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 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)

Administration Offices, 5th Level, Shangri-La Plaza, EDSA corner 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	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:

KIN SUN ANDREW NG
Group Financial Comptroller

FEDERICO G. NOEL, JR.
Corporate Secretary

Date of Signing: 14 August 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 30 June 2014 are attached as Annex "A".

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

Key Performance Indicators

		June 30 2014	June 30 2013	Change
Turnover	(Php M)	3,195.8	2,908.9	9.9%
Profit attributable to shareholders	(Php M)	1,059.3	825.8	28.3%
Earnings per Share	(Php Ctv)	0.222	0.173	28.3%
Net Asset Value per share	(Php)	4.571	4.362	4.8%
Debt to Equity Ratio	(Ratio)	0.730:1	0.606:1	20.5%

- Turnover consists of Condominium Sales, Rental Revenue, Interest Income and Other Income. For the six (6) months ended June 30, 2014, Shang Properties, Inc.'s consolidated revenues amounted to ₱3,195.8 million, higher by ₱286.9 million or 9.9% from ₱2,908.9 million posted in the same period last year. Property development which pertains to the sale of condominium units reported revenues of ₱1,711.9 million for the six (6) months ended June 30, 2014, ₱91.7 million higher than the ₱1,620.2 million registered in the same period in 2013. Leasing operations posted a revenue growth of ₱215.9 million to ₱1,288.7 million in 2014 from ₱1,072.7 million in 2013. Interest and Other income decreased by ₱20.7 million due to last year's gain in the disposal of investment in associate.

- Profit attributable to equity holders of Parent Company amounted to ₱1,059.3 million, higher by ₱233.5 million or 28.3% compared with the same period last year.

- Earnings per share for the six (6) months ended June 30, 2014 posted a positive growth of 28.3% to ₱0.222 from last year's ₱0.173.

- 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 4.8% 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 0.730:1 as of 30 June 2014 and 0.606:1 as of 30 June 2013.

Financial Condition

Total assets of the Company amounted to ₱46.4 billion, an increase of ₱7.4 billion from the total assets of ₱39.0 billion in December 31, 2013. The following are significant movements in the assets:

- Decrease in cash and cash equivalents by ₱293.6 million mainly due to payment to suppliers and payment on the acquisition of additional interest of a subsidiary.

- Receivables increased by ₱782.5 million mainly due to additional sales bookings from residential condominium projects.

- Increase in construction in progress by ₱8.5 billion mainly due to the construction cost of Shangri-La at the Fort which the Company acquired additional interest during the year.

- Prepayments and other current assets increased by ₱682.0 million due to higher deferred tax assets on increased residential condominium projects.

- Decrease in investment in associates by ₱2.0 billion was mainly due to the acquisition of additional interest of Shangri-La at the Fort which resulted to the associate company becomes a subsidiary of the Group.

- Decrease in real estate development project was mainly to the construction activities that have been started and the cost was reclassified under the Construction in Progress.

- Increase in refundable deposits by ₱29.8 million mainly due to additional deposits and construction bonds for the projects.

- Current ratio is 3.87:1 as of June 30, 2014 from 2.09:1 as of December 31, 2013.

Total liabilities increased by ₱5.3 billion from ₱14.3 billion in 2013 to ₱19.6 billion in 2014 due to the following:

- Increase in accounts payable and other current liabilities by ₱509.3 million mainly due to higher payable to suppliers for the construction of projects.

- Dividends payable increased by ₱81.7 million mainly due to declaration of cash dividends amounting to ₱333,484,129 or ₱0.07 per share to all shareholders as of March 07, 2014.

- Income tax payable increased by ₱69.6 million due to higher taxable income generated during the period.

- Increase in bank loans was mainly due to availments and consolidation of a new subsidiary during the period.

- Deposits from tenants increased by ₱23.7 million mainly due to new tenants at East Wing mall of Shangri-La Plaza.

<u>Results of Operation</u>

Consolidated Net Income for the period ended June 30, 2014 amounted to ₱1,059.3 million higher by 28.3% from last year's ₱825.8 million due to the following:

A. Property development

    - Increase in condominium sales by ₱91.7 million due to higher sales and increase in completion level of the various projects.

B. Leasing operations

- Shangri-La Plaza's growth was mainly generated by the revenue of East Wing mall and rental escalation of the existing mall.

- Increase in rental revenue from The Enterprise Center mainly due to higher average occupancy of 97.6% this year from last year's 95.3%.

