

COVER SHEET

SEC Registration Number

(Company's Full Name)

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

(Contact Person)

(Company Telephone Number)

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17	-	Q	1
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(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

To be accomplished by SEC Personnel concerned

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File Number

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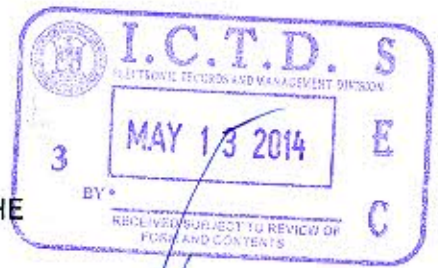
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SECURITIES AND EXCHANGE COMMISSION

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



1. For the quarterly period ended : 31 March 2014
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) 370-2700
8. Issuer's telephone number, including area code _____
9. Former name, former address and former fiscal year, if changed since last report: _____
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA.

Title of each Class
Common Stock

Number of shares of common stock
outstanding and amount of debt outstanding
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 ☒ 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:


IAN SUN ANDREW NG
Group Financial Comptroller


FEDERICO G. NOEL, JR.
Corporate Secretary

Date of Signing: 13 May 2014

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 period ended 31 March 2014 are attached as Annex "A".

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

Key Performance Indicators

		March 31 2014	March 31 2013	Change
Turnover	(Php M)	1,577.0	1,326.2	18.9%
Profit attributable to shareholders	(Php M)	542.1	358.3	51.3%
Earnings per Share	(Php Ctv)	0.114	0.075	51.3%
Net Asset Value per share	(Php)	4.606	4.265	8.0%
Debt to Equity Ratio	(Ratio)	0.580:1	0.591:1	-1.8%

- Turnover consists of Condominium Sales, Rental Revenue, Interest Income and Other Income. For the three (3) months ended March 31, 2014, the Group's consolidated revenues amounted to P1,577.0M, higher by P250.7M or 18.9% from P1,326.2M of total revenues realized in the same period last year. The condominium sales posted an increase of P116.4M mainly due to higher sales from Shang Salcedo Place. Leasing operation posted a revenue growth of 28% or P140.5M to P642.3M in 2014 from P501.9M in 2013. Interest and Other income decrease by P6.2M.
- Profit attributable to equity holders of Parent Company amounted to P542.1M, higher by P183.8M or 51.31% compared with the same period last year.
- Earnings per share for the three months ended March 31, 2014 posted a positive variance of 51.3% to P0.114 from last year's P0.075.
- 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 8% mainly due to the 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 0.580:1 as of 31 March 2014 and 0.591:1 as of 31 March 2013.

Financial Condition

Total assets of the Company amounted to P39.6B, an increase of P586.5M from total assets of P39B in December 31, 2013. The following are significant movements in the assets:

- Increase in cash and cash equivalents by P153.9M mainly due to sales collection from projects and proceeds from bank loans.
- Receivables increased by P673.2M mainly due to higher receivables from sales of condominium.
- Decrease in Construction in Progress by P263.3M mainly due to completed project.
- Prepayments and other current assets decreased by P74.2M due to utilization of prepayments during the period.
- Increase in refundable deposits by P6.1M mainly due to new deposits paid for utilities during the period.
- Current ratio is 2.06:1 as of March 31, 2014 from 2.09:1 as of December 31, 2013.

Total liabilities increased by P300.7M from P14.3B in 2013 to P14.6B in 2014 due to the following:

- Increase in accounts payable and other current liabilities by P214.9M mainly due to higher payables to suppliers for the construction of projects.
- Dividends payable increased by P2.6M mainly due to declaration of cash dividends amounting to P333,484,129 or P0.07 per share to all shareholders as of March 07, 2014.
- Income tax payable increased by P78.6M due to taxable income generated during the period.
- Decrease in accrued employee benefits by P2.6M mainly due to the payments made during the period.
- Increase in bank loans was primarily due to availments during the period.

- Decrease in deferred lease income by P5.6M was mainly due to recognition of lease income during the period.

Results of Operation

Consolidated Net Income for the period ended March 31, 2014 amounted to P542.1M higher by 51.3% from last year's P358.3M due to the following:

A. Condominium Projects:

- Increase in condominium sales by P116.4M due to higher sales and completion level of the Projects.

B. Leasing Operations:

- Shangri-La Plaza's growth was mainly generated by the revenue of new mall at East Wing and rental escalation of the existing mall.
- Increase in rental revenue from The Enterprise Center mainly due to higher average occupancy of 97.84% this year from last year's 94.45%.

C. Interest and other income decrease by P6.1M mainly due to last year's gain on sale of subsidiary.

Total Expenses of the Group amounted to P802.2M, 4.9% higher compared with last year's P764.4M. This was mainly due to the following:

- Increase in taxes and licenses by P34.6M mainly due to timing difference in recording of real property taxes.
- Insurance increased by P930K due to the insurance cost of the East wing mall.
- Unrecovered reimbursable expenses increased by P3.2M mainly due to utilities, janitorial and security maintenance of the East wing mall.

Share in net profits of associates decreased by P1.6M mainly due to net loss recorded by an associate during the period.

Increase in net income attributable to minority interest was due to the higher level of income generated by KSA Realty Corporation during the period.

