COVER SHEET

1 4 4 5 9 0
SEC Registration Number

SHANG PROPERTIES, INC.

(Company's Full Name)

5TH LEVEL SHANGRI-LA PLAZA MALL
EDSA CORNER SHAW BOULEVARD
MANDALUYONG CITY

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

ATTY. FEDERICO G. NOEL, JR.
(Contract Person)

635-8300
(Company Telephone Number)

1 2	3 1
Month	*Day*

(Fiscal Year)

1 7 - Q 2
(Form Type)

Month *Day*
(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

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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 : 30 June 2012

2. Commission Identification Number : 145490

3. BIR Tax Identification Number : 000-144-386

4. SHANG PROPERTIES, INC.
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. Level 5, Shangri-La Plaza Mall, EDSA cor Shaw Boulevard, Mandaluyong City 1550
Address of issuer's principal office Postal Code

8. (632) 635 – 8300
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.

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
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:

VICENTE P. FORMOSO
Treasurer

NG KIN SUN ANDREW
Group Financial Comptroller

Date of Signing: 13 August 2012

TABLE OF CONTENTS

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 second quarter ended 30 June 2012 are attached as Annex "A".

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

Key Performance Indicators

		June 30 2012	June 30 2011	Change
Turnover	(Php M)	2,148.1	1,370.9	56.7%
Profit attributable to shareholders	(Php M)	634.1	461.8	37.3%
Earnings per Share	(Php Ctv)	0.133	0.097	37.3%
Net Asset Value per share	(Php)	4.078	3.987	2.3%
Debt to Equity Ratio	(Ratio)	0.554:1	0.581:1	-4.5%

- Turnover consists of Rental Revenue, Condominium Sales, Interest Income and Other Income. For the second quarter ended June 30, 2012, the Group's consolidated revenues amounted to ₱2,148.1B, higher by ₱777.2M or 56.7% from ₱1,370.9B of total revenues posted in the same period last year. The condominium sales posted an increase of ₱800.1M mainly due to higher sales bookings from One Shangri-La Place. Rental revenue posted an increase of ₱12.6M mainly due to rental escalation of Shangri-La Plaza Mall. Rental revenue from The Enterprise Center declined by ₱15.4M or 4.7% mainly due to the decreased in rental yield. Rental revenue from Edsa Shangri-La Hotel slightly increased by ₱2.2M.

- Profit attributable to equity holders of Parent Company amounted to ₱634.1, up by ₱172.3M or 37.3% compared with the same period last year.

- Earnings per share for the six months ended June 30 showed positive variance of 37.3% to ₱0.133 from last year's ₱0.097.

- 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 2.3% 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 0.554:1 as of 30 June 2012 and 0.581:1 as of 30 June 2011.

Financial Condition

Total assets of the Company amounted to ₱34.6B, an increase of ₱172.6M from ₱34.4B in December 31, 2011. The following are significant movements in the assets:

- Decrease in cash and cash equivalents by ₱161.9M were mainly due to the repayment of bank loans, dividends to shareholders and payments to contractors for the construction of the on-going projects.

- Receivables decreased by ₱136.4M due to recoupment of advances to contractors through progress billings and collection of rental receivables from tenants.

- Condominium units held for sale increased by ₱234.4 mainly due to completion of The St. Francis Shangri-La Place.

- Construction in Progress increased by ₱141.1M due to the ongoing construction of One Shangri-La Place and Shang Salcedo Place projects.

- Increase in refundable deposits by ₱15.1M mainly due to service deposits paid to suppliers during the period.

- Deferred income tax assets increased by ₱36.9M mainly due to the NOLCO and MCIT recognized by the Parent Company in taxable year 2011.

- Current ratio is 2.16:1 as of June 30, 2012 from 2.11:1 as of December 31, 2011.

Total liabilities decreased by ₱307.2 million from ₱12.7B in 2011 to ₱12.3B in 2012 due to the following:

- Dividends payable increased by ₱1.2M due to the cash dividends declared amounting to ₱0.042 per share to all stockholders of record as of March 5, 2012.

