mini-theater, children's playground, and serene and tranquil garden areas.

A residential masterpiece, Shang Residences at Wack Wack bagged two prestigious awards in 2023 namely "Best Luxury Condominium Development (Metro Manila)" from the Carousell Property Awards 2023 and "Best High-End Condo Development (Metro Manila)" from PropertyGuru Philippines Property Awards 2023. Additionally, the premier development celebrated its Topping Off Ceremony in June 2023.

The 50-storey condominium has a total of 404 units, composed of one-, two-, and three-bedroom suites. As of December 31, 2023, 295 units have been sold, bringing in a total revenue of Php10 billion.

Please scan the code to view Shang Residences at Wack Wack website

RESIDENTIAL

THE RISE MAKATI

The Rise Makati is located in the bustling district of North Makati (NoMa) surrounded by the vibrant energy of the city. Its ideal location gives residents access to the captivating art and design scene of the city, an array of dining options, art galleries, and live music venues.

The 59-storey residential tower offers 3,044 studio, one-, and two-bedroom units conveniently located on top of the two-storey retail podium Assembly Grounds at The Rise. This gives residents direct access to the lifestyle services, retail merchandise, and dining options available at Assembly Grounds.

Please scan the code to view The Rise Makati website

Amenities are collectively called Spaces at The Rise, featuring vibrant outdoor spaces and cozy indoor areas. Amenities include The Hangout, a 300 sqm open lounge, The Nest, The Workshop, The Kid's Zone, a fully-equipped fitness gym, a 28-meter tropical pool, a dedicated jogging path, lounge areas and lush garden areas.

As of December 31, 2023, 3,028 units have been sold amounting to PhP12.99 billion of sales revenue.

MALL & RETAIL

SHANGRI-LA PLAZA

In 2023, Shangri-La Plaza started building for better and enlivened its spaces with an inspired line-up of new brands and innovative concepts to further enhance shopping, dining, and entertainment experiences of every mall guest, whether they're part of the Shang Estate or hailing from beyond the metro.

The refresh has been thoroughly planned to open more spaces within Shangri-La Plaza and to properly showcase the curated selection of international and local retail shops and services in carefully designed zones. As part of the Shang Properties' portfolio, this keen attention to details reflects Shangri-La Plaza's commitment to exemplifying the luxury builder's signature and DNA in every corner.

Shopping and Dining

Shangri-La Plaza is elevating shopping and dining with remarkable retail spaces and noteworthy dining establishments that aim to enrich one's lifestyle, enabling mall guests to enjoy inspired moments.

Creating inspired style has never been more fun with the global fashion brand United Colors of Benetton located at the Mid-Level, East Wing, that's known for its vibrant, eye-catching designs such as the iconic dot looks for women and some playful optical patterns for men. Leading sportswear brand PUMA at Level 2, Main Wing, has brought its own brand of athleisure flair to Shang with exclusive drops and collaborations that celebrate its Forever Faster spirit.

At Shangri-La Plaza, creativity is always encouraged. Build imagination brick by brick at the LEGO Certified Store located at Level 5, East Wing, boasting an innovative retailment space that promises interactive fun and play for all ages and geekdoms with sought-after collections. The space also offers a more personal touch with the Mini Figure station that allows visitors to craft one's unique LEGO likeness. Filipino book lovers and crafters have more reasons to rejoice as the iconic National Bookstore relocates to a new and improved store at Level 1, Main Wing.

Shang is set to redefine dining in the metro as it begins to bolster its dining offerings with inspired flavors from Bulgogi Brothers at Level 6, East Wing, with its good-for-sharing delicious Korean fare and Raging Bull Burgers at the North Wing, that offers choice cuts of steak-quality grain-fed and grass-fed Australian and American beef.

As a response to the growing demand for remote work-friendly spaces with quality coffee, Shang welcomed more cafes with the opening of the cozy Bake House at the North Wing, known for healthy delights, Department of Coffee located at Level 2, Main Wing, that offers Filipino specialty beans, and the MUJI Coffee Counter at Level 5, East Wing, right inside the Japanese lifestyle brand's expansive retail space.

Banner Events and Other Notable Events

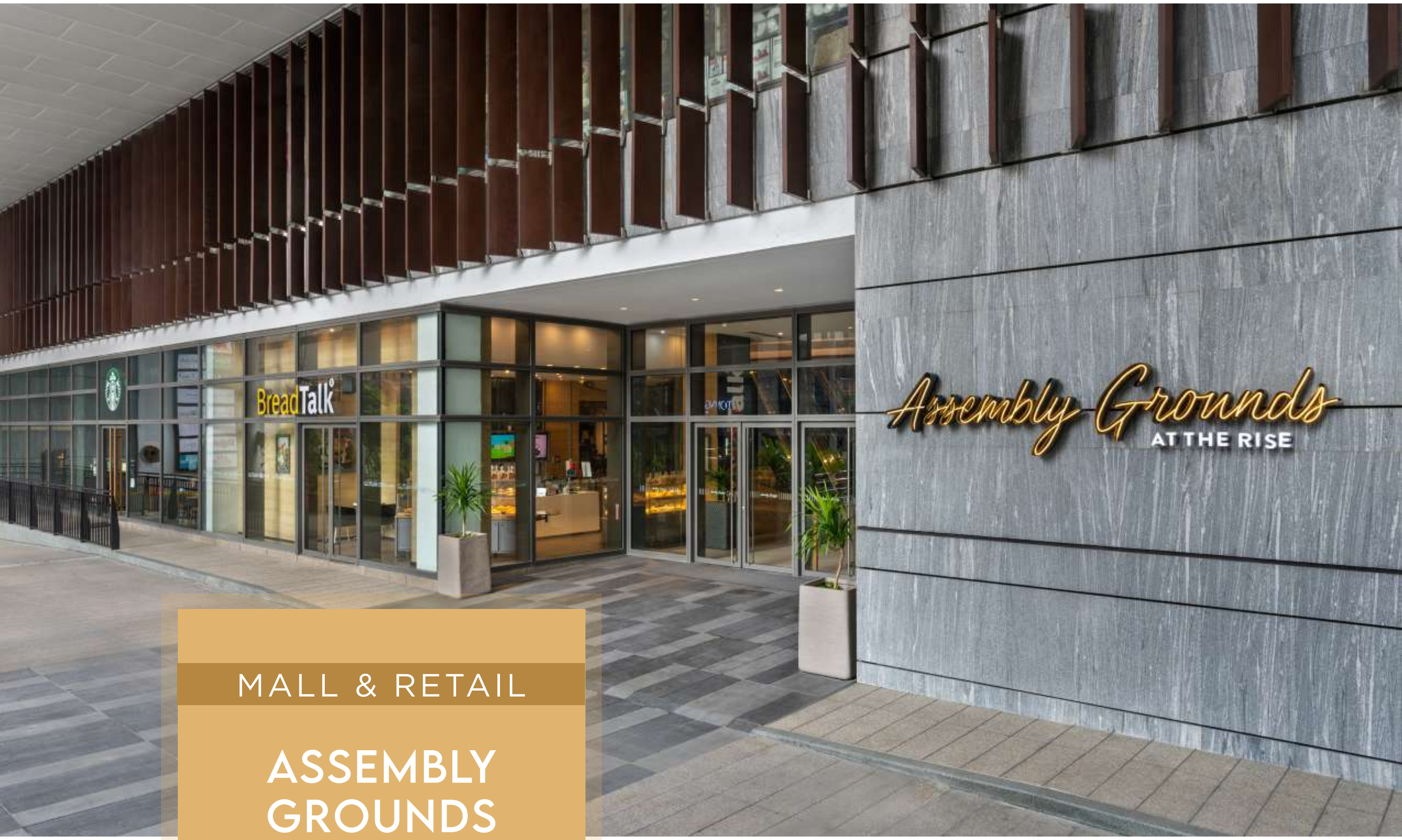
Over the decades, Shangri-La Plaza has collaborated with organizations and champions of arts and culture in the Philippines, such as the Japan Foundation Manila, Instituto Cervantes de Manila, Ateneo Art Awards, and Asia Society Manila. These partnerships enabled the mall to create inspired experiences that celebrate tradition and heritage, expand worldviews and palates, and even nurture the creative spirit.

Shangri-La Plaza also curated events that showcased culinary excellence, including the Asian Eats Food Festival and Asian Night Market, which highlighted the diversity of Asian cuisine, and The Marketplace: Wine Fair which brought in the finest wines from countries like France and Chile.

As a staunch advocate of Filipino talent, LIVE at the Shang! offered a platform for emerging and up-and-coming local Filipino artists such as Itchyworms, SunKissed Lola, Jarlo Base, Janno Gibbs, and the esteemed Manila Philharmonic Orchestra. Moreover, the Red Carpet Cinemas remained a pivotal center for world cinema, cultivating robust relationships with embassies and local collaborators as it played host to ten prestigious film festivals: Cine Europa, Pelicula: Pelikula Spanish Film Festival, Japanese Film Festival, Spring Film Festival, Argentine Film Festival, Sine Kabataan Short Film Festival, Animahenasyon: The Philippine Animation Festival, Tingin Southeast Asian Film Festival, QCinema International Film Festival, and the Metro Manila Film Festival.

Beyond entertainment, Shang stood tall as a nurturing environment for global education with education fairs like EducationUSA and the European Higher Education Fair. Shang also supported micro, small, and medium enterprises or MSMEs by showcasing their products and services in trade fairs like OKBicol, CDO Misamis Oriental, La Union's Fairest 2023, and DTI Albay.

2023 is Shangri-La Plaza's banner year as it opened 64 stores or equivalent to 8.25% of the Mall's total NLA. Shangri-La Plaza is pushing the boundaries to make every visit to the mall uniquely personal. Gearing towards new developments after the years of pandemic, Shang is committed to driving growth for its partners' businesses and brands, and to providing inspired experiences for its patrons in the years to come.



MALL & RETAIL

ASSEMBLY GROUNDS AT THE RISE

Assembly Grounds at The Rise epitomizes a shift in the convenience shopping landscape tailored specifically for discerning condo residents. Boasting a vibrant consortium of 40 esteemed tenants, each meticulously curated to offer a wide range of products and services. Encompassing an extensive spectrum of categories including gourmet and comfort cuisine, imported hardware and houseware, beauty solutions, holistic wellness stores, and bespoke offerings for the active lifestyle aficionado, Assembly Grounds caters adeptly to the multifaceted needs and discerning tastes of its community.

