



## **SM PRIME HOLDINGS, INC.**

(A corporation duly organized and existing under Philippine laws)

### **PROSPECTUS**

dated 4 June 2024

Shelf Registration in the Philippines of  
Debt Securities Program in the aggregate principal amount  
of ₱100,000,000,000

to be offered within a period of three (3) years  
at an Offer Price of 100% of Face Value

**with an initial Offer of up to ₱20,000,000,000 Fixed Rate Bonds  
with an Oversubscription Option of up to ₱5,000,000,000 Fixed Rate Bonds**

consisting of

**6.5754% p.a. Series V Bonds due 2027  
6.7537% p.a. Series W Bonds due 2029  
6.9650% p.a. Series X Bonds due 2031**

at an Offer Price of 100% of Face Value

to be listed and traded through  
The Philippine Dealing & Exchange Corp.

**THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.**

*Joint Issue Managers, Joint Lead Underwriters and Bookrunners*



*Joint Lead Underwriters and Bookrunners*



*Trustee*

Philippine National Bank – Trust Banking Group

BDO Capital & Investment Corporation and China Bank Capital Corporation have been appointed as the Joint Issue Managers, Joint Lead Underwriters and Bookrunners for the Offer. These Joint Issue Managers, Joint Lead Underwriters and Bookrunners are organizationally and operationally distinct groups within SM Investments Corporation, which is the direct parent company of the SM Prime Holdings, Inc., the Issuer for this Offer. These Joint Issue Managers, Joint Lead Underwriters and Bookrunners are separate and independent from each other and the Issuer.

The rest of the Joint Lead Underwriters and Bookrunners and the Trustee are not related to the Issuer.

**SM PRIME HOLDINGS, INC.**

7/F MOA Square  
Seashell Lane cor. Coral Way  
Mall of Asia Complex, Brgy. 76 Zone 10,  
CBP-1A, Pasay City, Metro Manila, Philippines  
Telephone No.: +632-8831-1000  
Website: <https://smprime.com>

This Prospectus relates to the shelf registration and each offer and sale in the Philippines within the Shelf Period as defined below (each a "Tranche") under the Debt Securities Program amounting to ₱100,000,000,000 of SM Prime Holdings, Inc. ("SM Prime", the "Issuer", or the "Company").

The Debt Securities shall be issued in tranches within a period of three (3) years from the effective date of the Registration Statement of the Debt Securities, subject to applicable regulations (the "Shelf Period"). The offer and sale of the Debt Securities, including the terms and conditions for each Tranche shall be at the sole discretion of the Company. The specific terms of the Debt Securities for each Tranche will be determined by the Company considering the prevailing market conditions and shall be provided in a supplement to be circulated at the time of the offer of the relevant tranche (the "Offer Supplement").

For the first tranche of the Debt Securities to be issued out of the shelf registration, SM Prime is offering three (3)-year Series V Bonds due 2027, five (5)-year Series W Bonds due 2029, and seven (7)-year Series X Bonds due 2031 in the aggregate principal amount of up to ₱20,000,000,000, with an Oversubscription Option of up to ₱5,000,000,000 (the "Bonds" or the "Offer"). Assuming the Oversubscription Option is fully exercised, up to ₱25,000,000,000 of the Debt Securities will be issued by the Company pursuant to the Offer. SM Prime reserves the right to allocate the Bonds to any or all of the Series V Bonds, Series W Bonds, and Series X Bonds based on the bookbuilding process, and may opt to allocate the entire Bonds in just one (1) or two (2) series.

The Series V Bonds shall have a term of three (3) years from the Issue Date, with a fixed interest rate equivalent to 6.5754% p.a. The Series W Bonds shall have a term of five (5) years from the Issue Date, with a fixed interest rate equivalent to 6.7537% p.a. The Series X Bonds shall have a term of seven (7) years from the Issue Date, with a fixed interest rate equivalent to 6.9650% p.a.

Interest on the Series V Bonds, Series W Bonds, and Series X Bonds shall be payable semi-annually in arrear on 24 June and 24 December of each year for each Interest Payment Date at which the Bonds are outstanding, or on the subsequent Business Day without adjustment if such Interest Payment Date is not a Business Day. The Maturity Dates of the Series V Bonds, Series W Bonds, and Series X Bonds shall be on 24 June 2027, 24 June 2029, and 24 June 2031, respectively, which will also be the last Interest Payment Dates for each series.

The Bonds will be repaid at 100% of Face Value on the Maturity Date, unless otherwise redeemed, cancelled, or purchased prior to the Maturity Date, or as otherwise set out in "Description of the Bonds – Redemption and Purchase" and "Description of the Bonds – Payment in the Event of Default" sections of this Prospectus.

The Series V Bonds, Series W Bonds, and Series X Bonds have been rated PRS Aaa with Stable Outlook by Philippine Rating Services Corporation ("PhilRatings"). Obligations rated PRS Aaa are of the highest quality with minimal credit risk. The Issuer's capacity to meet its financial commitment on the obligation is extremely strong. PRS Aaa is the highest rating assigned by PhilRatings. A Stable Outlook, on the other hand, indicates that the rating is likely to be maintained or to remain unchanged in the next twelve (12) months. A rating is not a recommendation to buy, sell, or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.

For succeeding Tranches, the Company shall distribute an Offer Supplement along with this Prospectus. The relevant Offer Supplement will contain the final terms for an offer of the Debt Securities and must be read in conjunction with this Prospectus and other Securities Agreements. Full information on the Issuer and such

offer of the Debt Securities is only available through this Prospectus, the relevant Offer Supplement, and the other Securities Agreements. All information contained in this Prospectus are deemed incorporated by reference in an Offer Supplement.

For the Series V Bonds, Series W Bonds, and Series X Bonds, SM Prime expects to raise gross proceeds amounting to at least ₱20,000,000,000, and up to a maximum of ₱25,000,000,000 assuming full exercise of the Oversubscription Option. Without such Oversubscription Option being exercised, the net proceeds are estimated to be at least ₱19,770,340,716 after deducting fees, commissions, and expenses relating to the issuance of the Offer. Assuming the Oversubscription Option is fully exercised, total net proceeds of the Offer is expected to amount to approximately ₱24,715,811,684. In the event that the Oversubscription Option is not fully exercised, the unexercised portion shall be placed under the shelf registration to be issued within the period prescribed by relevant regulations. Proceeds of the Offer shall be used to fund debt refinancing and capital expenditures for the expansion of SM Prime's portfolio (see "Use of Proceeds"). The Joint Issue Managers and Joint Lead Underwriters and Bookrunners shall receive an underwriting and selling fee of 0.30% on the total face value of the Bonds issued. The fee is inclusive of the fees to be ceded to participating underwriters and selling agents, if any. The use of proceeds for each of the succeeding tranches will be set out in the relevant Offer Supplement.

Upon issuance, the Debt Securities shall constitute the direct, unconditional, unsubordinated, and unsecured obligations of SM Prime and shall at all times rank *pari passu* and rateably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of SM Prime, other than obligations preferred by law. The Debt Securities shall effectively be subordinated in right of payment to all of SM Prime's secured debts, if any, to the extent of the value of the assets securing such debt and all of its debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines.

On 17 April 2024, SM Prime filed a Registration Statement covering the Debt Securities Program with the Securities and Exchange Commission ("SEC"). On 23 May 2024, the SEC issued its pre-effective letter for the Registration Statement for the Debt Securities Program. The SEC is expected to issue an order rendering the Registration Statement effective covering the Debt Securities.

The Company is allowed under Philippine laws to declare dividends, subject to certain requirements. The Company's Board of Directors is authorized to declare dividends only from its unrestricted retained earnings, except with respect to ₱2,985 million representing the cost of shares held in treasury and accumulated equity in net earnings of subsidiaries, associates and joint ventures. Dividends may be payable in cash, shares or property, or a combination of the three, as the Board of Directors shall determine. The declaration of stock dividends is subject to the approval of shareholders holding at least two-thirds of the Company's outstanding capital stock. The Company's Board of Directors may not declare dividends which will impair its capital.

SM Prime confirms that this Prospectus contains all material information relating to the Company, its affiliates and the Debt Securities which are in the context of the issue and offering of the Debt Securities (including all material information required by the applicable laws of the Republic of the Philippines). There are no other facts the omission of which would make any statement in this Prospectus misleading in any material respect. SM Prime confirms that it has made all reasonable inquiries in respect of the information, data, and analysis provided to it by its advisors and consultants or which is otherwise publicly available for inclusion into this Prospectus. SM Prime, however, has not independently verified any such publicly available information, data or analysis.

The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. An investment in the Debt Securities described in this Prospectus involves a certain degree of risk. A prospective purchaser of the Debt Securities should carefully consider several risk factors inherent to the Company as set out in "Risk Factors" section of this Prospectus, in addition to the other information contained in this Prospectus, in deciding whether to invest in the Debt Securities.

This Prospectus contains certain "forward-looking statements". These forward-looking statements can generally be identified by use of statements that include words or phrases such as SM Prime or its management "believes", "expects", "anticipates", "intends", "plans", "projects", "foresees", and other words or phrases of similar import. Similarly, statements that describe SM Prime's objectives, plans, and goals are also forward-looking statements. All forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward-looking statements. Nothing in this Prospectus is or should be relied upon as a promise or representation as to the future. The forward-looking statements included herein are made only as of the date of this Prospectus, and SM Prime undertakes no obligation to update such forward-looking statements publicly to reflect subsequent events or circumstances.

Neither the delivery of this Prospectus nor any sale made pursuant to each Offer shall, under any circumstance, create any implication that the information contained or referred to in this Prospectus is accurate as of any time subsequent to the date hereof. The Underwriters for each Offer do not make any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Prospectus.

The contents of this Prospectus are not to be considered as definitive legal, business, or tax advice. Each prospective purchaser of the Debt Securities receiving a copy of this Prospectus acknowledges that he has not relied on the Underwriters in his investigation of the accuracy of such information or in his investment decision. Prospective purchasers should consult their own counsel, accountants or other advisors as to legal, tax, business, financial and related aspects of the purchase of the Debt Securities, among others. Investing in the Debt Securities involves certain risks. For a discussion of certain factors to be considered in respect of an investment in the Debt Securities, see the section entitled "Risk Factors" found in this Prospectus.

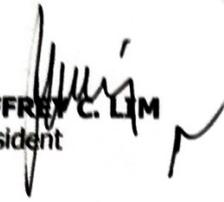
No dealer, salesman or other person has been authorized by SM Prime and the Underwriters to give any information or to make any representation concerning the Debt Securities other than as contained herein or the relevant Offer Supplement, and, if given or made, any such other information or representation should not be relied upon as having been authorized by SM Prime or the Underwriters.

SM Prime is organized under the laws of the Philippines. Its principal office address is at the 7/F MOA Square, Seashell Lane cor. Coral Way, Mall of Asia Complex, Brgy. 76, Zone 10, CBP-1A, 1300 Pasay City, Metro Manila, Philippines, with telephone number +632 8831 1000.

**ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN ARE TRUE AND CURRENT.**

**SM Prime Holdings, Inc.**

By:

  
**JEFFREY C. LIM**  
President

**SUBSCRIBED AND SWORN** to before me this 4<sup>th</sup> day of June 2024, affiant exhibiting to me his Philippine Passport No. P8242041B issued on 23 November 2021 at 

**PASAY CITY**

Doc. No. 140  
Book No. 12  
Page No. 30  
Series of 2024.

  
**ATTY. RONHEL VINN A. PAPA**

Notary Public for Pasay City

Until December 31, 2024

IBP OR No. 324349/ 04-Dec-2023 / Roll No. 73157

PTR OR No. 8457592 1/04/24 / TIN# 743-448-049

MCLE Compliance No. VII-0025922 valid until 14 April 2025

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## DEFINITION OF TERMS

*In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.*

<b>ACPAPP</b>	Association of Certified Public Accountants in Public Practice
<b>ADC</b>	Associated Development Corporation
<b>ASEAN</b>	The Association of Southeast Asian Nations
<b>B. P. 220</b>	<i>Batas Pambansa Blg. 220</i>
<b>BDG</b>	SM Prime’s Business Development Group
<b>BDO</b>	BDO Unibank, Inc.
<b>BDO Capital</b>	BDO Capital & Investment Corporation
<b>BDO Insure</b>	BDO Insurance Brokers, Inc.
<b>BIR</b>	The Bureau of Internal Revenue of the Philippines
<b>Board or Board of Directors</b>	The board of directors of SM Prime
<b>BOI</b>	Board of Investments
<b>Bond Agreements</b>	The Trust Indenture Agreement, the Registry and Paying Agency Agreement, the Issue Management and Underwriting Agreement, and the Master Certificates of Indebtedness (inclusive of the terms and conditions), including any amendment or supplement thereto, or any document, certificate or writing contemplated thereby
<b>Bondholder</b>	A person or entity whose name appears, at any time, as a holder of the Bonds in the Register of Bondholders
<b>Bonds or Offer</b>	Collectively, the Series V Bonds due 2027, Series W Bonds due 2029 and Series X Bonds due 2031 in the aggregate principal amount of up to ₱20,000,000,000, with an Oversubscription Option of up to ₱5,000,000,000, to be issued by SM Prime
<b>BPI Capital</b>	BPI Capital Corporation
<b>BSP</b>	Bangko Sentral ng Pilipinas, the Philippine Central Bank
<b>Business Day</b>	A day, other than a public non-working holiday, Saturday, or Sunday, on which the BSP’s Philippine Payment and Settlement System (PhilPaSS) and the Philippine Clearing House Corporation (PCHC) (or, in the event of the discontinuance of their respective functions, their respective replacements) are open and available for clearing and settlement, and banks are open for business in Metro Manila, Philippines
<b>By-laws</b>	The By-laws of SM Prime

<b>CDHI</b>	Costa Del Hamilo Inc.
<b>CEO</b>	Chief Executive Officer
<b>CHAS</b>	CHAS Realty and Development Corporation
<b>Chinabank Capital</b>	China Bank Capital Corporation
<b>Company or Issuer or SM Prime</b>	SM Prime Holdings, Inc.
<b>CPA</b>	Certified Public Accountant
<b>CPDC</b>	Consolidated Prime Dev. Corp.
<b>DAR</b>	The Philippine Department of Agrarian Reform
<b>Debt Securities</b>	Any evidence of indebtedness such as bonds, notes, debentures, commercial papers, treasury bills, treasury bonds, and other similar instruments as may be determined by the SEC.
<b>Debt Securities Program</b>	The Company's debt securities program to be registered with the Securities and Exchange Commission with an aggregate principal amount of ₱100,000,000,000
<b>DENR</b>	The Philippine Department of Environment and Natural Resources
<b>DHSUD</b>	The Philippine Department of Human Settlements and Urban Development
<b>Directors</b>	Members of the Board of Directors of SM Prime
<b>DOT</b>	The Philippine Department of Tourism
<b>DOTr</b>	The Philippine Department of Transportation and Communications
<b>e-SIP</b>	The e-Securities Issue Portal established and maintained by the Philippine Dealing System Holdings Corp.
<b>EastWest Bank</b>	East West Banking Corporation
<b>EBITDA</b>	Earnings before interest expense, income taxes, depreciation and amortization
<b>FARDC</b>	First Asia Realty Development Corporation
<b>Financial Statements</b>	SM Prime's audited consolidated financial statements and related notes as at 31 December 2023, 2022, and 2021 and for each of the years ended 31 December 2023, 2022, and 2021
<b>First Metro</b>	First Metro Investment Corporation
<b>FLVG</b>	First Leisure Ventures Group, Inc.

<b>GFA</b>	Gross floor area
<b>Government</b>	The Government of the Philippines
<b>GSIS</b>	Government Service Insurance System
<b>HLURB</b>	Housing and Land Use Regulatory Board
<b>HPI</b>	Highlands Prime, Inc.
<b>Ice Tower</b>	Ice Tower Residential - Office
<b>Joint Issue Managers</b>	BDO Capital and Chinabank Capital
<b>Joint Lead Underwriters and Bookrunners</b>	BDO Capital, Chinabank Capital, BPI Capital, EastWest Bank, First Metro, LANDBANK, and SB Capital
<b>LANDBANK</b>	Land Bank of the Philippines
<b>LGU</b>	Local government unit
<b>Maceda Law</b>	Republic Act No. 6552
<b>Majority Bondholders</b>	Holders of the series of the Bonds holding not less than 51% of the outstanding relevant Bond series
<b>Malls</b>	Includes eighty-five (85) malls in the Philippines, eight (8) malls in China and other malls owned by SM Prime and its subsidiaries
<b>Master Certificate of Indebtedness</b>	The certificate to be issued by the Issuer to the Trustee evidencing and covering such amount corresponding to the Bonds
<b>Material Subsidiary</b>	<p>SM Development Corporation and Subsidiaries, SM Land (China) Limited and Subsidiaries, and any Subsidiary of the Issuer:</p> <p>(a) whose gross revenues or (in the case of a Subsidiary which itself has subsidiaries) consolidated gross revenues, as shown by its latest audited income statement are at least 10% of the consolidated gross revenues as shown by the latest published audited consolidated income statement of the Issuer and its Subsidiaries; or</p> <p>(b) whose net income or (in the case of a Subsidiary which itself has subsidiaries) consolidated net income before taxation and extraordinary items, as shown by its latest audited income statement is at least 15% of the consolidated net income before taxation and extraordinary items, as shown by the latest published audited consolidated income statement of the Issuer and its Subsidiaries; or</p> <p>(c) whose gross assets or (in the case of a Subsidiary which itself has subsidiaries) gross consolidated assets, as shown by its latest audited balance sheet are at least 10% of the</p>

	<p>amount which equals the amount included in the consolidated gross assets of the Issuer and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Issuer and its Subsidiaries;</p> <p>provided that, in relation to paragraphs (a), (b) or (c) above,</p> <ul style="list-style-type: none"> <li>(i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published, be deemed to be a reference to the then latest consolidated audited accounts of the Issuer adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;</li> <li>(ii) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, revenues, net income or gross assets of the Issuer and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Issuer and reviewed by the auditors for the purposes of preparing a certificate thereon to the Trustee;</li> <li>(iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenues, net income or gross assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer and reviewed by the auditors for the purposes of preparing a certificate thereon to the Trustee; and</li> <li>(iv) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Issuer, then the determination of whether or not such Subsidiary is a Material Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer; or</li> </ul> <p>(d) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Material Subsidiary, provided that the Material Subsidiary which so transfers its assets shall</p>
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	forthwith upon such transfer cease to be a Material Subsidiary and the Subsidiary to which the assets are so transferred shall not become a Material Subsidiary as at the date on which the first published audited accounts (consolidated, if appropriate) of the Issuer prepared as of a date later than such transfer are issued unless such Subsidiary will continue to be a Material Subsidiary on the basis of such accounts by virtue of the provisions of (a), (b) or (c) above.
<b>Metro Manila</b>	The metropolitan area comprising the cities of Caloocan, Las Piñas, Makati, Malabon, Mandaluyong, Manila, Marikina, Muntinlupa, Navotas, Parañaque, Pasay, Pasig, Quezon, San Juan, Taguig and Valenzuela and the municipality of Pateros, which together comprise the "National Capital Region" and are commonly referred to as "Metropolitan Manila"
<b>Mindpro</b>	Mindpro Incorporated
<b>MLI</b>	Magenta Legacy, Inc.
<b>MOA</b>	Mall of Asia
<b>P.D. 957</b>	Presidential Decree No. 957, as amended, also known as the Subdivision and Condominium Buyers' Protective Decree
<b>PAS</b>	Philippine Accounting Standards
<b>Paying Agent</b>	Philippine Depository & Trust Corp., the party which shall receive the funds from the Issuer for payment of principal, interest and other amounts due on the Bonds and remit the same to the Bondholders based on the records shown in the Register of Bondholders for the Series V Bonds, Series W Bonds, and Series X Bonds
<b>Payment Date</b>	Each of the dates when payment of principal, interest and other amounts due on the Bonds are due and payable to the Bondholders; provided that, in the event any Payment Date falls on a day that is not a Business Day, the Payment Date shall be automatically extended without adjustment to interest accrued to the immediately succeeding Business Day with respect to the Series V Bonds, Series W Bonds, and Series X Bonds
<b>PCD</b>	PCD Nominee Corporation
<b>PCI</b>	Premier Central, Inc.
<b>PCPMC</b>	Prime Commercial Property Management Corporation and Subsidiaries which composed of companies that manage and operate the Malls, including the provision of manpower, maintenance and engineering, security and promotional activities; and are wholly owned subsidiaries of SM Prime
<b>PDEX</b>	Philippine Dealing & Exchange Corp.