- Income tax payable increased by ₱12.8M due to taxable income generated during the period.

- Decrease in accrued employee benefits by ₱8M due to the payments made during the period.

- Bank loans decreased by ₱330.6M due to loan repayments during the period.

- Increase in deposit from tenants by ₱57.7M was mainly due to new tenant's deposits of The Enterprise Center.

Results of Operation

Consolidated Net Income for the second quarter ended June 30, 2012 amounted to ₱634.1 million higher by 37.3% from last year's ₱461.8M due to the following:

- Increase in condominium sales by ₱800.1M due to higher sales bookings and increase in percentage completion of the Group's projects.

- Increase in rental revenue from Shangri-La Plaza by ₱27.5M due to rental escalations and sustained growth on sales of tenants on percentage rental structure.

- Rental revenue from Edsa Shangri-La Hotel increased by ₱2.2M or 5.6% due to improved average occupancy.

- Rental revenue from The Enterprise Center tenants decreased by ₱15.5M mainly due to lower rental yield.

- Decrease in other income was mainly due to decreased in interest on bank deposits and short-term placements, and loss on foreign currency translation.

Total Expenses of the Group amounted to ₱1,273.2B, 95.2% higher compared with last year's ₱652.2M. This was mainly due to the following:

- Cost of condominium sales increased by ₱584.8M or 195.4% brought about by the increase in condominium sales.

- General and administrative expenses increased by ₱48.5Mn or 29.9% due to marketing and advertising expenses for Shang Salcedo Place and One Shangri-la Place projects, and increase in salaries due to additional manpower for new projects.

- Increase in depreciation expense by ₱0.6M or 8.5% due to the purchased transportation equipment.

- Decrease in taxes licenses and fees by ₱4.4M due to taxes paid in 2011 of KSA Realty Corporation was higher compared this year.

- Interest expense and bank charges decrease by ₱21.4M due to loan repayment.

- Insurance expense decrease by ₱1.7M due to lower premiums paid this year.

Share in net profits of associates increase by ₱31.6M mainly due to the deferred income tax effect on adjustments in fair value of investment properties of Sky Leisure Properties, Inc.

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

Provision for income tax is higher by ₱10.9M mainly due to higher taxable income generated during 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 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 June 30, 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. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts expressed in Php)

	Notes	Unaudited June 30, 2012	Audited December 31, 2011
ASSETS			
Current Assets			
Cash and cash equivalents		1,274,882,893	1,436,747,742
Financial assets at fair value through profit and loss		28,553,329	27,339,587
Receivables-net		1,321,783,932	1,458,139,139
Properties held for sale:			
Condominium Units held for sale		241,641,377	7,200,000
Real estate properties held for sale		26,140	26,140
Construction in Progress		2,643,529,290	2,502,455,528
Prepayment and other current assets		709,222,117	701,348,523
Total Current Assets		6,219,639,079	6,133,256,658
Non-Current Assets			
Investment in associates	5	2,450,932,287	2,480,862,705
Investment properties		24,685,175,034	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	6	59,796,818	60,831,962
Refundable deposits		44,708,315	29,574,722
Deferred income tax assets		374,209,497	337,300,498
Total Non-Current Assets		28,396,775,216	28,310,597,287
Total Assets		**34,616,414,295**	**34,443,853,946**
LIABILITIES & STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and other current liabilities		2,073,765,048	2,120,799,620
Current portion of:			
Bank loans		371,428,571	371,428,571
Deposit from tenants		351,909,197	351,909,197
Deferred lease income		10,912,411	10,912,411
Dividends payable		16,892,355	15,737,613
Income tax payable		52,303,992	39,502,777
Total Current Liabilities		2,877,211,575	2,910,290,189
Non-Current Liabilities			
Accrued employee benefits		24,211,970	32,197,481
Bank loans- net of current portion	7	3,601,414,286	3,931,990,476
Deferred income tax liabilities		5,471,081,797	5,464,290,598
Deposit from tenants - net of current portion		315,630,014	257,937,445
Deferred lease income - net of current portion		56,768,512	56,768,512
Total Non-Current Liabilities		9,469,106,578	9,743,184,512
TOTAL LIABILITIES		12,346,318,153	12,653,474,701
Stockholders' Equity			
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		1,460,633	1,524,087
Retained earnings		13,833,040,836	13,398,957,429
Minority interest		2,843,946,148	2,798,249,204
Total equity		22,270,096,142	21,790,379,245
Total Liabilities and Equity		**34,616,414,295**	**34,443,853,946**