From the distinguished ambiance of Starbucks Reserve, renowned for its exceptional array of meticulously curated coffee blends, to the fresh quality meat choices of Premiere Samgyupsal, Assembly Grounds at The Rise has attained a commendable occupancy rate exceeding 92%.

The year 2023 heralded the inclusion of Breakout Philippines within the Assembly Grounds enclave. This addition introduced the new era of immersive and intellectually stimulating experiences. By seamlessly intertwining meticulously crafted puzzles and mind-bending challenges, Breakout Philippines has elevated the community's recreational offerings, captivating the imagination of this generation's search for excitement and intellectual activities.

OFFICE LEASING

THE ENTERPRISE CENTER

The Enterprise Center has experienced a steady increase in office space occupancy rates towards the last quarter of 2023. These positive results reflect a gradual improvement in demand for both office and retail space. Revenue for 2023 closed at PhP 904.1 million.

With operational enhancements implemented over the past year, the focus is now on attracting new tenants and capitalizing on the resurgence of demand for office spaces in 2024.

HOTEL

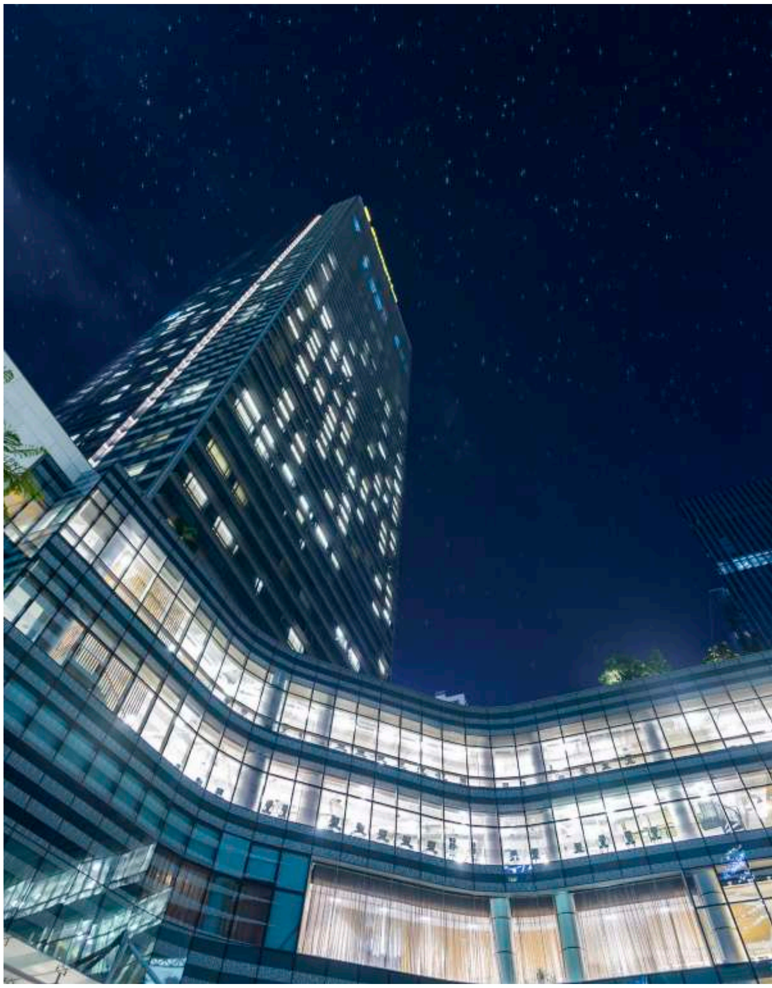
SHANGRI-LA THE FORT, MANILA

A SUCCESSFUL YEAR IN 2023

Shangri-La The Fort, Manila had a successful year of business recovery in 2023, with record-breaking revenues and year-end occupancy rate. The hotel's outstanding performance continues to attract high-profile guests, major corporations, and top-level events due to its prime location and exceptional service.

In terms of expansion, Shangri-La The Fort, Manila opened two new outlets, Bake House and Raging Bull Burgers, in the bustling Ortigas district of Manila. This highlights the hotel's dedication to innovation and expansion in its culinary offerings, creating unforgettable dining experiences in the vibrant Ortigas district.

Furthermore, the hotel received numerous awards and accolades in 2023, recognising its commitment to excellent service, culinary experiences, and guest satisfaction. These include the Traveller Review Award from Booking.com, Forbes Travel Guide's 4-Star Rating, recognition in Philippine Tatler Dining 2023 Ultimate Dining Recommendation, DestinAsian Magazine's Silver award for "Best Hotels and Resorts of the Philippines," Travellers' Choice Awards from Tripadvisor, and various other prestigious honors.

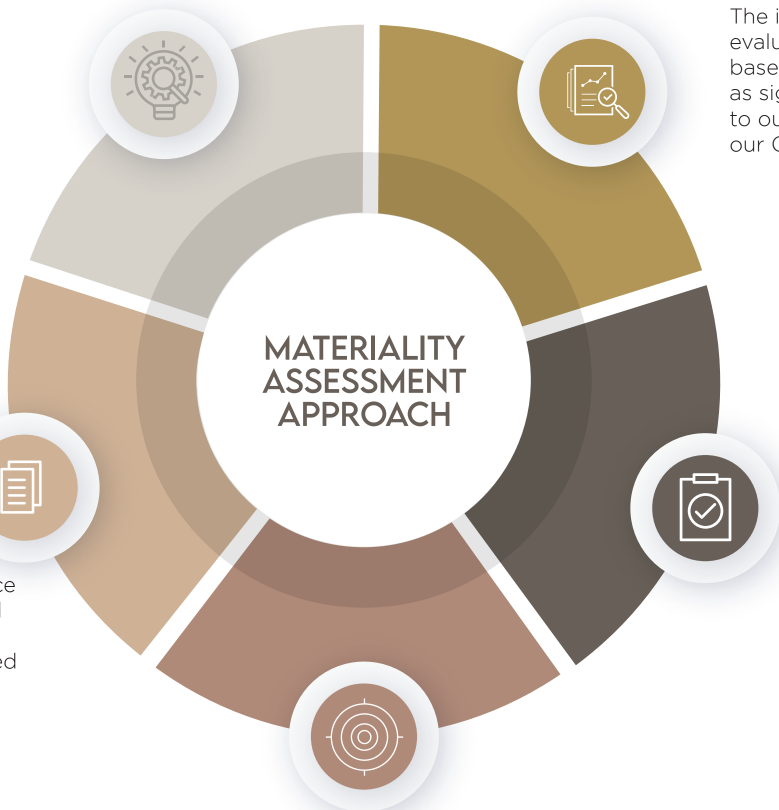


These accolades showcase Shangri-La The Fort, Manila as a premier destination that provides exceptional service, outstanding dining experiences, and an unforgettable stay for every guest. The hotel solidifies its position as one of the top destinations in the Philippines through its unwavering commitment to excellence.

MATERIALITY PROCESS

Shang Properties, Inc. (SPI) is pleased to present its sustainability performance report for the fiscal year 2023. We report key sustainability areas by adhering to the guidelines set forth by the Philippines Securities and Exchange Commission (SEC) Memorandum Circular No. 4, Series of 2019, and with reference to the GRI standards where they are applicable. Our Company continues to utilize its existing materiality assessment process to identify and prioritize our most important topics.

During this reporting period, the Sustainability Core Team launched a comprehensive review of SPI's sustainability framework and material topics to ensure that these meet the necessary business requirements.



IDENTIFY

Material topics are identified based on activities that are vital to the operations of Shang Properties, Inc. as a Holding Company operating different businesses.

ASSESS

The identified topics are evaluated and prioritized based on what we interpret as significant and impactful to our stakeholders and to our Company.

REVIEW

Our Company's performance with respect to the material topics (also known as our "Core Drivers") are subjected to regular review by the Board.

VERIFY

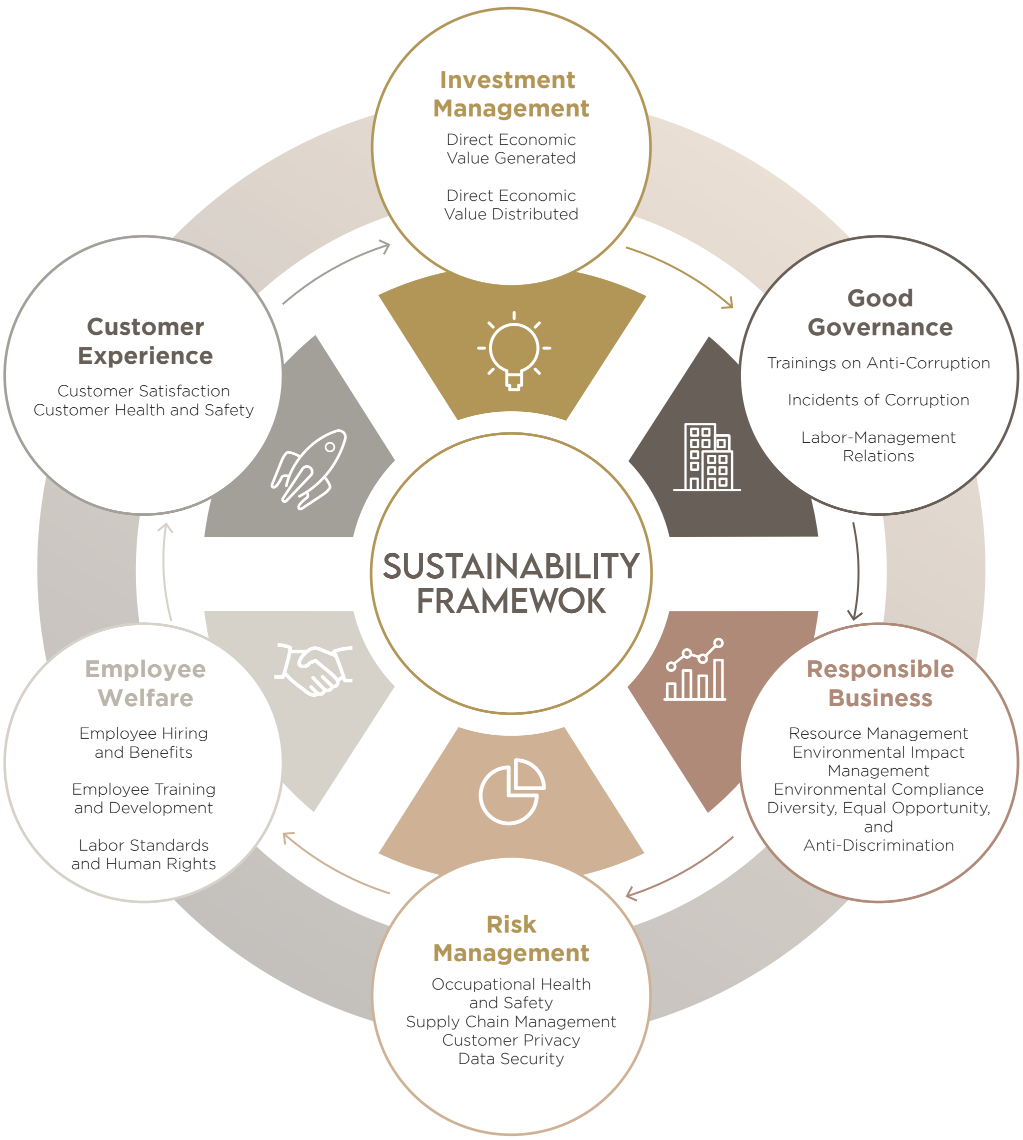
Material topics are consulted with and approved by the Board of Directors to ensure their alignment with the Group's Mission and Vision.