Provision for income tax is higher by P19.5M mainly due to higher taxable income generated during the period 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.
- 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, 2013.
- B.) Except as reported in the Management's Discussion and Analysis of Financial Condition and Results of Operations, there were no unusual items affecting assets, liabilities, equity, net income or cash flows for the interim period.
- C.) There were no materials changes in estimates of amounts reported in prior period that have material effects in the current interim period.

- D.) Except as disclosed in the Management's Discussion and Analysis of Financial Condition and Results of Operations, there were no other issuances, repurchases and repayments of debt and equity securities.
- E.) There are no significant events happened subsequent to March 31, 2014 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 March 31 2014	Audited December 31 2013
ASSETS			
Current Assets			
Cash and cash equivalents		2,045,369,731	1,891,446,943
Financial assets at fair value through profit or loss		29,908,133	30,348,704
Receivables-net		4,207,499,024	3,534,271,525
Properties held for sale:			
Condominium units held		117,978,437	119,518,437
Construction in progress		2,060,696,898	2,323,991,357
Prepayments and other current assets		423,424,293	497,659,233
Total Current Assets		8,884,876,517	8,397,236,199
Non-Current Assets			
Investment in associates	3	2,441,510,049	2,441,310,289
Investment properties		26,829,863,053	26,743,225,950
Real estate development projects		502,646,378	484,885,587
Available-for-sale financial assets		502,322,842	502,322,842
Property and equipment - net	4	67,658,300	67,095,623
Refundable deposits		43,362,290	37,286,169
Deferred income tax assets		359,584,754	371,956,483
Total Non-Current Assets		30,746,947,666	30,648,082,944
Total Assets		39,631,824,183	39,045,319,143
LIABILITIES & STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and other current liabilities		2,865,920,515	2,651,001,465
Current portion of:			
Bank loans	5	647,619,047	647,619,047
Deposit from tenants		616,747,724	616,747,724
Deferred lease income		28,628,512	28,628,512
Dividends payable		23,439,197	20,844,008
Income tax payable		127,965,698	49,379,717
Total Current Liabilities		4,310,320,693	4,014,220,472
Non-Current Liabilities			
Accrued employee benefits		37,640,535	40,255,076
Bank loans- net of current portion	5	4,317,857,143	4,295,833,334
Deferred income tax liabilities		5,478,933,997	5,500,560,988
Deposit from tenants		350,464,692	338,066,025
Deferred lease income - net of current portion		60,004,842	65,591,879
Total Non-Current Liabilities		10,244,901,209	10,240,307,302
TOTAL LIABILITIES		14,555,221,903	14,254,527,774
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		728,359	342,764
Retained earnings		16,351,159,603	16,142,418,632
Minority interest		3,133,065,793	3,056,381,448
Total equity		25,076,602,280	24,790,791,370
Total Liabilities and Equity		39,631,824,183	39,045,319,143

(See accompanying notes to consolidated financial statements)

SHANG PROPERTIES, INC. AND SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS**

(Amounts expressed in Php)

	UNAUDITED	
	FOR THE THREE (3) MONTHS ENDED	
	31-Mar-14	31-Mar-13
INCOME		
Condominium Sales	832,527,074	716,103,770
Rental	642,348,956	501,876,428
Others	102,090,720	108,245,022
	<u>1,576,966,750</u>	<u>1,326,225,221</u>
EXPENSES		
Cost of condominium sales	561,377,513	565,316,571
General and administrative	99,818,227	96,193,048
Depreciation	4,445,552	4,565,392
Taxes, licenses and fees	83,070,812	48,447,125
Interest and bank charges	41,924,064	42,434,963
Insurance	3,961,698	3,032,197
Unrecoverable tenants reimbursements	7,595,658	4,396,545
	<u>802,193,525</u>	<u>764,385,841</u>
INCOME(LOSS) BEFORE SHARE IN PROFIT OF AN ASSOCIATE COMPANY	<u>774,773,225</u>	<u>561,839,379</u>
SHARE IN PROFIT OF AN ASSOCIATED COM	<u>(3,800,216)</u>	<u>(2,232,072)</u>
INCOME(LOSS) BEFORE MINORITY INTERE	<u>770,973,009</u>	<u>559,607,307</u>
MINORITY INTEREST	<u>(76,684,371)</u>	<u>(68,661,770)</u>
INCOME BEFORE TAX	<u>694,288,638</u>	<u>490,945,537</u>
PROVISION FOR INCOME TAX	<u>(152,213,242)</u>	<u>(132,690,865)</u>
NET INCOME	<u>542,075,395</u>	<u>358,254,672</u>
RETAINED EARNINGS, beg.	<u>16,142,418,632</u>	<u>14,654,957,222</u>
LESS: CASH DIVIDENDS	<u>(333,334,424)</u>	<u>(285,843,539)</u>
RETAINED EARNINGS, end.	<u>16,351,159,603</u>	<u>14,727,368,355</u>
BASIC AND DILUTED EARNINGS PER SHARE	<u>0.114</u>	<u>0.075</u>

(See accompanying notes to consolidated financial statements)

SHANG PROPERTIES INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts expressed in Php)