(See accompanying notes to consolidated financial statements)

SHANG PROPERTIES INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
FOR THE SIX (6) MONTHS ENDED JUNE 30, 2012 AND 2011

	UNAUDITED FOR THE THREE (3) MONTHS		UNAUDITED FOR THE SIX (6) MONTHS ENDED	
	30-Jun-12	30-Jun-11	30-Jun-12	30-Jun-11
INCOME				
Condominium Sales	774,118,779	179,343,289	1,107,959,899	307,829,526
Rental	453,694,824	468,060,462	895,778,123	883,188,640
Others	62,828,132	66,861,937	144,368,696	179,918,854
	1,290,641,735	714,265,688	2,148,106,717	1,370,937,020
EXPENSES				
Cost of condominium sales	643,596,219	163,068,114	884,081,949	299,326,027
General and administrative	109,786,062	78,400,313	210,397,857	161,927,896
Depreciation	3,888,929	3,588,626	7,973,163	7,345,511
Taxes, licenses and fees	28,807,287	30,985,894	83,799,520	88,215,849
Interest and bank charges	40,946,520	53,604,484	85,316,336	106,760,589
Insurance	2,504,856	5,104,950	5,804,545	7,542,101
Unrecoverable tenants reimbursements	(1,730,745)	(4,748,777)	(4,162,120)	(18,938,443)
	827,799,127	330,003,604	1,273,211,249	652,179,530
INCOME(LOSS) BEFORE SHARE IN PROFIT OF AN ASSOCIATE COMPANY	462,842,607	384,262,084	874,895,468	718,757,490
SHARE IN PROFIT OF AN ASSOCIATED COMPANY	1,248,761	(21,198,879)	10,128,283	(21,424,467)
INCOME(LOSS) BEFORE MINORITY INTEREST	464,091,369	363,063,206	885,023,751	697,333,023
MINORITY INTEREST	(55,411,238)	(30,330,242)	(104,571,944)	(100,133,348)
INCOME BEFORE TAX	408,680,130	332,732,964	780,451,806	597,199,675
PROVISION FOR INCOME TAX	(72,623,375)	(71,179,730)	(146,367,860)	(135,421,913)
NET INCOME	336,056,755	261,553,234	634,083,947	461,777,762
RETAINED EARNINGS, beg.	13,496,984,081	12,709,050,442	13,398,957,430	12,692,337,361
LESS: CASH DIVIDENDS	0	82,381	(200,000,540)	(183,429,067)
RETAINED EARNINGS, end.	13,833,040,836	12,970,686,057	13,833,040,836	12,970,686,057
BASIC AND DILUTED EARNINGS PER SHARE	0.071	0.055	0.133	0.097

(See accompanying notes to consolidated financial statements)

SHANG PROPERTIES INC. & SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX (6) MONTHS ENDED JUNE 30, 2012 AND 2011

(UNAUDITED)

	Notes	Capital stock	Additional paid-in capital	Retained earnings	Equity in translation adjustment	Treasury Stock	Minority Interest	Total
		Pesos	Pesos	Pesos		Pesos	Pesos	Pesos
Balance as of 1 January 2011		4,764,058,982	1,210,073,869	12,692,337,368	(614,325)	(6,850,064)	2,792,242,334	21,451,248,164
Cumulative translation adjustment					(442,624,993)			(442,624,993)
Cash dividends	8			(183,429,067)			(88,174,897)	(271,603,964)
Total comprehensive income recognized during the period				461,777,762			69,803,106	531,580,868
Balance as of 30 June 2011		4,764,058,982	1,210,073,869	12,970,686,064	(443,239,317)	(6,850,064)	2,773,870,543	21,268,600,077
Balance as of 1 January 2012		4,764,058,982	834,439,607	13,398,957,429	1,524,087	(6,850,064)	2,798,249,204	21,790,379,245
Cumulative translation adjustment					(63,454)			(63,454)
Cash dividends	8			(200,000,540)			(58,875,000)	(258,875,540)
Total comprehensive income recognized during the period				634,083,947			104,571,944	738,655,891
Balance as of 30 June 2012		4,764,058,982	834,439,607	13,833,040,836	1,460,633	(6,850,064)	2,843,946,148	22,270,096,142

