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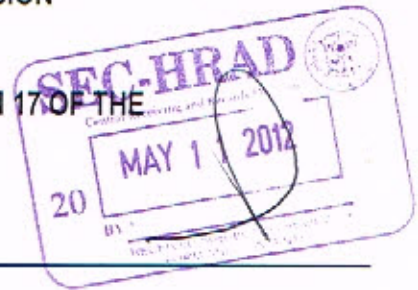
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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q  
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE  
SECURITIES REGULATION CODE



1. For the quarterly period ended : 31 March 2012
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)
- Level 5, Shangri-La Plaza Mall, EDSA cor Shaw Boulevard, Mandaluyong City 1550
7. Address of issuer's principal office \_\_\_\_\_ Postal Code \_\_\_\_\_
- (632) 635 - 8300
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</u>
Common Stock	<u>outstanding and amount of debt outstanding</u>
	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:

  
**VICENTE P. FORMOSO**  
Treasurer

  
**NG KIN SUN ANDREW**  
Group Financial Comptroller

Date of Signing: 11 May 2012



## **PART 1 – FINANCIAL INFORMATION**

### **Item 1. Financial Statements**

The Pro-Forma Consolidated Financial Statements (unaudited) of SHANG PROPERTIES INC. (the "Company") and its subsidiaries for the first quarter ended 31 March 2012 are attached as Annex "A".

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

#### **Key Performance Indicators**

		March 31 2012	March 31 2011	Change
Turnover	(Php M)	857.5	656.7	30.6%
Profit attributable to shareholders	(Php M)	298.0	200.2	48.8%
Earnings per Share	(Php Ctv)	0.063	0.042	48.8%
Net Asset Value per share	(Php)	4.007	3.987	0.5%
Debt to Equity Ratio	(Ratio)	0.588:1	0.581:1	1.3%

- Turnover consists of Rental Revenue, Condominium Sales, Interest Income and Other Income. For the first quarter ended March 31, 2012, the Group's consolidated revenues amounted to P857.5M, higher by P200.8M or 30.6% from P656.7M of total revenues posted in the same period last year. The condominium sales posted an increase of P205.3M mainly due to higher sales bookings from One Shangri-La Place. Rental revenue from Shangri-La Plaza Mall increased by P12M with sustained occupancy rate at 99%. Rental revenue from The Enterprise Center declined by P9M or 5.6% mainly due to the decreased in rental yield. Rental revenue from Edsa Shangri-La Hotel slightly increased by P2M.
- Profit attributable to equity holders of Parent Company amounted to P298M, up by P97.8M or 48.8% compared with the same period last year.
- Earnings per share for the three months ended March 31 showed positive variance of 48.8% to P0.063 from last year's P0.042.
- 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 0.5% mainly due to income generated 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 solid with debt to equity ratio of 0.588:1 as of March 31, 2012 and 0.583:1 as of March 2011.

## **Financial Condition**

Total assets of the Company amounted to P34.9B, an increased of P402.9M from P34.4B in December 31, 2011. The following are significant movements in the assets:

- Decrease in Cash and cash equivalents by P91.6M mainly due to the payments for the construction of the on-going projects.
- Financial assets at fair value increased by P5.8M due to the fair value adjustments recognized during the period.
- Construction in Progress increased by P539.5M due to the construction of the ongoing projects (One Shangri-La Place and Shang Salcedo Place).
- Prepayments and other current assets decreased by P45.6M mainly due to the release of cash in escrow in payment of Development Rights of Shang Salcedo.
- Deferred income tax assets increased by P23.9M mainly due to the NOLCO and MCIT recognized by the Parent Company during the period.
- Current ratio is 2.01:1 as of March 31, 2012 from 2.11:1 as of December 31, 2011.

Total liabilities increased by P255.9M from P12.7B in 2011 to P12.9B in 2012 due to the following:

- Increase in accounts payable and other current liabilities by P264.6M mainly due to payables for construction of new projects.
- Income tax payable increased by P50.9M due to taxable income generated during the quarter.
- Decrease in accrued employee benefits by P9.2M due to the payments made during the period.
- Increase in deposit from tenants by P27.8M represents the deposits due to renewal.

## **Results of Operation**

Consolidated Net Income for the first quarter ended March 31, 2012 amounted to P298M higher by 48.8% from last year's P200.2M.

Major contributors are the following:

- Increase in condominium sales by P205.3M due to higher sales bookings and incremental completion of the Group's projects.
- Increase in rental revenue from Shangri-La Plaza by P12M due to rental escalations and sustained growth on sales of tenants on percentage rental structure.
- Rental revenue from Edsa Shangri-La Hotel increased by P2M or 9.3% due to improved occupancy.
- Rental revenue from The Enterprise Center tenants decreased by P9M mainly due to lower rental yield.



