	Amount/Volume			Outstanding Balance			
	2014	2013	2012	2014	2013	Terms	Conditions
Management Services (see Note 23)							
TECCC	₱8,593,545	₱6,797,607	₱6,179,643	₱1,417,249	₱1,288,408	30-day; noninterest-bearing	Unsecured, no impairment
TSFSPCC	2,657,679	2,946,429	2,767,857	1,424,464	1,066,964	30-day; noninterest-bearing	Unsecured, no impairment
TSGTCC	1,555,127	1,898,101	1,725,547	1,650,773	2,705,657	30-day; noninterest-bearing	Unsecured, no impairment
	₱12,806,351	₱11,642,137	₱10,673,047	₱4,492,486	₱5,061,029		
Condominium dues (see Note 25)							
Parent Company	₱2,445,042	₱1,597,067	₱2,956,997	₱1,299,230	₱812,730	30-day; noninterest-bearing	Unsecured, no impairment
KSA	2,313,135	2,186,422	12,681,514	–	–	30-day; noninterest-bearing	Unsecured, no impairment
SPDI	454,435	454,435	348,057	–	–	30-day; noninterest-bearing	Unsecured, no impairment
SPRC	–	214,252	5,179,791	–	320	30-day; noninterest-bearing	Unsecured, no impairment
SPSI	–	–	67,419	–	–	30-day; noninterest-bearing	Unsecured, no impairment
	₱5,212,612	₱4,452,176	₱21,233,778	₱1,299,230	₱813,050		
Reimbursed expenses							
ESHRI	₱14,376,411	₱12,553,754	₱13,326,206	₱3,310,911	₱3,532,985	30-day; noninterest-bearing	Unsecured, no impairment
Concession fee (see Note 23)							
ESHRI	₱–	₱–	₱77,000	₱–	₱–	30-day; noninterest-bearing	Unsecured, no impairment
Affiliates' share in Group's expenses							
TECCC	₱33,583,858	₱41,952,583	₱13,116,835	₱7,519,966	₱1,961,401	30-day; noninterest-bearing	Unsecured, no impairment
Makati Shangri-La Hotel	10,583,255	714,718	756,333	9,960,616	191,524	30-day; noninterest-bearing	Unsecured, no impairment
TSFSPCC	7,485,435	6,758,066	6,525,480	3,466,192	2,520,036	30-day; noninterest-bearing	Unsecured, no impairment
TSGTCC	6,167,258	5,047,806	3,693,842	4,354,943	4,349,564	30-day; noninterest-bearing	Unsecured, no impairment
ESHRI	1,620,083	13,823,434	14,671,405	615,490	403,534	30-day; noninterest-bearing	Unsecured, no impairment
Mactan Shangri-La Hotel	652,065	598,533	813,259	268,695	273,532	30-day; noninterest-bearing	Unsecured, no impairment
Clavall Properties, Inc.	917	4,555	801,706	12,332	12,665	30-day; noninterest-bearing	Unsecured, no impairment
Mactan Beachfront Resources, Inc.	(6,525)	3,927	1,087	(7,459)	30	30-day; noninterest-bearing	Unsecured, no impairment
Shangri-La Fijisian Resort	–	–	–	626,952	626,952	Payable on demand; noninterest-bearing	Unsecured, no impairment
Others	5,354,071	11,541,095	696,933	4,572,438	537,082	30-day; noninterest-bearing	Unsecured, no impairment
	₱65,440,417	₱80,444,717	₱41,076,880	₱31,390,165	₱10,876,320		

	Amount/Volume			Outstanding Balance			
	2014	2013	2012	2014	2013	Terms	Conditions
Group's share in affiliates' expenses (see Note 18)							
TECCC	₱634,940	₱576,027	₱14,787,584	₱73,142	₱–	30-day; noninterest-bearing	Unsecured, no impairment
TSFSPCC	560,096	214,679	1,662,215	320	15,793	30-day; noninterest-bearing	Unsecured, no impairment
Others	482,761	470,906	149,137	98,375	143,467	30-day; noninterest-bearing	Unsecured, no impairment
	₱1,677,797	₱1,261,612	₱16,598,936	₱171,837	₱159,260		

Transactions with associates

- 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 FBSHI. On April 11, 2012, FBSHI has secured a ₱10,000,000,000 long-term loan facility with a local bank to finance the construction of a hotel, serviced apartment, and residential units in Fort Bonifacio, Taguig City in relation to the Shang at the Fort 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. As a result of the business combination, FBSHI's obligation from the loan agreement was transferred to SGCPI, the surviving entity after the merger with FBSHI (see Note 12). As of December 31, 2014 and 2013, the Parent Company has not recorded any liability in connection with the loan.

- Sharing of expenses with associates.

	Amount/Volume			Outstanding Balance			
	2014	2013	2012	2014	2012	Terms	Conditions
Associates' share in Group's expenses							
FBSHI	₱9,493,210	₱11,220,668	₱5,282,230	₱–	₱1,388,329	30-day; noninterest-bearing	Unsecured, no impairment
ISPI	703,105	604,466	601,161	3,600,548	2,903,023	30-day; noninterest-bearing	Unsecured, no impairment
	₱10,196,315	₱11,825,134	₱5,883,391	₱3,600,548	₱4,291,352		
Group's share in an associate's expenses (see Note 18)							
SLPI	₱–	₱–	₱–	₱42,158,700	₱42,158,700	Payable on demand; noninterest-bearing	Unsecured, no impairment

Outstanding balances from the above related party transactions as at December 31 follow:

	2014	2013
Receivables:		
Affiliates:		
Share in expenses	**₱31,390,165**	₱10,876,320
Management services	**4,492,486**	5,061,029
Reimbursed expenses	**3,310,911**	3,532,985
Associates	**3,600,548**	4,291,352
	₱42,794,110	₱23,761,686
Accounts payable and other current liabilities:		
Associate	**₱42,158,700**	₱42,158,700
Affiliates:		
Condominium dues	**1,299,230**	813,050
Share in expenses	**171,837**	159,260
	₱43,629,767	₱43,131,010

Compensation of key management personnel consist of the following:

	2014	2013	2012
Salaries and other short-term employee benefits	**₱37,603,264**	₱36,457,991	₱44,003,067
Post-employment benefits	**2,989,031**	2,451,986	2,765,177
	₱40,592,295	₱38,909,977	₱46,768,244

There are no stock option plans for officers and employees and no other long-term benefits aside from retirement benefits.

Related Party Transactions and Balances Eliminated During Consolidation

The terms, conditions, balances and the volume of related party transactions which were eliminated during consolidation are as follows:

a. Lease of Parent Company's land and the East Wing of the Shangri-La Plaza Mall to SLPC

	2014	2013	2012
Rental income	**₱201,679,019**	₱137,860,212	₱110,049,049

A portion of the Parent Company's land where the Shangri-La Plaza Mall is located is being leased to SLPC. The lease is for a period of 25 years from January 6, 1993. Rental revenue is based on a certain percentage of SLPC's annual rental revenue from mall operations plus a certain percentage of the carpark's net income.

In 2013, the Parent Company also leased to SLPC, the East Wing of the Shangri-La, the mall area of OSP, for a certain percentage of SLPC's rental revenue from the mall from January 1, 2013 to September 30, 2013.

b. Usufruct agreement between the Parent Company, SLPC and SPSI

On January 16, 2002, the Parent Company entered into a usufruct agreement with SLPC and SPSI. SPSI will be granted limited usufructuary rights over the Parent Company's and SLPC's parking spaces for a consideration equivalent to a certain percentage of SPSI's gross income less direct and indirect expenses. The agreement is subject to renewal on a yearly basis. Rental income of the Parent Company and SLPC, and rental expenses of SPSI are as follows:

	2014	2013	2012
SLPC	₱11,754,610	₱10,043,538	₱10,545,010
Parent Company	5,811,469	7,461,777	6,754,155
	₱17,566,079	₱17,505,315	₱17,299,165

c. Lease of East Wing of the Shangri-La Plaza Mall by SPRC to SLPC

	2014	2013	2012
Rental income	₱55,894,923	₱13,695,318	₱–

SPRC and SLPC entered into a memorandum of agreement whereby SLPC will operate the mall establishment and constitute it as the East Wing of the Shangri-La. The lease is for a period of five years from October 1, 2013 and renewable upon mutual agreement by the parties. Rental revenue is based on a certain percentage of SLPC's annual rental revenue from that mall.

d. SPSI has an agreement with KSA, whereby SPSI is to manage and operate the parking slots of KSA, which commenced on January 1, 2009. The agreement is renewable upon mutual agreement by the parties. In consideration of the agreement, the parties agreed on the following revenue-sharing scheme: KSA shall receive the amount equivalent to 75% of the monthly gross parking revenue, less applicable VAT, while SPSI shall receive the amount equivalent to 25% of the monthly gross parking revenue, less applicable VAT. Income of KSA and expenses of SPSI, which are equivalent to KSA's share are as follows:

	2014	2013	2012
Rental income and expense	₱29,796,157	₱26,512,768	₱24,036,327

e. The Parent Company leases its office space and SPRC leases a unit on Level 1 in Shangri-La Plaza Mall from SLPC.

The Parent Company's lease agreement is for a period of three years starting November 1, 2002. By mutual agreement of the parties, the contract of lease was renewed on May 16, 2010 for another three years which commenced on May 17, 2010 and ended on May 16, 2013. The Parent Company's rental expense is exclusive of VAT and subject to five percent escalation every year.