(See accompanying notes to consolidated financial statements)

SHANG PROPERTIES INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX (6) MONTHS ENDED JUNE 30, 2012 AND 2011

	Notes	June 30, 2012 (Unaudited)	June 30, 2011 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income before Income tax		780,451,806	597,199,676
Adjustment for:			
Depreciation and amortization		7,973,163	7,345,511
Share in profit (loss) of associate companies		(10,128,283)	21,424,467
Cumulative translation adjustment		(63,454)	(26,669,701)
Reserved for acquired non-controlling interest in SLPC		-	(415,955,293)
Change in fair value of financial assets at FVPL		(1,213,743)	(4,837,287)
Interest income		(60,882,592)	(102,105,705)
Interest expense		86,324,129	103,500,021
Operating income before working capital changes		802,461,027	179,901,689
(Increase) decrease in:			
Receivables		136,355,207	(327,316,655)
Construction in progress		(141,073,762)	(644,999,739)
Other current assets		(7,873,595)	(194,300,661)
Condominium Units held for sale		(234,441,377)	-
Real Estate Properties held for sale		-	440,000
Increase (decrease) in:			
Accounts payable and accrued expenses		(47,034,572)	(52,491,050)
Accrued employee benefits		(7,985,512)	(8,540,214)
Deposits from tenants		57,692,569	(78,156,834)
Net cash generated from (used in) from operations		558,099,986	(1,125,463,464)
Income taxes paid		(87,645,610)	(172,419,469)
Interest received		60,882,592	102,105,705
Net cash from (used in) from operating activities		531,336,967	(1,195,777,228)
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in investments in associates		29,930,418	(6,052,776)
Increase in investments properties		(65,100,899)	(19,290,564)
Dividends received		39,039,815	4,597,056
Decrease (Increase) in property and equipment		(7,316,439)	(8,331,964)
Decrease (increase) in other assets		(15,133,593)	(8,181,841)
Net cash (used in) from investing activities		(18,580,699)	(37,260,089)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of bank loans		(330,576,191)	(184,742,857)
Payment of interest		(86,324,129)	(96,348,358)
Cash dividends paid to:			
Stockholders	8	(198,845,798)	(186,071,470)
Minority Stockholders of subsidiary's		(58,875,000)	(47,100,000)
Net cash used in financing activities		(674,621,117)	(514,262,685)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(161,864,849)**	**(1,747,300,002)**
CASH AND CASH EQUIVALENTS			
1 January		**1,436,747,742**	**3,969,611,035**
30 June		**1,274,882,893**	**2,222,311,033**

(See accompanying notes to consolidated financial statements)

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SHANG PROPERTIES INC. AND SUBSIDIARIES
AGING OF TRADE RECEIVABLES
AS OF JUNE 30, 2012

TENANTS	TOTAL RECEIVABLES	CURRENT	PAST DUE 1-30 DAYS	31-60 DAYS	61-90 DAYS	91-120 DAYS	OVER 120
MALL TENANTS	147,809,678	139,374,523	3,437,755	2,097,099	1,828,576	177,967	893,759
EDSA SHANGRI-LA HOTEL & RESORT	22,896,552	7,214,628	15,681,925				
TECC TENANTS	35,769,023	8,207,129	7,058,438	3,501,085	-	17,002,371	-
INSTALLMENT CONTRACTS RECEIVABLES & OTHERS	1,115,308,679	1,115,308,679	-	-	-	-	-
	1,321,783,932	1,270,104,958	26,178,118	5,598,184	1,828,576	17,180,338	893,759

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

VICENTE T. FORMOSO
Treasurer

1. Basis of Preparation

The accompanying unaudited condensed consolidated financial statements have been prepared in compliance with the Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting.*

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as of and for the year ended December 31, 2011.