	March 31, 2014 (Unaudited)	March 31, 2013 (Unaudited)
Notes		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income before income tax	694,288,638	490,945,537
Adjustment for:		
Depreciation and amortization	4,445,552	4,565,392
Share in profit (loss) of associate companies	3,800,216	2,232,072
Cumulative translation adjustment	385,594	(103,304)
Change in fair value of financial assets at FVPL	440,571	(3,819,448)
Interest income	(72,155,433)	(65,508,564)
Interest expense	41,724,163	42,163,956
Operating income before working capital changes	672,929,301	470,475,641
(Increase) decrease in:		
Receivables	(673,227,499)	(376,325,144)
Construction in progress	263,294,459	(325,025,483)
Other current assets	75,774,941	30,560,787
Condominium Units held for sale		
Increase (decrease) in:		
Accounts payable and accrued expenses	180,902,658	230,947,782
Accrued employee benefits	(2,614,541)	(7,085,573)
Deposits from tenants	12,398,667	14,106,525
Net cash generated from (used in) from operations	529,457,985	37,654,535
Interest received	72,155,433	65,508,564
Net cash from (used in) from operating activities	601,613,418	103,163,099
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in investments in associates	(4,000,000)	74,695,906
Increase in investments properties	(86,637,103)	(48,910,952)
Dividends received	3,541,681	9,550,034
Acquisition of property and equipment	(5,237,912)	-
Decrease (increase) in other assets	(6,076,121)	(6,197,133)
Net cash (used in) from investing activities	(98,409,455)	29,137,855
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank loan	200,000,000	900,000,000
Payment of bank loans	(177,976,190)	(238,204,762)
Payment of interest	(41,658,686)	(42,163,956)
Cash dividends paid to:		
Stockholders	6 (330,739,235)	(260,529,371)
Net cash used in financing activities	(350,374,111)	359,101,911
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	1,092,937	(277,026)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	153,922,788	491,125,839
CASH AND CASH EQUIVALENTS		
1 January	1,891,446,943	1,600,953,309
31 March	2,045,369,731	2,092,079,148

(See accompanying notes to consolidated financial statements)

SHANG PROPERTIES INC. & SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Amounts expressed in Php)

(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 2013		4,764,058,982	834,439,607	14,654,957,223	1,885,236	(6,850,064)	2,929,404,183	23,177,895,467
Cumulative translation adjustment					(103,304)			(103,304)
Share in minority interest on preferred shares redemption							68,661,770	68,661,770
Cash dividends	6			(285,843,539)				(285,843,539)
Net income for the period				358,254,672				358,254,672
Balance as of 31 March 2013		4,764,058,982	834,439,607	14,727,368,357	1,781,933	(6,850,064)	2,998,065,954	23,318,864,767
Balance as of 1 January 2014		4,764,058,982	834,439,607	16,142,418,632	342,764	(6,850,064)	3,056,381,448	24,790,791,370
Cumulative translation adjustment					385,594			385,594
Share in minority interest on preferred shares redemption							76,684,345	76,684,344
Cash dividends	6			(333,334,424)				(333,334,424)
Net income for the period				542,075,395				542,075,395
Balance as of 31 March 2014		4,764,058,982	834,439,607	16,351,159,604	728,359	(6,850,064)	3,133,065,793	25,076,602,280

(See accompanying notes to consolidated financial statements)

SHANG PROPERTIES INC. AND SUBSIDIARIES
AGING OF TRADE RECEIVABLES
AS OF MARCH 31, 2014

TENANTS	TOTAL RECEIVABLES	P A S T D U E					
		CURRENT	1-30 DAYS	31-60 DAYS	61-90 DAYS	91-120 DAYS	OVER 120
MALL TENANTS	237,563,110	203,661,949	4,764,022	5,121,324	4,644,922	2,382,011	16,988,882
EDSA SHANGRI-LA HOTEL & RESORT	24,038,672	8,948,369	15,090,302				
TECC TENANTS	25,041,123	6,274,607	1,534,207	4,140,212	13,092,097	-	-
INSTALLMENT CONTRACTS RECEIVABLES & OTHERS	3,920,856,120	3,920,856,120					
	<u>4,207,499,024</u>	<u>4,139,741,045</u>	<u>21,388,532</u>	<u>9,261,536</u>	<u>17,737,019</u>	<u>2,382,011</u>	<u>16,988,882</u>

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


KINSLER ANDREW NG
Group Financial Controller

SHANG PROPERTIES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE THREE (3) MONTHS ENDED 31 MARCH 2014 AND 2013

1. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The interim consolidated financial statements have been prepared under the historical cost basis, except for investment properties, financial assets at fair value through profit or loss (FVPL) and available-for-sale (AFS) financial assets that have been measured at fair value. The interim consolidated financial statements of the Group are presented in Philippine Peso (Peso), which is the Parent Company's functional and presentation currency, with amounts rounded to the nearest Peso.

Statement of Compliance

The interim consolidated financial statements, have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) as issued by the Financial Reporting Standards Council (FRSC).

Changes in Accounting Policies

The Group applied, for the first time, certain standards and amendments that require restatement of the previous consolidated financial statements. These include Philippine Accounting Standard (PAS) 19, *Employee Benefits* (Revised 2011), and amendments to PAS 1, *Presentation of Financial Statements*. In addition, the application of PFRS 12, *Disclosure of Interests in Other Entities*, and PFRS 13, *Fair Value Measurement*, resulted in additional disclosures in the consolidated financial statements.