<b>PDTC</b>	The Philippine Depository & Trust Corp., the central depository and clearing agency of the Philippines which provides the infrastructure for handling the lodgement of the scripless Bonds and the electronic book entry transfers of the lodged Bonds in accordance with the PDTC Rules, and its successor-in-interest
<b>PDTC Rules</b>	The SEC-approved rules of the PDTC, including the PDTC Operating Procedures and PDTC Operating Manual, as may be amended, supplemented or modified from time to time
<b>Person</b>	Any individual, firm, corporation, partnership, association, joint venture, tribunal, limited liability company, trust, government or political subdivision or agency or instrumentality thereof, or any other entity or organization
<b>Pesos or ₱</b>	The lawful currency of the Philippines
<b>PEZA</b>	The Philippine Economic Zone Authority
<b>PFRS</b>	Philippine Financial Reporting Standards which includes statements named PFRS and PAS issued by the Financial Reporting Standards Council and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC)
<b>Philippines</b>	The Republic of the Philippines
<b>PhilRatings</b>	Philippine Rating Services Corporation
<b>PMI</b>	Prime Metroestate, Inc.
<b>PRC</b>	People's Republic of China
<b>PSC</b>	Premier Southern Corp.
<b>PSE</b>	The Philippine Stock Exchange, Inc.
<b>Public Debt</b>	Any present or future indebtedness in the form of, or represented by bonds, notes, debentures, loan stock or other securities that are at the time, or are of the type customarily quoted, listed or ordinarily dealt in on any stock exchange, over the counter or other securities market
<b>R.A. 4726</b>	Republic Act No. 4726, as amended, also known as the Condominium Act
<b>Register of Bondholders</b>	The electronic record of the issuances, sales and transfers of the Bonds to be maintained by the Registrar pursuant to and under the terms of the Registry and Paying Agency Agreement
<b>Registrar</b>	The Philippine Depository & Trust Corp., being the registrar appointed by the Issuer to maintain the Register of Bondholders pursuant to the Registry and Paying Agency Agreement
<b>RTC</b>	Regional Trial Court

<b>SB Capital</b>	SB Capital Investment Corporation
<b>SCIDC</b>	SM Smart City Infrastructure and Development Corporation
<b>SEC</b>	The Securities and Exchange Commission of the Philippines
<b>Securities Agreements</b>	For each Tranche, the relevant trust indenture agreement, the registry and paying agency agreement, the issue management and underwriting agreement, and the master certificate of indebtedness (inclusive of the terms and conditions), including any amendment or supplement thereto, or any document, certificate or writing contemplated thereby, or such other relevant documents
<b>Series or Tranche</b>	Issuance of Debt Securities pursuant to the Debt Securities Program under the terms and conditions as contained herein and in the relevant Offer Supplement
<b>Shares</b>	Common shares of the Issuer, which have a par value of ₱1.00 per share
<b>Simply Prestige</b>	Simply Prestige Limited and Subsidiaries
<b>SLHC</b>	San Lazaro Holdings Corporation
<b>SM China Malls</b>	SM Xiamen, SM City Jinjiang, SM City Chengdu, SM City Zibo, SM City Chongqing, SM City Suzhou, SM City Tianjin and SM City Yangzhou
<b>SM Group</b>	The group of companies owned by SMIC
<b>SM Hotels</b>	SM Hotels and Conventions Corp.
<b>SM Land</b>	SM Land, Inc. (formerly Shoemart, Inc.) which was merged with SM Prime in October 2013
<b>SM Land China</b>	SM Land (China) Limited and Subsidiaries
<b>SM Supermalls</b>	SM City North EDSA, SM City Sta. Mesa, SM Megamall, SM City Cebu, SM Southmall, SM City Bacoor, SM City Fairview, SM City Iloilo, SM City Manila, SM City Pampanga, SM City Sucat, SM City Davao, SM City Cagayan de Oro, SM City Bicutan, SM City Lucena, SM City Baguio, SM City Marilao, SM City Dasmariñas, SM City Batangas, SM City San Lazaro, SM Center Valenzuela, SM Center Molino, SM City Sta. Rosa, SM City Clark, SM Mall of Asia, SM Center Pasig, SM City Lipa, SM City Bacolod, SM City Taytay, SM Center Muntinlupa, SM City Marikina, SM City Rosales, SM City Baliwag, SM City Naga, SM Center Las Piñas, SM City Rosario, SM City Tarlac, SM City San Pablo, SM City Calamba, SM City Novaliches, SM City Masinag, SM City Olongapo, SM City Consolacion, SM City San Fernando, SM City General Santos, SM Lanang Premier, SM Aura Premier, SM City BF Parañaque, SM City Cauayan, SM Center Angono, SM Megacenter Cabanatuan, SM City San Mateo, SM City Cabanatuan, SM Center Sangandaan, SM Cherry Shaw, SM Seaside City Cebu, SM City San Jose Del Monte, SM City Trece Martires, SM Cherry Congressional,

	SM City East Ortigas, SM CDO Downtown Premier, S Maison, SM Cherry Antipolo, SM Puerto Princesa, SM Center Tuguegarao Downtown, SM Center Pulilan, SM Center Lemery, SM Center Imus, SM Urdaneta Central, SM City Telabastagan, SM City Legazpi, SM Center Ormoc, SM Olongapo Central, SM Center Dagupan, SM City Butuan, SM City Mindpro, SM City Daet, SM City Grand Central, SM City Roxas, SM City Tanza, SM City Sorsogon, SM City Tuguegarao, SM City Bataan, SM Center San Pedro, SM City San Pedro, SM City Sto. Tomas
<b>SMACC</b>	SM Arena Complex Corporation
<b>SMDC</b>	SM Development Corporation
<b>SMIC</b>	SM Investments Corporation, the parent company of SM Prime
<b>SPC</b>	Southernpoint Properties Corp.
<b>sq. m.</b>	Square meter
<b>SRC</b>	Republic Act No. 8799, The Securities Regulation Code of the Philippines
<b>Subsidiary</b>	At any particular time, any company or other business entity which is then directly or indirectly controlled, or more than 50%, of whose issued equity share capital (or equivalent) is then beneficially owned, by the Issuer and/or one or more of its Subsidiaries. For a company to be "controlled" by another means that the other (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of that company or otherwise controls or has a power to control the affairs and policies of that company and control shall be construed accordingly
<b>Sy family</b>	Mr. Henry Sy, Sr., his wife, Mrs. Felicidad T. Sy, and their children Teresita T. Sy, Elizabeth T. Sy, Henry T. Sy, Jr., Hans T. Sy, Herbert T. Sy and Harley T. Sy
<b>Tax Code</b>	The amended Philippine National Internal Revenue Code of 1997 and its implementing rules and regulations
<b>TFG</b>	SM Prime's Treasury Finance Group
<b>The SM Stores</b>	The retail department stores operated by the Group under the "SM" name which presently include SM Makati, SM Cubao, SM City North EDSA, SM City Sta. Mesa, SM Megamall, SM City Cebu, SM Southmall, SM City Bacoor, SM City Fairview, SM City Iloilo, SM City Manila, SM City Pampanga, SM City Davao, SM City Cagayan de Oro, SM City Bicutan, SM City Lucena, SM City Baguio, SM City Marilao, SM City Dasmariñas, SM City Batangas, SM Delgado, SM City San Lazaro, SM Center Valenzuela, SM City Molino, SM City Sucat, SM City Sta. Rosa,

	SM City Clark, SM Mall of Asia, SM City Lipa, SM City Bacolod, SM City Taytay, SM City Marikina, SM City Baliwag, SM City Naga, SM City Rosales, SM City Rosario, SM City Tarlac, SM City San Pablo, SM City Calamba, SM City Novaliches, SM City Masinag, SM City Olongapo, SM City Consolacion, SM Lanang Premier, SM City General Santos, SM City San Fernando, SM Aura Premier, SM City BF Parañaque, SM City Cauayan, SM Megacenter Cabanatuan, SM City San Mateo, SM City Cabanatuan, SM Seaside City Cebu, SM City San Jose Del Monte, SM City Trece Martires, SM City East Ortigas, SM CDO Downtown Premier, SM Puerto Princesa, SM City Telebastagan, SM City Urdaneta Central, SM City Legazpi, SM Olongapo Central, SM City Butuan, SM City Daet, SM City Grand Central, SM City Roxas, SM City Tanza, SM City Sorsogon, SM City Tuguegarao, SM City Bataan, SM City Sto. Tomas
<b>TRDC</b>	Tagaytay Resort Development Corporation
<b>Trustee</b>	Shall refer to Philippine National Bank – Trust Banking Group and to the trustee that may be engaged by SM Prime for each Tranche
<b>Underwriters</b>	The Joint Lead Underwriters and Bookrunners and the underwriters that may be engaged by the Issuer for each Tranche
<b>VAT</b>	Value-added tax

## EXECUTIVE SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Prospectus. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Prospectus shall have the same meanings when used in this summary. Prospective investors should therefore read this Prospectus in its entirety.

### OVERVIEW

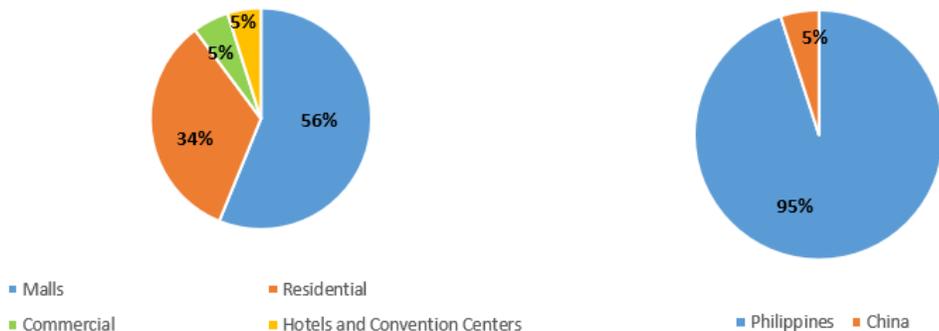
SM Prime was incorporated in the Philippines and registered with the SEC on 6 January 1994. It is a leading integrated Philippine real estate company with business units focused on malls, residential, commercial, and hotels and convention centers.

As at 31 December 2023, SM Prime's consolidated total assets stood at ₱943.3 billion, consolidated total liabilities were at ₱544.4 billion, with net debt-to-equity ratio (being the ratio of aggregate consolidated interest-bearing indebtedness (sum of loans payable and long-term debt (current and noncurrent portion) net of cash and cash equivalent over equity attributable to the equity holders of the parent) of 46:54.

The Company has four (4) business segments, namely, malls, residential, commercial and hotel and convention centers. The table below sets out each business unit's contribution to SM Prime's consolidated revenue for the years ended 31 December 2023, 2022, and 2021.

(in ₱ millions)	For the years ended 31 December		
	Audited		
	2023	2022	2021
Malls	72,123	55,541	30,079
Residential	43,100	40,083	45,897
Commercial	6,897	6,123	5,010
Hotels and Convention Centers	6,288	4,344	1,587
Eliminations	(310)	(305)	(258)
Consolidated Total	128,098	105,786	82,315

The charts below display the composition of SM Prime's combined revenue by segment and geographical region as of and for the year ended 31 December 2023.



SM Prime is listed on the PSE and, as at 31 December 2023, was 49.70% directly owned by SMIC. SM Prime had a market capitalization of ₱950.1 billion as of 31 December 2023.

## **COMPETITIVE STRENGTHS**

SM Prime believes that its principal strengths are the following:

- Integrated real estate platform with strong track record across segments
- Leading retail malls business
- Access to a prime large-scale land bank
- Strong balance sheet and access to capital
- Experienced management team with strong corporate governance practices

Please refer to the section entitled “Description of the Issuer - Competitive Strengths” of this Prospectus for a more detailed discussion.

## **BUSINESS STRATEGIES**

SM Prime intends to achieve its objectives through the following strategies:

- Continue to expand SM Prime’s land bank and develop integrated lifestyle cities
- Leverage retail malls to anchor lifestyle city developments
- Optimize existing properties by adding complementary developments
- Continue aggressive rollout of BPO office development
- Focus on a “one product-one market” strategy for the residential business
- Maintain a strong balance sheet, prudent risk and capital management and good governance

Please refer to the section entitled “Description of the Issuer – Business Strategies” for a more detailed discussion.

Capital expenditure for 2024 is approximately ₱100.0 billion, with 30% for malls, 30% for residential, 5% for commercial and 35% for the bay city. Capital expenditure for 2025 is approximately ₱100.0 billion, with 35% for malls, 30% for residential, 10% for commercial and 25% for the bay city. SM Prime plans to fund its capital expenditure plan through recurring income flows and external financing. SM Prime intends to apply global corporate governance standards and risk management best practices, as well as embark on integrated sustainability and corporate social responsibility initiatives.