FOCUS

Based on the agreed material topics, management actions are identified and incorporated into the business plan.

SUSTAINABILITY FRAMEWORK

By employing our established materiality assessment process, we identified core drivers crucial for shaping our sustainability framework, as shown below. We continue to report on our most impactful topics in order to evaluate the business resilience of our Company and our progress towards sustainability goals.



STAKEHOLDER ENGAGEMENT

Our Company understands that stakeholder engagement is a valuable step towards addressing stakeholder needs and fostering stronger relationships. As such, the Company has identified its key stakeholders and tailored specific engagement methods that best suit each group. The following table provides an overview of these stakeholders and their respective modes of engagement.

STAKEHOLDER	MEANS OF ENGAGEMENT	ASPECTS
Stockholders and Investors	Annual Stockholders Meeting Corporate Disclosure Corporate Website	Financial Performance and Cash Flows Business Outlook Resolutions of Business Concerns ESG Performance
Employees	Training and development programs Email blasts and bulletins Annual performance appraisals Online portals / Social Media Company activity and Events	Skills inventory development General company updates Performance review and improvement Job opportunities Employee activities and socialization Health and wellbeing
Customers and Guests	Customer satisfaction surveys Telephone hotlines Social Media	Customer Feedback / areas for improvement General Information Events, Customer complaints
Residents and Tenants	Email blasts Memorandums Meetings Evacuation drills	Promotions Maintenance and Service Interruption, Escalations, Property Updates Exploratory, Pre-Construction, Egress Fire and life safety Residents/Tenants complaints Other operational issues
Suppliers and Contractors	Emails One on one meetings Group meetings/discussions Telephone / mobile phones Site inspections	Cost proposal Warranties Duration of Project Scope / Deliverables Payment for services rendered
Government and Regulators	Emails Site inspections Correspondences Telephone / mobile phones	Coordination of requirements Compliance to regulations Continuous communication and coordination of schedules Payment of taxes and applicable fees

INVESTMENT MANAGEMENT

DIRECT ECONOMIC VALUE GENERATED & DISTRIBUTED

DISCLOSURE	UNIT	QUANTITY	
		2022	2023
Direct Economic Value Generated (Revenue)	PHP	10,833,823,837	13,339,788,291
Direct Economic Value Distributed:			
a. Operating Costs	PHP	3,743,630,237	5,226,553,499
b. Employee Wages and Benefits	PHP	678,126,824	335,131,480
c. Payments to Suppliers, Other Operating Costs	PHP	1,867,827,902	1,228,283,867
d. Dividends given to Stockholders and Interest Payments to Loan Providers	PHP	1,543,106,959	1,482,528,324
e. Taxes given to Government	PHP	412,799,412	138,687,025
f. Investments to Community (e.g. Donations, CSR)	PHP	171,449,802	51,050,000

GOOD GOVERNANCE

TRAINING ON ANTI-CORRUPTION POLICIES & PROCEDURES

DISCLOSURE	UNIT	QUANTITY	
		2022	2023
Percentage of Employees to whom the Organization's Anti – Corruption Policies and Procedures have been Communicated To	%	100	100
Percentage of Business Partners to whom the Organization's Anti – Corruption Policies and Procedures have been Communicated To	%	100	100
Percentage of Directors and Management that have Received Anti – Corruption Training	%	50	50
Percentage of Employees that have Received Anti–Corruption Training	%	50	50

INCIDENTS OF CORRUPTION

DISCLOSURE	UNIT	QUANTITY	
		2022	2023
Number of Incidents in which Directors were Removed or Disciplined for Corruption	#	0	0
Number of Incidents in which Employees were Dismissed or Disciplined for Corruption	#	0	0
Number of Incidents when Contracts with Business Partners were Terminated due to Incidents of Corruption	#	0	0
Number of Incidents in which Directors were Removed or Disciplined for Corruption	#	0	0

LABOR-MANAGEMENT RELATIONS

DISCLOSURE	UNIT	QUANTITY	
		2022	2023
% of Employees Covered with Collective Bargaining Agreements	%	N/A	N/A
Number of Consultations Conducted with Employees Concerning Employee – Related Policies	#	7	0

RESPONSIBLE BUSINESS

RESOURCE MANAGEMENT

Energy Consumption within the Organization

DISCLOSURE	UNIT	QUANTITY	
		2022	2023
Renewable Resources	GJ	0	2,000
Gasoline	GJ	459	2,130
LPG	GJ	21,238	34,146
Diesel	GJ	23,333	26,074
Electricity	kWh	96,858,937	116,915,734

MATERIALS USED BY THE ORGANIZATION

DISCLOSURE	UNIT	QUANTITY	
		2022	2023
Materials Used by Weight/Volume			
Renewable	Kg or L	291,320	200
Non-Renewable	Kg or L	16,381,251	21,090
Percentage of Recycled Input Materials Used to Manufacture the Organization's Primary Products and Services	%	0	0

WATER AND EFFLUENTS

DISCLOSURE	UNIT	QUANTITY	
		2022	2023
Water Consumption	m^3	1,327,863	1,133,242
Water Recycled and Reused	m^3	136,922	177,123
Total Volume of Water Discharges	m^3	618,684	890,261
Percent of Wastewater Recycled	%	10.31	15.74

AIR EMISSIONS

GHG Emissions

DISCLOSURE	UNIT	QUANTITY	
		2022	2023
Direct (Scope 1) GHG Emissions	Tonnes CO_2e	2,917	3,914
Energy indirect (Scope 2) GHG Emissions	Tonnes CO_2e	61,215	74,358

Air Pollutants

DISCLOSURE	UNIT	QUANTITY	
		2022	2023
NOX	kg	0.04	N/A
SOX	kg	0	N/A
Persistent Organic Pollutants (POPs)	kg	0	N/A
Volatile Organic Compounds (VOCs)	kg	0	N/A
Hazardous Air Pollutants (HAPs)	kg	0	N/A
Particulate Matter (PM)	kg	0	N/A

SOLID AND HAZARDOUS WASTES

DISCLOSURE	UNIT	QUANTITY	
		2022	2023
Total Solid Waste Generated	kg	3,743,894	5,117,882
Reusable	kg	0	0
Recyclable	kg	502,903	854,337
Composted	kg	114,899	277,110
Incinerated	kg	0	0
Residuals / Landfilled	kg	2,926,044	2,476,820
Total Weight of Hazardous Waste Generated	kg	33,892	65,732
Total Weight of Hazardous Waste Transported	kg	17,188	88,873

ENVIRONMENTAL COMPLIANCE

DISCLOSURE	UNIT	QUANTITY	
		2022	2023
Total Amount of Monetary Fines for Non – Compliance with Environmental Laws and / or Regulations	PHP	0	0
No. of Non – Monetary Sanctions for Non – Compliance with Environmental Laws and / or Regulations	#	0	0
No. of Cases Resolved through Dispute Resolution Mechanism	#	0	0

DIVERSITY, EQUAL OPPORTUNITY, & ANTI-DISCRIMINATION

DISCLOSURE	UNIT	QUANTITY	
		2022	2023
% of Female Workers in the Workforce	%	46	45
% of Male Workers in the Workforce	%	54	55
Number of Employees from Indigenous Communities and/or Vulnerable Sector	#	26	42

RISK MANAGEMENT

OCCUPATIONAL HEALTH & SAFETY

DISCLOSURE	UNIT	QUANTITY	
		2022	2023
Safe Man-Hours	Man-Hours	546,109	850,250
No. of Work – Related Injuries	#	4	11
No. of Work – Related Fatalities	#	0	0
No. of Work – Related Ill-Health	#	6	4
No. of Safety Drills	#	274	519

SUPPLY CHAIN MANAGEMENT

Sustainability Topics when Accrediting Suppliers

TOPIC	2022	2023
Environmental Performance	●	●
Forced Labor	●	●
Child Labor	●	●
Human Rights	●	●
Bribery and Corruption	●	●

Referenced in Company Policy: Section 5.11.2.3 of DP-SPI-PROC 1.8 Vendor Accreditation Procedure and Section 5 of the Supplier Code of Conduct.