The consolidated financial statements have been prepared under the historical cost basis, except for investment properties, financial assets at FVPL and AFS financial assets that have been measured at fair value. The financial statements of the Group are presented in Peso, which is the Parent Company's functional and presentation currency, with amounts rounded to the nearest Peso unit.

2. Accounting Policies

Changes in Accounting Policies

The accounting policies adopted in the preparation of the unaudited condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2011, except for the adoption of new Standards and Interpretations enumerated below.

Effective December 2012 Year End

- PAS 12 (Amended), *Income Taxes — Recovery of Underlying Assets*
  The amended standard is effective for annual periods beginning on or after January 1, 2012. It clarifies the definition of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40, *Investment Property,* should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16, *Property, Plant and Equipment,* always be measured on a sale basis of the assets.

Effective subsequent to December 2012 Year End

- PAS 1 (Amended), *Financial Statement Presentation — Presentation of Items of Other Comprehensive Income*
  The amended standard is effective for annual periods beginning on or after July 1, 2012. The standard changes the grouping of items presented in consolidated other comprehensive income. Items that could be reclassified (or 'recycled') to consolidated profit or loss at a future point in time would be presented separately from items that will never be reclassified.

- PFRS 7 (Amended), *Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements*
  The amended standard is effective for annual periods beginning on or after July 1, 2012. It requires additional disclosures about financial assets that have been transferred but not derecognized to enable the user of the consolidated financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the users to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets.

- PFRS 7 (Amended), *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*
  The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013. These amendments require an entity to disclose information about rights of set off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information for financial instruments recognized at the reporting date:

  a. the gross amounts of those recognized financial assets and recognized financial liabilities;
  b. the amounts that are set off in accordance with the criteria in PAS 32 when determining the net amount presented in the consolidated statement of financial position;
  c. the net amounts presented in the consolidated statement of financial position;
  d. the amounts subjected to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. amounts related to financial collateral (including cash collateral); and
  e. the net amount after deducting the amounts in (d) from the amounts in (c) above.

- PFRS 10, *Consolidated Financial Statements*
  The amended standard is effective for annual periods beginning on or after January 1, 2013. It replaces the portion of PAS 27 that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation — Special Purpose Entities.* Moreover, the standard establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by the Parent Company, compared with the requirements that were in PAS 27.

- PFRS 11, *Joint Arrangements*
  The amended standard is effective for annual periods beginning on or after January 1, 2013. It replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities (JCEs) - Non-monetary Contributions by Venturers.* It removes the option to account for JCEs using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

- PFRS 12, *Disclosure of Involvement with Other Entities*
  The amended standard is effective for annual periods beginning on or after January 1, 2013. It includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates.* These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

- PAS 28, *Investments in Associates and Joint Ventures*
  The amended standard is effective for annual periods beginning on or after January 1, 2013. As a consequence of the new PFRS 11 and PFRS 12, PAS 28, *Investments in Associates*, has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

- PFRS 13, *Fair Value Measurement*
  The amended standard is effective for annual periods beginning on or after January 1, 2013. It establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted.

- PAS 19 (Amended), *Employee Benefits*
  The amended standard is effective for annual periods beginning on or after July 1, 2013. The numerous amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected return on plan assets to simple clarifications and re-wording.

- PAS 27, *Separate Financial Statements*
  The amended standard is effective for annual periods beginning on or after July 1, 2013. As a consequence of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, JCEs, and associates in separate financial statements.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of service in which case revenue is recognized based on stage of completion. Contracts involving provision of service with the construction materials and where the risks and rewards of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation becomes effective for annual periods beginning on or after January 1, 2013. It applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset.