- Decrease in other income was mainly due to loss on foreign currency translation.

Total Expenses of the Group amounted to P445.4M, 38.2% higher compared with last year's P322.2M. This was mainly due to the following:

- Increase in cost of condominium sales as a result of the increase in condominium sales.
- General and administrative expenses increased by P17.1M because of higher advertising and promotions and salaries.
- Increase in depreciation expense by P0.3M due to the depreciation of newly purchased transportation equipment.
- Interest expense and bank charges decrease by P8.8M mainly due to the loan repayment of SLPC and KSA.
- Increase in insurance by P0.9M due to higher premiums.

Share in net profits of associates increase by P9.1M mainly due to the change in assumption in recognizing the deferred income tax on gain on fair value of investment properties that resulted to benefit from income tax by P13.7M from Sky Leisure Properties, Inc.

Decrease in net income attributable to non-controlling interest was due to the acquisition of 21.28% non-controlling interest of SLPC, making SLPC a wholly owned subsidiary.

Provision for income tax is higher by P9.5M mainly due to higher taxable income for the period as against the same period last year.

**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 except for the result of the SEC approval on the plan of merger as discussed in Item 3 – E.
- 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.

## **PART II – OTHER INFORMATION**

### **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, 2011.
- 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 material 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, 2012 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.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTHS ENDED 31 MARCH 2012 AND 2011

#### Note 1 - Basis of preparation/Accounting policies

The consolidated financial statements of Shang Properties Inc. (hereinafter referred to as the "Company") which include the accounts of Shang Properties Realty Corporation (SPRC), 100% owned, Shang Property Developers, Inc., 100% owned, Shangri-La Plaza Corporation (SLPC), 100% owned, KSA Realty Corporation, 52.90% owned, SPI Parking Services, Inc., 100% owned, EPHI Logistics Holdings, Inc., 60% owned, Shang Property Management Services Inc., 100% owned, New Contour Realty Inc., 100% owned, Ivory Post Properties, Inc., 100% owned, Martin B. Properties, Inc., 100% owned, Gipseey Limited, 100% owned, KPPI Management Services Corp., 100% owned, KPPI Realty Corp., 100% owned, Perfect Sites Inc., 100% owned, Shang Global City Holdings, Inc., 100% owned, and Shang Fort Bonifacio Holdings, Inc., 100% owned, Sky Leisure Properties Inc., 50% owned, Ideal Sites and Properties, Inc., 40% owned, Shang Global City Properties Inc., 40% owned, Fort Bonifacio Shangri-la Hotel, Inc., 40% owned as of and for the three months ended 31 March 2012 (hereinafter referred to as the "interim period") are prepared in accordance with the Statement of Financial Accounting Standards No. 30 - Interim Financial Reporting in the Philippines.

The interim period financial statements should be read in conjunction with the consolidated financial statements as of and for the year ended 31 December 2011.

The accounting policies and practices used in the preparation of the 31 March 2012 consolidated financial statements are consistent with those used in the preparation of the 31 December 2011 consolidated financial statements.

The Company has no seasonality or cyclicity of interim operations.

#### ***Earnings (Loss) Per Share***

The information used in the computation of basic and diluted earnings per share for the three months ended 31 March 2012 are as follows:

	2012	2011
Net Income (Pesos)	298,027,192	200,224,529
Average number of outstanding shares	4,764,058,982	4,764,058,982

Basic earnings (loss) per share is computed by dividing net income (loss) for the year by the weighted average number of common shares outstanding during the year, adjusted for any subsequent stock dividends declared, if any.

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



## **Note 2 – Segment Information**

The Group's operating businesses are organized and managed according to the nature of the products and services marketed, with each segment representing a strategic business unit that offers different products and serves different markets.

### **Primary Reporting Format - Business Segments**

As of March 31, 2012, the Group derives revenues from two main segments as follows:

#### ***Property Development***

This business segment pertains to the sale of condominium units from the Projects.

#### ***Leasing***

This business segment pertains to the leasing operations of the Shangri-La Plaza Mall (Shangri-La), The Enterprise Center (TEC) and its related carpark operations. It also includes leasing of a portion of the Parent Company's land to Edsa Shangri-La Hotel and Resort, Inc. (ESHRI), an affiliate through interlocking directors.

#### ***Others***

Other business segments pertain to property management services, freight forwarding and logistics services, and the results of operations of real estate entities and BVI companies.