C. Interest and other income

- Decrease in interest and other income by ₱20.7 million mainly was due to the gain on disposal of investment in associate in in 2013.

Total Expenses of the Group amounted to ₱1,644.8 million, slightly lower compared with last year's ₱1,645.8 million. The following are material changes in the expenses:

- Decrease in cost of condominium sales by ₱92.7 million mainly due to cost savings in the construction of the projects.

- Increase in general and administrative expenses by ₱20.3 million primarily due to expenses of the new projects.

- Increase in taxes, licenses and fees by ₱52.5 million mainly due to higher business taxes and real property taxes paid during the period.

- Insurance increased by ₱1.3 million due to the additional coverage of the East wing mall.

- Unrecovered reimbursable expenses increased by ₱16.0 million mainly due to utilities, janitorial and security maintenance cost of the East wing mall.

Share in net loss of associate is higher by ₱2.4 million mainly due to higher operating expenses recorded during the period.

Increased in minority interest by ₱13.2 million was mainly due to the share of higher income from The Enterprise Center during the period.

Provision for income tax is higher by ₱38.7 million mainly due to higher income generated during the period.

Financial Soundness Indicators

	End of June 2014	End of December 2013
Current Ratio[1]	3.87:1	2.09:1
Debt-to-equity ratio[2]	0.73:1	0.57:1
Asset-to-equity ratio[3]	1.73:1	1.57:1
	2Q 2014[7]	2Q 2013
Interest rate coverage ratio[4]	16.46:1	13.60:1

Return on assets[5]	5.0%	4.5%
Return on equity[6]	8.2%	7.0%

[1]Current assets/current liabilities

[2]Total liabilities/stockholders' equity

[3]Total asset/stockholders' equity

[4]Income before interest and taxes/interest expense

[5]Net Income/average total assets

[6]Net Income/average stockholders' equity

[7]2Q1Net income after tax annualized/average of end March-2014 and end Dec-13 assets and equity

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 June 30, 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 STATEMENTS OF FINANCIAL POSITION

(Amounts expressed in Php)

	Notes	Unaudited June 30 2014	Audited December 31 2013
ASSETS			
Current Assets			
Cash and cash equivalents		1,597,878,552	1,891,446,943
Financial assets at fair value through profit or loss		31,708,123	30,348,704
Receivables-net		4,316,794,743	3,534,271,525
Properties held for sale:			
Condominium units held for sale		123,097,604	119,518,437
Construction in progress		10,831,897,140	2,323,991,357
Prepayments and other current assets		1,179,640,730	497,659,233
Total Current Assets		**18,081,016,892**	**8,397,236,199**
Investment in associates		402,573,279	2,441,310,289
Investment properties	3	26,945,317,324	26,743,225,950
Real estate development projects		-	484,885,587
Available-for-sale financial assets		502,322,842	502,322,842
Property and equipment - net	4	69,292,804	67,095,623
Refundable deposits		67,124,335	37,286,169
Deferred income tax assets		365,914,379	371,956,483
Total Noncurrent Assets		**28,352,544,963**	**30,648,082,944**
TOTAL ASSETS		**46,433,561,854**	**39,045,319,144**
LIABILITIES & EQUITY			
Current Liabilities			
Accounts payable and other current liabilities		3,160,309,912	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		102,541,177	20,844,008
Income tax payable		119,027,193	49,379,717
Total Current Liabilities		**4,674,873,564**	**4,014,220,472**
Non Current Liabilities			
Accrued employee benefits		38,933,018	40,255,076
Bank loans- net of current portion	5	8,913,714,774	4,295,833,334
Deferred income tax liabilities		5,539,396,901	5,500,560,988
Deposit from tenants - net of current portion		358,467,490	338,066,025
Deferred lease income - net of current portion		68,890,543	65,591,879
Total Noncurrent Liabilities		**14,919,402,725**	**10,240,307,302**
Total Liabilities		**19,594,276,289**	**14,254,527,774**
EQUITY			
Equity attributable to equity holders of the Parent Company:			
Capital stock - Peso 1 par value		4,764,058,982	4,764,058,982
Additional paid-in capital		153,301,117	834,439,607
Treasury shares		(6,850,064)	(6,850,064)
Other components of equity		501,694	342,764
Retained earnings		16,868,339,030	16,142,418,632
		21,779,350,758	**21,734,409,921**
Equity attributable to minority interests		5,059,934,807	3,056,381,448
Total Equity		**26,839,285,565**	**24,790,791,370**
TOTAL LIABILITIES AND EQUITY		**46,433,561,854**	**39,045,319,144**