Effective December 2015 for adoption by the Group on fiscal year ending December 31, 2015

- PFRS 9, *Financial Instruments: Classification and Measurement*
  The amended standard is effective for annual periods beginning on or after January 1, 2015. It reflects the first phase of the work on the replacement of PAS 39, *Financial Instrument: Recognition and Measurement*, and applies to classification and measurements of financial instruments as defined in PAS 39. In subsequent phases, hedge accounting and impairment of financial assets will be addressed. The completion of this project is expected over the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurements of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

3. **Basis of Consolidation**

The interim condensed consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of June 30, 2012 and December 31, 2011 and for the six months ended June 30, 2012 and 2011.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, income and expenses, and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

The Company has no seasonality or cyclicality of interim operations.

4. **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.

The Group has operations only in the Philippines.

As of June 30, 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 six months ended June 30, 2012 are as follows:

	Property Development	Leasing	Others	Total
Revenue/sales	₱ 1,107,959,899	₱ 895,778,123	–	₱ 2,003,738,021
Cost of sales/service	(884,081,949)	–	–	(884,081,949)
Gross profit	223,877,950	895,778,123	–	1,119,656,073
Cinema	–	26,425,548	–	26,425,548
Other income	10,698,207	9,124,383	39,338,524	59,161,115
Staff costs	(18,440,883)	(78,890,847)	(2,655,004)	(99,986,734)
General and administrative expe	(44,061,856)	(65,023,840)	(1,325,427)	(110,411,123)
Taxes and licenses	(24,713,099)	(58,770,444)	(315,977)	(83,799,520)
Unreimbursed share in common expenses	–	4,162,120	–	4,162,120
Insurance	(73,875)	(5,730,670)	–	(5,804,545)
Depreciation and amortization	(411,868)	(7,527,138)	(34,157)	(7,973,163)
Segment results	146,874,577	719,547,234	35,007,959	901,429,771
Interest income	46,718,901	13,964,496	199,195	60,882,592
Foreign exchange gain (loss)	(1,695,796)	(390,736)	(14,026)	(2,100,559)
Share in net income of associat	–	(93,903)	10,222,185	10,128,283
Interest	(266,338)	(85,049,697)	(300)	(85,316,336)
Provision for income tax	(28,656,744)	(116,968,913)	(742,203)	(146,367,860)
Net income for the year	₱ 162,974,599	₱ 531,008,481	₱ 44,672,811	₱ 738,655,891
Segment assets	₱ 6,257,807,231	₱ 22,555,968,317	₱ 3,351,706,460	₱ 32,165,482,008
Associate company	–	1,415,182,610	1,035,749,677	2,450,932,287
Total assets	₱ 6,257,807,231	₱ 23,971,150,927	₱ 4,387,456,137	₱ 34,616,414,295
Segment liabilities	₱5,107,119,756	₱4,447,862,065	₱2,791,336,330	₱12,346,318,153
Capital expenditures	₱432,326	₱6,884,113	–	₱7,316,439

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

	Property Development	Leasing	Others	Total
Revenue/sales	₱ 623,571,891	₱ 1,801,157,392	–	₱ 2,424,729,283
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	₱ (15,903,001)	₱ 1,216,016,955	₱ 161,888,460	₱ 1,362,002,414
Segment assets	₱6,007,540,686	₱22,579,992,219	₱ 3,375,458,336	₱ 31,962,991,241
Associate company	–	1,418,973,010	1,061,889,695	2,480,862,705
Total assets	₱ 6,007,540,686	₱23,998,965,229	₱ 4,437,348,031	₱ 34,443,853,946
Segment liabilities	₱ 4,826,502,010	₱ 4,405,758,443	₱ 3,421,214,245	₱ 12,653,474,698
Capital expenditures	₱ 2,107,660	₱ 42,151,390	₱ 183,339	₱ 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.