Revenue solely came from transactions with third parties. There is no transaction with a single external customer that amount to 10% or more of the Group's aggregate revenues.

The segment assets, liabilities and results of operations of the reportable segments of the Group as of and for the three months ended March 31, 2012 are as follows:

	Property Development	Leasing	Others	Total
Revenue/sales	P 333,841,120	P442,083,299	-	P775,924,419
Cost of sales/service	(240,485,730)	-	-	(240,485,730)
Gross profit	(93,355,390)	442,083,299	-	535,438,689
Cinema	-	11,512,855	-	11,512,855
Other income	4,410,354	7,355,551	7,012,989	18,778,894
Staff costs	(8,792,615)	(38,834,372)	(1,938,461)	(49,565,449)
General and administrative expenses	(17,311,435)	(33,006,229)	(728,682)	(51,046,346)
Taxes and licenses	(24,601,925)	(30,123,773)	(266,535)	(54,992,233)
Unreimbursed share in common expenses	-	2,431,375	-	2,431,375
Insurance	(8,453)	(3,291,237)	-	(3,299,690)
Depreciation and amortization	(205,132)	(3,862,585)	(16,518)	(4,084,234)
Segment results	46,846,185	354,264,884	4,062,792	405,173,861
Interest income	43,703,301	9,186,585	101,911	52,991,798
Foreign exchange gain (loss)	(1,419,952)	(321,799)	(8,232)	(1,742,983)
Share in net income of associates	-	-	8,879,522	8,879,522
Interest	(126,882)	(44,242,634)	(300)	(44,369,816)
Provision for income tax	(22,638,296)	(63,198,356)	12,092,167	(73,744,484)
Net income for the year	P66,371,356	P 255,688,681	P 25,127,860	P 347,187,898
Segment assets	P6,476,796,748	P22,551,350,333	P3,326,372,327	P2,354,519,407
				2,492,265,944
Associate company	-	1,415,067,946	1,077,197,998	
Total assets	P6,476,796,748	P23,966,418,279	P4,403,570,324	P34,846,785,352
Segment liabilities	P5,385,540,235	P4,678,147,416	P2,845,690,461	P12,909,378,112
Capital expenditures	P112,251	P2,418,001	-	P2,530,252

The segment results as of and for the year ended December 31, 2011 follows:

	Property Development	Leasing	Others	Total
Revenue/sales	P 623,571,891	P1,801,157,392	-	P2,424,729,283
Cost of sales/service	(603,537,998)	-	-	(603,537,998)
Gross profit	20,033,893	1,801,157,392	-	1,821,191,285
Cinema	-	52,709,249	-	52,709,249
Increase in fair value of Investment property	48,800,000	535,907,502	91,618,220	676,325,722
Other income	9,131,702	60,574,356	37,145,197	106,851,255
Staff costs	(36,837,616)	(158,246,761)	(8,510,794)	(203,595,171)
General and administrative expenses	(50,016,860)	(97,232,373)	(5,555,432)	(152,804,665)
Taxes and licenses	(13,493,805)	(121,702,431)	(201,466)	(135,397,702)
Provision for impairment of goodwill	-	(394,926,466)	-	(394,926,466)
Insurance	(101,431)	(13,375,776)	(2,181)	(13,479,388)
Depreciation and amortization	(560,084)	(14,539,927)	(164,717)	(15,264,728)
Segment results	(23,044,201)	1,650,324,765	114,328,827	1,741,609,391



Interest income	249,644,183	40,239,736	38,607,497	328,491,416
Share in net income of associates	-	-	19,966,558	19,966,558
Foreign exchange gain (loss) - net	12,992,733	276,274	(13,212,664)	56,343
Interest expenses and bank charges	(245,964)	(209,453,143)	(3,637,400)	(213,336,507)
Provision for income tax	(255,249,752)	(265,370,677)	5,835,642	(514,784,787)
Net income for the year	P (15,903,001)	P 1,216,016,955	P 161,888,460	P 1,362,002,414
Segment assets	P 6,007,540,686	P 22,579,992,219	P 3,375,458,336	P 31,962,991,241
Associate company	-	1,418,973,010	1,061,889,695	2,480,862,705
Total assets	P 6,007,540,686	P 23,998,965,229	P 4,437,348,031	P 34,443,853,946
Segment liabilities	P 4,826,502,010	P 4,405,758,443	P 3,421,214,245	P 12,653,474,698
Capital expenditures	P 2,107,660	P 42,151,390	P 183,339	P 44,442,389

Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

#### Secondary Reporting Format - Geographical Segments

It is not necessary to present geographical segmentation as all revenues are derived from one principal place of business which is Metro Manila.

