

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE
SECURITIES REGULATION CODE



- 1. For the quarterly period ended : 31 March 2016
- 2. Commission Identification Number : 145490
- 3. BIR Tax Identification Number : 000-144-386

SHANG PROPERTIES, INC.

- 4. Exact name of the Issuer as specified in this charter: _____
- 5. Province, country or other jurisdiction of incorporation or organization: Not Applicable
- 6. Industry Classification Code: (SEC Use Only)
- 7. Address of issuer's principal office Level 5, Shangri-La Plaza Mall, EDSA cor Shaw Boulevard, Mandaluyong City 1550 Postal Code
(632) 370-2700
- 8. Issuer's telephone number, including area code _____

- 9. Former name, former address and former fiscal year, if changed since last report: _____
- 10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA.

<u>Title of each Class</u>	<u>Number of shares of common stock outstanding and amount of debt outstanding</u>
Common Stock	4,764,056,287 common shares

- 11. Are any or all of the securities listed on a Stock Exchange?
Yes [x] No []

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange

- 12. Indicate by check mark whether the registrant:
 - (a) Has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports).
Yes [x] No []
 - (b) has been subject to such filing requirements for the past ninety (90) days.
Yes [x] No []

PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached.

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

Please see attached.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SHANG PROPERTIES, INC.

Issuer

By:


KIN SUN ANDREW NG
Group Financial Comptroller


FEDERICO G. NOEL, JR.
Corporate Secretary

Date of Signing: 11 May 2016

PART 1 – FINANCIAL INFORMATION

Item 1. Management Discussion and Analysis of Financial Condition and Results of Operations

Key Performance Indicators

		March 31 2016	March 31 2015	Change
Turnover	(Php M)	1,996.0	2,264.1	-11.8%
Profit attributable to shareholders	(Php M)	528.9	767.2	-31.1%
Earnings per share	(Php Ctv)	0.111	0.161	-31.1%
Net asset value per share	(Php)	5.461	5.076	7.6%
Debt to equity ratio	(Ratio)	0.866:1	0.975:1	-11.3%

- Turnover consists of condominium sales, rental revenue, hotel revenue, interest income and other income. For the three (3) months ended March 31, 2016, the Group's consolidated revenues amounted to P1,996 million, lower by P268.1 million or 11.8% from P2,264.1 million reported during the same period in 2015. The condominium sales posted a net decrease of P339.9 million mainly due to fewer available units for sale of One Shangri-La Place this year, most units already sold in 2015 and other condominium projects are still ongoing. Rental revenue increased by P6.6 million mainly due to rental escalation and higher rental yields of The Enterprise Center this year. Shangri-La at the Fort commenced its hotel operations and contributed P68.6 million revenue for three months ended March 31, 2016.
- Profit attributable to equity holders of Parent Company amounted to P528.9 million, lower by P238.3 million or 31.1% compared with the same period in 2015.
- Earnings per share showed a negative variance of 31.1% to P0.111 from last year's P0.161.
- Net asset value per share is calculated by dividing the total net asset of the Group (Total asset – Total liabilities and minority interest) by the number of shares outstanding. Net asset value per share increased by 7.6% mainly due to the higher equity during the period.
- 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 strong with debt to equity ratio of 0.866:1 as of March 31, 2016 and 0.975:1 as of March 31, 2015.

Financial Condition

Total assets of the Company amounted to P60.6 billion, an increase of P1.3 billion from total assets of P59.3 billion in December 31, 2015. The following are significant movements in the assets:

- Increase in cash and cash equivalents by P416.5 million mainly due to collection from sales of condominium projects.
- Decrease in receivables by P249.5 million mainly due to collection of installment contracts receivable from sale of condominium units.
- Increase in input tax and other current assets by P140.1 million mainly due to higher prepaid assets during the first quarter of 2016 as compared to the end of 2015 as most of these prepayments were already amortized.
- Decrease in real estate development projects by P3,207.4 million mainly due to transfer of constructions costs of hotel to property and equipment upon completion of Shangri-La at the Fort project.
- Increase in property and equipment by P4,447.4 million mainly due the transfer of construction cost of the hotel portion that has been completed.
- Current ratio is 1.86:1 as of March 31, 2016 from 2.05:1 as of December 31, 2015.

Total liabilities increased by P1.1 billion from P27.0 billion in 2015 to P28.1 billion in 2016 due to the following:

- Increase in accounts payable and other current liabilities by P282.6 million due to higher payable to contractors for the construction of various projects.
- Increase in income tax payable by P77.9 million due to the taxable income generated during the period.
- Increase in dividends payable by P452.5 million due to the declaration of cash dividend on March 7, 2016 amounting to P452.6 million to all shareholders of record as of March 21, 2016.
- Decrease in accrued employee benefits by P2.5 million due to the payments made during the period.
- Increase in bank loans due to additional availment during the first quarter of 2016.
- Decrease in deferred lease income by P1.5 million mainly due to amortization using a straight-line basis over the lease term.

Results of Operation

Consolidated net income for the period ended March 31, 2016 amounted to P528.9 million lower by 31.1% from last year's P767.2 million due to the following:

- Decrease in condominium sales by P339.9 million mainly due to lesser percentage of completion was recognized during the period compared to the same period last year.
- Leasing operations improved by P6.6 million mainly due to higher rental yields of The Enterprise Center.
- Shangri-la at the Fort commenced its operations during the first quarter of 2016 and contributed income from its hotel services amounting to P68.6 million.
- Interest income and other income decrease by P3.4 million mainly due to the decrease in interest on installment contract receivables.