In 2010, SPRC and SLPC entered into a lease agreement, whereby SPRC shall lease a unit on Level 1 in Shangri-La for the higher of: (a) a minimum guarantee rent, or (b) a certain percentage of gross sales, exclusive of VAT. The lease commenced on May 1, 2010 and will end on April 30, 2014, subject to renewal as may be mutually agreed by the parties.

Rental expenses of the Parent Company and SPRC, and rental income of SLPC are as follows:

	2014	2013	2012
SPRC	₱7,319,287	₱7,316,402	₱7,898,898
Parent Company	3,592,934	4,067,282	4,200,604
	₱10,912,221	₱11,383,684	₱12,099,502

The Parent Company's and SPRC's refundable deposits from these transactions amounted to ₱425,424 and ₱650,000 as of December 31, 2014 and 2013.

f. Management agreement between KSA and SPMSI:

	2014	2013	2012
Management fee	₱2,804,013	₱2,549,103	₱2,317,366

KSA entered into a management agreement with SPMSI for a monthly fee of ₱150,000 with 10% annual escalation for a period of five years starting March 2013. The parties agree mutually on the renewal of the agreement. SPMSI shall provide on-site property leasing management including Head Office support services and periodic audit to ensure compliance with international practices; perform staff recruitment, training and performance evaluation; and perform financial management, including billing and collection and budget provisioning.

g. In 2011, SPDI obtained an unsecured, noninterest-bearing, payable on or before December 31, 2012 loan from SHIL amounting to ₱2,317,500,000. As of December 31, 2014 and 2013, this loan has not been settled.

h. Parent Company's dividend income from declarations of the following subsidiaries:

	2014	2013	2012
SLPC	₱725,000,000	₱600,000,000	₱700,000,000
KSA	423,200,000	185,150,000	132,250,000
SPSI	4,200,000	3,500,000	3,500,000
SPMSI	4,000,000	–	3,000,000
SPDI	75,000,000	–	–
	₱1,231,400,000	₱788,650,000	₱838,750,000

i. In 2013, the Parent Company and SPRC entered into a Deed of Absolute Sale for a parcel of land owned by the Parent Company with total square meter area of 9,852 located at Internal Road, Shangri-la Place, Mandaluyong City for a total consideration of ₱640,380,000. This resulted to a loss on sale of the land amounting to ₱317,379,436 which was eliminated during consolidation.

j. Reimbursement of expenses paid for by a related party on behalf of a related party and vice-versa.

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

Outstanding balances from the above related party transactions at December 31 which were eliminated during consolidation are as follows:

	2014	2013
Receivables of the Parent Company from:		
SGCHI	₱1,010,072,162	₱500,127
SPRC	853,625,220	1,742,415,006
SFBHI	690,928,665	500,494
SLPC	103,943,521	23,373,984
SPMSI	22,622,222	17,174,662
SPSI	7,984,922	4,868,210
SPDI	5,215,561	–
KMSC	1,037,217	1,011,608
KSA	426,229	245,801
	₱2,695,855,719	₱1,790,089,892
Payables of the Parent Company to:		
SPDI	₱620,480,000	₱519,301,810
SLPC	1,169,881	2,513,943
SPRC	505,996	1,261,043
	₱622,155,877	₱523,076,796
Receivables of:		
SHIL from SPDI	₱2,317,500,000	₱2,317,500,000
Others	2,549,461,236	90,796,540
	₱4,866,961,236	₱2,408,296,540

The receivables and payables between related parties, except for those arising from reimbursement of expenses and those that are unsecured and noninterest-bearing which are payable on demand, have normal credit terms of 30 to 90 days, but may go beyond as agreed.

32. Commitments and Contingencies

On July 14, 1993, a complaint was initially filed before the Regional Trial Court (RTC) - Pasig by the principal contractor of the Shangri-La Plaza Mall against the Parent Company and the Board for the recovery of the balance of alleged unpaid construction work, compensatory and moral damages, legal fees and litigation costs totaling about ₱122,000,000, exclusive of interest. In the answer *ex abundante ad cautelam*, as a counterclaim, the Parent Company is asking for approximately ₱182,000,000 in overpayment plus ₱7,000,000 in damages and litigation costs. Due to technical reasons, the principal contractor re-filed the case on or about June 23, 1998 with the Construction Industry Arbitration Commission (CIAC).

On October 27, 1998, the RTC-Pasig issued an order directing the parties to arbitrate their dispute under the Arbitration Law. A similar order was issued by the CIAC on February 3, 1999 dismissing the proceedings instituted before it by the plaintiff. The plaintiff, accordingly, served a demand for arbitration dated April 5, 1999 under the provisions of the Arbitration Law.

The arbitration hearing, during which both the Parent Company and the principal contractor were given the opportunity to present their witnesses, commenced in December 2006 and ended with the decision of the Arbitral Tribunal promulgated on July 31, 2007. In its decision, the Arbitral Tribunal awarded to the principal contractor the sum of ₱46,905,987, and to the Parent Company, the sum of ₱8,387,484 (net award to the principal contractor was ₱38,518,503).

The principal contractor has appealed the Arbitral Tribunal's decision to the Court of Appeals, praying for the award of the full amount of its claim. The Parent Company has partially appealed the said decision, praying for the reduction of the award to the plaintiff. The Court of Appeals, in its decision dated August 12, 2008 and resolution dated April 16, 2009, awarded to the principal contractor ₱24,497,556, unpaid progress billings based on the original scope of work, and denied the Parent Company of its motion for partial reconsideration.

On June 5, 2009, the Parent Company filed a Petition for Review on Certiorari to the Supreme Court praying to issue an order or decision: (a) declaring the Parent Company as not liable to the principal contractor for unpaid progress billings based on the original scope of work, (b) ordering the principal contractor to pay the Parent Company ₱7,590,000 as liquidated damages, and (c) setting aside or reversing the Court of Appeal's decision and resolution insofar as they are adverse to the Parent Company. On a Petition for Review on Certiorari dated June 11, 2009, the principal contractor prayed to the Supreme Court to modify the decision and resolution of the Court of Appeals, to award the principal contractor the full amount of its claim. Both petitions are pending resolution by the Supreme Court as of March 27, 2015.

The Parent Company and SLPC have other pending legal cases which are being contested by the Parent Company, SLPC and their legal counsels. Management and the legal counsels believe that the final resolution of these cases will not have a material effect on the Group's financial position and results of operations.

33. Lease Commitments

The Group entered into lease agreements with third parties covering the freehold buildings and their improvements. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Rental income from percentage of gross revenue of lessee recognized in the profit or loss amounted to ₱121,382,947, ₱124,074,911 and ₱80,173,290 in 2014, 2013 and 2012, respectively.

The minimum future rental collections under non-cancellable operating leases follow:

	2014	2013	2012
Within one year	**₱2,823,156,660**	₱1,918,343,828	₱1,462,742,004
After one year but not more than five years	**4,642,450,449**	1,475,431,761	1,744,146,930
More than five years	**267,882,864**	234,408,500	93,283,161
	₱7,733,489,973	₱3,628,184,089	₱3,300,172,095

34. Fair Value Measurement and Financial Instruments

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as of December 31, 2014:

	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets Measured at Fair Value				
Financial assets at FVPL	**₱33,012,524**	**₱–**	**₱–**	**₱33,012,524**
Investment properties:				
Land	–	**13,428,400,270**	–	**13,428,400,270**
Buildings	–	–	**13,682,467,218**	**13,682,467,218**
	–	**13,428,400,270**	**13,682,467,218**	**27,110,867,488**
	₱33,012,524	**₱13,428,400,270**	**₱13,682,467,218**	**₱27,143,880,012**
Assets for which Fair Values are Disclosed				
Loans and receivables				
Receivables*	₱–	₱1,811,049,656	₱–	₱1,811,049,656
Refundable deposits	–	68,493,754	–	68,493,754
	–	1,879,543,410	–	1,879,543,410
AFS financial assets:				
Unquoted	–	–	488,826,327	488,826,327
Quoted	13,196,515	–	–	13,196,515
	13,196,515	–	488,826,327	502,022,842
	₱13,196,515	₱1,879,543,410	₱488,826,327	₱2,381,566,252
Liabilities for which Fair Values are Disclosed				
Accounts payable and other current liabilities**	**₱–**	**₱3,392,834,018**	**₱–**	**₱3,392,834,018**
Bank loans	–	**12,148,668,905**	–	**12,148,668,905**
Deposits from tenants	–	978,444,217	–	978,444,217
Accrued employee benefits***	–	12,875,707	–	12,875,707
	₱–	₱16,532,822,847	₱–	₱16,532,822,847

** Net of unamortized discount and unearned income of ₱4,270,960,875 in 2014 and advances to contractors and suppliers of ₱1,031,179,038.*

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

****Excluding accrued retirement benefits of ₱55,626,328*

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as of December 31, 2013:

	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets Measured at Fair Value				
Financial assets at FVPL	₱30,348,704	₱–	₱–	₱30,348,704
Investment properties:				
Land	–	13,428,400,270	–	13,428,400,270
Buildings	–	–	13,314,825,680	13,314,825,680
	–	13,428,400,270	13,314,825,680	26,743,225,950
	₱30,348,704	₱13,428,400,270	₱13,314,825,680	₱26,773,574,654
Assets for which Fair Values are Disclosed				
Loans and receivables				
Receivables*	₱–	₱2,401,122,350	₱–	₱2,401,122,350
Refundable deposits	–	37,286,169	–	37,286,169
	–	2,438,408,519	–	2,438,408,519
AFS financial assets:				
Unquoted	–	–	488,826,327	488,826,327
Quoted	13,496,515	–	–	13,496,515
	13,496,515	–	488,826,327	502,322,842
	₱13,496,515	₱2,438,408,519	₱488,826,327	₱2,940,731,361
Liabilities for which Fair Values are Disclosed				
Accounts payable and other current liabilities**	₱–	₱2,077,287,434	₱–	₱2,077,287,434
Bank loans	–	4,943,452,381	–	4,943,452,381
Deposits from tenants	–	954,813,749	–	954,813,749
Accrued employee benefits***	–	10,652,145	–	10,652,145
	₱–	₱7,986,205,709	₱–	₱7,986,205,709

** Net of unamortized discount and unearned income of ₱3,402,472,504 in 2013 and advances to contractors and suppliers of ₱1,133,149,175.*
*** Excluding customers' deposits, reservation payable, output VAT, deferred output VAT and withholding taxes.*
**** Excluding accrued retirement benefits of ₱29,602,931.*

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There have been no assets and liabilities transferred between Level 1, Level 2 and Level 3 during the period.