#### Note 3 - Associate companies

The breakdown of investment in associates is as follows:

	Pesos
Investment and advances for future stock subscription:	
Shang Global City Properties Inc.	1,414,658,738
Fort Bonifacio Shangri-la Hotel & Resort Inc.	621,327,992
Associate acquired thru the merger:	
Sky Leisure Properties Inc.	379,882,486
Exchange Properties	75,987,520
Other investment	409,208
Carrying value of investment in associates as of 31 March 2012	<u>2,492,265,944</u>

#### Note 4 - Property and equipment

The movements of the account can be analyzed as follows:

	Building and building improvements	Construction in Progress	Other property and equipment	Total
	Pesos	Pesos	Pesos	Pesos
Net book value as at 1 January 2012	30,346,680	-	30,485,279	60,831,960
Additions	267,857	-	2,262,395	2,530,252
Depreciation	(460,5000)	-	(3,623,734)	(4,084,234)
Reclassification/disposal	(54,988)		(190,719)	(245,707)

Net book value as at 31 March 2012	30,099,050	-	28,933,221	59,032,271
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#### **Note 5 - Bank loan**

As of March 31, 2012 a total of ₱92.4M was paid from the ₱4.3B bank loan balance as of 31 December 2011.

#### **Note 6 - Dividends**

On 17 February 2012, the Company declared cash dividends amounting to ₱200,000,540 or ₱0.0420 per share to all stockholders of record as of March 5, 2012 to be taken out from the unrestricted retained earnings of the Parent Company as of December 31, 2011.

#### **Note 7 - Related party transactions**

Significant related party transactions are as follows:

- a. A portion of the Parent Company's land is being leased by ESHRI, where the latter's Edsa Shangri-La Hotel is located. The lease is for a period of twenty-five years commencing on 28 August 1992, renewable for another twenty-five years at the option of ESHRI.
- b. On January 1, 2001, the Parent Company entered into a cost sharing agreement with KSA and SLPC for the services rendered by the officers of the Parent Company to them.
- c. On May 6, 2009, the Parent Company acquired from MBRI, an affiliate through interlocking directors, 6.05% stake in the capital stock of Brown Swallow Development Corporation (BSDC), Green Mangrove Realty, Inc. (GMRI) and Clavall Realty Corporation (CRC), subsidiaries of MBRI, as follows:

	No. of Shares	Amount
BSDC	121	₱30,189,863
GMRI	61	14,171,565
CRC	12,100	6,208,113

On the same date, NCRI purchased 285,513 redeemable shares of stock of Mactan Shangri-La Hotel and Resort, Inc. from MBRI amounting to ₱409,499,875.

These investments were presented as part of AFS financial assets.

- d. SPMSI provides management services for TSGT of The Shang Grand Tower Condominium Corporation (TSGTCC), for TEC of The Enterprise Center Condominium Corporation (TECCC), and for TSFSP of TSFSPCC for a minimum period of five years starting January 7, 2007, January 7, 2009 and April 3, 2009, respectively. As consideration, SPMSI shall receive from TSGTCC, TECCC and TSFSPCC management fees of ₱100,000, ₱400,000 and ₱100,000, respectively, per month, inclusive of VAT, with an escalation rate of 10% per annum. TSGTCC, TECCC and TSFSPCC are affiliates through interlocking directors.
- e. Unsecured, noninterest-bearing receivables and payables between related parties.



## **Note 8 - Subsequent events**

There are no significant subsequent events that happened as of March 31, 2012 that needs disclosure herein.

## **Note 9 - Commitments and contingencies**

A contingent liability in respect to the pending litigations of the Company described in Note 30 of the 2011 consolidated financial statements still exist as of the date of these condensed consolidated financial statements.

## **Note 10 – Financial Instruments and Financial Risk Management**

### **Financial Instruments**

The following tables set forth the carrying values and estimated fair values of the Group's financial assets and financial liabilities recognized as of March 31:

	2012	
	Carrying Value	Fair Value
<b>Financial Assets:</b>		
Cash and cash equivalents	₱1,345,150,420	₱1,345,150,420
Financial assets at FVPL	33,162,857	33,162,857
Receivables	1,389,317,897	1,389,317,897
AFS financial assets	500,912,842	500,912,842
Refundable deposits	28,665,669	28,665,669
	<b>₱ 3,297,209,687</b>	<b>₱ 3,297,209,687</b>
<b>Financial Liabilities:</b>		
Accounts payable and other current liabilities	₱ 2,385,394,380	₱ 2,385,394,380
Bank loans	4,211,047,619	4,211,047,619
Deposits from tenants	637,603,877	637,603,877
	<b>₱ 7,234,045,875</b>	<b>₱ 7,234,045,875</b>

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

### ***Cash and Cash Equivalents, Receivables other than Installment***

#### ***Contracts Receivable, and Accounts Payable and Other Current Liabilities***

Due to the short-term nature of cash and cash equivalents, receivables other than installment contracts receivable, and accounts payable and other current liabilities, the carrying values of these accounts were assessed to approximate their fair values.