Several new and amended accounting standards and Philippine Interpretation of the International Financial Reporting Interpretation Committee's (IFRIC) interpretation apply for the first time in 2013. However, they do not impact the consolidated financial statements of the Group.

The nature and the impact of each new standard and amendment are described below:

- PFRS 7, *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities* (Amendments)

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, *Financial Instruments: Presentation*. 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. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

- 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 amounts presented in the consolidated statement of financial position;
- c. The net amounts presented in the consolidated statement of financial position;
- d. The amounts subject 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.

The Group has not offset any financial assets and financial liabilities.

- **PFRS 10, *Consolidated Financial Statements***
PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 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 a parent, compared with the requirements that were in PAS 27. The standard has no impact on the consolidated financial statements of the Group as the entities to which the Parent Company has control and did not have any control did not change.
- **PFRS 11, *Joint Arrangements***
PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The standard has no impact on the consolidated financial statements.
- **PFRS 12, *Disclosure of Interests in Other Entities***
PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). The Group has a subsidiary with material NCI, but there are no unconsolidated structured entities.
- **PFRS 13, *Fair Value Measurement***
PFRS 13 establishes a single source of guidance under PFRSs 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. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

As a result of the guidance in PFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Group has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

- **PAS 1, *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income* (Amendments)**
The amendments to PAS 1 introduced a grouping of items presented in other comprehensive income (OCI). Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group's financial position or performance.
- **PAS 19, *Employee Benefits* (Revised)**
The Revised PAS 19 requires all actuarial gains and losses to be recognized in OCI and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

Prior to adoption of the Revised PAS 19, the Group recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the Revised PAS 19, the Group changed its accounting policy to recognize all actuarial gains and losses in OCI and all past service costs in profit or loss in the period they occur.

The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact to the Group's financial position and financial performance.

The changes in accounting policies have been applied retrospectively. The effects of the adoption of the Revised PAS 19 on the consolidated financial statements are as follows:

	As of December 31
	2013
Increase (decrease) in:	
Consolidated Statements of Financial Position	
Accrued employee benefits	(P1,650,586)
Deferred income tax assets	(495,176)
Other components of equity	23,248,589
Retained earnings	163,158
	As of December 31
	2013
Increase (decrease) in:	
Consolidated Statements of Comprehensive Income	
Staff costs	(P233,083)
Income before income tax	233,083
Provision for income tax	69,925
Net income and total comprehensive income	P163,158
Net income and total comprehensive income attributable to equity holders of the Parent Company	P163,158

The adoption did not have an impact on consolidated statement of cash flows. Moreover, the adoption of this revised standard with retrospective application is assessed by management to have an immaterial impact to the January 1, 2012 balances, the beginning balances of the

earliest period presented, and as such, no third consolidated statement of financial position was presented.

There were no changes in the presentation of net benefit cost.

- *PAS 27, Separate Financial Statements* (as revised in 2011)
As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 did not have a significant impact on the separate financial statements of the entities in the Group.
- *PAS 28, Investments in Associates and Joint Ventures* (as revised in 2011)
As a consequence of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28, *Investments in Associates*, has been renamed PAS 28, *Investments in Associates and Joint Ventures*, which requires the application of the equity method to investments in joint ventures in addition to associates.
- *Philippine Interpretation IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine*
This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of a mine. The interpretation addresses the accounting for the benefit from the stripping activity. This new interpretation is not relevant to the Group.
- *PFRS 1, First-time Adoption of PFRS — Government Loans* (Amendments)
The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39, *Financial Instruments: Recognition and Measurement*, and PAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans. These amendments are not relevant to the Group.

Annual Improvements to PFRSs (2009-2011 cycle)

The *Annual Improvements to PFRS* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Group adopted the amendments for the current year.

- *PFRS 1, First-time Adoption of PFRS — Borrowing Costs*
The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening consolidated statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.
- *PAS 1, Presentation of Financial Statements — Clarification of the Requirements for Comparative Information*
The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the consolidated financial statements. An entity must include comparative information in the related notes to the consolidated financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of consolidated financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the consolidated

financial statements) are not required. The amendments have no impact on the Group's financial position or performance.

- *PAS 16, Property, Plant and Equipment — Classification of Servicing Equipment*
The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment has no significant impact on the Group's financial position or performance.
- *PAS 32, Financial Instruments: Presentation — Tax Effects of Distributions to Holders of Equity Instruments*
The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. This amendment has no impact on the Group's financial position or performance.
- *PAS 34, Interim Financial Reporting — Interim Financial Reporting and Segment Information for Total Assets and Liabilities*
The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

Future Changes in Accounting Policies

New standards issued but not yet effective as at the date of issuance of the consolidated financial statements are listed below. This is a listing of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective.

- *PAS 36, Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*
These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.
- *Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)*
These provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at FVPL. It is not expected that this amendment would be relevant to the Group since none of the entities in the Group would qualify to be an investment entity under PFRS 10. These amendments are effective for annual periods beginning on or after January 1, 2014.
- *Philippine Interpretation IFRIC 21, Levies*
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that IFRIC 21 will have material financial impact in future consolidated financial statements.