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 prices used for financial assets held by the Group were the current bid prices.

Cash and Cash Equivalents, Receivables, Accounts Payable and Other Current Liabilities, Dividends Payable and Accrued Employee Benefits
Due to the short-term nature of cash and cash equivalents, receivables other than installment contracts receivable, accounts payable and other current liabilities, dividends payable and accrued employee benefits their carrying values were assessed to approximate their fair values.

Installment Contracts Receivable
The fair value of installment contracts receivable approximates their carrying value as the interest rates they carry approximate the interest rates 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 MART-1 rates at the reporting date. Discount ranges from 1.01% to 3.55% and 0.4% to 5.38% as of December 31, 2014 and 2013, respectively.

AFS Financial Assets
The fair value of quoted equity securities is based on market bid prices as of the reporting date. The fair value of unquoted equity securities is not reasonably determinable.

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

35. Financial Risk Management Objective and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, financial assets at FVPL, loans and receivables, AFS financial assets and other financial liabilities. These 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 trade payables, arise directly from the conduct of the Group's operations.

The main risks arising from the use of the financial instruments are interest rate 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 risk management 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 cash flows of the Group's bank loans that are exposed to interest rate risk as of December 31, 2014 are disclosed in Note 19.

Interest rates on all bank loans are based on the higher between the PDST-F rate and the BSP overnight borrowing rate.

The Group's interest rate risk management policy focuses on reducing the overall interest expense and exposure to change in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing loans with floating interest rates as it can cause a change in the amount of interest payments.

Interest on financial instruments with floating rates is repriced at intervals of less than one year. Interest on financial instruments with fixed rates is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the tables above are noninterest-bearing and are therefore not subject to interest rate risk. The 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 brought about by reasonably possible change in interest rates, with all other variables held constant, as of December 31 until its next financial reporting date:

	Change in Interest Rate	Effect on Income before Income Tax
2014	Increase by 0.95%	₱45,754,940
	Decrease by 0.95%	(45,754,940)
2013	Increase by 0.50%	(24,717,262)
	Decrease by 0.50%	24,717,262

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

Credit Risk

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

The following table shows the maximum exposure to credit risk for each component of financial assets in the consolidated statements of financial position as of December 31.

	2014	2013
Financial assets at FVPL	₱33,012,524	₱30,348,704
Loans and receivables:		
Cash and cash equivalents*	2,630,057,461	1,862,306,550
Receivables:		
Installment contracts receivable**	2,842,228,694	2,229,966,071
Rent	201,286,080	139,562,396
Related parties	42,794,110	23,761,686
Advances to officers and employees	7,695,914	1,373,381
Interest	1,697,524	1,164,094
Others	30,578,550	5,294,722
Cash in escrow***	352,027,489	–
Refundable deposits	68,493,754	37,286,169
	6,176,859,576	4,300,715,069
AFS financial assets	502,822,842	502,322,842
	₱6,712,694,942	₱4,833,386,615

** Excludes cash on hand of ₱280,947,359 in 2014 and ₱21,640,393 in 2013.*
*** Net of unamortized discount and unearned income of ₱4,270,960,875 in 2014 and ₱3,402,472,504 in 2013.*
**** Under prepayments and other current assets.*

The net maximum exposure to credit risk for cash in banks, after taking into account insurance on bank deposits, amounted to ₱116,234,079 in 2014 and ₱114,188,569 in 2013.

The following tables provide information regarding the credit risk exposure of the Group by classifying its financial assets according to the credit ratings of the debtors as of December 31:

	2014								
	Neither Past Due nor Impaired		Past Due but Not Impaired						
	Non-Investment Grade: Satisfactory	Non-Investment Grade: Unsatisfactory	30 Days	90 Days	120 Days	150 Days	More than 150 Days	Past Due and Impaired	Total
Financial assets at FVPL	₱33,012,524	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱33,012,524
Loans and receivables:									
Cash and cash equivalents*	2,630,057,461	–	–	–	–	–	–	–	2,630,057,461
Receivables:									
Installment contracts receivable**	2,842,228,694	–	–	–	–	–	–	–	2,842,228,694
Rent	126,343,388	–	37,175,507	8,788,413	5,107,592	6,861,126	17,010,052	–	201,286,078
Related parties	–	–	–	–	–	–	42,794,110	–	42,794,110
Advances to officers and employees	7,695,914	–	–	–	–	–	–	–	7,695,914
Interest	1,697,524	–	–	–	–	–	–	–	1,697,524
Others	35,368,024	–	–	–	–	–	–	8,056,440	43,424,464
Cash in escrow***	352,027,489	–	–	–	–	–	–	–	352,027,489
	5,995,418,494	–	37,175,507	8,788,413	5,107,592	6,861,126	59,804,162	8,056,440	6,121,211,734
AFS financial assets	502,822,842	–	–	–	–	–	–	–	502,822,842
	₱6,531,253,860	₱–	₱37,175,507	₱8,788,413	₱5,107,592	₱6,861,126	₱59,804,162	₱8,056,440	₱6,657,047,100

	2013								
	Neither Past Due nor Impaired		Past Due but Not Impaired						
	Non-Investment Grade: Satisfactory	Non-Investment Grade: Unsatisfactory	30 Days	90 Days	120 Days	150 Days	More than 150 Days	Past Due and Impaired	Total
Financial assets at FVPL	₱30,348,704	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱30,348,704
Loans and receivables:									
Cash and cash equivalents*	1,862,306,550	–	–	–	–	–	–	–	1,862,306,550
Receivables:									
Installment contracts receivable**	2,229,966,071	–	–	–	–	–	–	–	2,229,966,071
Rent	97,649,603	–	19,338,592	2,970,950	4,140,445	3,634,788	11,828,018	–	139,562,396
Related parties	–	–	–	–	–	–	23,761,686	–	23,761,686
Advances to officers and employees	1,373,381	–	–	–	–	–	–	–	7,695,914
Interest	1,164,094	–	–	–	–	–	–	–	1,697,524
Others	5,294,722	–	–	–	–	–	–	7,074,077	12,368,799
	4,197,754,421	–	19,338,592	2,970,950	4,140,445	3,634,788	35,589,704	7,074,077	4,277,358,940
AFS financial assets	502,822,842	–	–	–	–	–	–	–	502,822,842
	₱4,730,925,967	₱–	₱19,338,592	₱2,970,950	₱4,140,445	₱3,634,788	₱35,589,704	₱7,074,077	₱4,810,530,486

** Excludes cash on hand of ₱280,947,359 in 2014 and ₱21,640,393 in 2013.*
*** Net of unamortized discount and unearned income of ₱4,270,960,875 in 2014 and ₱3,402,472,504 in 2013.*
**** Under prepayments and other current assets.*

Financial instruments classified under "neither past due nor impaired" include high grade credit quality instruments because there were 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 have been provided with allowance for impairment losses.

The credit quality of the financial assets classified under neither past due not impaired was determined as follows:

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

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

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to settle or meet its obligations on time or at reasonable prices. The Group maintains sufficient cash and cash equivalents 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 following tables summarize the maturity profile of 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 December 31.