DISCLOSURE	UNIT	QUANTITY	
		2022	2023
Percentage of Procurement Budget Used for Significant Locations of Operations that is Spent on Local Suppliers	%	99.91	98.00

CUSTOMER PRIVACY & DATA SECURITY

DISCLOSURE	UNIT	QUANTITY	
		2022	2023
No. of Substantiated Complaints on Customer Privacy	#	0	0
No. of Complaints Addressed	#	0	0
No. of Customers, Users, and Account Holders whose Information is Used for Secondary Purposes	#	0	0
No. of Data Breaches, including Leaks, Thefts, and Losses of Data	#	0	0

EMPLOYEE WELFARE

EMPLOYEE HIRING & BENEFITS

DISCLOSURE	UNIT	QUANTITY	
		2022	2023
Total Number of Employees	#	985	783
a. Number of Female Employees	#	458	354
b. Number of Male Employees	#	527	429
Attrition Rate	%	4	9
Ratio of Lowest Paid Employee Against Minimum Wage	Ratio	1:1.42	1:1.18

Percentage of Employees Availing the Benefits

DISCLOSURE	2022	2023	Female	Male
SSS	●	●	16%	19%
PhilHealth	●	●	20%	9%
PAG - IBIG	●	●	18%	18%
Parental Leaves	●	●	0%	1%
Vacation Leaves	●	●	8%	8%
Sick Leaves	●	●	8%	8%
Medical Benefits (Aside from PhilHealth)	●	●	33%	21%
Retirement Fund (Aside from SSS)	●	●	11%	4%
Flexible – Working Hours	●	●	8%	8%

EMPLOYEE TRAINING & DEVELOPMENT

DISCLOSURE	UNIT	QUANTITY	
		2022	2023
Total Training Hours Provided to Employees			
a. Female Employee	Hours	8,851	9,796
b. Male Employee	Hours	12,753	13,805
Average Training Hours Provided to Employees			
a. Female Employee	Hrs/Employee	19.33	60.50
b. Male Employee	Hrs/Employee	24.20	82.50

LABOR STANDARDS & HUMAN RIGHTS

DISCLOSURE	UNIT	QUANTITY	
		2022	2023
No. of Legal Actions or Employees Grievance involving Forced or Child Labor	#	0	0

TOPIC	2022	2023	Reference in Company Policy
Forced Labor	●	●	Code of Business Conduct and Ethics
Child Labor	●	●	Code of Business Conduct and Ethics
Human Rights	●	●	Code of Business Conduct and Ethics

CUSTOMER EXPERIENCE

CUSTOMER SATISFACTION

DISCLOSURE	UNIT	QUANTITY	
		2022	2023
Customer Satisfaction Score	%	85	89

CUSTOMER HEALTH & SAFETY

DISCLOSURE	UNIT	QUANTITY	
		2022	2023
No. of Substantiated Complaints on Product or Service Health and Safety	#	3,434	4,798
No. of Complaints Addressed	#	3,434	4,798

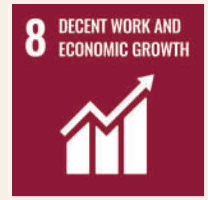
UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

ECONOMIC

P139M
Taxes paid

P51M
Investments to community

783
Total no. of organic employees



Material Topic/Disclosure: Economic Performance
As a prominent entity in the Philippine property market, SPI actively promotes sustainable development by fostering job creation, contributing to government tax revenues, nurturing supplier relationships, and investing in communities through donations, and exploring more impactful corporate social responsibility endeavors.

ENVIRONMENT

854,337 kg
Waste Recycled

100%
Environmental Compliance

15.74%
Waste water Recycled

Material Topics: Resource Management, Environmental Impact Management, Environmental Compliance
The environment is our most vital partner from which we derive the resources necessary for the success of our business operations. We at SPI recognize the urgency of addressing resource availability, and as such we incorporate new technology and conscious material, water, and energy management initiatives to contribute to a more sustainable and circular economy.

SOCIAL

850,250
Safe man-hours

45.21%
Female workers in the workforce

42
No. of employees from indigenous communities and vulnerable sector

0
Work-related fatalities

0
Employee Grievance on Forced or Child Labor

519
No. of Safety drills

Material Topic/Disclosure: Employee Management, Workplace Conditions, Labor Standards and Human Rights
Being one of the largest employers in the Philippines' hospitality and real estate industry, we recognize the grand duty we hold in ensuring a safe and healthy environment for our employees, customers, and all other stakeholders. As such, we strictly comply with applicable labor laws and regulations set by the Department of Labor and Employment (DOLE) and other relevant government entities. Furthermore, we recognize that our company thrives in diversity. We maintain a safe and inclusive workplace that values and respects individuals regardless of their gender, ethnicity, background, sexual orientation, or beliefs.

BOARD OF DIRECTORS

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

Alexandra Ramos-Padilla was a former member of the Board of the Issuer from 2006 to 2013. She also sits in the Board of Directors of Philodrill Corporation, Anglo Philippines Holdings Corporation and United Paragon Corporation. She is currently Managing Director of National Bookstore, Inc. and President of Anvil Publishing. She graduated from Ateneo de Manila University major in Management Engineering and obtained her Master's in Business Administration from Northwestern University, Illinois, USA.

Au Hing Lun, Dennis is the Deputy Chief Executive Officer and an Executive Director of Kerry Properties Limited ("KPL"). He is also a member of the KPL's Executive Committee and Finance Committee.

Mr. Au has over 35 years of experience in accounting, finance, consultancy, business development and general management spanning across manufacturing, technology and real estate industries. Mr. Au worked for the tax division of Arthur Andersen & Co. and later on Andersen Consulting (now known as Accenture plc), providing advisory on tax, IT system design and integration projects for governments and multinational companies. Mr. Au is a fellow member of the Association of Chartered Certified Accountants. He holds a Master of Business Administration degree from the University of Hong Kong and a Bachelor of Science degree from Dalhousie University in Canada.

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

Benjamin Ivan S. Ramos is the President of ROI Corp., an investment company. He was previously the President of Powerbooks, Inc., and also President of Tokyo Tokyo, Inc., the largest Japanese fast food chain in the Philippines. He has an MBA from the Stanford Graduate School of Business.

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

Antonio O. Cojuangco is the Chairman and/or President of various companies and organizations such as Ballet Philippines, CAP Life Insurance Corporation, Cinemalaya Foundation, Mantrade Development Corporation, Nabasan Subic Development Corporation, Philippine Trade Foundation, Inc., Radio Veritas, Tanghalang Pilipino, and Calatagan Bay Realty. He is also a Director in Tiger Resort Leisure and Entertainment Inc. He graduated Summa Cum Laude with an AB Economics degree from the Ateneo de Manila, and obtained a Master's in Business Administration from Stanford University.

Karlo Marco P. Estavillo is the Chief Operating Officerof Shang Properties, Inc. (SPI). Atty. Estavillo was Vice-President and General Manager of one of the operating business units in one of the largest conglomerates in the country, where he was also Corporate Secretary and Compliance Officer. He was likewise a member of the Board of Directors of a universal bank, as well as a top local insurance company. He served in various committees, including Audit, Trust, Legal Oversight, amongst others.He earned a Bachelor of Laws degree from the University of the Philippines, and a Bachelor of Science in Business Management degree from the Ateneo de Manila University.

Wolfgang Krueger is the Executive Director of Shang Properties, Inc. (SPI). Prior to joining SPI, Mr. Krueger was the Executive Vice President for Shangri-La International Hotels Limited and looked after all the Shangri-La Hotels in Hong Kong, Philippines, Taiwan, Japan, Mongolia, Australia, and Fiji. He joined Shangri-La Group in 2001 and has been with the group for over 20 years.

CORPORATE GOVERNANCE

Shang Properties, Inc. and its Board of Directors have always recognized and effected the globally accepted three (3) basic principles of corporate governance: fairness, transparency, and accountability to all its stakeholders. Shang Properties adopted its Corporate Governance Manual and submitted this to the Securities and Exchange Commission in 2002.

The following sections demonstrate the Company's compliance with these principles as detailed in the Manual during the financial year ending 31 December 2023.

THE BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and oversees its businesses, strategic directions and financial performance. It sets and provides the role modeling for the Company's values and standards ensuring further that its obligations to the Company's shareholders are understood and met. To this end, it assumes responsibility for strategy formulation, corporate governance, and performance monitoring. The management is delegated with the authority and responsibility for the administration of the Company within the control and authority framework set by the Board. In addition, the Board has also delegated various responsibilities to the Executive Committee, the Audit Committee, and the Corporate Governance Committee. Further details of these committees are set out in this annual report.

The number of meetings held and the attendance record of the Board members at these meetings for the last three (3) years are as follows:

	2024	2023	2022
Number of Board Meetings	1	4	4
Attendance			
Executives	100%	93%	90%
Independent Non-Executive	83%	92%	89%
Average	90%	92%	90%

Board minutes, kept by the corporate secretary, are sent to the Directors for records, and are open for inspection.

Board Composition

The Board is currently composed of ten (10) Directors. The Directors are Edward Kuok Khoon Loong, Cynthia R. Del Castillo, Antonio O. Cojuangco, Karlo Marco P. Estavillo, Wolfgang Krueger, Maximo G. Licuaco III, Benjamin I. Ramos, Dennis Au Hing Lun and Alexandra Ramos. The biographies of the Directors are set out on pages 30 and 31 of this annual report, which demonstrate a diversity of skills, expertise, experience, and qualifications.

Division of Responsibilities

The Board has appointed a Chairman who provides leadership in establishing policies and business directions. The Chairman ensures that the Board works effectively, discharges its responsibilities, and discusses all key and appropriate issues in a timely manner.

The Executive Directors are tasked with the day-to-day running of the Company and are responsible for the different aspects of Shang Properties' businesses. Non-Executive Directors bring strong independent judgment, knowledge and expertise to the Board's deliberations. Apart from their election, the Non- Executive Directors do not have any form of service contract with the Company on any of its subsidiaries.

The Independent Directors take an active role in Board meetings, participate in Board Committees, contribute to the development of strategies and policies, and take the lead if and when potential conflicts of interest arise.

Directors' Re-election and Removal

The Directors of the Company are elected during the annual general meeting and hold office for one (1) year or until their successors are elected and qualified.

Access to Information

All Directors are continually updated with legal and regulatory developments, regularly receive comprehensive information about business activities, financial highlights and operations review of the Company's business and market changes, and developments so that they are up to date and are well informed during Board meetings and to facilitate in discharging their responsibilities. The Board members are provided with Board papers and relevant materials prior to the intended meeting date, including business and financial reports covering the Company's principal business activities and are at liberty to contact management for inquiries and to obtain further information, when the advice and services of the Corporate Secretary, who ensures that they receive appropriate and timely information for their decision-making and that Board procedures are being followed. The Directors can obtain independent professional advice at the Company's expense.

DELEGATION BY THE BOARD

Executive Committee

The Executive Committee meets regularly and operates as a general management committee chaired by Wolfgang Krueger, an Executive Director and Executive Assistant to the Chairman. The Executive Committee meets to discuss the corporate and development strategies of the Company.

Corporate Governance Committee

Pursuant to its Corporate Governance Manual, the Board created a Corporate Governance Committee. The committee acts in an advisory capacity and makes recommendations to the Board. It promulgates the guidelines or criteria to govern the conduct of the nominations of the Directors. The same is properly disclosed in the Company's information statement as well as any report that is submitted to the Securities and Exchange Commission.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Management is responsible for the preparation of the financial statements, which adopt generally accepted accounting standards in the Philippines, ensuring appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made. The auditing and reporting on the financial statements are the primary responsibility of the external auditor whose "Independent Auditor's Report" to the Board of Directors and shareholders is included in this Annual Report.