### ***Financial Assets at FVPL***

The fair value of financial assets at FVPL is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid prices.

### ***Installment Contracts Receivable***

The fair value of installment contract receivables approximates the carrying value as the interest rates they carry approximate the interest rate on comparable instruments in the market.



### ***Refundable Deposits and Deposits from Tenants***

The fair value of refundable deposits and deposits from tenants was based on the present value of estimated future cash flows using the interest rate prevailing as of the reporting date. The carrying value of refundable deposits approximates its fair value.

### ***Bank Loans***

The carrying value of the bank loans with variable interest rates approximates fair value because of recent and quarterly repricing based on market conditions.

### ***Fair Value Hierarchy***

The Group's financial instruments that are carried at fair value are financial assets at FVPL and AFS financial assets. As of March 31, 2012 and December 31, 2011, the fair values of financial assets at FVPL and AFS financial assets are determined and disclosed using Level 1 inputs, which are quoted prices in active markets for identical assets.

### **Financial Risk Management Objectives and Policies**

The Group's principal financial instruments comprise of cash and cash equivalents, financial assets at FVPL classified as held for trading, loans and receivables and other financial liabilities which are held primarily to finance the Group's operations and capital expenditures. The Group's financial instruments such as cash and cash equivalents, trade receivables and payables arise directly from the conduct of its operations.

The main risks arising from the use of financial instruments are interest rate risk, foreign currency risk, equity price risk, credit risk and liquidity risk.

Risk management is carried out by the Group's management under policies approved by the Board. The Group's management identifies and evaluates financial risks in close cooperation with the Group's operating units.

The main objective of the Group's financial management risk is to minimize the potential adverse effects of the unpredictability of financial markets on the Group's financial performance. The Board provides principles for overall risk management, as follows:

### ***Interest Rate Risk***

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The following table sets out the cash flows, by maturity, of the Group's financial instruments that are exposed to interest rate risk as of March 31, 2012:

	Within 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 to 5 Years	Over 5 Years	Total
Asset:							
Cash and cash equivalents	₱ 1,345,150,420	₱ -	₱ -	₱ -	₱ -	₱ -	₱ 1,345,150,420
Liabilities:							
Bank Loans	714,614,286	807,147,619	501,785,715	437,500,000	437,500,000	1,312,500,000	4,211,047,619
Interest rate	PHIREF + 0.75%	PHIREF + 0.75%	PHIREF + 0.75%	PHIREF + 0.75%	PHIREF + 0.75%	PHIREF + 0.75%	PHIREF + 0.75%

The Group's interest rate risk management policy focuses on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest



rates relate primarily to the Group's interest-bearing loans with floating interest rate as it can cause a change in the amount of interest payments.

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the table above are non-interest bearing and are therefore not subject to interest rate risk. Group invests excess funds in short-term placements in order to mitigate any increase in interest rate on borrowings.

The following table represents the impact on the Group's income before income tax and equity brought about by a reasonably possible change in interest rates, with all other variables held constant as of March 31, 2012 until its next financial reporting date:

Change in Interest Rate	Effect on Income before Income Tax
Increase by 1.14%	P 48,005,943
Decrease by 1.14%	(P 48,005,943)

There is no other effect on the Group's equity other than those already affecting the profit or loss.

#### *Foreign Exchange Risk*

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Group's foreign exchange exposure arises from holding foreign currency denominated cash and cash equivalents and purchases of some materials used in the construction of the Projects billed in foreign currencies. In order to balance this exposure, the Group maintains foreign currency denominated accounts in a reputable commercial bank. The Group does not enter into derivatives to hedge the exposure.

The Group has cash and cash equivalents denominated in US\$ and HK\$. However, the Group's management has assessed that the effect of the reasonable possible change in the foreign exchange rate in HK\$ is insignificant to the consolidated financial statements.

#### *Equity Price Risk*

Price risk is the risk that the fair values of equity securities will fluctuate because of changes in the level of indices and the value of individual stocks. The Group is exposed to equity security price risk because of its investments, which are classified in the consolidated statements of financial position as financial assets at FVPL and AFS financial assets. The Group's management has assessed that the effect of the reasonably possible change in the fair value of its financial assets at FVPL and AFS financial assets are insignificant to the consolidated financial statements.