	2014				
	Within 1 Year	Over 1 to 3 Years	Over 3 to 5 Years	Over 5 Years	Total
Financial Assets					
Financial assets at FVPL	₱33,012,524	₱–	₱–	₱–	₱33,012,524
Loans and receivables:					
Cash and cash equivalents	2,911,004,820	–	–	–	2,911,004,820
Receivables:					
Installment contracts receivable	4,795,800,178	1,669,504,326	647,885,065	–	7,113,189,569
Rent	201,286,080	–	–	–	201,286,080
Related parties	42,794,110	–	–	–	42,794,110
Advances to officers and employees	7,127,724	–	–	–	7,127,724
Interest	1,697,524	–	–	–	1,697,524
Others	64,221,266	–	–	–	64,221,266
Cash in escrow**	352,027,489	–	–	–	352,027,489
Refundable deposits	68,493,754	–	–	–	68,493,754
	8,444,452,945	1,669,504,326	647,885,065	–	10,761,842,336
AFS financial assets	502,822,842	–	–	–	502,822,842
	₱8,980,288,311	₱1,669,504,326	₱647,885,065	₱–	₱11,297,677,702
Other Financial Liabilities					
Accounts payable and other current liabilities*	₱2,979,365,856	₱–	₱–	₱–	₱2,979,365,856
Bank loans	583,333,333	1,870,833,334	1,312,500,000	8,382,002,238	12,148,668,905
Deposits from tenants	84,247,874	408,284,464	470,074,443	40,830,856	1,003,437,637
Financial guarantee (Note 31)	120,101,625	–	–	–	120,101,625
Accrued employee benefits***	–	–	–	12,875,707	12,875,707
	₱3,767,048,688	₱2,279,117,798	₱1,782,574,443	₱8,435,708,801	₱16,264,449,730

* *Excluding customers' deposits, reservation payable, output VAT, deferred output VAT and withholding taxes.*
** *Under prepayments and other current assets.*
*** *Excluding accrued retirement benefits of ₱55,626,328.*

	2013				
	Within 1 Year	Over 1 to 3 Years	Over 3 to 5 Years	Over 5 Years	Total
Financial Assets					
Financial assets at FVPL	₱30,348,704	₱–	₱–	₱–	₱30,348,704
Loans and receivables:					
Cash and cash equivalents	1,891,446,943	–	–	–	1,891,446,943
Receivables:					
Installment contracts receivable	2,587,692,128	3,014,571,006	30,175,441	–	5,632,438,575
Rent	139,562,396	–	–	–	139,562,396
Related parties	23,761,686	–	–	–	23,761,686
Advances to officers and employees	1,373,381	–	–	–	1,373,381
Interest	1,164,094	–	–	–	1,164,094
Others	5,294,722	–	–	–	5,294,722
Refundable deposits	–	37,286,169	–	–	37,286,169
	4,650,295,350	3,051,857,175	30,175,441	–	7,732,327,966
AFS financial assets	502,322,842	–	–	–	502,322,842
	₱5,182,966,896	₱3,051,857,175	₱30,175,441	₱–	₱8,264,999,512
Other Financial Liabilities					
Accounts payable and other current liabilities*	₱2,077,287,434	₱–	₱–	₱–	₱2,077,287,434
Bank loans	730,638,969	1,501,945,625	1,674,461,849	1,507,061,250	5,414,107,693
Deposits from tenants	581,004,488	362,378,245	44,698,624	–	988,081,357
Financial guarantee (Note 31)	60,095,000	261,230,677	659,313,125	1,057,395,573	2,038,034,375
Accrued employee benefits**	–	–	–	10,652,145	10,652,145
	₱3,449,025,891	₱2,125,554,547	₱2,378,473,598	₱2,575,108,968	₱10,528,163,004

** Excluding customers' deposits, reservation payable, output VAT, deferred output VAT and withholding taxes.*
*** Excluding accrued retirement benefits of ₱29,602,931.*

36. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating, comply with externally imposed capital requirements, and maintain healthy capital ratios in order to support its business and maximize stockholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2014, 2013 and 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by capital. The Group includes within net debt bank loans less cash and cash equivalents. Capital pertains to total equity less NCI.

	2014	2013
Net Debt		
Bank loans	₱12,148,668,905	₱4,943,452,381
Less cash and cash equivalents	2,911,004,820	1,891,446,943
	9,237,664,085	3,052,005,438
Capital		
Total equity	27,784,333,224	24,790,791,369
Less NCI	3,965,795,878	3,056,381,448
	23,818,537,346	21,734,409,921
Gearing Ratio	38.78%	14.04%

The Group was able to meet its capital management objectives.

37. Note to Statements of Cash Flows

The principal noncash transaction under investing activities pertains to the acquired total assets amounting to ₱9,647,345,695 and total liabilities amounting to ₱9,453,381,223 as a result of the business combination (see Note 12).

38. Acronyms and Abbreviations

The following are the acronyms and abbreviations used in the consolidated financial statements with the meanings as specified below:

Acronyms/ Abbreviations		Meaning
AFS	–	available-for-sale
ALM	–	Asset-Liability Matching Study
APIC	–	additional paid-in capital
BSDC	–	Brown Swallow Development Corporation
BSP	–	Bangko Sentral ng Pilipinas
BVI	–	British Virgin Islands
CGU	–	cash generating unit
CIAC	–	Construction Industry Arbitration Commission
CWT	–	creditable withholding tax
EIR	–	effective interest rate
ELHI	–	EPHI Logistics Holdings, Inc.
EPRC	–	Exchange Properties Resources Corporation
ESHRI	–	EDSA Shangri-La Hotel and Resort, Inc.
EUL	–	estimated useful lives
FBSHI	–	Fort Bonifacio Shangri-la Hotel, Inc.
FRSC	–	Financial Reporting Standards Council
FVO	–	fair value option
FVPL	–	fair value through profit or loss
GFA	–	gross floor area
HK$	–	Hong Kong Dollar
HLURB	–	Housing and Land Use Regulatory Board
HTM	–	held to maturity
IASB	–	International Accounting Standards Board
IFRIC	–	International Financial Reporting Interpretations Committee
IPPI	–	Ivory Post Properties, Inc.
ISPI	–	Ideal Sites and Properties, Inc.
KMSC	–	KPPI Management Services Corporation
KRC	–	KPPI Realty Corporation
KSA	–	KSA Realty Corporation
MART1	–	the average of the top 60% of bids by tenor for government securities submitted by fixing banks
MBPI	–	Martin B. Properties, Inc.
MCIT	–	minimum corporate income tax
MOA	–	memorandum of agreement
NCI	–	non-controlling interests
NCRI	–	New Contour Realty, Inc.
NOLCO	–	net operating loss carryover
NRV	–	net realizable value

Acronyms/ Abbreviations		Meaning
OCI	–	other comprehensive income
OSD	–	optional standard deduction
OSP	–	One Shangri-La Place Project
OSPCC	–	One Shangri-La Place Condominium Corporation
PAS	–	Philippine Accounting Standard
PDST-F	–	Philippine Dealing System Treasury Fixing
PDST-R2	–	Philippine Dealing System Treasury Reference Rates
PFRS	–	Philippine Financial Reporting Standards
POC	–	percentage of completion
PSE	–	Philippine Stock Exchange
PSI	–	Perfect Sites, Inc.
RA	–	Republic Act
RCIT	–	regular corporate income tax
RTC	–	Regional Trial Court
SEC	–	Securities and Exchange Commission
SFBHI	–	Shang Fort Bonifacio Holdings, Inc.
SGCHI	–	Shang Global City Holdings, Inc.
SGCPI	–	Shang Global City Properties, Inc.
SHIL	–	Silver Hero Investments Limited
SLPC	–	Shangri-La Plaza Corporation
SLPI	–	Sky Leisure Properties, Inc.
SPDI	–	Shang Property Developers, Inc.
SPMSI	–	Shang Property Management Services, Inc.
SPRC	–	Shang Properties Realty Corporation
SPSI	–	SPI Parking Services, Inc.
SSP	–	Shang Salcedo Place Project
TCT	–	transfer certificates of title
TEC	–	The Enterprise Center
TECCC	–	The Enterprise Center Condominium Corporation
TRDCI	–	The Rise Development Company, Inc.
TSFSP	–	The St. Francis Shangri-La Place Project
TSFSPCC	–	The St. Francis Shangri-la Place Condominium Corporation
TSGT	–	The Shang Grand Tower Project
TSGTCC	–	The Shang Grand Tower Condominium Corporation
US$	–	United States Dollar
VAT	–	value-added tax
WACC	–	weighted average cost of capital

Corporate Directory

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Fax: (63 2) 519-9111
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www.shangsalcedoplace.com

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www.shangri-la.com

SHANGRI-LA PLAZA
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Fax: (63 2) 633-4474 or 633-4492
www.shangrila-plaza.com
EDSA corner Shaw Boulevard
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Tel: (63 2) 752-1000
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6766 Ayala Avenue corner Paseo de Roxas
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Fax: (63 2) 909-5006
www.theshanggrandtower.com
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Legaspi Village, Makati City 1229

THE ST. FRANCIS SHANGRI-LA PLACE
Tel: (63 2) 239-2517
Fax: (63 2) 570-6981
www.thestfrancistowers.com
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Mandaluyong City 1550

THE RISE MAKATI
Tel: (63 2) 843-7473
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www.therisemakati.com

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info@shangproperties.com
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PRINCIPAL BANKERS
Bank of the Philippine Islands
Metropolitan Bank and Trust Company
Banco De Oro

AUDITORS
Sycip Gorres Velayo & Co.

LEGAL COUNSELS
Abello Concepcion Regala & Cruz
Romulo, Mabanta, Buenaventura,
Sayoc & Delos Angeles

PROPERTY VALUER
Royal Asia Appraisal Corporation

STOCK TRANSFER AGENT
Rizal Commercial Banking Corp.
Ground Floor, GPL Building
221 Sen. Gil Puyat Avenue,
Makati City, Metro Manila

KEY DATES
- Regular Board Meeting: Quarterly
- Annual Stockholder's Meeting:
  Any day in June of each year
- Fiscal Year: 1 January to 31 December

SHANG
PROPERTIES®

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COVER SHEET

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SEC Registration Number

S H A N G P R O P E R T I E S , I N C .