Towards the end of the year, the Board reviews the financial projections of the group for the financial year ending December 31 on any given year. The Management has continued to adopt a going concern basis in preparing the financial statements to ensure that any material uncertainties relating to events or conditions that may affect the Company's ability to manage effectively are met.

Internal Controls

The Board is responsible for maintaining an adequate system of internal controls and reviewing their effectiveness. The system of internal control is designed to facilitate effective and efficient operations, safeguard its assets, and ensure that the quality of internal and external reporting comply with applicable laws and regulations. In establishing internal controls, the Company has taken into consideration the nature and extent of the Company's business, operational and financial risks, the likelihood of realization of such risks, and the costs of implementing the relevant internal controls.

These internal controls are designed to manage, but not eliminate, the risk of failure to achieve business objectives and provide reasonable, but not absolute, assurance against the risks of material misstatement, fraud or losses.

During the year ended 31 December 2023, the Board, through the Audit Committee, reviewed the risks and evaluated the internal control framework that operates within the Company and considered that the system of internal controls in operation is effective.

More details on the Company's internal control framework and the Board's process to evaluate its system of internal controls is set out in the section headed internal controls on this page of this Annual Report.

Audit Committee

Pursuant to its Corporate Governance Manual, the Board created an Audit Committee in 2002. Each member is required to have at least an adequate understanding of or competence on most of the Company's financial management systems and environment. The major responsibilities of the Audit Committee are:

• To perform oversight functions over senior management in establishing and maintaining an adequate, effective and efficient internal control framework, systems and processes to provide reasonable assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations and safeguarding of assets;

• To perform oversight functions over the Company's Internal and External Auditors, to ensure the independence and objectivity of Internal and External Auditors, and that they are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit function;

• To review and monitor the effectiveness of the external audit process, taking into consideration relevant Philippine professional and regulatory requirements and review, at least annually, the performance, suitability and effectiveness of the external auditors;

• To review and approve Financial Statements of the Company before their submission to the Board with particular focus on (a) any change/s in accounting policies and practices; (b) areas where a significant amount of judgement has been exercised; (c) significant adjustments resulting from the audit; (d) going concern assumptions; (e) compliance with accounting standards; and (f) compliance with tax, legal, and regulatory requirements.

The number of meetings held and the attendance record of the Committee members at these meetings for the last three (3) years are as follows:

Audit Committee Meetings	2024	2023	2022
No. of Meetings	1	4	4
Attendance	67%	53%	83%

Auditor's Remuneration

During the financial year ended 31 December 2023, the fees paid/payable to the External Auditor in respect ofthe audit and non-audit services provided by the External Auditor to the Company amounted to PhP4,039,000.

INTERNAL CONTROLS

The Board is responsible for maintaining and reviewing the effectiveness of the Company's system of internal controls. The internal controls are designed to meet the Company's particular needs, minimize the risks to which it is exposed, manage rather than eliminate the risks to achieve business objectives, and provide reasonable but not absolute assurance against misstatements or losses. The Company's internal control framework covers (i) the setting of objectives, budgets, and targets; (ii) the establishment of regular reporting of financial information, in particular, the tracking of deviations between actual performances and budgets/targets; (iii) the delegation of authority; and (iv) the establishment of clear lines of accountability.

Strategies and objectives of the Company as a whole are determined by the Board. Budgets are prepared annually and reviewed by the Board. In implementing these strategies and achieving these objectives, each Executive Director has specific responsibilities for monitoring the conduct and operations of individual business units within the Company. This includes the review and approval of business strategies and plans, the setting of businessrelated performance targets as well as the design and implementation of internal controls.

Periodic financial information is provided to the Executive Directors. Variance analysis between actual performances and targets is prepared and documented for discussion at Board meetings, with explanations between actual performances and budgets / targets. This helps the Board and the Company's Management to monitor its business operations and to plan on a prudent and timely basis. Other regular and ad hoc reports are prepared for the Board and to various committees, to ensure that the Directors are provided with all the requested information in a timely and appropriate manner.

To allow for delegation of authority as well as to enhance segregation of duties and accountability, a clear organizational structure exists detailing different levels of authority and control responsibilities within each business unit of the Company. Certain specific matters are reserved for the Board's decision and cannot be delegated. These include, among others, the approval of annual and interim results, annual budgets, capital structure, declaration of dividends, material acquisitions, disposals and capital expenditures, Board structures and its composition and succession.

In addition, the Board also monitors the Company's governance system, risk management process and system of internal controls through an internal audit plan. The internal audit plan is formulated based on a risk-based audit approach with focus on areas with relatively higher perceived risks, in consultation with the Company's senior management. The internal audit plan is approved by the Audit Committee at the end of the preceeding financial year, and mid-year updates are done whenever deemed necessary.

The internal audit team reviews the company's business operations and processes covering operational, financial and compliance audits on a continuing basis, and aims to cover the major business operations and those areas with relevant and signficant risks for the audit period.

During the audit reviews, the internal audit team ensures that appropriate controls are present or existing and are operating effectively, and that any deficiencies or irregularities noted are rectified.

The internal audit team reports directly to the Audit Committee. Accordingly, regular internal audit reports are circulated to the Audit Committee members, the senior management, the Chief Financial Officer, and the external auditors.

COMMUNICATION WITH SHAREHOLDERS

Investor Relations

Communication Channels

In order to develop and maintain a continuing investor's program with its shareholders, the Company has established various channels of communication:

i) Shareholders can raise any comments on the performance and future directions of the Company with the Directors at the Annual General Meeting.

ii) The Company distributes the annual results to shareholders.

iii) The Company's website www.shangproperties.com contains important corporate information, biographical details of Directors and senior management, organizational structure, annual and interim reports, major historical developments with comprehensive and user-friendly information about the Company's shareholders and the investor community to have timely access to updated information.

iv) Shareholders and members of the investor community are welcome to raise enquiries through the Legal Department, whose contact details are available in the Company's website www.shangproperties.com.

General Meetings

1. The General Meeting provides a forum for the Board to communicate with the shareholders of the Company.

2. To facilitate enforcement of shareholders' rights, significant issues are dealt with under separate resolutions at general meetings.

3. The 2023 Annual Stockholders' Meeting of the Company was held on June 29, 2023 via video conference.

The following resolutions were passed during the meeting:

1. Approval of the Minutes of the Annual Meeting of the Stockholders held on June 29, 2023.

2. Election of Directors for the year 2023-2024.

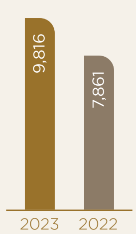
3. Appointment of External Auditor

FINANCIAL HIGHLIGHTS

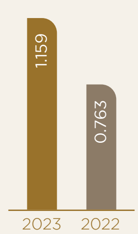
TWO-YEAR OVERVIEW

		2023	2022	Change
Turnover	(Php M)	9,817	7,861	24.9%
Profit attributable to shareholders of the Parent Company	(Php M)	5,518	3,634	54.6%
Equity attributable to shareholders of the Parent Company	(Php M)	44,317	40,162	10.3%
Earnings per share attributable to shareholders of the Parent Company	(Php Ctv)	1.159	0.763	51.9%
Net asset value per share attributable to shareholders of the Parent Company	(Php)	9.307	8.434	10.3%
Share price at year end	(Php)	3.670	2.540	44.5%
Price earnings ratio at year end	(Ratio)	3.167	3.328	-4.8%
Market capitalisation at year end	(Php M)	17,484	12,101	44.5%
Dividend per share	(Php Ctv)	0,289	0.165	75.4%
Dividend payout ratio	(%)	25.0%	21.6%	15.5%
Dividend yield at year end	(%)	7.9%	6.5%	21.4%
Operating Margin	(%)	64.7%	60.2%	7.5%
Return on equity	(%)	12.5%	9.0%	40.1%
Return on total financing	(%)	12.5%	9.3%	38.0%
Interest cover	(Ratio)	59.996	39.775	50.8%
Gross interest as a % of total borrowings	(%)	0.5%	1.3%	-60.9%
Current ratio	(Ratio)	1.1	1.0	8.6%
Total Debt to Equity	(%)	48.1%	47.2%	1.9%
Total Bank Loans to Equity	(%)	20.0%	18.1%	10.8%

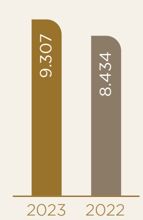
Turnover
PhP Million



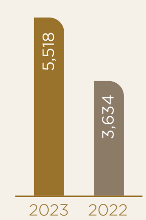
Earnings Per Share
PhP Ctv



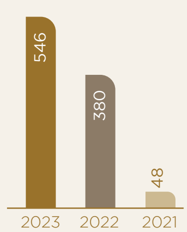
Net Assets Value Per Share
PhP



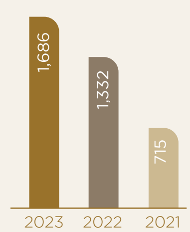
Profit Attributable to Shareholders
PhP Million



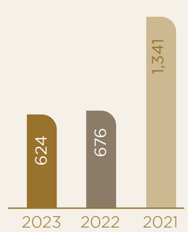
SLPC Net Income
PhP Million



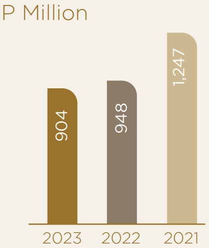
SLPC Revenue
PhP Ctv



TEC Net Income
PhP



TEC Gross Rental Income
PhP Million



STOCK PERFORMANCE & SHAREHOLDER MATTERS

	HIGH (*in PhP)	LOW (*in PhP)
2021		
First Quarter	2.87	2.50
Second Quarter	2.78	2.53
Third Quarter	2.71	2.55
Fourth Quarter	2.71	2.5

	HIGH (*in PhP)	LOW (*in PhP)
2022		
First Quarter	2.62	2.50
Second Quarter	2.61	2.45
Third Quarter	2.62	2.45
Fourth Quarter	2.60	2.41

	HIGH (*in PhP)	LOW (*in PhP)
2023		
First Quarter	2.75	2.50
Second Quarter	3.00	2.55
Third Quarter	3.65	3.00
Fourth Quarter	3.79	3.47

DIVIDENDS

For the year 2023, the Board of Directors declared total cash dividends of PhP1.378 Billion (2022: PhP786 Million)