#### *Credit Risk*

Credit risk is the risk that the Group will incur a loss because its counterparties failed to discharge their contractual obligations. The Group has no significant concentrations on credit risk. Sales of residential condominium units that are on installment basis are supported by post-dated checks from buyers. Titles to properties sold are not released unless full payment is received. In the case of leasing operations, tenants are subject to credit evaluation and are required to put up security deposits and pay advance rentals, if necessary.

The table below shows the maximum exposure to credit risk for the components of the financial position:



	2012
Cash and cash equivalents	₱ 1,345,150,420
Financial assets at FVPL	33,162,857
Loans and Receivables:	
Rent	101,312,266
Installment contracts receivable	128,544,245
Advances to contractors and suppliers	1,061,898,708
Deposit for future projects	-
Related parties	62,279,548
Officers and employees	1,510,538
Interest	1,249,777
Others	32,522,814
AFS financial assets	500,912,842
	<u>₱3,268,544,017</u>

The following table provides information regarding the credit risk exposure of the Group by classifying its financial assets according to the Group's credit ratings of debtors as of March 31, 2012:

	Neither Past Due nor Impaired	Past Due or Impaired	Total
Cash and cash equivalents	₱ 1,345,150,420	₱ -	₱ 1,345,150,420
Financial assets at FVPL	33,162,857		33,162,857
Receivables			
Rental	101,312,266		101,312,266
Installment contracts receivable*	128,544,245		128,544,245
Advances to contractors and suppliers	1,061,898,708		1,061,898,708
Deposit for future projects			
Related parties	62,279,548		62,279,548
Officers and employees	1,510,538		1,510,538
Interest	1,249,777		1,249,777
Others	26,686,405	5,727,607	38,250,421
AFS financial assets	500,912,842		500,912,842
	<u>₱ 3,268,544,017</u>	<u>₱ 5,727,607</u>	<u>₱3,274,271,624</u>

\*Installment contracts receivable is net of the effect of discounting and unearned income amounting to ₱6,686,214.

The credit quality of financial assets was determined as follows:

Cash and cash equivalents, financial assets at FVPL and AFS financial assets – based on the nature of the counterparty and the Group's internal rating system.

Receivables – satisfactory pertains to receivables from existing and active tenants, customers, contractors, suppliers, related parties, counter parties, officers and employees while unsatisfactory pertains to receivables from tenants, customers, contractors, suppliers, related parties and counter parties that have already ceased their respective operations and officers and employees that are no longer employed by the Group.

Financial instruments classified under "neither past due nor impaired" include high grade credit quality instruments because there was few or no history of default on the agreed



terms of the contract. "Past due and impaired" pertains to those financial instruments that are long outstanding and has been provided with allowance for impairment loss.

#### *Liquidity Risk*

Liquidity risk is defined as risk that the Group could not be able to settle or meet its obligations on time or at a reasonable price. The Group maintains sufficient cash and marketable securities in order to fund its operations. The Group monitors its cash flows and carefully matches the cash receipts from its condominium sales and leasing operations against cash requirements for its construction activities. The Group utilizes its borrowing capacity if necessary to further bolster its cash reserves. The Group does not enter into derivatives to manage the impact of volatility in interest rates.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments as of March 31, 2012:

	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Accounts payable and other current liabilities	₱2,385,394,380	₱ -	₱ -	₱ -	₱2,385,394,380
Bank loans	714,614,286	1,308,933,334	875,000,000	1,312,500,000	4,211,047,619
Deposits from tenants	351,909,198	285,694,679		-	637,603,877
	₱2,768,094,054	₱1,819,523,250	₱1,333,928,571	₱1,312,500,000	₱7,234,045,874