- *PAS 19, Employee Benefits — Defined Benefit Plans: Employee Contributions (Amendments)*
 The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The Group does not expect the adoption of these amendments to have significant impact in future consolidated financial statements.
- *PAS 39, Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*
 These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Group does not expect that these amendments will be relevant as it did not engage in hedge transactions in the current year and in the past, and does not expect to do so in the future.
- *PAS 32, Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities (Amendments)*
 The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group’s financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.
- *PFRS 9, Financial Instruments*
 PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at FVPL. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at FVPL. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability’s credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group’s financial assets, but will potentially have no impact on the classification and measurement of financial liabilities. PFRS 9 is effective for annual periods beginning on or after January 1, 2015.
- *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 services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward 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 the 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. The management is still assessing the impact of the interpretation to the consolidated financial statements of the Group.

Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- *PFRS 2, Share-based Payment — Definition of Vesting Condition*
The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Group as it has no share-based payment.
- *PFRS 3, Business Combinations — Accounting for Contingent Consideration in a Business Combination*
The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as an equity in accordance with PAS 32. Contingent consideration that is not classified as an equity is subsequently measured at FVPL whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted) The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.
- *PFRS 8, Operating Segments — Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The Group has not aggregated any of its reportable segments, thus, this improvement has no impact on the Group's financial position or performance.
- *PFRS 13, Fair Value Measurement — Short-term Receivables and Payables*
The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. This amendment has no impact in the consolidated financial statements.
- *PAS 16, Property, Plant and Equipment — Revaluation Method — Proportionate Restatement of Accumulated Depreciation*
The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

- a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
- b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance as its property and equipment are carried using the cost model.

- *PAS 24, Related Party Disclosures — Key Management Personnel*
The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.
- *PAS 38, Intangible Assets — Revaluation Method — Proportionate Restatement of Accumulated Amortization*
The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
 - a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
 - b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- *PFRS 1, First-time Adoption of PFRS — Meaning of 'Effective PFRSs'*
The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first consolidated PFRS

financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- **PFRS 3, *Business Combinations — Scope Exceptions for Joint Arrangements***
The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The Group shall consider this improvement for future joint arrangements.
- **PFRS 13, *Fair Value Measurement — Portfolio Exception***
The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.
- **PAS 40, *Investment Property***
The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at March 31, 2014 and December 31, 2013.

Subsidiaries are entities over which the Parent Company has control. Control is achieved by the Parent Company when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Specifically, the Parent Company controls the subsidiary if and only if the Parent Company has:

- Power over the subsidiary (i.e. existing rights that give it the current ability to direct the relevant activities of the subsidiary),
- Exposure, or rights, to variable returns from its involvement with the subsidiary, and
- The ability to use its power over the subsidiary to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee,
- Rights arising from other contractual arrangements, and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes the carrying amount of any NCI.
- Derecognizes the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received.
- Recognizes the fair value of any investment retained.
- Recognizes any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Profit or loss and each component of OCI are attributed to the equity holders of the Parent of the Group and to the NCI, even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

The following are the subsidiaries for which the Parent Company acts as the principal decision maker:

	Effective Percentages of Ownership As of 31.03.14
Property Development:	
SPRC	100.00%
SPDI	100.00%
Leasing:	
SPI Parking Services, Inc. (SPSI)	100.00%
SLPC	100.00%
KSA Realty Corporation (KSA)	52.90%
Real Estate:	
Ivory Post Properties, Inc. (IPPI)	100.00%
KPPI Realty Corporation (KRC)	100.00%
Martin B. Properties, Inc. (MBPI)	100.00%
New Contour Realty, Inc. (NCRI)	100.00%
Perfect Sites, Inc. (PSI)	100.00%
Shang Fort Bonifacio Holdings, Inc. (SFBHI)	100.00%
Shang Global City Holdings, Inc. (SGCHI)	100.00%
Property Management:	
KPPI Management Services Corporation (KMSC)	100.00%
Shang Property Management Services, Inc. (SPMSI)	100.00%
Others:	
Gipsey (BVI Company)	100.00%
SHIL (BVI Company)*	100.00%
EPHI Logistics Holdings, Inc. (ELHI)	60.00%

* On February 22, 2011, SHIL was incorporated in the British Virgin Islands (BVI) as a BVI Business Company. SHIL is a wholly owned subsidiary of the Parent Company through Gipsev, Ltd. (Gipsev), a subsidiary of the Parent Company.

Except for Gipsev and SHIL, which were incorporated in the British Virgin Islands, all the other subsidiaries were incorporated in the Philippines.

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.

The Group has operations only in the Philippines.

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 their 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 and the results of operations of real estate entities and BVI companies.

Except for the rental revenue from ESHRI, revenues come 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 (3) months ended March 31, 2014 are as follows:

	Property					
	Development	Leasing	Others	Total Segments	Eliminations	Consolidated
Revenues:						
Condominium sales	832,527,074.00	-	-	832,527,074.00		832,527,074
Rental		700,730,862.48		700,730,862.48	(58,381,907)	642,348,956
Cinema		13,664,323.51		13,664,323.51		13,664,324
Cost of sales	(561,377,513.08)			(561,377,513.08)		(561,377,513)
Gross profit or revenues	271,149,561	714,395,186	-	985,544,747	(58,381,907)	927,162,840
Other income	5,425,618	197,006,628	930,239	203,362,484.56	(188,184,457)	15,178,027
Staff costs	(14,313,406)	(48,737,003)	(1,967,588)	(65,017,997.60)	1,939,529	(63,078,469)
General and administrative expenses	(6,722,515)	(28,900,036)	(1,117,208)	(36,739,758.73)		(36,739,759)
Taxes and licenses	(49,344,501)	(32,704,139)	(1,022,171)	(83,070,812.04)		(83,070,812)
Depreciation and amortization	(437,158)	(3,966,473)	(41,921)	(4,445,552.12)		(4,445,552)
Insurance	(25,018)	(3,925,972)	(10,708)	(3,961,697.95)		(3,961,698)