SHAREHOLDER PROFILE

As of 31 December 2023, the Company had 5,127 stockholders. Common shares outstanding as of said date are 4,764,058,982. The Company's stockholders owning at least 5% or more of the common shares outstanding as of 31 December 2023 are:

Rank	Shareholders	No. of Shares	Percentage
1	TRAVEL AIM INVESTMENT B.V.	1,648,869,372	34.61
2	IDEAL SITES AND PROPERTIES INC.	1,465,144,626	30.75
3	PCD NOMINEE CORPORATION (FILIPINO)	999,900,728	20.99

10-YEAR FINANCIAL SUMMARY

	2023	2022	2021
Profit and loss account	Php '000	Php '000	Php '000
Turnover	9,816,777	7,860,859	4,573,925
Operating profit	4,239,376	3,004,661	657,510
Interest expense & bank charges	(52,119)	(109,448)	(120,052)
Share in profit (loss) of associated companies	2,460,747	1,422,114	404,707
Profit before taxation	7,150,570	4,665,643	1,322,676
Taxation	(1,049,013)	(677,481)	867,600
Profit after taxation	6,101,557	3,988,162	2,190,276
Minority interests	(583,138)	(353,681)	(66,214)
Profit attributable to shareholders	5,518,419	3,634,479	2,124,063
Assets and liabilities			
Fixed assets	47,535,338	46,546,005	46,210,937
Associated company	8,219,286	5,748,050	4,318,124
Other assets	1,536,978	1,725,526	1,859,339
Net current assets/(liabilities)	1,084,568	(257,575)	(929,421)
	58,376,171	53,762,006	51,458,978
Long term liabilities	(7,887,913)	(7,825,816)	(8,519,955)
Total equity	50,488,258	45,936,190	42,939,023

	2020	2019	2018	2017	2016	2015	2014
	Php '000	Php '000	Php '000	Php '000	Php '000	Php '000	Php '000
	6,220,489	11,361,826	11,180,487	13,770,215	10,343,021	7,391,108	6,449,539
	1,085,172	4,031,015	3,721,551	4,939,001	4,021,601	4,005,484	3,188,806
	(139,647)	(272,339)	(358,742)	(331,963)	(273,494)	(201,559)	(227,066)
	185,534	101,237	-	(4,100)	(4,313)	70,658	(9,693)
	1,825,796	4,476,579	4,832,376	5,684,611	4,679,868	4,767,165	4,114,696
	(404,216)	(1,054,810)	(1,271,762)	(1,464,529)	(1,204,218)	(1,189,139)	(995,502)
	1,421,580	3,421,769	3,560,614	4,220,082	3,475,650	3,578,027	3,119,194
	48,385	(365,767)	(548,286)	(873,916)	(569,726)	(728,214)	(383,818)
	1,469,965	3,056,002	3,012,328	3,346,166	2,905,925	2,849,813	2,735,376
	46,598,466	47,202,480	46,761,767	42,283,683	39,702,962	41,890,783	38,389,161
	2,317,911	2,121,615	1,000,389	501,936	495,636	491,948	410,790
	2,597,366	1,943,490	1,543,107	1,123,249	150,264	63,411	68,494
	691,743	1,183,719	2,593,483	8,453,323	12,039,829	9,452,538	9,612,668
	52,205,486	52,451,305	51,898,746	52,362,191	52,388,691	51,898,681	48,481,112
	(10,531,118)	(11,181,166)	(12,832,387)	(15,837,950)	(19,050,222)	(19,597,098)	(20,696,779)
	41,674,367	41,270,139	39,066,359	36,524,241	33,338,468	32,301,583	27,784,333

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills Mandaluyong City

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

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

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

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

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

Edward Kuok Khoon Loong
Chairman of the Board

Wolfgang Krueger
Executive Director

Mabel P. Tacorda
Chief Finance Officer

Signed this 19th day of March, 2024

AUDIT COMMITTEE REPORT

For the year ended 31 December 2023

The Audit Committee of The Board has been established since 2002 is composed of three (3) Non-executive Directors, of whom two (2) are independent directors. The chair of the Audit Committee is an independent director.

The Audit Committee operates pursuant to the approved Audit Committee Charter. In general, the Audit Committee is responsible for assisting the Board in its responsibilities in monitoring the integrity of the Group's financial reporting process, the financial statements and financial reports of the Company, the compliance with legal and regulatory requirements, the external auditor's qualifications and independence, and the performance of the Group's internal audit function and external auditor.

In performing its responsibilities, set out below is a summary of the work performed by the Audit Committee during the financial year ended 31 December 2023.

(i) The Audit Committee reviewed the draft annual and interim financial statements and the draft results announcements of the Company, focusing on main areas of judgment, consistency of and changes in accounting policies and adequacy of information disclosure prior to recommending them to the Board for approval.

(ii) The Audit Committee reviewed, in conjunction with the external auditor, the developments of accounting standards and assessed their potential impacts on the Group's financial statements.

(iii) The Audit Committee assessed the independence of the Company's external auditor, prior to formally engaging the external auditor to carry out the audit for the Company's financial statements for the year ended 31 December 2023.

(iv) Prior to the actual commencement of the audit, the external auditor discussed the proposed scope of work and approach of the audit with the Audit Committee. Upon completion of the audit, the Audit Committee reviewed the results of the external audit and discussed with the external auditor on any significant findings and audit issues.

(v) The Audit Committee recommended to the Board regarding the appointment and remuneration of the external auditor.

(vi) The Audit Committee reviewed and approved the internal audit plan, reviewed, and discussed the significant and material audit issues from the internal audit reports with the internal audit team and the Group's senior management.

(vii) The Audit Committee reviewed the independence of the internal audit function and the level of support and cooperation given by the Group's management to the internal audit team, as well as the resources of the internal audit team when undertaking its duties and responsibilities.

(viii) The Audit Committee reviewed the adequacy and effectiveness of the Group's systems of internal controls, through oversight on the work undertaken by the Group's internal and external auditor, and written representations by the senior management of each of the Group's business divisions and discussions with the Board.

During the financial year ended 31 December 2023, the Audit Committee met four (4) times. The Audit Committee also conducted meetings with the Group's senior management, the external auditor, and the internal audit team from time to time. Minutes of the Audit Committee Meetings are documented and circulated to the Board for information. The Audit Committee also reports and presents its findings and makes recommendations for consideration and discussion at Board meetings.

The Audit Committee reviewed the audited financial statements of the Group for the year ended 31 December 2023 prior to recommending them to the Board for approval.

Members of the Audit Committee:

Mr. Benjamin Ivan S. Ramos
Chairman

Mr. Maximo G. Licauco III
Member

Ms. Cynthia R. Del Castillo
Member

INDEPENDENT AUDITOR'S REPORT

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

Our Opinion

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

What we have audited

The consolidated financial statements of the Group comprise:

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

Basis for Opinion

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

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

Independence

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

Emphasis of Matter

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

Our Audit Approach

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

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

Key audit matters

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

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

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

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

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Isla Lipana & Co.

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

Makati City
March 27, 2024

Statements Required by Rule 68
Securities Regulation Code (SRC)

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

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

Isla Lipana & Co.

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

Makati City
March 27, 2024

pwc

Statements Required by Rule 68
Securities Regulation Code (SRC)

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

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

Isla Lipana & Co.

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

Makati City
March 27, 2024

Shang Properties, Inc. and Subsidiaries

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

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

The notes on pages 55 to 121 are integral part of these consolidated financial statements.

Shang Properties, Inc. and Subsidiaries

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

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

The notes on pages 55 to 121 are integral part of these consolidated financial statements.

Shang Properties, Inc. and Subsidiaries

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

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

The notes on pages 55 to 121 are integral part of these consolidated financial statements.

Shang Properties, Inc. and Subsidiaries

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

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

The notes on pages 55 to 121 are integral part of these consolidated financial statements.

Shang Properties, Inc. and Subsidiaries

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

1 General information

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

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

The Parent Company and its subsidiaries' (together, the “Group”) businesses include property investment and development, hotel operation, real estate management, leasing, mall and carpark operations, and other supplementary businesses.

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

2 Segment information

The Group's operating businesses are organized and managed according to the nature of the products and services marketed. Each segment represents a strategic business unit that offers different products and serves different markets. The Group has operations only in the Philippines. The Group derives revenues from three (3) main segments as follows:

(a) Property development

This business segment pertains to the development and sale of condominium units. The subsidiaries operating in this segment are as follows:

- Shang Properties Realty Corporation ("SPRC") is the developer of The Shang Grand Tower Project (TSGT), located in Makati City, The St. Francis Shangri-La Place Project (TSFSP) and the One Shangri-La Place Project (OSP), both located in Mandaluyong City.
- Shang Property Developers, Inc. ("SPDI") is the developer of Shang Salcedo Place Project (SSP), located in Makati City.
- The Rise Development Company Inc. ("TRDCI") is the developer of The Rise Makati Project, located in Makati City.
- Shang Wack Wack Properties, Inc. ("SWWPI") is the developer of Shang Residences at Wack Wack Project, located in Mandaluyong City.
- SPI Property Holdings, Inc. ("SPI-PHI") is the developer of Laya Project in Pasig City. SPI Land Development, Inc. ("SPI-LDI") is the developer of an upcoming project in Quezon City.

(b) Hotel operations

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

(c) Leasing

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

In 2019, the Parent Company started construction of the Shang One Horizon. The Project is a located in the City of Mandaluyong and is expected to be completed in 2027. Upon completion, the project will be subsequently leased out to third parties and related parties. In 2021, the construction of the land project was subsequently assigned from the Parent Company to SPI Property Developers, Inc. ("SPI-PDI"), a subsidiary.

(d) Other business segments

Other business segments pertain to property management services and operations of real estate entities and other subsidiaries. Except for the rental revenue from ESHRI, all revenues come from transactions with third parties. There are no revenues derived from a single external customer above 10% of total revenue in 2023, 2022, and 2021. There is no need to present reconciliation since measure of segment assets, liabilities and results of operations are consistent with those of the consolidated financial statements.

All revenues are from domestic entities incorporated in the Philippines, hence, the Group did not present geographical information required by PFRS 8, *Operating Segments*.

There are no changes in the Group's reportable segments and related strategies and policies in 2023, 2022, and 2021.

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

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

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

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

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

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

3 Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

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

Cash in banks earned interest at prevailing bank deposit rates.