## **RISKS OF INVESTING**

Before making an investment decision, investors should carefully consider the risks associated with an investment in the Debt Securities. These risks include:

### **Risks Relating to the Company**

- SM Prime faces risks from public health epidemics or outbreaks of disease that could have an adverse effect on economic activity in the Philippines

- The Philippine property market is cyclical and can be affected by domestic and global economic conditions
- SM Prime may face challenges of title to land
- SM Prime's rights and title to reclaimed land may be challenged
- SM Prime will continue to compete with other mall operators and commercial and residential developers
- SM Prime is exposed to risks associated with the operation of its malls and commercial businesses
- SM Prime faces numerous risks including reputational risk and operational risks relating to its residential and commercial businesses
- SM Prime is exposed to general risks associated with the ownership and management of real estate
- SM Prime's reputation may be affected by the operations of some of its affiliates
- SM Prime is effectively controlled by the Sy family and their interests may differ significantly from the interests of other shareholders
- SM Prime may enter into and expects to enter into material agreements and other arrangements with the Sy family and its affiliated companies and persons
- SM Prime's leasing operations depend on key tenants, which are affiliates of the SM Group
- SM Prime depends on retaining the services of its senior management team and its ability to attract and retain talented personnel
- Malls and other commercial properties owned by SM Prime may be subject to an increase in operating and other expenses
- SM Prime faces risks relating to the management of its land bank
- SM Prime operates in a highly regulated environment and it is affected by the development and application of regulations in the Philippines
- Zoning restrictions and local opposition may delay or preclude construction
- Infringement of intellectual property rights could have a material adverse effect on SM Prime's business
- Land and/or real property may be subject to compulsory acquisition
- Fluctuations in interest rates, changes in Government borrowing patterns and Government regulations could have a material adverse effect on SM Prime's and its customers' ability to obtain financing
- SM Prime faces risks inherent in joint venture structures and/or funds
- Construction defects and other building-related claims may be asserted against SM Prime, and SM Prime may be subject to liability for such claims
- SM Prime may suffer material losses in excess of insurance proceeds
- SM Prime faces property development risk

- SM Prime will continue to face certain risks related to the cancellation of sales involving its residential projects
- The loss of certain tax exemptions and incentives for residential home sales may increase the price of SM Prime's residential units and may lead to a reduction in sales
- A domestic asset price bubble could adversely affect the Company's business

### **Risks Relating to the Philippines**

- Substantially all of the Company's operations and assets are based in the Philippines; a slowdown in economic growth in the Philippines could materially adversely affect its businesses
- Any political instability in the future may have a negative effect on SM Prime's financial results
- SM Prime's businesses may be disrupted by terrorist acts, crime, and natural disasters or fears of such occurrences in Metro Manila or other parts of the Philippines
- Volatility in the value of the Peso against the U.S. dollar and other currencies could adversely affect SM Prime's businesses
- Tensions with China and other neighboring countries may adversely affect the Philippine economy and business environment
- Corporate governance and disclosure standards in the Philippines may differ from those in more developed countries

### **Risks Relating to the Debt Securities**

- The priority of debt evidenced by a public instrument
- An active trading market for the Debt Securities may not develop
- The Issuer may be unable to redeem the Debt Securities
- Investors may be subject to reinvestment risk
- There can be no assurance that the rating of the Debt Securities will be retained over its life

Please refer to the "Risk Factors" section of this Prospectus which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Debt Securities.

### **COMPANY INFORMATION**

SM Prime's registered principal office is at 7/F MOA Square, Seashell Lane cor. Coral Way, Mall of Asia Complex, Brgy. 76 Zone 10, CBP-1A, 1300 Pasay City, Metro Manila, Philippines. Its telephone number +632 8831 1000 and its corporate website is [www.smprime.com](http://www.smprime.com).

## SUMMARY OF FINANCIAL INFORMATION

*The following tables set forth the summary consolidated financials of the Issuer as at and for the periods indicated. The selected audited financial information presented below as at 31 December 2023, 2022, and 2021 and for the years ended 31 December 2023, 2022, and 2021 have been derived from the Issuer's consolidated financial statements. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant consolidated financial statements of the Issuer, including the notes thereto, included elsewhere in this Prospectus.*

### CONSOLIDATED BALANCE SHEETS

	As at 31 December		
(in thousands)	2023 Audited	2022 Audited	2021 Audited
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	₱31,816,802	₱42,060,082	₱39,775,852
Receivables and contract assets	76,952,202	82,560,354	73,019,966
Real estate inventories	77,886,781	70,500,025	56,575,047
Equity instruments at fair value through other comprehensive income (FVOCI)	747,840	534,865	547,041
Derivative assets	2,247,073	585,576	753,506
Prepaid expenses and other current assets	27,804,930	25,767,334	24,993,357
<b>Total Current Assets</b>	<b>217,455,628</b>	<b>222,008,236</b>	<b>195,664,769</b>
<b>Noncurrent Assets</b>			
Equity instruments at FVOCI – net of current portion	19,570,212	17,077,198	17,400,372
Investment properties	545,074,746	489,266,042	467,391,988
Investments in associates and joint ventures	32,431,195	30,578,320	29,187,435
Property and equipment	1,554,990	1,399,840	1,372,276
Deferred tax assets – net	1,492,359	931,366	734,975
Derivative assets – net of current portion	3,276,971	6,752,744	1,043,670
Other noncurrent assets	122,471,474	106,200,906	91,607,795
<b>Total Noncurrent Assets</b>	<b>725,871,947</b>	<b>652,206,416</b>	<b>608,738,511</b>
<b>Total Assets</b>	<b>₱943,327,575</b>	<b>₱874,214,652</b>	<b>₱804,403,280</b>

	<b>As at 31 December</b>		
<i>(in thousands)</i>	2023 Audited	2022 Audited	2021 Audited
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Loans payable	₱4,288,964	₱5,422,524	₱6,487,427
Accounts payable and other current liabilities	99,077,428	88,122,597	91,377,717
Current portion of long-term debt	67,746,351	50,839,776	42,261,601
Derivative liabilities	7,423	19,496	335,367
Income tax payable	1,295,842	765,909	563,387
<b>Total Current Liabilities</b>	<b>172,416,008</b>	<b>145,170,302</b>	<b>141,025,499</b>
Long-term debt – net of current portion	294,622,256	296,134,836	264,969,216
Tenants' and customers' deposits – net of current portion	25,301,504	23,799,162	21,458,281
Liability for purchased land – net of current portion	539,959	1,129,719	2,540,050
Deferred tax liabilities – net	12,458,096	11,140,040	9,688,555
Derivative liabilities – net of current portion	265,013	294,403	1,748,186
Other noncurrent liabilities	38,837,703	31,394,584	28,612,720
<b>Total Noncurrent Liabilities</b>	<b>372,024,531</b>	<b>363,892,744</b>	<b>329,017,008</b>
<b>Total Liabilities</b>	<b>544,440,539</b>	<b>509,063,046</b>	<b>470,042,507</b>
Capital stock	33,166,300	33,166,300	33,166,300
Additional paid-in capital – net	38,159,900	38,124,193	38,056,016
Cumulative translation adjustment	2,556,139	3,435,171	3,083,184
Net fair value changes of equity instruments at FVOCI	16,938,503	14,232,514	14,708,368
Net fair value changes on cash flow hedges	1,079,094	2,984,605	(432,883)
Remeasurement loss on defined benefit obligation	(1,062,437)	(928,882)	(548,643)
Retained earnings:			
Appropriated	42,200,000	42,200,000	42,200,000
Unappropriated	266,143,815	232,972,284	205,671,557
Treasury stock	(2,984,695)	(2,984,695)	(2,984,695)
<b>Total Equity Attributable to Equity Holders of the Parent</b>	<b>396,196,619</b>	<b>363,201,490</b>	<b>332,919,204</b>
<b>Non-controlling Interests</b>	<b>2,690,417</b>	<b>1,950,116</b>	<b>1,441,569</b>
<b>Total Equity</b>	<b>398,887,036</b>	<b>365,151,606</b>	<b>334,360,773</b>
<b>Total Liabilities and Equity</b>	<b>₱943,327,575</b>	<b>₱874,214,652</b>	<b>₱804,403,280</b>

## CONSOLIDATED STATEMENTS OF INCOME

	For the years ended 31 December		
<i>(in thousands except per share data)</i>	2023	2022	2021
	Audited	Audited	Audited
<b>Revenue</b>			
Rent	₱72,113,957	₱58,243,913	₱34,694,185
Real estate sales	42,040,409	39,046,514	45,116,120
Others	13,943,175	8,495,208	2,505,179
	128,097,541	105,785,635	82,315,484
<b>Costs and Expenses</b>	66,818,300	56,542,322	49,900,933
<b>Income from Operations</b>	61,279,241	49,243,313	32,414,551
Interest expense	(13,963,271)	(11,465,787)	(9,357,616)
Interest and dividend income	2,185,156	1,775,740	1,025,066
Others – net	338,693	(839,262)	3,651,524
	(11,439,422)	(10,529,309)	(4,681,026)
<b>Income Before Income Tax</b>	49,839,819	38,714,004	27,733,525
<b>Provision for income tax</b>			
Current	8,211,259	6,783,913	2,816,720
Deferred	764,715	1,186,962	3,005,402
	8,975,974	7,970,875	5,822,122
<b>Net Income</b>	₱40,863,845	₱30,743,129	₱21,911,403
Attributable to:			
Equity holders of the Parent	₱40,010,501	₱30,099,799	₱21,786,516
Non-controlling interests	853,344	643,330	124,887
	₱40,863,845	₱30,743,129	₱21,911,403
Basic/Diluted earnings per share	₱1.387	₱1.043	₱0.755
Dividend per share	₱0.237	₱0.097	₱0.082

## OVERVIEW OF THE DEBT SECURITIES PROGRAM

*The detailed terms and conditions of each succeeding Tranche of the Debt Securities shall be set out in the relevant Offer Supplement to be issued at the relevant time.*

Any discussion of SM Prime's Debt Securities Program contained herein does not purport to be a complete listing of all the rights, obligations, or privileges of the Debt Securities. Some rights, obligations, or privileges may be further limited or restricted by other documents. Prospective investors are enjoined to carefully review the Articles of Incorporation, By-Laws, and resolutions of the Board of Directors of the Company, the information contained in this Prospectus, the relevant Offer Supplement, and other agreements relevant to the offer of a particular tranche of the Debt Securities, and to perform their own independent investigation and analysis of the Issuer and the Debt Securities. Prospective investors must make their own appraisal of the Company and the offer, and must make their own independent verification of the information contained herein and the other aforementioned documents and any other investigation they may deem appropriate for the purpose of determining whether to participate in the offer of the Debt Securities. They must not rely solely on any statement or on the significance, adequacy or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective investor's independent evaluation and analysis. Prospective investors are likewise encouraged to consult their legal counsels and accountants in order to be better advised of the circumstances surrounding the Debt Securities being offered.

SM Prime is offering debt securities under its Debt Securities Program in the aggregate principal amount of One Hundred Billion Pesos (₱100,000,000,000) to be issued in tranches within a period of three (3) years from the effective date of the Registration Statement. The following sections outline the description of the Debt Securities Program.