SHANG PROPERTIES INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

(Amounts expressed in Php)

	UNAUDITED FOR THE THREE MONTHS		UNAUDITED 'OR THE SIX (6) MONTHS ENDEI	
	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13
REVENUES				
Condominium sales	879,385,075	904,110,389	1,711,912,149	1,620,214,159
Rental	646,310,714	570,856,197	1,288,659,670	1,072,732,625
Others	93,098,337	107,659,646	195,189,057	215,904,668
	1,618,794,126	1,582,626,232	3,195,760,876	2,908,851,452
COST AND EXPENSES				
Cost of condominium sales	591,773,290	680,495,743	1,153,150,803	1,245,812,314
General and administrative	111,362,381	94,641,291	211,180,608	190,834,339
Taxes, licenses and fees	52,298,843	34,468,837	135,369,655	82,915,962
Interest and bank charges	48,586,401	46,761,531	90,510,465	89,196,494
Depreciation	4,802,804	4,393,277	9,248,356	8,958,670
Insurance	3,963,028	3,551,810	7,924,726	6,584,007
Unrecoverable tenants reimbursements	29,861,595	17,070,249	37,457,253	21,466,795
	842,648,340	881,382,739	1,644,841,866	1,645,768,580
INCOME BEFORE SHARE IN PROFIT OF ASSOCIATED COMPANIES	776,145,785	701,243,493	1,550,919,010	1,263,082,872
SHARE IN NET PROFITS (LOSSES) OF ASSOCIATES	(2,088,942)	(1,209,954)	(5,889,158)	(3,442,026)
INCOME BEFORE INCOME TAX AND MINORITY INTEREST	774,056,844	700,033,539	1,545,029,853	1,259,640,846
PROVISION FOR INCOME TAX	(179,332,266)	(160,148,914)	(331,545,509)	(292,839,779)
INCOME BEFORE MINORITY INTEREST	594,724,578	539,884,625	1,213,484,344	966,801,068
INCOME ATTRIBUTABLE TO MINORITY INTEREST	(77,545,151)	(72,362,103)	(154,229,522)	(141,023,873)
NET INCOME	517,179,426	467,522,522	1,059,254,822	825,777,194
RETAINED EARNINGS, beg.	16,351,159,603	14,727,368,355	16,142,418,632	14,654,957,222
LESS: CASH DIVIDENDS	-	128,319	(333,334,424)	(285,715,220)
RETAINED EARNINGS, end.	16,868,339,030	15,195,019,196	16,868,339,030	15,195,019,196
BASIC AND DILUTED EARNINGS PER SHARE	0.109	0.098	0.222	0.173

(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 2014 AND 2013

	Notes	June 30, 2014 (Unaudited)	June 30, 2013 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income before income tax		1,545,029,853	1,259,640,846
Adjustment for:			
Depreciation and amortization		9,248,356	8,958,670
Share in loss of associate companies		5,889,158	3,442,026
Cumulative translation adjustment		158,929	224,795
Adjustments of financial assets at fair value through profit o		(1,359,419)	(5,851,515)
Interest income		(135,871,315)	(136,141,401)
Interest expense		89,953,877	88,753,866
Operating income before working capital changes		1,513,049,438	1,219,027,287
(Increase) decrease in:			
Receivables		(782,523,218)	(1,059,841,793)
Construction in progress		(1,212,169,155)	(283,913,143)
Other current assets		88,200,702	50,541,367
Increase (decrease) in:			
Accounts payable and other current liabilities		723,320,145	453,706,645
Accrued employee benefits		(1,322,058)	(6,187,686)
Deposit from tenants		23,700,129	54,073,019
Net cash generated from (used in) from operations		352,255,984	427,405,696
Income taxes paid		(261,898,032)	(251,563,436)
Interest received		135,871,315	136,141,401
Net cash from (used in) from operating activities		226,229,267	311,983,661
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in investment in associates		-	74,405,861
Increase in investment properties		(202,091,373)	(177,286,812)
Dividends received		3,875,503	3,320,484
Acquisition of property and equipment		(13,768,126)	(9,723,321)
Decrease (increase) in other assets		(12,410,014)	10,319,621
Net cash (used in) from investing activities		(224,394,011)	(98,964,167)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loan availment		1,600,000,000	1,400,000,000
Payment of bank loans		(355,952,381)	(476,409,524)
Payment of interest		(89,953,877)	(88,753,866)
Acquisition of additional interest of subsidiary		(1,700,000,000)	-
Cash dividends paid to:			
Stockholders	6	251,637,255	(284,083,800)
Net cash used in financing activities		(294,269,003)	550,752,810
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(1,134,645)	3,309,930
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(293,568,391)**	**767,082,234**
CASH AND CASH EQUIVALENTS			
1 January		**1,891,446,943**	**1,600,953,309**
30 June		**1,597,878,552**	**2,368,035,543**