(Company's Full Name)

A D M I N I S T R A T I O N O F F I C E S H A N G R I - L A
P L A Z A M A L L , E D S A C O R N E R S H A W
B O U L E V A R D , M A N D A L U Y O N C I T Y

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

Atty. Federico G. Noel, Jr.
(Contact Person)

3702700
(Company Telephone Number)

1 2 3 1
Month *Day*
(Calendar Year)

1 7 - Q 1
(Form Type)

Month *Day*
(Annual Meeting)

Not Applicable
(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Not applicable
Amended Articles Number/Section

Total Amount of Borrowings

Domestic	Foreign
-	-

Total No. of Stockholders

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

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 2015

2. Commission Identification Number : 145490

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

4. SHANG PROPERTIES, INC.
   Exact name of the Issuer as specified in this charter:

5. Province, country or other jurisdiction of incorporation or organization: Not Applicable

6. Industry Classification Code: [ ] (SEC Use Only)

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

8. (632) 370-2700
   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

MARIA MYLA RAE S. ORDEN
Assistant Corporate Secretary

Date of Signing: 12 May 2015

PART I – FINANCIAL INFORMATION

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

Key Performance Indicators

		March 31 2015	March 31 2014	Change
Turnover	(Php M)	2,264.1	1,577.0	43.6%
Profit attributable to shareholders	(Php M)	767.2	542.1	41.5%
Earnings per Share	(Php Ctv)	0.161	0.114	41.5%
Net Asset Value per share	(Php)	5.161	4.606	12.1%
Debt to Equity Ratio	(Ratio)	0.947:1	0.580:1	63.3%

- Turnover consists of Condominium Sales, Rental Revenue, Interest Income and Other Income. For the three (3) months ended March 31, 2015, the Group's consolidated revenues amounted to ₱2,264.1 million, higher by ₱687.1 million or 43.6% from ₱1,577 million of total revenues realized in the same period last year. The condominium sales showed significant increment of ₱670.2 million mainly due to higher sales of Condominium projects. Leasing operation posted a revenue growth of 4.3% or ₱27.8 million to ₱670.2 million in 2015 from ₱642.3 million in 2014. Interest and Other income decreased by ₱11 million.

- Profit attributable to equity holders of Parent Company amounted to ₱767.2 million, higher by ₱225.2 million or 41.5% compared with the same period last year.

- Earnings per share showed a positive variance of 41.5% to ₱0.161 from last year's ₱0.114.

- 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 12.1% 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 0.947:1 as of 31 March 2015 and 0.580:1 as of 31 March 2014.

Financial Condition

Total assets of the Company amounted to ₱55.8 billion, an increase of ₱1.1 billion from total assets of ₱54.7 billion in December 31, 2014. The following are significant movements in the assets:

- Increase in cash and cash equivalents by ₱324.3 million mainly due to the collection from sales of condominium projects and proceeds from bank loans.

- Financial assets at fair value through profit or loss increased by ₱2.6 million or 8% due to the fair market value adjustment of the investments recognized during the period.

- Prepayments and other current assets increased by ₱411.2 million mainly due to the sales proceeds of The Rise Project was deposited in an escrow account as required by the Housing and Land Use Regulatory Board (HLURB). The said deposit will be released upon issuance of the License to Sell and Certificate of Registration of The Rise project.

- Increase in refundable deposits by ₱13.4 million or 19.6% mainly due to deposits paid by one of the property development project.

- Decrease in deferred income tax assets by ₱74 million mainly due to difference in accounting recognition of profit between installment method versus percentage of completion method for One Shangri-La Place project.

- Current ratio is 2.45:1 as of March 31, 2015 from 2.37:1 as of December 31, 2014.

Total liabilities increased by ₱244.1 million from ₱26.9 billion in 2014 to ₱27.1 billion in 2015 due to the following:

- Income tax payable increased by ₱161.3 million due to taxable income generated during the period.

- Decrease in accrued employee benefits by ₱13.1 million due to the payments made during the period.

- Decrease in deferred lease income by 10.4% or ₱2.1 million mainly due to amortization of deferred lease income using a straight-line basis over the lease term.

Results of Operation

Consolidated Net Income for the period ended March 31, 2015 amounted to ₱767.2 million higher by 41.5% from last year's ₱542.1 million due to the following:

A. Condominium Projects:

- Increase in sales by ₱670.2 million or 80.5% mainly due to the higher sales and completion level in various Projects.

B. Leasing Operations:

- Shangri-La Plaza's revenue decline by a slight ₱5.6 million or 1.5% mainly due to temporary close down of certain areas in the Main shopping mall due to renovation.

- The Enterprise Center's rental revenue showed an improvements amounting to ₱32.2 or 15.5% million mainly due to rental escalation and higher rental yields.

C. Interest income and other income decrease by ₱11 million mainly due to the decrease in interest income on installment contract receivables.

Total Expenses of the Group amounted to ₱1,123.2 million, higher by ₱321.1 million compared with last year's ₱802.2 million. This was mainly due to the following:

- Increase in cost of sales by 48.6% due to higher sales of various development projects during the period.

- General and administrative expenses increase by ₱21.2 million or 21.2% primarily due to higher professional fees, utility cost and staff costs.

- Unrecovered reimbursable expenses from tenants increase by ₱3.5 million mainly due to the renovation of the main wing.

- Increase in depreciation by ₱1.1 million or 25.3% due to the depreciation of additional transportation equipment.

- Insurance expense increased by ₱494K or 12.5% mainly due to the additional insurance coverage of the shopping mall.

- Interest expense and bank charges increased by ₱20 million mainly due to interest on loans and bank charges paid during the year.

Share in net loss of associates decreased by ₱2.1 million mainly due to the consolidation of Shang Global City Properties to the group. The said company was previously reported as an associated company.

Increase in net income attributable to minority interest was mainly due to the higher level of income generated by KSA Realty Corporation and Shang Global City Properties during the period.

Provision for income tax is higher by ₱62.8 million mainly due to higher taxable income generated during the period against the same period last year.

Financial Soundness Indicators

	End of March 2015	End of December 2014
Current Ratio[1]	2.45:1	2.37:1
Debt-to-equity ratio[2]	0.95:1	0.97:1
Asset-to-equity ratio[3]	1.95:1	1.97:1
	1Q 2015[7]	1Q 2014
Interest rate coverage ratio[4]	19.39:1	17.64:1
Return on assets[5]	5.6%	1.8%
Return on equity[6]	10.9%	2.9%

[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-2015 and end Dec-14 assets and equity

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

- There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely result in the registrant's liquidity increasing or decreasing in any material way.
- There are no known events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of obligation.
- There are no off material balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
- There are no material commitments for capital expenditures.

- There are no known trends, events or uncertainties that have had or that are reasonably expected to have material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

- There are no significant elements of income or loss that did not arise from the registrant's continuing operations.

- There are no material changes in periodical reports.

- There are no seasonal aspects that had a material effect on the financial statements.

Item 3. Other Required Disclosures

A.) The attached interim financial reports were prepared in accordance with Philippine Financial Reporting Standard. The accounting policies and methods of computation followed in these interim financial statements are the same compared with the audited financial statements for the period ended December 31, 2014.

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, 2015 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 2015	Audited December 31 2014
ASSETS			
Current Assets			
Cash and cash equivalents		3,235,263,944	2,911,004,820
Financial assets at fair value through profit or loss		35,657,887	33,012,524
Receivables		4,255,448,802	4,162,249,384
Properties held for sale		5,706,760,312	5,773,117,694
Prepayments and other current assets		2,216,343,228	1,805,192,006
Total Current Assets		15,449,474,174	14,684,576,428
Non-Current Assets			
Investment in associates	4	411,549,316	410,790,229
Investment properties		27,214,796,646	27,110,867,488
Real estate development projects		11,524,326,332	11,211,283,922
Available-for-sale financial assets		502,822,842	502,822,842
Property and equipment	5	68,476,295	67,009,417
Goodwill		269,870,864	269,870,864
Refundable deposits		81,910,087	68,493,754
Deferred income tax assets		282,429,559	356,407,946
Total Non-Current Assets		40,356,181,942	39,997,546,462
Total Assets		**55,805,656,116**	**54,682,122,890**
LIABILITIES & STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and other current liabilities		4,824,236,723	4,883,213,157
Current portion of bank loans	6	583,333,333	583,333,333
Current portion of deposits from tenants		484,423,000	484,423,000
Current portion of deferred lease income		18,163,625	18,163,625
Dividends payable		104,208,884	104,294,980
Income tax payable		288,877,084	127,582,324
Total Current Liabilities		6,303,242,649	6,201,010,419
Non-Current Liabilities			
Accrued employee benefits		55,388,015	68,502,036
Bank loans- net of current portion	6	11,761,914,739	11,565,335,572
Deposit for future stock subscription		1,959,000,000	1,959,000,000
Deferred income tax liabilities		6,551,371,925	6,589,901,691
Deposit from tenants - net of current portion		492,998,903	494,021,216
Deferred lease income - net of current portion		17,936,559	20,018,731
Total Non-Current Liabilities		20,838,610,142	20,696,779,247
TOTAL LIABILITIES		27,141,852,791	26,897,789,666
Stockholders' Equity			
Capital stock - Peso 1 par value		4,764,058,982	4,764,058,982
Additional paid-in capital		827,731,692	834,439,607
Treasury shares		(6,850,064)	(6,850,064)
Retained earnings		19,002,172,573	18,234,935,332
Other components of equity		(13,194,725)	(8,046,511)
Equity attributable to non-controlling interest		4,089,884,866	3,965,795,878
Total equity		28,663,803,325	27,784,333,224
Total Liabilities and Equity		**55,805,656,116**	**54,682,122,890**