Unreimbursed share in common expenses	-	(7,595,658)	-	(7,595,658.45)		(7,595,658)
Segment results	205,732,580	785,572,532	(3,229,357)	988,075,755	(244,626,835)	743,448,919
Interest income	66,628,493	5,494,817	32,123	72,155,432.86		72,155,433
Foreign exchange gains (losses) - net	722,221	361,134	9,582	1,092,936.77		1,092,937
Share in net losses of associates	-	(0)	(3,800,216)	(3,800,216.00)		(3,800,216)
Interest expense and bank charges	(145,243)	(41,789,311)	10,490	(41,924,064.37)		(41,924,064)
Provision for income tax	(85,490,736)	(95,707,762)	28,985,255	(152,213,242.41)		(152,213,242)
Net income for the year	187,447,314	653,931,410	22,007,877	863,386,601	(244,626,835)	618,759,766
Segment assets	9,497,517,133	30,549,517,872	4,240,880,328	44,287,915,333	(7,097,601,198)	37,190,314,135
Associate companies	-	2,035,827,130	405,682,918	2,441,510,048		2,441,510,048
Total assets	9,497,517,133	32,585,345,002	4,646,563,246	46,729,425,381		39,631,824,183
Segment liabilities	3,873,022,467	10,349,473,051	332,726,386	14,555,221,904		14,555,221,904
Capital expenditures for the year	1,399,925	3,837,987	-	5,237,912		5,237,912

The segment results as of and for the year ended December 31, 2013 follows:

	Property			Total Segments	Eliminations	Consolidated
	Development	Leasing	Others			
Revenues:						
Condominium sales	3,935,170,304	-	-	3,935,170,304	-	3,935,170,304
Rental	-	2,545,947,448	-	2,545,947,448	(206,957,297)	2,338,990,151
Cinema	-	56,448,809	-	56,448,809	-	56,448,809
Cost of sales	(2,991,014,104)	-	-	(2,991,014,104)	-	(2,991,014,104)
Gross profit or revenues	944,156,200	2,602,396,257	-	3,546,552,457	(206,957,297)	3,339,595,160
Gain on fair value adjustment of investment properties	-	(317,379,436)	-	(317,379,436)	317,379,436	-
Other income	17,082,931	825,200,121	226,158,282	1,068,441,334	(956,049,103)	112,392,231
Staff costs	(60,238,037)	(175,664,382)	(7,982,792)	(243,885,211)	2,549,103	(241,336,108)
General and administrative expenses	(46,703,519)	(310,203,499)	(6,983,607)	(363,890,625)	206,957,297	(156,933,328)
Taxes and licenses	(17,850,490)	(126,481,041)	(731,883)	(145,063,414)	-	(145,063,414)
Depreciation and amortization	(1,493,164)	(16,583,461)	(101,371)	(18,177,996)	-	(18,177,996)
Insurance	(150,055)	(15,514,061)	(17,332)	(15,681,448)	-	(15,681,448)
Unreimbursed share in common expenses	-	(96,092,860)	-	(96,092,860)	-	(96,092,860)
Segment results	834,803,866	2,369,677,638	210,341,297	3,414,822,801	(636,120,564)	2,778,702,237
Interest income	244,513,058	34,661,209	252,600	279,426,867	-	279,426,867
Gain on reversal of impairment loss on real estate development project	-	-	181,954,697	181,954,697	-	181,954,697
Foreign exchange gains (losses)-net	2,418,763	1,650,275	12,759	4,081,797	-	4,081,797
Share in net losses of associates	-	-	(4,674,079)	(4,674,079)	-	(4,674,079)
Interest expense and bank charges	(539,675)	(184,386,995)	(35,193)	(184,961,863)	-	(184,961,863)

Provision for income tax	(448,239,506)	(252,262,230)	(50,927,988)	(751,429,724)	-	(751,429,724)
Net income for the year	632,956,506	1,969,339,897	336,924,093	2,939,220,496	(636,120,564)	2,303,099,932
Segment assets	9,711,851,940	27,514,160,619	4,099,459,524	41,325,472,083	(4,721,463,228)	36,604,008,855
Associate companies	-	1,959,387,171	481,923,118	2,441,310,289	-	2,441,310,289
Total assets	9,711,851,940	29,473,547,790	4,581,382,642	43,766,782,372	(4,721,463,228)	39,045,319,144
Segment liabilities	6,496,411,518	9,144,810,490	3,334,768,995	18,975,991,003	(4,721,463,228)	14,254,527,775
Capital expenditures for the year	1,090,432,467	513,510,669	258,705	1,604,201,841	-	1,604,201,841

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.