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

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

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

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

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

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

4 Financial assets at fair value through profit or loss

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

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

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

5 Trade and other receivables, net

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

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

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

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

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

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

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

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

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

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

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

6 Properties held for sale

Properties held for sale as at December 31 consist of:

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

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

(a) Condominium units held for sale

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

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

The above transfers are considered a noncash transaction.

(b) Project under development held for sale

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

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

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

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

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

NRV has been assessed to be higher than cost based on circumstances or conditions as at December 31, 2023 and 2022. Accordingly, no write-down is deemed necessary.

Critical accounting estimates - Estimation of percentage-of-completion of the Group's projects

Revenue from condominium sales is recognized over time using the output method in accordance with the guidance set in PFRS 15, Revenue from contracts with customers, and Philippine Interpretations Committee Questions and Answers (PIC Q&A) 2016-04. Under the output method, revenue is calculated with reference to the PoC of the project. PoC is determined based on the actual physical completion of the project. Management believes that revenue from condominium sales reported in the statement of total comprehensive income best reflects the PoC of the projects as at reporting date.

The Group's on-going project is Shang Residences at Wack Wack and its PoC as at December 31, 2023 is 81% (2022 – 57%).

Critical accounting judgment - Collectability of the transaction price

Identification of a "contract" for particular real estate sale transaction in the context of PFRS 15 requires certain judgments based on the collectability of the transaction price. Collectability of the transaction price is demonstrated by the buyer's commitment to pay which, in turn, is supported by substantial initial and continuing investments that gives the buyer a sufficient stake in the property that risk of loss through default motivates the buyer to honor his obligation. Collectability is also assessed by considering factors such as the credit standing of the buyer, age, and location of the property. For condominium sales, in determining whether the contract prices are collectible, the Company considers that initial and continuing investments by the buyer of about 10% would demonstrate the buyer's commitment to pay, based on historical data.

7 Prepaid taxes and other current assets

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

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

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

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

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

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

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

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

8 Investments in and advances to associates and a joint venture

This account as at December 31 consist of:

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

(a) Investment in and advances to a joint venture

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

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

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

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

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

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

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

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

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

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

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

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

(b) Investments in various associates

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

Critical accounting judgment - Recoverability of investment and advances

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

Significant accounting judgment - joint control assessment

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

9 Non-controlling interests

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

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

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

(a) KSA Realty Corporation

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

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

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

(b) Shang Global City Properties, Inc.

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

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

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

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

10 Investment properties

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

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

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

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

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

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

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

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

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

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

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

Critical accounting estimate - Determination of fair values of investment properties

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

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

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

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

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

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

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

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

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

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

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

The following are the significant unobservable inputs:

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

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

Critical accounting judgments

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

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

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

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

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

(b) Classification of leases as operating lease

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

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

11 Financial assets at fair value through other comprehensive income

This account consists of equity securities as follows:

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

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

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

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

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

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

12 Property and equipment, net

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

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

Depreciation and amortization were allocated as follows:

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

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

Critical accounting estimate - Useful lives of property and equipment

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

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

Critical accounting judgment - Impairment of non-financial assets

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

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

13 Goodwill

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

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

14 Other non-current assets

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

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

Advances to contractors and suppliers

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

Refundable deposits

Refundable deposits include cash required from the Group for the on-going construction and utilities maintenance. This is refundable at the end of the lease term. Refundable deposits are reflected at their carrying amounts which are assumed to approximate their fair values.

15 Accounts payable and other current liabilities

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

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

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

Advance rentals pertain to the three-month rent collected from tenants to be applied to the last three (3) months of the lease term.

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

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

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

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

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

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

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

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

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

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

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

16 Bank loans

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

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

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

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

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

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

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

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

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

(a) Parent Company

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

(b) SGCPI

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

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

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

Long term loan facility

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

On July 28, 2021, the Company and the bank executed a loan restructuring agreement paving the way for the following changes in the loan's salient terms and conditions as follows:

Terms	From	To
Repayment date	Quarterly from 20th quarter to the 40th quarter after the date of the initial borrowing	Quarterly from the 20th quarter to the 37th quarter and then from 42nd quarter to the 47th quarter after the date of initial borrowing
Maturity date	June 2022	March 2024
Spread	Floating rate – the higher of (a) 3-month Bloomberg Valuation (BVAL) plus spread of 0.80% or (b) the Bangko Sentral ng Pilipinas (BSP) overnight borrowing rate minus spread of 0.95% per annum	Floating rate – the higher of (a) 3-month BVAL plus spread of 1.60% or (b) BSP Overnight Reverse Repurchase Rate Fixed rate – the interpolated BVAL plus spread of 0.75%
Collateral	Unconditional continuing suretyship of the sureties (Shangri-La Asia Limited and the Parent Company)	Unconditional continuing suretyship of the sureties (Shangri-La Asia Limited and the Parent Company) and an unregistered real estate mortgage over SGCPI's residential condominium unit

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

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

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

Short-term loans

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

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

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

17 Deposits from tenants

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

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

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

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

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

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

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

18 Equity

(a) Share capital, share premium and treasury shares

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

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

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

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

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

(b) Other comprehensive income

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

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

(c) Retained earnings

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

19 Dividends

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

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

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

20 Cost of sales and services

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

(a) Cost of condominium sales

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

(b) Cost of rental and cinema

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

(c) Cost of hotel operations

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

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

21 Staff costs

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

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

22 Other operating expenses

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

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

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

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

Rent pertains to payments associated with short-term leases.

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

23 Finance income, other income, and finance costs

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

(a) Finance income

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

(b) Other income, net

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

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

(c) Finance costs

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

24 Retirement benefit liability

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

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

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

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

(a) Investment risk

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

(b) Interest rate risk

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

(c) Longevity risk

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

(d) Salary risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Critical accounting estimate - Determining retirement benefit obligation

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

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

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

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

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

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

25 Income taxes

Corporate Recovery and Tax Incentives for Enterprises Act

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Critical accounting judgment - Income tax

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

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

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

26 Basic and diluted earnings per share

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

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

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

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

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

27 Related party transactions

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

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

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

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

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

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

Significant agreements with related parties are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

28 Provisions and contingencies

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

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

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

Critical accounting estimate - Provision

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

Critical accounting judgment - Contingencies

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

29 Advance rentals

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

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

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

Advance rentals as at December 31 are all current.

30 Financial risk and capital management

30.1 Financial risk management

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

30.1.1 Market risk

(a) Foreign exchange risk

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

The Group's foreign currency denominated cash in banks and cash equivalents as at and net foreign exchange gains for the years ended December 31, 2023 and 2022 are disclosed in Note 3.

(b) Price risk

The Group's exposure to price risk is minimal and limited only to financial assets at fair value through profit or loss (Note 4) and FVOCI (Note 11) presented in the consolidated statements of financial position. Changes in market prices of these financial assets are not expected to have a significant impact on the financial position or results of operations of the Group.

(c) Cash flow and fair value interest rate risk

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

The Group's interest rate risk management policy focuses on reducing the overall interest expense and exposure to change in interest rates. Changes in market interest rates relate primarily to the Group's long-term loans with floating interest rates as it can cause a change in the amount of interest payments.

30.1.2 Credit risk

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

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

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

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

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

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

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

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

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

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

(a) Cash and cash equivalents

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

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

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

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

(b) Receivables

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

<u>Trade receivables</u>

Sales of residential condominium units that are on installment basis are supported by post-dated checks from the buyers. Titles to properties sold are not released unless full payment is received. In case of leasing operation, tenants are subjected to credit evaluation and are required to put up security deposits and pay advance rentals, if necessary.

For the hotel operation, hotel guests who wish to avail of a credit line are subjected to the normal credit investigation and checking. References are required including review of the customer's financial position and earnings. Approval of a credit line is performed by the Financial Controller and the General Manager. A guest may not be given a line, but special ad hoc arrangements are allowed. It usually requires deposits, prepayments or credit card guarantees as collaterals. Existing credit lines are reviewed annually. The balances due from customers are considered as high-grade financial assets.

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

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

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

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

Non-trade receivables

The credit exposure on nontrade receivables is considered to be minimal as there is no history of defaults and collections are expected to be made within 30 to 60 days. In respect of balances due from related parties, management considered the credit quality of these receivables to be good based on financial condition of the related parties.

(c) Refundable deposits

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

30.1.3 Liquidity risk

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

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

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

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

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

30.2 Capital management

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

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

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

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

The Group was able to meet its capital management objectives.

30.3 Fair value measurement

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

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

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There have been no assets and liabilities transferred among Level 1, Level 2 and Level 3 during 2023 and 2022.

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

31 Summary of material accounting and financial reporting policies

31.1 Basis of preparation

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

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

The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and adopted by SEC.

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

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

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

Changes in accounting policies and disclosures

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

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

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

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

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

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

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

i. Assessing whether the transaction price includes SFC

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

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

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

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

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

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

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

31.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2023 and 2022. The subsidiaries' financial statements are prepared for the same reporting year as the Parent Company. The Group uses uniform accounting policies, any difference between subsidiaries and the Parent Company are adjusted properly.

The Group is composed of the subsidiaries listed below:

	Ownership %		
Nature and name of entity	2023	2022	2021
Property development:			
Shang Properties Realty Corporation (SPRC)	100	100	100
Shang Property Developers, Inc. (SPDI)	100	100	100
The Rise Development Corporation, Inc. (TRDCI)	100	100	100
Shang Wack Wack Properties, Inc. (SWWPI)	100	100	100
SPI Property Holdings, Inc. (SPI-PHI)	100	100	100
SPI Land Development, Inc. (SPI-LDI)	100	100	100
Hotel operation:			
Shang Global City Properties, Inc. (SGCPI)	60	60	60
Leasing:			
SPI Parking Services, Inc. (SPSI)	100	100	100
Shangri-la Plaza Corporation (SLPC)	100	100	100
KSA Realty Corporation (KSA)	70.04	70.04	70.04
SPI Property Developers, Inc. (SPI-PDI)	100	100	100
Real estate:			
Ivory Post Properties, Inc. (IPPI)	100	100	100
KPPI Realty Corporation (KRC)	100	100	100
Martin B Properties, Inc. (MBPI)	100	100	100
New Contour Realty, Inc. (NCRI)	100	100	100
Perfect Sites, Inc. (PSI)	100	100	100
Shang Fort Bonifacio Holdings, Inc. (SFBHI)	100	100	100
Shang Global City Holdings, Inc. (SGCHI)	100	100	100
Sky Leisure Properties, Inc. (SLPI)	100	100	100
Property management:			
KPPI Management Services Corporation (KMSC)	100	100	100
Shang Property Management Services, Inc. (SPMSI)	100	100	100
Other supplementary business:			
Gipsey, Ltd. (Gipsey)	100	100	100
Silver Hero Investments Limited (SHIL)	100	100	100
EPHI Logistics Holdings, Inc. (ELHI)	60	60	60

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

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the Parent Company do not differ from the proportion of ordinary shares held.