(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	14,654,957,228	1,885,237	(6,850,064)	2,929,404,157	23,177,895,147
Cumulative translation adjustment					224,796			224,796
Share in minority interest on preferred shares redemption							58,598,900	58,598,900
Cash dividends	6			(285,715,220)				(285,715,220)
Net income for the period				825,777,194				825,777,194
Balance as of 30 June 2013		4,764,058,982	834,439,607	15,195,019,202	2,110,033	(6,850,064)	2,988,003,057	23,776,780,816
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					158,930			158,930
Share in minority interest on preferred shares redemption			(681,138,490)				2,003,553,359	1,322,414,869
Cash dividends	6			(333,334,424)				(333,334,424)
Net income for the period				1,059,254,822				1,059,254,822
Balance as of 30 June 2014		4,764,058,982	153,301,117	16,868,339,030	501,694	(6,850,064)	5,059,934,807	26,839,285,565

(See accompanying notes to consolidated financial statements)

SHANG PROPERTIES INC. AND SUBSIDIARIES
AGING OF TRADE RECEIVABLES
AS OF JUNE 30, 2014

TENANTS	TOTAL RECEIVABLES	CURRENT	PAST DUE 1-30 DAYS	31-60 DAYS	61-90 DAYS	91-120 DAYS	OVER 120
MALL TENANTS	245,265,156	199,017,944	8,061,736	9,270,207	6,216,879	22,698,390	-
EDSA SHANGRI-LA HOTEL & RESORT	46,733,206	7,640,633	39,092,573				
TECC TENANTS	25,227,990	5,546,336	1,647,712	2,130,042	15,903,900		
INSTALLMENT CONTRACTS RECEIVABLES & OTHERS	3,999,568,391	3,999,568,391					
	4,316,794,743	4,211,773,304	48,802,021	11,400,249	22,120,778	22,698,390	-

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

KENNETH ANDREW NG
Group Financial Controller

SHANG PROPERTIES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE SIX (6) MONTHS ENDED 30 JUNE 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	**(₱1,650,586)**
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	**(₱233,083)**
Income before income tax	**233,083**
Provision for income tax	**69,925**
Net income and total comprehensive income	**₱163,158**
Net income and total comprehensive income attributable to equity holders of the Parent Company	**₱163,158**

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.

<u>Basis of Consolidation</u>
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at June 30, 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 recognized 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 30.06.14
Property Development:	
Shang Properties Realty Corp. (SPRC)	**100.00%**
Shang Property Developers, Inc. (SPDI)	**100.00%**
Leasing:	
SPI Parking Services, Inc. (SPSI)	**100.00%**
Shangri-la Plaza Corporation (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 Gipsey, Ltd. (Gipsey), a subsidiary of the Parent Company.*

Except for Gipsey 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 six (6) months ended June 30, 2014 are as follows:

	Property Development	Leasing	Others	Total Segments	Eliminations	Consolidated
Revenues:						
Condominium sales	1,711,912,149	–	–	1,711,912,149		1,711,912,149
Rental		1,406,487,025		1,406,487,025	(117,827,356)	1,288,659,670
Cinema		32,504,014		32,504,014		32,504,014
Cost of sales	(1,153,150,803)			(1,153,150,803)		(1,153,150,803)
Gross profit or revenues	558,761,346	1,438,991,039	-	1,997,752,385	(117,827,356)	1,879,925,030
Other income	15,553,393	688,029,692	10,899,392	714,482,476	(686,534,104)	27,948,373
Staff costs	(37,067,494)	(100,203,004)	(3,456,668)	(140,727,166)	10,820,206	(129,906,960)
General and administrative expenses	(29,652,097)	(39,887,338)	(10,895,271)	(80,434,705)	(838,943)	(81,273,648)
Taxes and licenses	(54,544,118)	(80,437,092)	(388,445)	(135,369,655)		(135,369,655)
Depreciation and amortization	(1,138,542)	(8,035,955)	(73,859)	(9,248,356)		(9,248,356)
Insurance	(111,645)	(7,806,179)	(6,902)	(7,924,726)		(7,924,726)
Unreimbursed share in common expenses	-	(37,457,253)	-	(37,457,253)		(37,457,253)
Segment results	451,800,843	1,853,193,910	(3,921,753)	2,301,073,001	(794,380,196)	1,506,692,804
Interest income	126,419,566	9,386,537	65,213	135,871,315		135,871,315