<b>Issuer</b>	SM Prime Holdings, Inc.
<b>Issue</b>	Debt securities constituting the direct, unconditional, unsecured, and unsubordinated obligations of SM Prime Holdings, Inc.
<b>Use of Proceeds</b>	The intended use of proceeds for each Tranche of the Debt Securities being offered shall be set in the relevant Offer Supplement under the "Use of Proceeds" section
<b>Debt Securities Program</b>	₱100,000,000,000
<b>Availability</b>	The Debt Securities Program shall be continuously available until the expiration of the Shelf Period and the Permit to Sell securities to be issued by the SEC
<b>Governing Law</b>	Philippine Law

## SUMMARY OF THE OFFER

*The "Summary of the Offer" for each succeeding Tranche shall be set out in the relevant Offer Supplement. However, any such summary should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Prospectus and such Offer Supplement, including, but not limited to, the discussion on the "Description of the Bonds" and "Plan of Distribution", and agreements executed in connection with a particular offer as a whole. Such overview may not contain all of the information that prospective investors should consider before deciding to invest in the Debt Securities. Accordingly, any decision by a prospective investor to invest in the Debt Securities should be based on a consideration of this Prospectus, such Offer Supplement, and agreements executed in connection with a particular offer as a whole.*

The following summary of the Offer with respect to the Series V Bonds, Series W Bonds, and Series X Bonds is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Prospectus.

<b>Issuer</b>	SM Prime Holdings, Inc.
<b>Issue</b>	<p>Fixed rate bonds constituting the direct, unconditional, unsecured, and unsubordinated obligations of SM Prime Holdings, Inc. (the "Bonds"), to be issued as the initial tranche from the Debt Securities Program</p> <p>The Issue will consist of up to three (3) series: three (3)-year Bonds due 2027 (the "Series V Bonds"); five (5)-year Bonds due 2029 (the "Series W Bonds"); and seven (7)-year Bonds due 2031 (the "Series X Bonds"). The Issuer has the discretion to allocate the principal amount of the Bonds among the Series V Bonds, Series W Bonds, and Series X Bonds, or to just one (1) or two (2) series, based on the bookbuilding process.</p>
<b>Issue Size</b>	<p>Up to Twenty Billion Pesos (₱20,000,000,000), with an option to increase the issue size by up to Five Billion Pesos (₱5,000,000,000) in the event of oversubscription (the "Oversubscription Option")</p> <p>In the event that the Oversubscription Option is not fully exercised, the unexercised portion shall form part of the remaining Debt Securities in the shelf available for issuance within the Shelf Period.</p>
<b>Manner of Distribution</b>	SEC-registered domestic public offering
<b>Use of Proceeds</b>	To fund debt refinancing and capital expenditures for the expansion of the Issuer's portfolio (see "Use of Proceeds")
<b>Issue Price</b>	At par (or 100% of face value)
<b>Form and Denomination of the Bonds</b>	The Bonds shall be issued in scripless form in minimum denominations of ₱20,000 each, and in multiples of ₱10,000 thereafter, and traded in denominations of ₱10,000 in the secondary market
<b>Offer Period</b>	The offer of the Bonds shall commence at 9:00 a.m. on 7 June 2024 and end at 5:00 p.m. on 14 June 2024
<b>Issue Date</b>	24 June 2024

**Maturity Date** Series V Bonds: Three (3) years from the Issue Date  
 Series W Bonds: Five (5) years from the Issue Date  
 Series X Bonds: Seven (7) years from the Issue Date

**Interest Rate** Series V Bonds: 6.5754% per annum  
 Series W Bonds: 6.7537% per annum  
 Series X Bonds: 6.9650% per annum

**Interest Computation & Payment** Interest on the Bonds shall be calculated on a 30/360-day count basis and shall be paid semi-annually in arrear commencing on 24 December 2024 and on 24 June and 24 December of each year thereafter, or the next Business Day if such date falls on a non-Business Day, for as long as the Bonds remain outstanding (each, an "Interest Payment Date").

**Optional Redemption** Prior to the Maturity Date of the Bonds, the Issuer shall have a one-time option, but shall not be obligated, to redeem in whole, and not in part, the outstanding series of the Bonds, in accordance with the following schedule:

<b>Bonds</b>	<b>Optional Redemption Dates</b>	<b>Optional Redemption Price</b>
Series V Bonds	Not applicable	
Series W Bonds	Sixth (6 <sup>th</sup> ) and seventh (7 <sup>th</sup> ) Interest Payment Dates	101.0%
	Eighth (8 <sup>th</sup> ) and ninth (9 <sup>th</sup> ) Interest Payment Dates	100.5%
Series X Bonds	Tenth (10 <sup>th</sup> ) and eleventh (11 <sup>th</sup> ) Interest Payment Dates	101.0%
	Twelfth (12 <sup>th</sup> ) and thirteenth (13 <sup>th</sup> ) Interest Payment Dates	100.5%

The Issuer shall give no less than thirty (30) nor more than (60) calendar days' prior written notice of its intention to redeem such series of the Bonds on such Optional Redemption Date, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the relevant series of the Bonds at the Interest Payment Date stated in such notice.

The amount payable to the Bondholders in respect of such redemption shall be calculated as the sum of: (i) the relevant Optional Redemption Price applied to the principal amount of the then outstanding series of the Bonds being redeemed; and (ii) all accrued interest on such series of the Bonds as of the relevant Optional Redemption Date.

<b>Final Redemption</b>	Unless otherwise earlier redeemed or previously purchased and cancelled by the Issuer, the Bonds will be redeemed at par or 100% of face value on the Maturity Date.
<b>Bond Rating</b>	The Bonds are rated PRS Aaa with Stable Outlook by the Philippine Rating Services Corporation.
<b>Trustee</b>	Philippine National Bank – Trust Banking Group
<b>Registrar &amp; Paying Agent</b>	Philippine Depository & Trust Corp.
<b>Taxation of Bond Interest</b>	<p>Interest income derived by Philippine citizens or resident foreign individuals from the Bonds is subject to income tax, which is withheld at source, at the rate of 20%. Interest on the Bonds received by non-resident foreign individuals engaged in trade or business in the Philippines is subject to a 20% final withholding tax while that received by non-resident foreign individuals not engaged in trade or business is subject to a 25% final withholding tax. Interest income received by domestic corporations and resident foreign corporations is taxed at the rate of 20%. Interest income received by non-resident foreign corporations is subject to a 25% final withholding tax. The tax withheld constitutes a final settlement of Philippine income tax liability with respect to such interest.</p> <p>Bondholders who are exempt from or are not subject to final withholding tax on interest income or are covered by a lower final withholding tax rate by virtue of a tax treaty may claim such exemption or lower rate, as the case may be, by submitting the necessary documents as required by the Bureau of Internal Revenue and the Issuer.</p>
<b>Ranking</b>	The Bonds shall constitute the direct, unconditional, unsecured, and unsubordinated obligations of the Issuer and will rank <i>pari passu</i> and ratably without any preference or priority among themselves and with all other present and future unsecured and unsubordinated obligations of the Issuer, other than obligations preferred by law.
<b>Listing</b>	The Bonds are intended to be listed on the Philippine Dealing & Exchange Corp., or such other securities exchange licensed as such by the SEC on which the trading of debt securities in significant volume occurs.
<b>Governing Law</b>	Philippine Law

## RISK FACTORS

*Investment in the Debt Securities involves a number of risks. The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. There is an extra risk of losing money when securities are bought from smaller companies. Past performance is not a guide to future performance. There may be a big difference between the buying price and the selling price of these securities. An investor deals in a range of investments, each of which may carry a different level of risk.*

*Prior to making any investment decision, prospective investors should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below. The business, financial condition, or results of operations of SM Prime could be materially adversely affected by any of these risks. Additional considerations and uncertainties not presently known to the Issuer or which the Issuer currently deems immaterial, may also have an adverse effect on an investment in the Debt Securities.*

*This risk disclosure does not purport to disclose all the risks and other significant aspects of investing in these securities. An investor should undertake his or her own research and study on the trading of securities before commencing any trading activity. He/she may request information on the securities and issuer thereof from the SEC which are available to the public.*

*An investor should seek professional advice if he or she is uncertain of, or has not understood, any aspect of the securities to invest in or the nature of risks involved in trading of securities especially those high risk securities.*

*This section entitled "Risks Factors" does not purport to disclose all of the risks and other significant aspects of investing in these securities.*

*The risks enumerated hereunder are considered to be each of equal importance.*

*The means by which the Company plans to address the risks discussed herein are presented in the sections of this Prospectus entitled "Description of the Issuer – Competitive Strengths," "Description of the Issuer – Business Strategies," and "Management's Discussion and Analysis of Financial Condition and Results of Operations."*

### RISKS RELATING TO THE COMPANY

#### **SM Prime faces risks from future public health epidemics or outbreaks of disease that could have an adverse effect on economic activity in the Philippines.**

On 21 July 2023, Presidential Proclamation No. 297 was issued, lifting the State of Public Health Emergency throughout the Philippines due to COVID-19 pandemic.

The continuing effects of COVID-19 and the emergence of other adverse public health developments, such as the outbreak of avian influenza, severe acute respiratory syndrome, or SARS, Zika virus and Ebola virus could materially and adversely affect the Group's business, financial condition and results of operations. The extent of any such future impact on the Group's business, financial condition and results of operations, however, is highly uncertain and cannot be accurately predicted.

The Company continues to monitor and evaluate developments relating to any public health epidemic or pandemic to develop contingency measures to mitigate the risk impact to its business.

**The Philippine property market is cyclical and can be affected by domestic and global economic conditions.**

SM Prime derives a substantial portion of its revenue from rents and sales relating to its portfolio of malls, residential and commercial property developments and other leisure and mixed-use properties, substantially all of which are located in the Philippines. Accordingly, SM Prime is heavily dependent on conditions in the Philippine property market. In the past, the Philippine property market has been cyclical, and property values have been affected by the supply of and demand for comparable properties, the rate of economic growth in the Philippines and political and social developments.

Since the second half of 2008, the global financial markets have experienced, and may continue to experience, significant dislocations, which originated from the liquidity disruptions in the United States and the European Union credit and sub-prime residential mortgage markets. These disruptions and other events, such as rising government deficits and debt levels, the sovereign credit ratings downgrades and ensuing public deficit and debt reduction measures of the United States and certain member states of the European Union, the risk of a partial collapse of the Eurozone and slower rates of growth in the Chinese economy have had and continue to have a significant adverse effect on the global financial markets. In particular, the global financial crisis in 2008 and 2009 resulted in a generally negative effect on real estate property prices globally, including in the Philippines, and continued uncertainty and volatility in global economic conditions may result in further adverse impacts to SM Prime. These adverse effects can result in, among others, lower demand and values for real estate in the Philippines, increased difficulties on the part of tenants in meeting their lease and other financial obligations, and greater difficulties for SM Prime in obtaining financing where necessary to fund the acquisition and development of their real estate projects.