**SHANG PROPERTIES INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Amounts expressed in Php)

	Notes	Unaudited March 31 2012	Audited December 31 2011
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		1,345,150,420	1,436,747,742
Financial assets at fair value through profit and loss		33,162,857	27,339,587
Receivables-net		1,389,317,897	1,458,139,139
Properties held for sale:			
Condominium Units held		7,200,000	7,200,000
Real estate properties held for sale		26,140	26,140
Construction in Progress		3,041,924,161	2,502,455,528
Prepayment and other current assets		655,768,646	701,348,523
<b>Total Current Assets</b>		<b>6,472,550,123</b>	<b>6,133,256,658</b>
<b>Non-Current Assets</b>			
Installment contracts receivable-net of current portion			
Investment in associates	3	2,492,265,944	2,480,862,705
Investment properties		24,651,055,500	24,620,074,135
Real estate development projects		281,040,423	281,040,423
Available-for-sale (AFS) financial assets		500,912,842	500,912,842
Property and equipment - net	4	59,032,271	60,831,962
Refundable deposits		28,665,669	29,574,722
Deferred income tax assets		361,262,579	337,300,498
<b>Total Non-Current Assets</b>		<b>28,374,235,229</b>	<b>28,310,597,287</b>
<b>Total Assets</b>		<b>34,846,785,352</b>	<b>34,443,853,946</b>
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and other current liabilities		2,385,394,380	2,120,799,620
Income tax payable		90,405,108	39,502,777
Dividends payable		17,447,601	15,737,613
Current portion of bank loans		371,428,571	371,428,571
Current portion of deposit from tenants	5	351,909,198	351,909,197
Current portion of deferred lease income		10,912,411	10,912,411
<b>Total Current Liabilities</b>		<b>3,227,497,268</b>	<b>2,910,290,189</b>
<b>Non-Current Liabilities</b>			
Accrued employee benefits		23,022,592	32,197,481
Bank loans- net of current portion	5	3,839,619,048	3,931,990,476
Deferred income tax liabilities		5,476,776,014	5,464,290,598
Deposit from tenants		285,694,679	257,937,445
Deferred lease income - net of current portion		56,768,512	56,768,512
<b>Total Non-Current Liabilities</b>		<b>9,681,880,844</b>	<b>9,743,184,512</b>
<b>TOTAL LIABILITIES</b>		<b>12,909,378,112</b>	<b>12,653,474,701</b>
<b>Stockholders' Equity</b>			
Capital stock - Peso 1 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		1,364,723	1,524,087
Retained earnings		13,496,984,082	13,398,957,429
Minority interest		2,847,409,910	2,798,249,204
<b>Total equity</b>		<b>21,937,407,239</b>	<b>21,790,379,245</b>
<b>Total Liabilities and Equity</b>		<b>34,846,785,352</b>	<b>34,443,853,946</b>

(See accompanying notes to consolidated financial statements)



**SHANG PROPERTIES INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS  
FOR THE THREE (3) MONTHS ENDED MARCH 31, 2012 AND 2011**

	<b>UNAUDITED</b>	
	<b>FOR THE THREE (3) MONTHS ENDED</b>	
	<b>31-Mar-12</b>	<b>31-Mar-11</b>
<b>INCOME</b>		
Condominium Sales	333,841,120	128,486,237
Rental	442,083,299	415,128,178
Others	81,540,564	113,056,917
	<u>857,464,983</u>	<u>656,671,332</u>
<b>EXPENSES</b>		
Cost of condominium sales	240,485,730	136,257,913
General and administrative	100,611,795	83,527,582
Depreciation	4,084,234	3,756,885
Taxes, licenses and fees	54,992,233	57,229,956
Interest and bank charges	44,369,816	53,156,105
Insurance	3,299,690	2,437,152
Unrecoverable tenants reimbursements	(2,431,375)	(14,189,666)
	<u>445,412,122</u>	<u>322,175,926</u>
<b>INCOME(LOSS) BEFORE SHARE IN PROFIT OF AN ASSOCIATE COMPANY</b>	412,052,860	334,495,406
<b>SHARE IN PROFIT OF AN ASSOCIATED COMPANY</b>	8,879,522	(225,588)
<b>INCOME(LOSS) BEFORE MINORITY INTEREST</b>	420,932,382	334,269,818
<b>MINORITY INTEREST</b>	(49,160,706)	(69,803,106)
<b>INCOME BEFORE TAX</b>	371,771,676	264,466,711
<b>PROVISION FOR INCOME TAX</b>	(73,744,484)	(64,242,183)
<b>NET INCOME</b>	298,027,192	200,224,528
<b>RETAINED EARNINGS, beg.</b>	13,398,957,430	12,292,337,361
<b>LESS: CASH DIVIDENDS</b>	(200,000,540)	(183,511,447)
<b>RETAINED EARNINGS, end.</b>	<u>13,496,984,081</u>	<u>12,309,050,442</u>
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>	<b>0.063</b>	<b>0.042</b>

(See accompanying notes to consolidated financial statements)