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.	1,412,946,278
Fort Bonifacio Shangri-la Hotel & Resort Inc.	622,880,852
Associate acquired thru the merger:	
Sky Leisure Properties Inc.	405,295,772
Other investments	387,146
Carrying value of investment in associates as of 31 March 2014	<u>2,441,510,049</u>

4. Property and equipment

The movements of the account can be analyzed as follows:

	Building and building improvement	Transportation Equipment	Furniture, Fixtures and other Office Equipment	Total
Net book value as at 1 January 2014	Php38,138,350	Php10,141,516	Php18,815,754	Php67,095,620
Additions	2,171,063		3,066,850	5,237,912
Depreciation	(665,550)	(1,377,182)	(2,402,820)	(4,445,552)
Reclassification/disposal			(229,684)	(229,684)
Net book value as at 31 March 2014	Php39,643,863	Php8,764,334	Php19,250,099	Php67,658,297

5. Bank loan

Principal payments during the period amounted to P178 million, while proceeds from loan availment amounted to P200 million used to finance the Group's various projects.

6. Dividends

On 19 February 2014, the Board approved the declaration of ₱333,484,129 cash dividend or ₱0.070 per share to all stockholders of record as of March 07, 2014 to be taken up from the unrestricted retained earnings of the Parent Company as of December 31, 2013.

7. Related party transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The following are the transactions with related parties:

Related Party Transactions and Balances which were Not Eliminated During Consolidation

The terms, conditions, balances and the volume of related party transactions which were not eliminated during consolidation are as follows:

Transactions with companies with interlocking directors

- a. A portion of the Parent Company's land is being leased by ESHRI, where the latter's EDSA Shangri-La Manila Hotel (the Hotel) is located. The lease is for a period of 25 years commencing on August 28, 1992, renewable for another 25 years at the option of ESHRI, computed based on a fixed percentage of the Hotel's room, food and beverage, dry goods and other service revenue.
- b. SPMSI provides management services for TEC of The Enterprise Center Condominium Corporation (TECCC), for TSFSP of TSFSPCC, and for TSGT of The Shang Grand Tower Condominium Corporation (TSGTCC) for a minimum period of five years starting January 7, 2009, April 1, 2010 and January 7, 2007, respectively. As consideration, SPMSI shall receive from TSGTCC, TECCC and TSFSPCC management fees of ₱400,000, ₱100,000 and ₱100,000, respectively, per month, inclusive of VAT, with an escalation rate of 10% per annum. TECCC, TSFSPCC and TSGTCC are affiliates through interlocking directors.
- c. Reimbursement of expenses paid for by SLPC for ESHRI.
- d. Condominium dues charged by TSFPCC and TECCC.
- e. 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.
- f. On February 17, 2012, the Board of the Parent Company passed and approved a resolution wherein it will act as a surety to the loan of Fort Bonifacio Shangri-la Hotel, Inc. (FBSHI). FBSHI has secured a ₱10,000,000,000 long-term loan facility with a local bank to finance the completion of its project. Under the continuing suretyship agreement executed between the Parent Company and the local bank on May 23, 2012, the Parent Company agreed to be solidarily liable to the extent of 50% of any and all amounts due under the loan agreement between FBSHI and the local bank. The local bank is entitled under current jurisprudence to demand directly from the Parent Company any and all amounts due. Should demand be made, the Parent Company will recognize a liability in its consolidated financial statements.

g. Unsecured, noninterest-bearing receivables and payables between related parties.

8. Subsequent events

There are no significant subsequent events that happened as of March 31, 2014 that needs disclosure herein.

9. Commitments and contingencies

A contingent liability with respect to the pending litigations of the Company described in Note 31 of the 2013 consolidated financial statements still exist as of date of interim consolidated financial statements.

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 that are carried in the consolidated financial statements.

	March 31, 2014		December 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Financial assets at FVPL	₱ 29,908,133	₱ 29,908,133	₱30,348,704	₱ 30,348,704
Loans and receivables:				
Cash and cash equivalents	2,045,369,731	2,045,369,731	1,891,968,291	1,891,968,291
Receivables:				
Installment contracts receivable	2,708,555,513	2,708,555,513	2,229,966,071	2,229,966,071
Rent	324,703,120	324,703,120	139,562,396	139,562,396
Related parties	40,361,407	40,361,407	23,761,686	23,761,686
Advances to officers and employees	1,088,294	1,088,294	1,373,381	1,373,381
Interest	1,292,625	1,292,625	1,164,094	1,164,094
Others	107,867,010	107,867,010	5,294,722	5,294,722
Refundable deposits	43,362,290	43,362,290	37,286,169	37,286,169
	5,272,599,991	5,272,599,991	4,329,855,462	4,329,855,462
AFS financial assets	502,322,842	502,322,842	502,322,842	502,322,842
	₱5,804,830,966	₱5,804,830,966	₱4,862,527,008	₱4,862,527,008
Other Financial Liabilities				
Accounts payable and other current liabilities*	₱2,441,692,939	₱2,441,692,939	₱2,077,287,434	₱2,077,287,434
Bank loans	4,965,476,190	4,965,476,190	4,943,452,381	4,943,452,381
Deposits from tenants	967,212,416	967,212,416	954,813,749	954,813,749
Accrued employee benefits**	12,619,549	12,619,549	10,652,145	10,652,145
	₱8,387,001,094	₱8,387,001,094	₱7,986,205,709	₱7,986,205,709

* Excluding customers' deposits, output VAT, deferred output VAT and withholding taxes.