SM Prime's growth is largely dependent on its ability to construct profitable malls in new locations in the Philippines. The substantial majority of the aggregate net leasable area in these malls is dedicated to retail use, exposing SM Prime to risks relating to economic conditions in the Philippines such as trends in consumer spending, exchange rates and spending patterns of Overseas Filipino Workers ("OFWs") and their dependents, and the supply of, or demand from, tenants for retail space and other competing commercial malls. Declines in consumer spending and other factors that may result in lower demand for retail space could have a material adverse effect on SM Prime's ability to successfully operate and develop existing and future malls.

In addition, demand for new residential projects in the Philippines has fluctuated in the past as a result of prevailing economic conditions in both the Philippines and in other countries, such as the United States (including overall growth levels and interest rates), the strength of overseas markets (as a substantial portion of demand comes from OFWs and expatriate Filipinos), the political and security situation in the Philippines and other related factors.

General cyclical trends in the Philippines and international property markets, as well as significant uncertainties and volatilities in the domestic, regional and global economic conditions affecting those property markets, are expected to continue, and accordingly SM Prime's results of operations may fluctuate from period to period in accordance with those fluctuations. There can be no assurance that such variances will not have a material adverse effect on the business, financial condition and results of operations of SM Prime. As of 31 December 2023, the contribution of the Company's China operations to its consolidated revenue and net income is at 5% and 1%, respectively.

**SM Prime may face challenges of title to land.**

While the Philippines has adopted a system of land registration which is intended to conclusively confirm land ownership, and which is binding on all persons (including the Government), it is not uncommon for third parties to claim ownership of land that has already been registered and over which a title has been

issued. There have also been cases where third parties have produced false or forged title certificates over land. In particular, Quezon City, Metro Manila and the province of Cavite, have been known to experience problems with syndicates of squatters and forged or false title holders. Although SM Prime generally conducts extensive title searches before it acquires any parcel of land, from time to time it has defended itself against third parties who claim to be the rightful owners of land which has been either titled in the name of the persons selling the land to those companies or which has already been titled in those companies' names. In the event a greater number of similar third-party claims are brought against SM Prime in the future or any such claims involve land that is material to SM Prime's malls, residential developments and other real estate assets, SM Prime's management may be required to devote significant time and incur significant costs in defending against such claims. If any such claims are successful, SM Prime may have to either incur additional costs to settle such third-party claims or surrender title to land that may be material in the context of SM Prime's operations. In addition, title claims made by third parties against SM Prime may have an adverse effect on its reputation.

Furthermore, transfer of title in the Philippines in connection with real estate sales involves a series of registrations and filings, which can require several months to complete. As a result, SM Prime may in some instances occupy, operate or develop properties for which it has not yet completed all formalities in respect of perfecting title. There can be no assurance that third parties will not in the future challenge SM Prime's rights to properties in similar circumstances where title has not yet been perfected.

#### **SM Prime's rights and title to reclaimed land may be challenged.**

In 2002, the Supreme Court of the Philippines promulgated a decision in the case of *Francisco I. Chavez vs. Public Estates Authority and Amari Coastal Bay Development Corporation* (G.R. No. 133250) and ruled that Government-reclaimed lands form part of the public domain and consequently, cannot be acquired by private corporations without violating the Philippine Constitution. SM Prime (formerly SM Land/Shoemart) owns 60 hectares of reclaimed land along the coast of Manila Bay at the MOA complex, the acquisition of which was upheld in 1995 by the Court of Appeals, whose decision has long become final and has been executed. Title to a great majority of lots comprising the reclaimed land has since been registered under the name of SM Prime (formerly SM Land/Shoemart). SM Prime believes Shoemart acquired its reclaimed land in good faith and for value. The MOA complex is a 60 hectare master-planned bayside development in Pasay City with a total estimated land value of ₱209 billion as of 31 December 2021 based on the most recent fair value. The MOA Complex also houses some of SM Prime's residential developments such as the Sea Residences, Shell Residences, Shore 1 to 3 Residences, S Residences, Sail Residences and Ice Residences.

SM Prime's mixed-use development project in Cebu City, the SM Seaside City, also stands on reclaimed land of approximately 30 hectares with an acquisition cost of approximately ₱3,000 million. The mall in SM Seaside City is the city's largest mall, with a GFA of over 400,000 sq. m. It consists of a four-storey complex featuring a Cineplex, IMAX Theater, bowling center and ice-skating rink.

There is, however, no assurance that the title to the land where the MOA complex and the SM Seaside City is located will not be challenged and have an adverse impact on SM Prime's right and title to the reclaimed lands. Any such challenge, whether successful or not, may adversely affect its business, financial condition and results of operations. SM Prime, however, believes that any adverse effect of such challenge to its business will not materially impact SM Prime's ability to conduct its business or significantly affect its ability to operate.

In the event that it becomes subject of such challenge or lawsuit, SM Prime will defend its rights against such claims.

**SM Prime will continue to compete with other mall operators and commercial and residential developers.**

SM Prime competes with other developers and operators of shopping malls and other commercial properties and residential properties for tenants, sales customers, and land acquisition opportunities, among others.

SM Prime's malls compete with other similar malls. Increased competition could adversely affect income from, and the market values of, the malls. The income from, and market values of, the malls are largely dependent on the ability of the malls to compete against other retail malls in their area in attracting and retaining tenants. In addition, tenants at the malls face increasing competition from specialty stores, general merchandise stores, discount stores, warehouse outlets and street markets, which may affect the ability or willingness of such tenants to continue renewing their leases. Important factors that affect the ability of retail malls to attract or retain tenants include the popularity of the malls with retail customers, which is a function of the quality of the malls' existing tenants and the attractiveness of the building and the surrounding area. Attracting and retaining tenants and customers often involves refitting, repairing, or making improvements to mechanical and electrical systems and outward appearance. If competing malls of a similar type are built in the areas where the malls are located or similar malls in the vicinity of the malls are substantially updated and refurbished, the value and net income of the malls could be reduced.

SM Prime's income from, and market values of, its residential development projects is largely dependent on these projects' popularity when compared to similar projects in their areas, as well as on the ability of SM Prime to gauge correctly the market for its projects. Important factors that could affect SM Prime's ability to compete effectively include a project's relative location versus that of its competitors, particularly proximity to transportation facilities and commercial centers, as well as the quality of the housing and related facilities offered by SM Prime and the overall attractiveness of the project.

SM Prime's commercial investment property business competes with a number of commercial developers. Competition from other developers of neighboring commercial centers and office spaces may adversely affect SM Prime's ability to operate successfully its investment properties or attract and retain tenants, and continued development by these and other market participants could result in saturation of the market for office space. In addition, SM Prime's major competitors may have greater experience, financial resources, and more expertise in developing commercial properties and commercial leasing operations.

SM Prime's future growth and development will also depend, in part, on its ability to acquire or enter into agreements to develop additional tracts of land suitable for the types of mall, residential and commercial real estate projects that SM Prime has developed over the years. SM Prime may experience difficulty locating parcels of land of suitable size in locations and at prices acceptable to SM Prime, particularly parcels of land located in areas surrounding Metro Manila and in other urban areas throughout the Philippines. In the event SM Prime is unable to acquire suitable land at acceptable prices, or at all, its growth prospects could be limited and its business and results of operations could be adversely affected.

As a result of the foregoing, historical operating results of the malls may not be indicative of future operating results and historical market values of the malls may not be indicative of future market values. A failure by SM Prime to compete effectively against other developers and operators of malls and other commercial properties and residential properties could result in a loss of market share in the relevant sectors and corresponding decreases in revenues from rentals and property sales, which would in turn negatively impact SM Prime's businesses, financial condition, and results of operations.

**SM Prime is exposed to risks associated with the operation of its mall and commercial businesses.**

The operations of SM Prime's malls and commercial businesses are subject to risks relating to the ownership of properties for lease and the management of mall and commercial tenants. The performance of SM Prime's malls and commercial properties could be affected by a number of factors, including:

- the national and international economic climate;
- trends in the Philippine commercial and retail industry;
- ability to attract leading names in the retail market to SM Prime's mall and commercial developments;
- ability to anticipate the future technological and infrastructure needs of BPO tenants and effectively design properties to meet those needs;
- efficiency in collection, property management and tenant relations;
- non-renewal of expiring tenancies;
- amount of disposable income and consumer preference;
- competition for tenants;
- changes in market rental rates;
- the need to periodically renovate, repair and re-let space and the costs thereof;
- the quality and strategy of the management services provided; and
- SM Prime's ability to provide adequate security, maintenance and insurance.

In particular, SM Prime's commercial development projects comprise eighteen (18) office buildings catering primarily to tenants operating in the BPO industry. Adverse trends in the Philippines' BPO industry and competitive environment could result in the inability of existing BPO tenants to honor their lease commitments, as well as lower demand among potential BPO clients for vacant space.

If SM Prime is unable to lease its mall and commercial properties in a timely manner or collect rent at profitable rates or at all, this could materially and adversely affect SM Prime's business, financial condition and results of operations.

**SM Prime faces numerous risks including reputational risk and operational risks relating to its residential and commercial businesses.**

SM Prime's operations include the development and sale of residential properties and the development and lease of office and commercial properties. The property development business involves significant risks distinct from those involved in the ownership and operation of established properties, including the risk that SM Prime may invest significant time and money in a project that may not attract sufficient levels of demand in terms of anticipated sales or rentals at the expected take-up rate and which may not yield target returns as anticipated. In addition, obtaining required approvals and permits from various Philippine regulatory agencies may take substantially more time and resources than anticipated and construction of projects may not be completed on schedule or within budget.

The time and the costs involved in completing the development and construction of projects can be adversely affected by many factors, including shortages of materials, equipment and labor, adverse weather conditions, peso depreciation, natural disasters, labor disputes with contractors and subcontractors, accidents, changes in laws or in Government priorities and other unforeseen problems or circumstances. Any of these factors could result in project delays and cost overruns, which could negatively affect SM Prime's margins.

SM Prime's reputation could also be adversely affected if projects are not completed on time or if projects do not meet customers' requirements. If any of SM Prime's projects experience construction or

infrastructure failures, design flaws, significant project delays, quality control issues or otherwise, this could negatively affect its brand image and its ability to pre-sell its residential development projects. This would reduce cash flow and impair its ability to meet funding requirements.

Project delays, cost overruns and construction issues could also result in sales and resulting profits from a particular development not being recognized in the year in which it was originally expected to be recognized, which could adversely affect SM Prime's results of operations. Further, the failure by SM Prime to complete construction of a project to its planned specifications or schedule may result in cost overruns and possible abandonment of projects by contractors, as well as lower returns. Moreover, orders of the Philippine Department of Agrarian Reform ("DAR") allowing conversion of agricultural land for development may require a project to complete construction by a prescribed deadline. If SM Prime fails to complete construction of a project by the stated deadline, the DAR may revoke its order allowing the use of agricultural land for SM Prime's intended purpose.

**SM Prime is exposed to general risks associated with the ownership and management of real estate.**

Real estate investments are generally illiquid, limiting the ability of an owner or a developer to convert property assets into cash on short notice with the result that property assets may be required to be sold at a discount in order to ensure a quick sale. Such illiquidity will also limit the ability of SM Prime to manage its portfolio in response to changes in economic, real estate market or other conditions.