Foreign exchange gains (losses) - net	(1,068,390)	(66,255)	9,582	(1,134,645)		(1,134,645)
Share in net losses of associates	-	(0)	(5,889,157)	(5,889,158)		(5,889,158)
Interest expense and bank charges	(494,461)-	(90,008,562)	(7,442)	(90,510,465)		(90,510,465)
Provision for income tax	(170,894,873)	(158,494,262)	2,156,374	(331,545,509)		(331,545,509)
Net income for the year	406,257,147	1,614,066,053	(11,902,071)	2,008,421,129	(794,380,196)	1,214,040,932
Segment assets	19,839,097,366	31,451,092,353	3,257,839,703	54,548,029,421	(8,517,040,846)	46,030,988,576
Associate companies	-	387,147	402,186,131	402,573,279		402,573,279
Total assets	19,839,097,366	31,451,479,500	3,660,025,834	54,950,602,700	(8,517,040,846)	46,433,561,854
Segment liabilities	12,824,788,120	13,793,447,603	1,488,466,729	28,106,702,452	(8,512,426,162)	19,594,276,289
Capital expenditures for the year	6,271,659	7,226,495	269,972	13,768,126		13,768,126

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

	Property Development	Leasing	Others	Total Segments	Eliminations	Consolidated
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
Associate acquired thru the merger:	
Sky Leisure Properties Inc.	402,186,131
Other investments	387,148
Carrying value of investment in associates as of 30 June 2014	402,573,279

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	(322,065)	3,741,741	10,348,450	13,768,126
Depreciation	(1,333,838)	(2,832,264)	(5,082,254)	(9,248,357)
Reclassification/disposal		(656,190)	(1,666,395)	(2,322,585)
Net book value as at 30 June 2014	Php36,482,446	Php10,394,802	Php22,415,555	Php69,292,804

5. Bank loan

Principal payments during the period amounted to ₱356 million, while proceeds from loan availment amounted to ₱1.6 billion 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 TSFSSPCC 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 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.

8. Subsequent events

There are no significant subsequent events that happened as of June 30, 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.

	June 30, 2014		December 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Financial assets at FVPL	₱ 31,708,123	₱ 31,708,123	₱30,348,704	₱ 30,348,704
Loans and receivables:				
Cash and cash equivalents	1,597,878,552	1,597,878,552	1,891,968,291	1,891,968,291
Receivables:				
Installment contracts receivable	2,692,024,574	2,692,024,574	2,229,966,071	2,229,966,071
Rent	352,455,803	352,455,803	139,562,396	139,562,396
Related parties	44,034,895	44,034,895	23,761,686	23,761,686
Advances to officers and employees	1,967,294	1,967,294	1,373,381	1,373,381
Interest	692,258	692,258	1,164,094	1,164,094
Others	290,493,557	290,493,557	5,294,722	5,294,722
Refundable deposits	67,124,335	67,124,335	37,286,169	37,286,169
	5,046,671,268	5,046,671,268	4,329,855,462	4,329,855,462
AFS financial assets	502,322,842	502,322,842	502,322,842	502,322,842
	₱5,580,702,232	₱5,580,702,232	₱4,862,527,008	₱4,862,527,008
Other Financial Liabilities				
Accounts payable and other current liabilities*	₱2,758,617,643	₱2,758,617,643	₱2,077,287,434	₱2,077,287,434
Bank loans	9,561,333,821	9,561,333,821	4,943,452,381	4,943,452,381
Deposits from tenants	975,215,214	975,215,214	954,813,749	954,813,749
Accrued employee benefits**	12,949,479	12,949,479	10,652,145	10,652,145
	₱13,308,116,157	₱13,308,116,157	₱7,986,205,709	₱7,986,205,709