(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-15	31-Mar-14
INCOME		
Condominium Sales	1,502,751,684	832,527,074
Rental	670,188,978	642,348,956
Others	91,139,295	102,090,720
	2,264,079,956	1,576,966,750
EXPENSES		
Cost of condominium sales	833,915,024	561,377,513
General and administrative	121,009,939	99,818,229
Taxes, licenses and fees	85,207,079	83,070,812
Unreimbursed share in common expenses	11,126,600	7,595,658
Depreciation	5,571,919	4,445,552
Insurance	4,455,725	3,961,698
Interest and bank charges	61,930,168	41,924,064
	1,123,216,454	802,193,527
INCOME(LOSS) BEFORE SHARE IN PROFIT OF AN ASSOCIATE COMPANY	1,140,863,502	774,773,223
SHARE IN NET EARNINGS (LOSSES) OF ASSOCIATES	(1,740,910)	(3,800,216)
INCOME BEFORE INCOME TAX AND MINORITY INTEREST	1,139,122,592	770,973,008
PROVISION FOR INCOME TAX	(247,796,357)	(152,213,243)
INCOME BEFORE MINORITY INTEREST	891,326,235	618,759,765
INCOME ATTRIBUTABLE TO MINORITY INTEREST	(124,088,988)	(76,684,371)
NET INCOME	767,237,247	542,075,394
RETAINED EARNINGS, beg.	18,234,935,327	16,142,418,632
LESS: CASH DIVIDENDS	-	(333,334,424)
RETAINED EARNINGS, end.	19,002,172,574	16,351,159,602
BASIC AND DILUTED EARNINGS PER SHARE	0.161	0.114

(See accompanying notes to consolidated financial statements)

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

	March 31, 2015 (Unaudited)	March 31, 2014 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income before income tax	1,015,033,604	694,288,638
Adjustment for:		
Interest income	(62,394,918)	(72,155,433)
Interest expense	54,838,420	41,724,163
Depreciation and amortization	5,571,919	4,445,552
Dividend income	(4,669)	-
Share in profit (loss) of associate companies	1,740,910	3,800,216
Change in fair value of financial assets at FVPL	(2,645,364)	440,571
Cumulative translation adjustment	(5,148,214)	385,594
Unrealized foreign exchange losses (gains) - net	306,340	-
Operating income before working capital changes	1,007,298,028	672,929,301
Decrease (increase) in:		
Receivables	(93,199,419)	(673,227,499)
Properties held for sale	66,357,382	263,294,459
Prepayments and other current assets	(411,151,222)	75,774,941
Increase (decrease) in:		
Accounts payable and other current liabilities	17,105,414	180,902,658
Deferred lease income	(2,082,172)	-
Accrued employee benefits	(13,114,021)	(2,614,541)
Net cash generated from (used in) from operations	571,213,990	517,059,318
Interest received	62,095,443	72,155,433
Net cash provided by operating activities	633,309,433	589,214,751
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Investment properties	(103,929,158)	(86,637,103)
Property and equipment	(7,038,798)	(5,237,912)
Investment in associates	(759,091)	(4,000,000)
Dividends received	4,669	3,541,681
Decrease (increase) in real estate development projects	(313,042,410)	
Decrease (increase) in refundable deposits	(22,809,979)	(6,076,121)
Net cash provided by (used in) investing activities	(447,574,767)	(98,409,455)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan availment, net of debt issue costs	342,412,500	200,000,000
Payments of:		
Loan principal	(145,833,333)	(177,976,190)
Interest	(56,726,055)	(41,658,686)
Cash dividends paid to:		
Stockholders	-	(330,739,235)
Increase (decrease) in deposits from tenants	(1,022,313)	12,398,667
Net cash provided by (used in) financing activities	138,830,799	(337,975,444)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(306,340)	1,092,937
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	324,259,124	153,922,788
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,911,004,819	1,891,446,943
CASH AND CASH EQUIVALENTS AT END OF YEAR	3,235,263,944	2,045,369,731

(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	Additional paid-in capital	Treasury Stock	Other Components of Equity	Retained earnings	Non-controlling Interest	Total
		Pesos	Pesos	Pesos		Pesos	Pesos	Pesos
Balance as of 1 January 2014		4,764,058,982	834,439,607	(6,850,064)	342,764	16,142,418,632	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	76,684,345
Cash dividends	7					(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	(6,850,064)	728,358	16,351,159,604	3,133,065,793	25,076,602,280
Balance as of 1 January 2015		4,764,058,982	834,439,607	(6,850,064)	(8,046,511)	18,234,935,328	3,965,795,877	27,784,333,219
Cumulative translation adjustment					(5,148,214)			(5,148,214)
Share in minority interest on preferred shares redemption							124,088,988	124,088,988
Net income for the period						767,237,247		767,237,247
Balance as of 31 March 2015		4,764,058,982	827,731,692	(6,850,064)	(13,194,725)	19,002,172,573	4,089,884,866	28,663,803,325

(See accompanying notes to consolidated financial statements)

SHANG PROPERTIES INC. AND SUBSIDIARIES
AGING OF TRADE RECEIVABLES
AS OF MARCH 31, 2015

TENANTS	TOTAL RECEIVABLES	CURRENT	PAST DUE 1-30 DAYS	PAST DUE 31-60 DAYS	PAST DUE 61-90 DAYS	PAST DUE 91-120 DAYS	PAST DUE OVER 120
MALL TENANTS	187,215,898	138,863,889	10,617,196	6,267,962	4,882,811	4,110,053	22,473,987
EDSA SHANGRI-LA HOTEL & RESORT	35,829,731	20,176,479	15,653,252				
TECC TENANTS	31,012,826	12,521,796	506,213	2,347,524	15,637,293		
INSTALLMENT CONTRACTS RECEIVABLES & OTHERS	4,001,390,347	4,001,390,347					
	4,255,448,802	4,172,952,511	26,776,661	8,615,485	20,520,104	4,110,053	22,473,987

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

KENSUN ANDREW NG
Treasurer

SHANG PROPERTIES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE THREE (3) MONTHS ENDED MARCH 31, 2015 AND 2014

1. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and all of its subsidiaries as at March 31, 2015 and December 31, 2014 and for each of the two years in the period ended March 31, 2015.

Subsidiaries are entities over which the Group has control. Control is achieved when the Group 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 Group controls the subsidiary if and only if the Group 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 other comprehensive income are attributed to the equity holders of the Parent of the Group and to the non-controlling interests, 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 31.03.15
Property Development:	
SPRC	**100.00%**
SPDI	**100.00%**
TRDCI	**100.00%**
SGCPI	**60.00%**
Leasing:	
SPSI	**100.00%**
SLPC	**100.00%**
KSA	**52.90%**
Real Estate:	
IPPI	**100.00%**
KRC	**100.00%**
MBPI	**100.00%**
NCRI	**100.00%**
PSI	**100.00%**
SFBHI	**100.00%**
SGCHI	**100.00%**
Property Management:	
KMSC	**100.00%**
SPMSI	**100.00%**
Others:	

	Effective Percentages of Ownership
	As of 31.03.15
Gipsey (BVI Company)	**100.00%**
SHIL (BVI Company)	**100.00%**
ELHI	**60.00%**

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

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the following new, amended and improvements to PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) which the Group has adopted during the year. However, they do not impact the consolidated financial statements of the Group, unless otherwise stated below:

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
  These amendments 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 fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments clarify the meaning of 'currently has a legally enforceable right to offset' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively.

- 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 and retrospective application is required.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.

- 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. Retrospective application is required for IFRIC 21.

- Annual Improvements to PFRSs (2010-2012 cycle) (PFRS 13, *Fair Value Measurement*)
  In the 2010 – 2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

- Annual Improvements to PFRSs (2011-2013 cycle) (PFRS 1, *First-time Adoption of PFRS*)
  In the 2011 – 2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards–First-time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements.

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.

- PFRS 9, *Financial Instruments* – Classification and Measurement (2010 version)
  PFRS 9 (2010 version) 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*. 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 fair value through profit or loss. 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 fair value through profit or loss. 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 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

- 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 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 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 adoption of this interpretation will result to a change in the revenue and cost recognition from percentage of completion method to completed contract method. The Group is still monitoring the impact of this new interpretation to its consolidated financial statements.

The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval by BOA.

Effective January 1, 2015

- PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments)
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

- Annual Improvements to PFRSs (2010-2012 cycle)
  The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

  - PFRS 2, *Share-based Payment – Definition of Vesting Condition;*

- PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination;*
- PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets;*
- PFRS 13, *Fair Value Measurement – Short-term Receivables and Payables;*
- PAS 16, *Property, Plant and Equipment – Revaluation Method – Proportionate Restatement of Accumulated Depreciation;*
- PAS 24, *Related Party Disclosures – Key Management Personnel;* and
- PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Amortization.*

- Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

  - PFRS 1, *First-time Adoption of PFRS – Meaning of 'Effective PFRSs';*
  - PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements;*
  - PFRS 13, *Fair Value Measurement – Portfolio Exception; and*
  - PAS 40, *Investment Property.*

Effective January 1, 2016

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures* – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.

- PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture – Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

- PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to

PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

- Annual Improvements to PFRSs (2012-2014 cycle)
  The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group. They include:

  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal;*
  - PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts;*
  - PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements;*
  - PAS 19, *Employee Benefits – regional market issue regarding discount rate; and*
  - PAS 34, *Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'.*

Effective January 1, 2018

- PFRS 9, *Financial Instruments* – Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)
  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

  The adoption of PFRS 9 is not expected to have any significant impact on the Group's consolidated financial statements.

- PFRS 9, *Financial Instruments* (2014 or final version)
  In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after

January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015. The adoption of PFRS 9 is not expected to have any significant impact on the Group's consolidated financial statements.