** Excluding accrued retirement benefits of ₱25,020,985 in 2014 and ₱29,602,931 in 2013.

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:

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.

Cash and Cash Equivalents, Receivables other than Installment

Contracts Receivable, and Accounts Payable and Other Current Liabilities and Dividends Payable

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.

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 values of deposits from tenants were based on the present value of estimated future cash flows using interest rates that approximate the interest rates prevailing at the reporting date.

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, 2014 and December 31, 2013, 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, 2014:

	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	P 2,045,369,731	P -	P -	P -	P -	P -	P 2,045,369,731
Liabilities:							
Bank Loans	553,928,571	679,761,905	775,595,238	1,009,523,810	529,166,667	1,437,500,000	4,965,476,191

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, 2014 until its next financial reporting date:

Change in Interest Rate	Effect on Income before Income Tax
Increase by .50%	P 24,827,381
Decrease by .50%	(P 24,827,381)

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 each component of the financial assets in the statement of financial position:

	March 31, 2014	December 31, 2013
Financial assets at FVPL	P 29,908,133	P 30,348,704
Loans and receivables:		
Cash and cash equivalents *	2,025,999,614	1,862,306,550
Receivables:		
Installment contracts receivable	2,708,555,513	2,229,966,071

	March 31, 2014	December 31, 2013
Rent	324,703,120	139,562,396
Related parties	40,361,407	23,761,686
Advances to officers and employees	1,088,294	1,373,381
Interest	1,292,625	1,164,094
Others	107,867,010	5,294,722
Refundable deposits	43,362,290	37,286,169
	5,253,229,873	4,300,715,069
AFS financial assets	502,322,842	502,322,842
	₱5,785,460,848	₱ 4,833,386,615

* Excludes cash on hand of ₱19,370,118 in 2014 and ₱21,640,393 in 2013.

The following table provides information regarding the credit risk exposure of the Group by classifying its financial assets according to the credit ratings of debtors as of March 31, 2014:

	2014				
	Neither Past Due nor Impaired				
	Non-Investment	Non-Investment		Past Due and	Total
	Grade: Satisfactory	Grade: Unsatisfactory		Impaired	
	₱	₱		₱	₱
Financial assets at FVPL	29,908,133	—		—	29,908,133
Loans and receivables:					
Cash and cash equivalents*	2,025,999,614	—		—	2,025,999,614
Receivables:		—		—	
Installment contracts receivable	2,708,555,513	—		—	2,708,555,513
Rent	324,703,120	—		—	324,703,120
Related parties	40,361,407	—		—	40,361,407
Advances to officers and employees	1,088,294	—		—	1,088,294
Interest	1,292,625	—		—	1,292,625
Others	107,867,010	—		7,074,077	114,941,087
Refundable deposits	43,362,290	—		—	43,362,290
	5,253,229,873	—		7,074,077	5,260,303,950
AFS financial assets	502,322,842	—		—	502,322,842
	₱5,785,460,848	₱—	₱	7,074,077	₱5,792,534,925

* Excludes cash on hand of ₱19,370,118

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 table below summarizes the maturity profile of the Group's financial assets compared with the contractual undiscounted payments of financial liabilities in order to provide a complete view of the Group's liquidity as of March 31, 2014:

	2014				Total
	Within 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	
Financial Assets					
Financial assets at FVPL	P 29,908,133	P-	P-	P-	P 29,908,133
Loans and receivables:					
Cash and cash equivalents	2,045,369,731	-	-	-	2,045,369,731
Receivables:					
Installment contracts receivable	2,708,555,513	-	-	-	2,708,555,513
Rent	324,703,120	-	-	-	324,703,120
Related parties	40,361,407	-	-	-	40,361,407
Advances to officers and employees	1,088,294	-	-	-	1,088,294
Interest	1,292,625	-	-	-	1,292,625
Others	107,867,010	-	-	-	107,867,010
Refundable deposits	-	43,362,290	-	-	43,362,290
	5,229,237,701	43,362,290	-	-	5,272,599,991
AFS financial assets	502,322,842	-	-	-	502,322,842
	P5,761,468,676	P 43,362,290	P-	P-	P5,804,830,966
Other Financial Liabilities					
Accounts payable and other current liabilities*	P2,441,692,939	P-	P-	P-	P2,441,692,939
Bank loans	533,928,571	1,455,357,143	1,153,690,476	1,437,500,000	4,965,476,191
Deposits from tenants	616,747,724	350,464,692	-	-	967,212,416
Dividends payable	23,439,197	-	-	-	23,439,197
Accrued employees benefits**	12,619,550	-	-	-	12,619,550
	P3,449,025,891	P2,125,554,547	P2,378,473,598	P2,575,108,968	P10,528,163,004

* Excluding customers' deposits, output VAT, deferred output VAT and withholding taxes.

** Excluding accrued retirement benefits of P25,020,983



13 May 2014

PHILIPPINE STOCK EXCHANGE

Disclosure Department

3rd Floor, Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines 1226

Attention: **MS. JANET A. ENCARNACION**
Head, Disclosure Department


Re: **SHANG PROPERTIES, INC. (SPI)**

Gentlemen:

We submit herewith a copy of SPI's SEC Form 17-Q, which we have filed with the Securities and Exchange Commission.

Thank you.

Very truly yours,


FEDERICO G. NOEL, JR.
Corporate Secretary