**SHANG PROPERTIES INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE (3) MONTHS ENDED MARCH 31, 2012 AND 2011**

	Notes	March 31, 2012 (Unaudited)	March 31, 2011 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Income before income tax		371,771,676	264,466,712
Adjustment for:			
Decrease in fair value of investment properties		-	(7,582,777)
Depreciation and amortization		4,084,234	3,756,885
Share in profit (loss) of associate companies		(8,879,522)	225,588
Cumulative translation adjustment		(159,364)	5,399,823
Change in fair value of financial assets at FVPL		(5,823,271)	(1,764,044)
Interest income		(52,991,798)	(53,875,427)
Interest expense		44,206,884	51,342,998
Operating income before working capital changes		352,208,841	261,969,698
(Increase) decrease in:			
Receivables		68,821,242	70,331,474
Construction in progress		(539,468,634)	(141,423,745)
Other current assets		45,579,877	(70,268,696)
Real Estate Properties held for sale		-	220,000
Increase (decrease) in:			
Accounts payable and accrued expenses		264,452,135	363,929,655
Accrued employee benefits		(9,174,889)	(8,972,625)
Deposits from tenants		27,757,234	(84,626,595)
Net cash generated from (used in) from operations		210,175,806	391,159,166
Interest received		52,991,798	53,875,487
<b>Net cash from (used in) from operating activities</b>		<b>263,167,604</b>	<b>445,034,653</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Increase in investments in associates		(11,403,239)	(3,629,513)
Increase in investments properties		(30,981,364)	-
Dividends received		3,150,869	4,596,319
Acquisition of property and equipment		(2,530,252)	(7,005,037)
Decrease (increase) in other assets		909,053	(9,090,931)
<b>Net cash (used in) from investing activities</b>		<b>(40,854,934)</b>	<b>(15,129,162)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of bank loans		(92,371,429)	(92,371,428)
Payment of interest		(24,937,450)	(15,742,651)
Cash dividends paid to:			
Stockholders	6	(198,290,552)	(183,321,511)
<b>Net cash used in financing activities</b>		<b>(315,599,431)</b>	<b>(291,435,590)</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
		1,689,439	7,611,080
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(91,597,322)</b>	<b>146,080,981</b>
<b>CASH AND CASH EQUIVALENTS</b>			
<b>1 January</b>		<b>1,436,747,742</b>	<b>3,969,611,035</b>
<b>31 March</b>		<b>1,345,150,420</b>	<b>4,115,692,014</b>

(See accompanying notes to consolidated financial statements)



**SHANG PROPERTIES INC. & SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE THREE (3) MONTHS ENDED MARCH 31, 2012 AND 2011**

(UNAUDITED)

	Notes	Capital stock Pesos	Additional paid-in capital Pesos	Retained earnings Pesos	Equity in translation adjustment	Treasury Stock Pesos	Minority Interest Pesos	Total Pesos
Balance as of 1 January 2011		4,764,058,982	1,210,073,869	12,292,337,361	(614,325)	(6,850,064)	2,792,242,334	21,051,248,157
Cumulative translation adjustment					5,398,823			5,398,823
Cash dividends	6			(183,511,447)				(183,511,447)
Net income for the period				200,224,528			89,803,106	270,027,634
Balance as of 31 March 2011		4,764,058,982	1,210,073,869	12,308,050,442	4,785,499	(6,850,064)	2,882,045,440	21,143,164,169
Balance as of 1 January 2012		4,764,058,982	834,439,607	13,398,957,429	1,524,087	(6,850,064)	2,796,249,204	21,790,379,245
Cumulative translation adjustment					(159,364)			(159,364)
Cash dividends	6			(200,000,540)				(200,000,540)
Net income for the period				298,027,192			49,150,706	347,187,898
Balance as of 31 March 2012		4,764,058,982	834,439,607	13,496,984,082	1,364,723	(6,850,064)	2,847,409,910	21,937,407,239

(See accompanying notes to consolidated financial statements)

SHANG PROPERTIES INC. AND SUBSIDIARIES  
AGING OF TRADE RECEIVABLES  
AS OF MARCH 31, 2012

TENANTS	TOTAL RECEIVABLES	P A S T D U E				
		CURRENT	1-30 DAYS	31-60 DAYS	61-90 DAYS	91-120 DAYS
MALL TENANTS	131,774,419	127,498,592	1,260,652	216,567	613,477	848,986
EDSA SHANGRI-LA HOTEL & RESORT	27,014,667	9,527,603	17,487,064			
TECC TENANTS	21,434,576	6,953,912	164,268	431,088	13,885,308	
INSTALLMENT CONTRACTS RECEIVABLES & OTHERS	1,209,094,235	1,209,094,235				
	1,389,317,897	1,353,074,342	18,911,984	647,655	14,498,786	848,986
						1,336,145

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

  
VICENTE P. FORMOSO  
Treasurer