The following new standard issued by the IASB has not yet been adopted by the FRSC.

- IFRS 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

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.

Leasing
This business segment pertains to the leasing operations of the Shangri-La Plaza Mall, TEC and their related carpark operations. It also includes leasing of a portion of the Parent Company's land to ESHRI.

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 amounts 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 year ended March 31, 2015 are as follows:

	Property Development	Leasing	Others	Total Segments	Eliminations	Consolidated
Revenues:						
Condominium sales	₱1,502,751,684	₱–	₱–	₱1,502,751,684	₱–	₱1,502,751,6[illegible]
Rental	–	728,057,960	–	728,057,960	(57,868,982)	670,188,97[illegible]
Cinema	–	14,022,643	–	14,022,643	–	14,022,643
Cost of condominium sales	(833,915,024)	–	–	(833,915,024)	–	(833,915,024)
Gross profit or revenues	668,836,660	742,080,603	–	1,410,917,263	(57,868,982)	1,353,048,281
Other income	13,773,573	7,534,146	6,467,941	27,775,660	(12,747,587)	15,028,074
Staff costs	(43,396,379)	(53,531,648)	13,482,390	(83,445,637)	15,962,276	(67,483,361)
General and administrative expenses	(21,680,719)	(31,509,667)	(336,192)	(53,526,578)	-	(53,526,578)
Taxes and licenses	(49,918,206)	(38,361,207)	3,072,334	(85,207,079)	–	(85,207,079)
Unreimbursed share in common expenses	–	(11,126,600)	–	(11,126,600)	–	(11,126,600)
Depreciation and amortization	(933,810)	(53,289,369)	48,651,259	(5,571,920)	–	(5,571,920)
Insurance	(5,058)	(4,433,778)	(16,890)	(4,455,726)	–	(4,455,726)
Segment results	566,676,061	557,362,481	71,320,842	1,195,359,384	(54,654,293)	1,140,705,091
Interest income	56,653,027	5,698,059	43,834	62,394,920	–	62,394,920
Foreign exchange gains - net	(108,952)	(198,805)	1,417	(306,340)	–	(306,340)
Share in net losses of associates	–	–	(1,740,910)	(1,740,910)	–	(1,740,910)
Interest expense and bank charges	(225,555)	(61,700,988)	(3,625)	(61,930,168)	–	(61,930,168)
Provision for income tax	(159,955,883)	(100,179,846)	12,339,372	(247,796,357)	–	(247,796,357)
Net income for the year	₱463,038,698	₱400,980,900	₱81,960,930	₱945,980,528	(₱(54,654,293)	₱891,326,2[illegible]
Segment assets	₱28,215,350,190	₱24,000,826,135	₱6,203,549,229	₱58,419,725,554	(₱3,025,618,754)	₱55,394,106,800
Associate companies	–	–	411,549,316	411,549,316	–	411,549,316
Total assets	₱28,215,350,190	₱24,000,826,135	₱6,615,098,545	₱58,831,274,870	(₱(3,025,618,754)	₱55,805,656,116
Segment liabilities	₱21,986,457,839	₱12,195,100,950	₱5,137,849,441	₱39,319,408,230	(₱12,177,555,440)	₱27,141,852,791
Capital expenditures for the year	₱2,603,598	₱3,878,827	₱-	₱6,482,425		₱6,482,425

The segment assets, liabilities and results of operations of the reportable segments of the Group as of and for the year ended December 31, 2014 are as follows:

	Property Development	Leasing	Others	Total Segments	Eliminations	Consolidated
Revenues:						
Condominium sales	₱3,764,277,893	₱–	₱–	₱3,764,277,893	₱–	₱3,764,277,8[illegible]
Rental	–	2,859,846,490	–	2,859,846,490	(234,952,844)	2,624,893,646
Cinema	–	60,367,560	–	60,367,560	–	60,367,560
Cost of condominium sales	(2,442,444,122)	–	–	(2,442,444,122)	–	(2,442,444,122)
Gross profit or revenues	1,321,833,771	2,920,214,050	–	4,242,047,821	(234,952,844)	4,007,094,977
Other income	54,802,220	22,905,278	870,245,781	947,953,279	(55,546,454)	892,406,825
Staff costs	(186,632,688)	(208,960,295)	47,259,488	(348,333,495)	52,794,352	(295,539,143)
General and administrative expenses	(75,981,444)	(112,546,749)	(4,081,096)	(192,609,289)	(715,398)	(193,324,687)
Taxes and licenses	(62,360,811)	(153,852,189)	10,766,158	(205,446,842)	–	(205,446,842)
Unreimbursed share in common expenses	–	(85,943,421)	–	(85,943,421)	–	(85,943,421)
Depreciation and amortization	(3,096,050)	(17,149,771)	(168,336)	(20,414,157)	–	(20,414,157)
Insurance	(245,975)	(17,278,530)	(95,762)	(17,620,267)	–	(17,620,267)
Segment results	1,048,319,023	2,347,388,373	923,926,233	4,319,633,629	(238,420,344)	4,081,213,285
Interest income	248,906,607	20,273,985	180,437	269,361,029	–	269,361,029
Foreign exchange gains - net	384,872	493,969	1,889	880,730	–	880,730
Share in net losses of associates	–	–	(9,692,903)	(9,692,903)	–	(9,692,903)
Interest expense and bank charges	(1,077,448)	(225,974,531)	(14,365)	(227,066,344)	–	(227,066,344)
Provision for income tax	(425,532,864)	(367,676,454)	(202,292,421)	(995,501,739)	–	(995,501,739)
Net income for the year	₱871,000,190	₱1,774,505,342	₱712,108,870	₱3,357,614,402	(₱238,420,344)	₱3,119,194,0[illegible]
Segment assets	₱33,821,813,379	₱23,502,537,637	₱6,366,625,171	₱63,690,976,187	(₱9,419,643,526)	₱54,271,332,661
Associate companies	–	–	410,790,229	410,790,229	–	410,790,229
Total assets	₱33,821,813,379	₱23,502,537,637	₱6,777,415,400	₱64,101,766,416	(₱9,419,643,526)	₱54,682,122,890
Segment liabilities	₱19,605,625,096	₱12,198,862,918	₱5,138,635,900	₱36,943,123,914	(₱10,045,334,248)	₱26,897,789,666
Capital expenditures for the year	₱3,429,204	₱183,315,521	₱337,114	₱187,081,839	₱21,398,562	₱165,683,277

3. **Business Combination**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the Group elects whether to measure the NCI in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

When such an acquisition is not judged to be an acquisition of a business, it is not treated as a business combination. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39 is measured at fair value with changes in fair value recognized either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for NCI, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

4. Associate companies

The breakdown of investment in associates is as follows:

	Pesos
Associate acquired thru the merger:	
Sky Leisure Properties Inc.	411,162,175
Other investments	387,141
Carrying value of investment in associates as of 31 March 2015	411,549,316

5. Property and Equipment

This account consists of:

	Building and building improvement	Transportation Equipment	Furniture, Fixtures and other Office Equipment	Total
Net book value as at 1 January 2015	Php36,586,869	Php8,145,990	Php22,276,559	Php67,009,418
Additions	-	4,775,604	1,706,822	6,482,425
Depreciation	(1,483,135)	(1,306,441)	(2,782,344)	(5,571,920)
Reclassification/disposal	-	931,205	(374,832)	556,373
Net book value as at 31 March 2015	Php35,103,734	Php12,546,357	Php20,826,204	Php68,476,295

6. Bank Loans

Principal payments during the period amounted to ₱146 million, while proceeds from loan availment amounted to ₱342 million used to finance the Group's various projects.

7. Dividends

As of 31 March 31 2015, there is no dividend declaration as compared to last year wherein the Board declared on 19 February 2014 of ₱333,484,129 cash dividend 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.

8. 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:

<u>Related Party Transactions and Balances which were Not Eliminated During Consolidation</u>
The terms, conditions, balances and the volume of related party transactions which were not eliminated during consolidation are as follows:

Transactions with affiliates

a. A portion of the Parent Company's land is being leased by ESHRI, where the EDSA Shangri-La Manila Hotel (the Hotel) is located. The lease is for a period of 25 years commencing on August 28, 1992 and renewable for another 25 years at the option of ESHRI. Rental revenue is based on a fixed percentage of the Hotel's room, food and beverage, dry goods and other service revenue.

b. SPMSI provides management services to TECCC, TSFSPCC, and 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 monthly management fees of ₱400,000, ₱100,000 and ₱100,000, respectively, inclusive of VAT, with an escalation rate of 10% per annum. The parties agree mutually on the renewal of the agreements.

c. Reimbursement of expenses paid for by SLPC for ESHRI.

d. Condominium dues charged by TSFSPCC and TECCC.

e. SPSI operates and manages the parking facilities of ESHRI for fixed monthly concession fee starting January 1, 2010. This fee is included in the "Others" under "Other Income (Charges)".

f. Sharing of expenses with affiliates.

9. Subsequent Events

There are no significant subsequent events that happened as of March 31, 2015 that needs disclosure herein.