** Excluding customers' deposits, output VAT, deferred output VAT and withholding taxes.*
*** Excluding accrued retirement benefits of ₱25,983,539 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 June 30, 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 June 30, 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	₱ 1,597,878,552	₱ –	₱ –	₱ –	₱ –	₱ –	₱ 1,597,878,552
Liabilities:							
Bank Loans	291,666,667	583,333,333	716,666,667	1,154,166,667	729,166,667	6,086,333,821	9,561,333,821

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, 2014 until its next financial reporting date:

Change in Interest Rate	Effect on Income before Income Tax
Increase by .50%	₱ 33,464,668
Decrease by .50%	(₱33,464,668)

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:

	June 30, 2014	December 31, 2013
Financial assets at FVPL	₱ 31,708,123	₱ 30,348,704
Loans and receivables:		
Cash and cash equivalents *	1,575,248,840	1,862,306,550
Receivables:		
Installment contracts receivable	2,692,024,574	2,229,966,071
Rent	352,455,803	139,562,396
Related parties	44,034,895	23,761,686
Advances to officers and employees	1,967,294	1,373,381
Interest	692,258	1,164,094
Others	290,493,557	5,294,722
Refundable deposits	67,124,335	37,286,169
	5,024,041,556	4,300,715,069
AFS financial assets	502,322,842	502,322,842
	₱5,558,072,520	₱ 4,833,386,615

* *Excludes cash on hand of ₱22,629,712 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 June 30, 2014:

	2014			
	Neither Past Due nor Impaired			
	Non-Investment Grade: Satisfactory	Non-Investment Grade: Unsatisfactory	Past Due and Impaired	Total
Financial assets at FVPL	₱ 31,708,123	₱–	₱–	₱ 31,708,123
Loans and receivables:				
Cash and cash equivalents*	1,575,248,840	–	–	1,575,248,840
Receivables:		–	–	
Installment contracts receivable	2,692,024,574	–	–	2,692,024,574
Rent	352,455,803	–	–	352,455,803
Related parties	44,034,895	–	–	44,034,895
Advances to officers and employees	1,967,294	–	–	1,967,294
Interest	692,258	–	–	692,258
Others	290,493,557	–	6,498,039	296,991,597

	2014			
	Neither Past Due nor Impaired			
	Non-Investment Grade: Satisfactory	Non-Investment Grade: Unsatisfactory	Past Due and Impaired	Total
Refundable deposits	67,124,335	–	–	67,124,335
	5,024,041,556	–	6,498,039	5,030,539,595
AFS financial assets	502,322,842	–	–	502,322,842
	₱5,558,072,520	₱–	₱ 6,498,039	₱5,564,570,560

** Excludes cash on hand of ₱22,629,712*

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 June 30, 2014:

	2014				
	Within 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
Financial Assets					
Financial assets at FVPL	₱ 31,708,123	₱–	₱–	₱–	₱ 31,708,123
Loans and receivables:					
Cash and cash equivalents	1,597,878,552	–	–	–	1,597,878,552
Receivables:					
Installment contracts receivable	2,692,024,574	–	–	–	2,692,024,574
Rent	352,455,803	–	–	–	352,455,803
Related parties	44,034,895	–	–	–	44,034,895
Advances to officers and employees	1,967,294	–	–	–	1,967,294
Interest	692,258	–	–	–	692,258
Others	290,493,557	–	–	–	290,493,557
Refundable deposits	–	67,124,335	–	–	67,124,335
	4,979,546,933	67,124,335	–	–	5,046,671,268
AFS financial assets	502,322,842	–	–	–	502,322,842
	₱5,513,577,897	₱ 67,124,335	₱–	₱–	₱5,580,702,232

Other Financial Liabilities					
Accounts payable and other current liabilities*	₱2,758,617,643	₱–	₱–	₱–	₱2,758,617,643
Bank loans	291,666,667	1,300,000,000	1,883,333,333	6,086,333,821	9,561,333,821
Deposits from tenants	616,747,724	358,467,490	–	–	975,215,214
Dividends payable	102,541,177	–	–	–	102,541,177
Accrued employees benefits**	12,949,479	–	–	–	12,949,479
	₱3,782,522,690	₱1,658,467,490	₱1,883,333,333	₱6,086,333,821	₱13,410,657,334

** Excluding customers' deposits, output VAT, deferred output VAT and withholding taxes.*
*** Excluding accrued retirement benefits of ₱25,983,539*