Property investment is also subject to risks incidental to the ownership and management of residential and commercial properties including, among other things: competition for tenants; oversupply of, or reduced demand for, retail, office and residential space; changes in market rents; inability to renew leases at favorable rates or at all; inability to collect rents due to insolvency of tenants, or otherwise as a result of their inability or refusal to comply with lease commitments as a result of adverse business conditions or other factors; inability to dispose of major investment properties for the values at which they are recorded; increased operating costs; the need to renovate, repair and re-let space periodically and to pay the associated costs; wars, terrorist attacks, riots, civil commotions and natural disasters; and other events beyond SM Prime's control.

SM Prime's activities may also be impacted by changes in laws and governmental regulations in relation to real estate, including those governing usage, zoning, taxes and government charges. Such revisions may lead to an increase in management expenses or unforeseen capital expenditure to ensure compliance. Rights related to the relevant properties may also be restricted by legislative actions, such as revisions to the laws relating to building standards or town planning laws, or the enactment of new laws relating to government appropriation, condemnation and redevelopment. For example, several of SM Prime's properties are registered as a Philippine Economic Zone ("PEZ"), which entitles them to certain benefits for the tenants that are located there, including tax advantages. If such properties were to lose their favorable PEZ status, these benefits may be lost. Any of these events could materially and adversely affect SM Prime's businesses, financial condition and results of operations.

**SM Prime's reputation may be affected by the operations of some of its affiliates.**

Actions taken that adversely impact the reputation of a given entity in the SM Group may also have an adverse impact on the SM Group as a whole. Several of the SM Group companies cross-sell products and coordinate marketing campaigns that associate them with other affiliated entities. If the reputation or corporate image of any of the companies in the SM Group were to suffer, the business, financial condition and results of operations of other SM Group companies, including SM Prime, could be materially and adversely affected.

In addition, there are numerous other SM Group companies which conduct business across varied industries, such as food and other retail merchandising and banking. Certain of these SM Group companies are also leaders in their respective markets. If any of such SM Group companies encounters difficulties (financial or otherwise), negative publicity or other issues, SM Prime's business reputation and financial condition may also be adversely affected.

**SM Prime is effectively controlled by the Sy family and their interests may differ significantly from the interests of other shareholders.**

The Sy family holds voting power over 15.44% of the outstanding share capital of SM Prime as of 31 December 2023. In addition, members of the Sy family currently hold three seats on the Board of Directors. As a result, the Sy family effectively controls SM Prime, including in relation to major policy decisions such as its overall strategic and investment decisions, dividend plans, capital raisings and other financings, mergers and disposals, amendments to its Articles of Incorporation and By-laws, election of members of its Board of Directors, appointment of its senior managers and other significant corporate actions.

The Sy family owns a variety of commercial interests aside from the controlling interest in SM Prime. Conflicts of interest may therefore arise between the Sy family, on the one hand, and SM Prime, on the other, in a number of areas, including:

- major business combinations involving SM Prime;
- plans to develop the businesses of SM Prime; and
- business opportunities that may be attractive to both the Sy family's other interests and to SM Prime.

There can be no assurance that the Sy family will not cause SM Prime to take actions which might differ from the interests of other shareholders of SM Prime.

**SM Prime may enter into and expects to enter into material agreements and other arrangements with the Sy family and its affiliated companies and persons.**

SM Prime may enter into and expects to enter into a number of material agreements and other arrangements with companies controlled by members of the Sy family and affiliated companies and persons. Transactions with related parties pose the risk of SM Prime entering into transactions on terms less favorable than could be obtained in arm's-length transactions with unrelated parties. In particular, Sy family-controlled companies operating in the retail and banking sectors account for a significant portion of the total rental revenue from SM Prime's malls and other commercial properties. Moreover, the Sy family could cause SM Prime to enter into transactions with SM Prime's affiliates on terms less favorable than could be obtained in arm's-length transactions with unrelated parties. Any such transactions could materially adversely affect SM Prime's business, financial condition and results of operations. For more information concerning related party transactions, see "Related Party Transactions", Note 19 to the audited consolidated financial statements.

**SM Prime's leasing operations depend on key tenants, which are affiliates of the SM Group.**

SM Prime derives a substantial portion of its rental income from affiliated tenants controlled by the Sy family. SM Prime also relies on anchor tenants, most of whom are affiliates of the SM Group, to maintain sufficient foot traffic at its malls and other retail properties. There can be no assurance that, despite their longstanding and symbiotic relationship with SM Prime, certain anchor tenants would not terminate their lease, which could adversely affect SM Prime's total rental revenue, nor can there be any assurance that SM Prime would be able to locate similar, suitable replacement tenants. Furthermore, there can be no assurance that such affiliated tenants will not relocate to another space or renegotiate leases on terms

more favorable to them. A partial or total loss of these tenants could have a material adverse effect on SM Prime's businesses, financial condition and results of operations.

**SM Prime depends on retaining the services of its senior management team and its ability to attract and retain talented personnel.**

SM Prime's senior management team, whose details are set out in "Board of Directors and Management of the Issuer" section of this Prospectus, is critical to its success, and the loss of the services of any key member of the team could have an adverse effect on SM Prime's strategy and operations.

SM Prime depends on its senior management team for the successful integration of its operations and execution of its business strategy. In the event one or more members of the team terminates his or her relationship with SM Prime, SM Prime may not be able to replace them within a reasonable period of time or with a person of equivalent expertise and experience, which could materially and adversely affect SM Prime's business, financial condition and results of operations.

**Malls and other commercial properties owned by SM Prime may be subject to an increase in operating and other expenses.**

SM Prime's financial condition and results of operations could be adversely affected if operating and other expenses relating to malls and other commercial properties increase without a corresponding increase in revenues or tenant reimbursements (where applicable) of operating and other expenses. Factors which could increase operating and other expenses include:

- increases in utility expenses;
- increases in payroll expenses;
- increases in property taxes and other statutory charges;
- increases in the rate of inflation;
- changes in the rate and expense of depreciation and amortization;
- changes in statutory laws, regulations or Government policies that increase the cost of compliance with such laws, regulations or policies;
- increases in management fees or sub-contracted service costs, such as maintenance and security;
- increases in insurance premiums; and
- defects affecting the malls which need to be rectified, leading to unforeseen capital expenditure.

Increased expenses resulting from the foregoing or other factors, to the extent not compensated by corresponding increases in revenues, could have a material adverse effect on SM Prime's businesses, financial condition and results of operations.

**SM Prime faces risks relating to the management of its land bank.**

SM Prime will need to acquire land for replacement and expansion of land inventory within its current markets. However, it may not be possible to acquire land in suitable locations and on commercially reasonable terms. These challenges are exacerbated by the highly competitive real estate industry in Metro Manila and its surrounding areas, where SM Prime competes with other real estate companies, some of which may have more resources than SM Prime, for land acquisition and the right to participate in land reclamation projects. There can be no assurance of reaching agreement in respect of the lease or purchase of any specific property or properties. In the event that SM Prime is unable to acquire suitable land, its growth prospects could be limited.

The risks inherent in purchasing and developing land increase as consumer demand for residential real estate decreases. The market value of land, subdivision lots and housing inventories can fluctuate significantly as a result of changing market conditions. There can be no assurance that measures employed to manage land inventory risks will be successful. In the event of significant changes in economic, political or market conditions, SM Prime may have to sell subdivision lots and housing and condominium units at significantly lower margins or at a loss. Changes in economic or market conditions may also require SM Prime to defer the commencement of housing and land development projects, which would require carrying the cost of acquired but undeveloped land on-balance sheet, as well as reducing the amount of property available for sale. Any of the foregoing events would have a material adverse effect on SM Prime's business, financial condition and results of operations.

**SM Prime operates in a highly regulated environment and it is affected by the development and application of regulations in the Philippines.**

The Philippines property development industry is highly regulated. The development of condominium, subdivision and other residential projects, commercial projects and land reclamation projects is subject to a wide range of government regulations, which, while varying from one locality to another, typically include zoning considerations as well as the requirement to procure a variety of environmental and construction-related permits. In addition, for projects that are to be located on agricultural land, a land use conversion order must be secured from DAR so that the land can be used for non-agricultural purposes (i.e., residential or commercial), and, in certain cases, tenants occupying agricultural land may have to be relocated at a developer's expense. Presidential Decree No. 957, as amended, ("P.D. 957"), Republic Act No. 4726, as amended, ("R.A. 4726"), Republic Act No. 6552 (the "Maceda Law") and Batas Pambansa Blg. 220 ("B.P. 220") are the principal statutes which regulate the development and sale of real property as part of a condominium or subdivision project. P.D. 957, R.A. 4726 and B.P. 220 cover subdivision projects for residential, commercial, industrial or recreational purposes and condominium projects for residential or commercial purposes. The Maceda Law governs the sale of property on installment. The Department of Human Settlements and Urban Development ("DHSUD") (formerly, the Housing and Land Use Regulatory Board or "HLURB") is the administrative agency of the Government which enforces these statutes. Regulations applicable to SM Prime's operations include among others:

- the suitability of the site;
- road access;
- necessary community facilities;
- open spaces and common areas;
- water supply;
- sewage disposal systems;
- electricity supply; and
- unit/lot sizes.

Since 2008, HLURB, now DHSUD, has required all property developers in the Philippines to partake in the development of socialized housing projects. Under Section 18 of the Republic Act No. 7279, developers of subdivision projects are required to develop an area for socialized housing equivalent to at least 20% of the total subdivision area or total subdivision project cost, at the option of the developer, within the same city or municipality, whenever feasible, and in accordance with the standards set by HLURB, now DHSUD, and other existing laws. Property developers are not allowed to buy credits from property firms already involved in socialized housing development, rather, they are required to comply with the rule by participating in: a) development of settlement; b) slum upgrading or renewal of areas for priority development either through zone improvement programs or slum improvement and resettlement programs; c) joint venture projects with either local government units ("LGUs") or any of the housing agencies; or d) participation in the community mortgage program. If SM Prime does not comply with this

requirement, it may be subject to fines or other sanctions which would adversely impact its business and results of operations.

All condominium and subdivision development plans are also required to be filed with and approved by the LGU with jurisdiction over the area where the project is located. Approval of development plans is conditioned on, among other things, completion of the acquisition of the project site and the developer's financial, technical and administrative capabilities. Alterations of approved plans that affect significant areas of the project, such as infrastructure and public facilities, also require prior approval of the relevant LGU. There can be no assurance that SM Prime will be able to obtain governmental approvals for its projects or that, when given, such approvals will not be revoked.

In addition, developers, owners of or dealers in real estate projects are required to obtain licenses to sell before making sales or other dispositions of condominium units, subdivision lots and housing units.

Project permits and any license to sell may be suspended, cancelled or revoked by HLURB, now DHSUD, based on its own findings or upon complaint from an interested party, and there can be no assurance that SM Prime will in all circumstances receive the requisite approvals, permits or licenses or that such permits, approvals or licenses will not be cancelled or suspended. Any of the foregoing circumstances or events could affect SM Prime's ability to complete projects on time, within budget or at all, and could materially and adversely affect SM Prime's business, financial condition and results of operations.