Total expenses of the Group amounted to P1.2 billion, higher by P35.1 million compared with last year's P1.1 billion. This was mainly due to the following:

- Decrease in cost of condominium sales by P178.9 million mainly due to lesser sales recognized for the period.
- Cost of hotel services amounted to P262.1 million mainly due to the opening expenses of the hotel.
- Decrease in taxes and licenses by P17.2M mainly due to lower real property taxes paid for One Shangri-La Place.
- Recovery of reimbursable expenses improved by P12.5 million mainly due to lower utility cost incurred during the period compared to the same period in 2015.
- Decrease in depreciation by P0.1 million mainly due to certain assets have been fully depreciated.
- Increase in insurance expense by P0.1 million mainly due to the additional insurance coverage of the properties during the period.
- Decrease in interest and bank charges by P23.0 million mainly due to lower outstanding bank loans as compared to the same period in 2015.

Provision for income tax is lower by P59.7 million mainly due to lower taxable income generated during the period against the same period last year.

Financial Soundness Indicators

	End of March 2016	End of December 2015
Current Ratio ¹	1.86:1	2.05:1
Debt-to-equity ratio ²	0.87:1	0.84:1
Asset-to-equity ratio ³	1.87:1	1.84:1
	1Q 2016 ⁷	1Q 2015
Interest rate coverage ratio ⁴	18.56:1	19.39:1
Return on assets ⁵	3.53%	5.55%
Return on equity ⁶	6.53%	10.95%

¹Current assets/current liabilities

²Total liabilities/stockholders' equity

³Total asset/stockholders' equity

⁴Income before interest and taxes/interest expense

⁵Net Income/average total assets

⁶Net Income/average stockholders' equity

⁷1Q Net income after tax annualized/average of end March 2016 and end December 2015 assets and equity

Item 2. Information required by Part III, Paragraph (A) (2) (b) of “Annex C” of SRC Rule 12

- There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely result in the registrant’s liquidity increasing or decreasing in any material way.
- There are no known events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of obligation.
- There are no off material balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
- There are no material commitments for capital expenditures.
- There are no known trends, events or uncertainties that have had or that are reasonably expected to have material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- There are no significant elements of income or loss that did not arise from the registrant’s continuing operations.
- There are no material changes in periodical reports.
- There are no seasonal aspects that had a material effect on the financial statements.

Item 3. Other Required Disclosures

A.) The attached interim financial reports were prepared in accordance with Philippine Financial Reporting Standard. The accounting policies and methods of computation followed in these interim financial statements are the same compared with the audited financial statements for the period ended December 31, 2015.

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

C.) There were no materials changes in estimates of amounts reported in prior period that have material effects in the current interim period.

D.) Except as disclosed in the Management’s Discussion and Analysis of Financial Condition and Results of Operations, there were no other issuances, repurchases and repayments of debt and equity securities.

E.) There are no significant events happened subsequent to March 31,2016 up to the date of this report that needs disclosure herein.

F.) For the required disclosure as per SEC letter dated October 29, 2008 on the evaluation of the company’s risk exposure and financial instruments profile please see Note 10 of the attached interim financial statement.

SHANG PROPERTIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts expressed in Php)

	Notes	Unaudited March 31 2016	Audited December 31 2015
ASSETS			
Current Assets			
Cash and cash equivalents		4,457,629,631	4,041,169,742
Financial assets at fair value through profit or loss		36,128,681	34,882,100
Receivables		1,922,900,072	2,172,434,657
Properties held for sale		6,951,054,169	7,160,774,272
Input tax and other current assets		1,905,747,679	1,765,695,509
Total Current Assets		15,273,460,232	15,174,956,280
Non-Current Assets			
Installment contract receivable - net of current portion		660,986,703	660,986,703
Investment in associates and joint venture	4	493,244,604	491,948,350
Investment properties		28,167,731,900	28,178,567,875
Real estate development projects		10,369,565,122	13,576,917,290
Available-for-sale financial assets		504,872,842	504,872,842
Property and equipment	5	4,582,745,856	135,297,925
Goodwill		269,870,864	269,870,864
Deferred income tax assets		242,494,587	235,860,271
Other noncurrent assets		63,732,335	63,411,421
Total Non-Current Assets		45,355,244,812	44,117,733,541
Total Assets		60,628,705,044	59,292,689,821
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and other current liabilities		5,839,948,771	5,557,385,891
Current portion of:			
Installment payable		153,152,398	153,152,398
Bank loans	6	884,166,666	867,751,562
Deposits from tenants		477,494,580	477,494,580
Deferred lease income		6,520,818	6,520,818
Income tax payable		261,121,722	183,238,555
Dividends payable		600,999,681	148,464,960
Total Current Liabilities		8,223,404,636	7,394,008,764
Non-Current Liabilities			
Installment payable - net of current portion		688,863,785	709,915,105
Accrued employee benefits		47,295,254	49,815,160
Bank loans- net of current portion	6	11,877,912,821	11,596,577,925
Deferred income tax liabilities		6,729,577,030	6,688,462,938
Deposit from tenants - net of current portion		552,226,914	538,150,247
Deferred lease income - net of current portion		12,740,158	14,176,917
Total Non-Current Liabilities		19,908,615,962	19,597,098,292
Total Liabilities		28,132,020,598	26,991,107,056
Stockholders' Equity			
Capital stock:			
Common stock - P1 par value		4,764,058,982	4,764,058,982
Additional paid-in capital		834,439,607	834,439,607
Treasury shares		(6,850,064)	(6,850,064)
Other components of equity		(7,299,140)	(7,126,043)
Retained earnings		20,422,987,028	20,346,650,494
Equity attributable to non-controlling interest		6,489,348,033	6,370,409,789
Total Equity		32,496,684,447	32,301,582,765
Total Liabilities and Equity		60,628,705,044	59,292,689,821

(See accompanying notes to consolidated financial statements)