10. Fair Value Measurement and Financial Instruments

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as of March 31, 2015:

	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets Measured at Fair Value				
Financial assets at FVPL	₱35,657,887	₱–	₱–	₱35,657,887
Investment properties:				
Land	–	13,428,400,270	–	13,428,400,270
Buildings	–	–	13,786,396,376	13,786,396,376
	–	13,428,400,270	13,786,396,376	27,214,796,646
	₱35,657,887	₱13,428,400,270	₱13,786,396,376	₱27,250,454,533
Assets for which Fair Values are Disclosed				
Loans and receivables				
Receivables	₱–	₱1,580,266,282	₱–	₱1,580,266,282
Refundable deposits	–	81,910,087	–	81,910,087
	–	1,662,176,369	–	1,662,176,369
AFS financial assets:				
Unquoted	–	–	488,826,327	488,826,327
Quoted	13,196,515	–	–	13,196,515
	13,196,515	–	488,826,327	502,022,842
	₱13,196,515	₱1,662,176,369	₱488,826,327	₱2,164,199,211
Liabilities for which Fair Values are Disclosed				
Accounts payable and other current liabilities*	₱–	₱3,363,231,142	₱–	₱3,363,231,142
Bank loans	–	12,345,248,071	–	12,345,248,071
Deposits from tenants	–	977,421,903	–	977,421,903
Accrued employee benefits**	–	5,195,729	–	5,195,729
	₱–	₱16,691,096,845	₱–	₱16,691,096,845

** Excluding customers' deposits, reservation payable, output VAT, deferred output VAT and withholding taxes.*
***Excluding accrued retirement benefits of ₱50,192,286 in 2015.*

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as of December 31, 2014:

	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets Measured at Fair Value				
Financial assets at FVPL	₱33,012,524	₱–	₱–	₱33,012,524
Investment properties:				
Land	–	13,428,400,270	–	13,428,400,270
Buildings	–	–	13,682,467,218	13,682,467,218
	–	13,428,400,270	13,682,467,218	27,110,867,488

	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	₱33,012,524	₱13,428,400,270	₱13,682,467,218	₱27,143,880,012
Assets for which Fair Values are Disclosed				
Loans and receivables				
Receivables*	₱–	₱1,811,049,656	₱–	₱1,811,049,656
Refundable deposits	–	68,493,754	–	68,493,754
	–	1,879,543,410	–	1,879,543,410
AFS financial assets:				
Unquoted	–	–	488,826,327	488,826,327
Quoted	13,196,515	–	–	13,196,515
	13,196,515	–	488,826,327	502,022,842
	₱13,196,515	₱1,879,543,410	₱488,826,327	₱2,381,566,252
Liabilities for which Fair Values are Disclosed				
Accounts payable and other current liabilities**	₱–	₱3,392,834,018	₱–	₱3,392,834,018
Bank loans	–	12,148,668,905	–	12,148,668,905
Deposits from tenants	–	978,444,217	–	978,444,217
Accrued employee benefits***	–	12,875,707	–	12,875,707
	₱–	₱16,532,822,847	₱–	₱16,532,822,847

** Net of unamortized discount and unearned income of ₱4,270,960,875 in 2014 and advances to contractors and suppliers of ₱1,031,179,038.*
*** Excluding customers' deposits, reservation payable, output VAT, deferred output VAT and withholding taxes.*
****Excluding accrued retirement benefits of ₱55,626,328*

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There have been no assets and liabilities transferred between Level 1, Level 2 and Level 3 during the period.

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 prices used for financial assets held by the Group were the current bid prices.

Cash and Cash Equivalents, Receivables, Accounts Payable and Other Current Liabilities, Dividends Payable and Accrued Employee Benefits
Due to the short-term nature of cash and cash equivalents, receivables other than installment contracts receivable, accounts payable and other current liabilities, dividends payable and accrued employee benefits their carrying values were assessed to approximate their fair values.

Installment Contracts Receivable
The fair value of installment contracts receivable approximates their carrying value as the interest rates they carry approximate the interest rates 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 MART-1 rates at the reporting date.

AFS Financial Assets
The fair value of quoted equity securities is based on market bid prices as of the reporting date. The fair value of unquoted equity securities is not reasonably determinable.

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

11. Financial Risk Management Objective and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, financial assets at FVPL, loans and receivables, AFS financial assets and other financial liabilities. These 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 trade payables, arise directly from the conduct of the Group's operations.

The main risks arising from the use of the financial instruments are interest rate 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 risk management 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 cash flows of the Group's bank loans that are exposed to interest rate risk as of March 31, 2015.

Interest rates on all bank loans are based on the higher between the PDST-F rate and the BSP overnight borrowing rate.

The Group's interest rate risk management policy focuses on reducing the overall interest expense and exposure to change in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing loans with floating interest rates as it can cause a change in the amount of interest payments.

Interest on financial instruments with floating rates is repriced at intervals of less than one year. Interest on financial instruments with fixed rates is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the tables above are noninterest-bearing and are therefore not subject to interest rate risk. The 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 brought about by reasonably possible change in interest rates, with all other variables held constant, as of March 31, 2015 until its next financial reporting date:

Change in Interest Rate	Effect on Income before Income Tax
Increase by 0.95%	**₱82,095,900**
Decrease by 0.95%	**₱ (82,095,900)**

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

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

The following table shows the maximum exposure to credit risk for each component of financial assets in the consolidated statements of financial position:

	March 31, 2015	December 31, 2014
Financial assets at FVPL	**₱35,657,887**	P33,012,524
Loans and receivables:		
Cash and cash equivalents*	**3,162,399,658**	2,630,057,461
Receivables:		
Installment contracts receivable	**2,956,387,108**	2,842,228,694
Rent	**282,235,635**	201,286,080
Related parties	**46,525,991**	42,794,110
Advances to officers and employees	**5,417,548**	7,695,914
Interest	**1,996,999**	1,697,524
Others	**31,730,062**	30,578,550
Cash in escrow**	**622,500,862**	352,027,489
Refundable deposits	**81,910,087**	68,493,754
	7,191,103,950	6,176,859,576
AFS financial assets	**502,822,842**	502,822,842
	₱7,729,584,679	₱6,712,694,942

** Excludes cash on hand of ₱72,864,286 in 2015 and ₱280,947,359 in 2014.*
*** Under prepayments and other current assets.*

The following tables provide information regarding the credit risk exposure of the Group by classifying its financial assets according to the credit ratings of the debtors as of March 31, 2015:

	2015			
	Neither Past Due nor Impaired			
	Non-Investment Grade: Satisfactory	Non-Investment Grade: Unsatisfactory	Past Due and Impaired	Total
Financial assets at FVPL	₱35,657,887	₱–	₱–	₱35,657,887
Loans and receivables:				
Cash and cash equivalents*	3,162,399,658	–	–	3,162,399,658
Receivables:		–	–	
Installment contracts receivable	2,956,387,108	–	–	2,956,387,108
Rent	282,235,635	–	–	282,235,635
Related parties	46,525,991	–	–	46,525,991
Advances to officers and employees	5,417,548	–	–	5,417,548
Interest	1,996,999	–	–	1,996,999
Others	31,730,062	–	8,056,440	39,786,502
Cash in escrow**	622,500,862			622,500,862
Refundable deposits	81,910,087	–	–	81,910,087
	7,191,103,949	–	8,056,440	7,199,160,389
AFS financial assets	502,822,842	–	–	502,822,842
	₱7,729,584,679	₱–	₱ 8,056,440	₱7,737,641,119

** Excludes cash on hand of ₱72,864,286 in 2015 and ₱280,947,359 in 2014.*
*** Under prepayments and other current assets.*

Financial instruments classified under "neither past due nor impaired" include high grade credit quality instruments because there were 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 have been provided with allowance for impairment losses.
The credit quality of the financial assets classified under neither past due not impaired was determined as follows:

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

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

Liquidity Risk
Liquidity risk is the risk that the Group will not be able to settle or meet its obligations on time or at reasonable prices. The Group maintains sufficient cash and cash equivalents 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 following tables summarize the maturity profile of 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, 2015:

	2015				
	Within 1 Year	Over 1 to 3 Years	Over 3 to 5 Years	Over 5 Years	Total
Financial Assets					
Financial assets at FVPL	₱ 35,657,887	₱–	₱–	₱–	₱ 35,657,887
Loans and receivables:					
Cash and cash equivalents	3,235,263,944	–	–	–	3,235,263,944
Receivables:					
Installment contracts receivable	2,956,387,108	–	–	–	2,956,387,108
Rent	282,235,635	–	–	–	282,235,635
Related parties	46,525,991	–	–	–	46,525,991
Advances to officers and employees	5,417,548	–	–	–	5,417,548
Interest	1,996,999	–	–	–	1,996,999
Others	31,730,062	–	–	–	31,730,062
Cash in escrow*	622,500,862	–	–	–	622,500,862
Refundable deposits		81,910,087	–	–	81,910,087
	7,182,058,149	81,910,087	–	–	7,263,968,236
AFS financial assets	502,822,842	–	–	–	502,822,842
	₱7,720,538,878	₱81,910,087	₱–	₱–	₱7,802,448,965
Other Financial Liabilities					
Accounts payable and other current liabilities**	₱3,363,231,141	₱–	₱–	₱–	₱3,363,231,141
Bank loans	437,500,000	1,895,000,000	2,478,333,333	7,534,414,738	12,345,248,071
Deposits from tenants	484,423,000	492,998,903	–	–	977,421,903
Accrued employee benefits***	12,972,408	–	–	–	12,972,408
	₱4,298,126,549	₱2,387,998,903	₱2,478,333,333	₱7,534,414,738	₱16,698,873,523

** Under prepayments and other current assets.*
*** Excluding customers' deposits, reservation payable, output VAT, deferred output VAT and withholding taxes.*
**** Excluding accrued retirement benefits of ₱42,415,608.*