The summarized financial information of subsidiaries with significant non-controlling interest as at and for the years ended December 31, 2023 and 2022 are disclosed in Note 9.

(a) Subsidiaries

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

The Group also assesses the existence of control where it does not have more than 50% of the voting power by virtue of de facto control. De facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group control over the investee.

Whenever the Group obtains control of one or more other entities, it assesses whether the acquired group of net assets constitutes a business. In assessing whether a transaction is an acquisition of a business or assets, the Group identifies the elements in the acquired group, assesses the capability of the acquired group to produce outputs, and assesses the capability of a market participant to produce outputs if missing elements exist. If the assets acquired are not a business, the Group accounts for the transaction or other event as an asset acquisition.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is not accounted for within equity.

If the excess of the consideration is transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of the consideration is transferred, and the difference of the non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

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

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

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

Disposal of subsidiaries

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

(c) Associates and joint ventures

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

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

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

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

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

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

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

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

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

31.3 Cash equivalents

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

31.4 Financial instruments

Financial assets

The Group classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value either through other comprehensive income ("OCI") or through profit or loss, and
- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement of financial assets

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

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

Debt instruments

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

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

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

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

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

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

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

Equity instruments

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

The Group's financial assets measured at FVOCI represent unquoted shares of stock of related parties and quoted investments in various golf club shares and stocks. These are separately shown in the consolidated statements of financial position (Note 11).

Dividends are recognized when the Group's right to receive payment is established, it is probable the economic benefits will flow to the entity and the amount can be measured reliably. Dividends are recognized in profit and loss unless they clearly represent recovery of a part of the cost of the investment, in which case they are included in other comprehensive income. Changes in fair value are recognized in other comprehensive income and are never recycled to profit and loss, even if the asset is sold or impaired.

Impairment

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

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

The expected loss rates are based on the payment profiles of counterparties over a period of 36 months before January 1, 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has assessed that the impact of forward-looking information on the loss rates applied is immaterial.

Impairment losses on receivables are presented in other general and administrative expenses consolidated statement of total comprehensive income. Subsequent recoveries are credited to other income.

Financial liabilities

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

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

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

Initial recognition

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

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

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

Day 1 difference

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

31.5 Restricted fund

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

31.6 Investment properties

Investment property is defined as property held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both, rather than for: (a) use in the production of supply of goods or services or for administrative purposes; or (b) sale in the common course of business. The Group's investment property, principally comprising of properties in Mandaluyong and Makati City are held for capital appreciation and is not occupied by the Group. The Group has adopted the fair value model for its investment properties (Note 10).

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

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

Changes in fair values are recognized in the consolidated statement of total comprehensive income under gain on fair value adjustment of investment properties.

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

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

Impairment of investment properties is discussed in Note 31.9.

31.7 Depreciation of property and equipment

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

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

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

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

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

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

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

31.8 Goodwill

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

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

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

31.9 Impairment of non-financial assets

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

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

31.10 Borrowings and borrowing costs

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

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

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

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

31.11 Current and deferred income tax

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

In the sale of condominium units resulting in recognition of installments contracts receivable, full recognition for income tax purposes is applied when more than 25% of the selling price has been collected in the year of sale. Otherwise, the installment method is applied.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized. The Group reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

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

31.12 Provisions

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

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

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

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

31.13 Employee benefits

(a) Retirement benefits

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

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

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

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

(b) Termination benefits

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

(c) Short-term employee benefits

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

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

31.14 Income and expense recognition

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

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

Revenue

(a) Revenue from condominium sales

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

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

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

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

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

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

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

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

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

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

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

(b) Rental

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

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

(c) Hotel operations

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

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

(d) Interest income and expense

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

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

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

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

(e) Dividend income

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

(f) Other income

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

(g) Cost and expenses

Cost and expenses are recognized when these are incurred.

31.15 Leases

(a) Group is the lessor

Rental income from operating lease is recognized on a straight-line basis over the term of the relevant lease or based on a certain percentage of gross revenue of the lessees, whichever is applicable. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term. Assets under these arrangements are classified as investment property in the consolidated statement of financial position (Note 31.6).

(b) Group is the lessee

Payments associated with short-term leases are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

31.16 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. These operating segments are the basis upon which the Group reports its segment information presented in Note 2 to the consolidated financial statements.

The accounting policies used to recognize and measure the segment's assets, liabilities and profit or loss is consistent with those of the consolidated financial statements.

31.17 Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

CORPORATE DIRECTORY

ASSEMBLY GROUNDS AT THE RISE
Tel: (63 2) 8-298-8000
7248 Malugay Street,
San Antonio Village, Makati City 1203
assemblygrounds@therisemakati.com
www.assemblygroundsattherise.com

AURELIA RESIDENCES
Tel: (63 2) 8-287-3542
Mobile: (63) 917-8550851
Showsuite and Sales Office
4th Avenue corner Rizal Drive
Bonifacio Global City, Taguig 1634
sales@aureliaresidences.com

HARAYA RESIDENCES SALES GALLERY
Tel: (63 2) 5-318-7200
Riverside Road corner Bridgetowne Blvd.,
Bridgetowne Destination Estate,
E. Rodriguez Ave., Brgy. Rosario, Pasig City
www.harayaresidences.com

HORIZON HOMES AT SHANGRI-LA AT THE FORT
Tel: (63 2) 8-865-3881
3rd Avenue corner 30th Street
Bonifacio Global City, Taguig City 1634
horizonhomes.slfm@shangri-la.com
www.horizonhomes.com.ph

LAYA BY SHANG PROPERTIES SALES GALLERY
Tel: (63 2) 8-370-2600
Midlevel 2/3, East Wing, Shangri-La Plaza
EDSA corner Shaw Boulevard,
Mandaluyong City 1550
www.layabyshang.com

ONE SHANGRI-LA PLACE PROPERTY MANAGEMENT OFFICE
Tel: (63 2) 8-370-2646
Internal Road, Bgy. Wack-Wack
Mandaluyong City 1550
osp.ntlobby@oneshangri-lapace.com
osp.stlobby@oneshangri-laplace.com
www.myoneshangrilaplace.com

SHANG RESIDENCES AT WACK WACK
Tel: (63 2) 8-370-2600
Fax: (63 2) 8-370-2626
Sales Office Level 5, Shangri-La Plaza Mall
EDSA corner Shaw Boulevard
Mandaluyong City 1550
sales@shangresidencesatwackwack.com
www.shangresidenccesatwackwack.com

SHANG SALCEDO PLACE PROPERTY MANAGEMENT OFFICE
Tel: (63 2) 5-318-6088
H. V. Dela Costa Street corner Tordesillas Street
Salcedo Village, Makati City 1227
admin.assistant@shangsalcedoplace.com
www.myunit.shangsalcedoplace.com

SHANGRI-LA AT THE FORT MANILA
Tel: (63 2) 8-820-0888
Fax: (63 2) 8-865-3800
30th Street corner 5th Avenue
Bonifacio Global City, Taguig City 1634
slfm@shangri-la.com
www.shangri-la.com

SHANGRI-LA PLAZA
Tel: (63 2) 8-370-2500
Fax: (63 2) 8-633-4474 or 8-633-4492
EDSA corner Shaw Boulevard
Mandaluyong City 1550
www.shangrila-plaza.com

THE ENTERPRISE CENTER
Tel: (63 2) 7-752-1000
Fax: (63 2) 8-886-5001
6766 Ayala Avenue corner
Paseo de Roxas, Makati City 1212
helpdesk@theenterprisecenter.com.ph
www.theenterprisecenter.com.ph

THE RISE MAKATI PROPERTY MANAGEMENT OFFICE
Tel: (63 2) 8-298-8000
7248 Malugay Street,
San Antonio Village, Makati City 1203
property.mgmt@therisemakati.com
www.therisemakati.com

THE RISE MAKATI SALES OFFICE AND GALLERY
Tel: (63 2) 8-843-7473
7248 Malugay Street,
San Antonio Village, Makati City 1203
sales@therisemakati.com
www.therisemakati.com

THE SHANG GRAND TOWER PROPERTY MANAGEMENT OFFICE
Tel: (63 2) 7-909-5000 to 04
Fax: (63 2) 7-909-5006
98 Perea Street corner dela Rosa Street
Legaspi Village, Makati City 1229
www.theshanggrandtower.com

THE ST. FRANCIS SHANGRI-LA PLACE PROPERTY MANAGEMENT OFFICE
Tel: (63 2) 5-310-5801
Fax: (63 2) 8-570-6981
Internal Road corner St. Francis Street
Mandaluyong City 1550
www.thestfrancistowers.com

INVESTOR RELATIONS INFORMATION

PRINCIPAL OFFICE

Tel: (63 2) 8-370-3700
Fax: (63 2) 8-370-2777
Level 5, Shangri-La Plaza,
Shang Central,
EDSA corner Shaw Boulevard
Mandaluyong City 1550
info@shangproperties.com
www.shangproperties.com

PRINCIPAL BANKERS

Bank of the Philippine Islands
BDO Unibank, Inc.
Philippine Savings Bank
Metropolitan Bank and Trust Company
Philippine National Bank

AUDITORS

Isla Lipana & Co.

LEGAL COUNSELS

Abello Concepcion Regala & Cruz
Romulo, Mabanta, Buenaventura,
Sayoc & Delos Angeles

PROPERTY VALUER

Royal Asia Appraisal Corporation

STOCK TRANSFER AGENT

Rizal Commercial Banking Corp.
Ground Floor, Grepalife Building,
219 Sen. Gil Puyat Avenue,
Makati City, Metro Manila

KEY DATES

- Regular Board Meeting: Quarterly
- Annual Stockholder's Meeting: Any day in June of each year
- Fiscal Year: January 1 to December 31

SHANG

PROPERTIES

Shang Properties, Inc.
Level 5, Shangri-La Plaza, Shang Central,
EDSA corner Shaw Boulevard, Mandaluyong City
1550 Metro Manila, Philippines

Tel: (632) 8370-2700
Fax: (632) 8370-2777
info@shangproperties.com
www.shangproperties.com

To view the full
2023 Annual Report,
please scan the code