5. Associate companies

The breakdown of investment in associates is as follows:

	Pesos
Investment and advances for future stock subscription:	
Shang Global City Properties Inc.	1,414,867,305
Fort Bonifacio Shangri-la Hotel & Resort Inc.	622,827,694
Associate acquired thru the merger:	
Sky Leisure Properties Inc.	338,358,181
Exchange Properties	74,563,802
Other investment	315,305
Carrying value of investment in associates as of 30 June 2012	2,450,932,287

6. Property and equipment

The movements of the account can be analyzed as follows:

	Building and building improvement	Furniture, Fixtures and other Office Equipment	Total
Net book value as at 1 January 2012	Php30,346,680	Php30,485,279	Php 60,831,962
Additions	1,432,789	5,883,651	7,316,439
Depreciation	(930,501)	(7,042,662)	(7,973,163)
Reclassification/disposal	(54,987)	(323,434)	(378,421)
Net book value as at 30 June 2012	30,793,980	29,002,837	59,796,818

7. Bank loan

As of June 30, 2012 a total of ₱330.6Mn was paid from the ₱4.3B bank loan balance as of 31 December 2011.

8. 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.

9. 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 TSFSSPCC 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.

10. Subsequent events

There are no significant subsequent events that happened as of June 30, 2012 that needs disclosure herein.

11. 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.

12. 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 June 30:

	2012	
	Carrying Value	Fair Value
Financial Assets:		
Cash and cash equivalents	₱1,274,882,893	₱1,274,882,893
Financial assets at FVPL	28,553,329	28,553,329
Receivables	1,321,783,932	1,321,783,932
AFS financial assets	500,912,842	500,912,842
Refundable deposits	44,708,315	44,708,315
	₱3,170,841,311	₱ 3,170,841,311
Financial Liabilities:		
Accounts payable and other current liabilities	₱ 2,073,765,048	₱ 2,073,765,048
Bank loans	3,972,842,857	3,972,842,857
Deposits from tenants	667,539,212	667,539,212
	₱ 6,714,147,116	₱ 6,714,147,116

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 June 30, 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 June 30, 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	₱ 1,274,882,893	₱ –	₱ –	₱ –	₱ –	–	₱ 1,274,882,893
Liabilities:							
Bank Loans	330,576,191	952,980,952	647,619,048	583,333,333	583,333,333	875,000000	3,972,842,857
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 June 30, 2012 until its next financial reporting date:

Change in Interest Rate	Effect on Income before Income Tax
Increase by 1.14%	₱ 45,290,409
Decrease by 1.14%	(₱ 45,290,409)

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	₱ 1,274,882,893
Financial assets at FVPL	28,553,329
Loans and Receivables:	
Rent	116,303,207
Installment contracts receivable	132,787,078
Advances to contractors and suppliers	1,021,316,776
Deposit for future projects	-
Related parties	14,406,584
Officers and employees	2,385,436
Interest	1,001,111
Others	33,583,740
AFS financial assets	500,912,842
	₱3,126,132,996

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 June 30, 2012:

	Neither Past Due nor Impaired	Past Due or Impaired	Total
Cash and cash equivalents	₱ 1,274,882,893	₱ –	₱ 1,274,882,893
Financial assets at FVPL	28,553,329		28,553,329
Receivables			
Rental	116,303,207		116,303,207
Installment contracts receivable*	132,787,078		132,787,078
Advances to contractors and suppliers Deposit for future projects	1,021,316,776		1,021,316,776
Related parties	14,406,584		14,406,584
Officers and employees	2,385,436		2,385,436
Interest	1,001,111		1,001,111
Others	33,583,740	5,727,607	39,311,347
AFS financial assets	500,912,842		500,912,842
	₱ 3,126,132,996	₱ 5,727,607	₱3,131,860,603

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 June 30, 2012:

	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Accounts payable and other current liabilities	₱2,073,765,048	₱ –	₱ –	₱ –	₱2,073,765,048
Bank loans	330,576,191	1,600,600,000	1,166,666,667	875,000,000	3,972,842,857
Deposits from tenants	351,909,198	315,630,014		–	667,539,212
	₱2,756,250,436	₱1,916,230,014	₱1,166,666,667	₱875,000,000	₱6,714,147,117