**Zoning restrictions and local opposition may delay or preclude construction.**

In order to develop a property on a particular site, the zoning of such site must permit the development of the intended type of residential, office and/or retail activities. In instances where the existing zoning is not suitable or in which the zoning has yet to be determined, SM Prime will be required to apply for the required zoning classifications. This procedure may be protracted, particularly where the bureaucracy is cumbersome and inefficient, and there can be no assurance that the process of obtaining proper zoning will be completed with sufficient speed to enable the residential, office and/or retail developments to be completed ahead of any competitor development, or at all. Opposition by local residents to zoning and/or building permit applications may also cause considerable delays. SM Prime's plans to build on reclaimed land in the future may also face public opposition. In addition, arbitrary changes to applicable zoning by the relevant authorities may jeopardize projects that have already commenced. Therefore, a failure by SM Prime to receive zoning approvals, or delays in the receipt of such zoning approvals, could result in increased costs, which could have a material adverse effect on SM Prime's businesses, financial condition and results of operations.

**Infringement of intellectual property rights could have a material adverse effect on SM Prime's business.**

Upon commencement of development of new projects, SM Prime generally files applications for the registration of intellectual property rights with respect to the names of certain of its real estate products, as well as for trademarks.

There can be no assurance that such applications will be approved or that the actions SM Prime has taken will be adequate to prevent third parties from using its corporate brands and logos, or from naming brands or developments using the same brands that SM Prime will use. In addition, there can be no assurance that third parties will not assert rights in, or ownership of, the trademarks and other intellectual property rights of SM Prime. SM Prime believes that the reputation and track record established under its intellectual property rights such as the "SM" name (which, together with other SM trademarks and logos, is owned by SMIC and its affiliated companies) is a key to future growth, and accordingly, SM Prime's business, financial condition and results of operations may be materially and adversely affected by the infringing use of the

"SM" and related brand names by third parties, or if in any way SM Prime is restricted from using such marks.

**Land and/or real property may be subject to compulsory acquisition.**

Under Philippine law, the Government, in the exercise of its power of expropriation, can acquire any private land in the Philippines for public use or for any other public benefit or interest. Accordingly, in the event that land is compulsorily acquired from SM Prime, SM Prime's businesses, financial condition and results of operations could be adversely affected.

In addition, real property and/or land owned by SM Prime and located outside of the Philippines may be compulsorily acquired by the respective governments of the countries in which they are located for public use or for public interest.

While the owner of such real property that has been compulsorily acquired may be compensated in accordance with the laws of the respective jurisdictions, such compensation may be less than its market value. Thus, any instance of land being compulsorily acquired from SM Prime may materially and adversely affect SM Prime's business, financial conditions and results of operations.

**Fluctuations in interest rates, changes in Government borrowing patterns and Government regulations could have a material adverse effect on SM Prime's and its customers' ability to obtain financing.**

Interest rates, and factors that affect interest rates, such as the Government's fiscal policy, could have a material adverse effect on SM Prime and the demand for its products. For example:

1. In connection with SM Prime's property development business generally, higher interest rates make it more expensive to borrow funds to finance ongoing projects or to obtain financing for new projects.
2. In connection with SM Prime's core residential development business, a substantial portion of SM Prime's customers procure financing to fund their property purchases, thus higher interest rates make financing, and therefore purchases of real estate, more expensive, which could adversely affect the demand for SM Prime's residential projects.
3. If the Government significantly increases its borrowing levels in the domestic currency market, this could increase the interest rates charged by banks and other financial institutions and also effectively reduce the amount of bank financing available to both prospective property purchasers and real estate developers, including SM Prime.
4. SM Prime's access to capital and its cost of financing are also affected by restrictions, such as single borrower limits, imposed by the BSP on bank lending. If SM Prime were to reach the single borrower limit with respect to any of its primary lenders, it may have difficulty obtaining financing with reasonable rates of interest from other banks. SM Prime is approaching the single borrower limit with certain of the banks from which it obtains financing, and as a result, SM Prime expects to make more use of alternative sources of financing in the future, which may have a higher cost of funding or be on terms less favorable than its existing financing arrangements.

The occurrence of any of the foregoing events, or any combination of them, or of any similar events, could materially and adversely affect SM Prime's business, financial condition and results of operations.

### **SM Prime faces risks inherent in joint venture structures and/or funds.**

SM Prime has interests in joint venture entities and/or funds in connection with its property development and investment plans, including integrated developments. Disagreements may occur between SM Prime, on the one hand, and their joint venture partners and/or third-party fund investors, as the case may be, regarding the business and operations of the joint ventures and/or funds which may not be resolved amicably. In addition, joint venture partners and/or third-party fund investors may (i) have economic or business interests or goals that are inconsistent with those of SM Prime; (ii) take actions contrary to SM Prime's instructions, requests, policies or objectives; (iii) be unable or unwilling to fulfill their obligations; (iv) have financial difficulties; or (v) have disputes as to the scope of their responsibilities and obligations.

Additionally, in light of the current economic climate, joint venture partners or third-party fund investors (i) may not be able to fulfill their respective contractual obligations (for example, they may default in making payments during future capital calls or capital raising exercises); or (ii) may experience a decline in their creditworthiness. The occurrence of any of these events may materially and adversely affect the performance of joint ventures and/or funds, which in turn may materially and adversely affect SM Prime's performance.

### **Construction defects and other building-related claims may be asserted against SM Prime, and SM Prime may be subject to liability for such claims.**

Philippine law provides that property developers, such as SM Prime, warrant the structural integrity of residential developments that were designed or built by them for a period of fifteen (15) years from the date of completion of the development. SM Prime may also be held responsible for hidden (i.e., latent or non-observable) defects in a residential property sold by it when such hidden defects render the property unfit for the use for which it was intended or when its fitness for such use is diminished to the extent that the buyer would not have acquired it or would have paid a lower price had the buyer been aware of the hidden defect.

This warranty may be enforced within six (6) months from the delivery of the residential property to the buyer. In addition, Republic Act No. 6541, as amended, or the National Building Code of the Philippines (the "Building Code"), which governs, among other things, the design and construction of buildings, sets certain requirements and standards with which SM Prime must comply. SM Prime or its officials may be held liable for administrative fines or criminal penalties in the case of any violation of the Building Code.

There can be no assurance that SM Prime will not be held liable for damages, the cost of repairs, and/or the expense of litigation surrounding possible claims or that claims will not arise out of uninsurable events, such as landslides or earthquakes, or circumstances not covered by SM Prime's insurance. If these damages are not covered by warranty and indemnification clauses in SM Prime's agreements with contractors, the resulting liabilities could have an adverse effect on SM Prime's business, financial condition and results of operations.

### **SM Prime may suffer material losses in excess of insurance proceeds.**

SM Prime's portfolio of malls, residential properties and other real estate assets could suffer physical damage caused by fire, flooding, typhoons, earthquakes or other causes, or third-party liability claims, any of which could result in losses (including loss of rent) which may not be fully compensated for by insurance. SM Prime may also be exposed to liability for damages or injuries from accidents occurring on its properties. In addition, certain types of risks and insurance cover (such as war risk and acts of terrorism) may be uninsurable or the cost of insurance may be prohibitive when compared to the risk. Should an uninsured loss or a loss in excess of insured limits occur, SM Prime could lose capital invested in the affected property as well as any anticipated future revenue from such property, and may also remain liable for any debt or

other financial obligation related to such property. No assurance can be given that material losses in excess of insurance proceeds will not occur in the future.

**SM Prime faces property development risk.**

The property development business involves significant risks distinct from those involved in the ownership and operation of established properties, including the risks that Government approvals may take more time and resources to obtain than expected; that construction may not be completed on schedule or budget; and that the properties may not achieve anticipated sales, rents or occupancy levels.

In addition, development projects typically require substantial capital expenditure during construction and it may take years before property projects generate cash flows. There is the risk that financing for development may not be available under favorable terms, or that construction may not be completed on schedule or within budget. The time and the costs involved in completing construction can be adversely affected by many factors, including shortages of materials, equipment and labor; adverse weather conditions; natural disasters; labor disputes with contractors and subcontractors; accidents; changes in Government priorities; and unforeseen problems or circumstances. The occurrence of any of these factors could give rise to delays in the completion of a project and result in cost overruns. This may also result in the profit on development for a particular property not being recognized in the year in which it was originally anticipated to be recognized, which could adversely affect the Company's profits recognized for that year. Further, the failure by the Company or any of its subsidiaries to complete construction of a project to its planned specifications or schedule may result in liabilities, reduced project efficiency and lower returns. No assurance can be given that such events will not occur in a manner that would adversely affect the results of operations or financial condition of the Company.

Furthermore, properties presently in the name of SM Prime or those acquired in the future may be subject to various lawsuits and/or claims, which, if resolved against the Company, will result in the loss or reduction in size of the particular property subject of the lawsuit.

To mitigate these risks, the Company ensures that its project developments are carefully planned. The Company relies on the services of reputable, high quality, independent contractors for their projects and maintains good business relationships with these contractors. The Company adheres to the strategy of developing each project in phases to minimize exposure to such risks. Further, each company keeps within a conservative level of leverage. Although the current liquidity and depth of the Philippine credit market renders funding risk as unlikely, the companies have unutilized credit lines as buffer for unanticipated requirements. The companies also ensure that all required governmental approvals are obtained and kept updated on any developments in regulations concerning the real estate industry.

**SM Prime will continue to face certain risks related to the cancellation of sales involving its residential projects.**

SM Prime's operations involving the development and sale of residential real estate could be adversely affected in the event that a material number of condominium unit, subdivision lot or house and lot sales are cancelled. SM Prime's transactions are subject to the Maceda Law, which applies to all transactions or contracts involving the sale or financing of real estate through installment payments paid to the developer, including residential condominium units (but excluding industrial and commercial lots). Under the Maceda Law, buyers who have paid at least two (2) years of installments are granted a grace period of one (1) month for every year of paid installments to cure any payment default. A buyer is given such a right only once every five (5) years during the life of the contract and its extensions, if any. If the contract is cancelled, the buyer is entitled to receive a refund of at least 50% of the total payments made by the buyer. Buyers who have paid less than two (2) years of installments and who default on installment payments are given

a sixty (60)-day grace period to pay all unpaid installments before the sale can be cancelled, but without the right of refund.

While historically SM Prime has not experienced a material number of cancellations to which the Maceda Law has applied, there can be no assurance that SM Prime will not experience a material number of cancellations in the future, particularly during slowdowns or downturns in the Philippine economy, periods when interest rates are high or similar situations or if SM Prime fails to meet the construction schedules of launched projects. In the event SM Prime does experience a material number of cancellations, it may not have enough funds on hand to pay the necessary cash refunds to buyers, or it may have to incur indebtedness in order to pay such cash refunds. In addition, particularly during an economic slowdown or downturn, there can be no assurance that SM Prime would be able to resell the same property at an acceptable price or at all. Any of the foregoing events would have a material adverse effect on SM Prime's business, financial condition and results of operations.

From time to time, SM Prime will commence construction of a condominium project or house even before the full amount of the required down payment is made and thus, before the sale is recorded as revenue. SM Prime will therefore risk having expended cash to begin construction of the condominium project or the house before being assured that the sale will eventually be booked as revenue, particularly if the buyer is unable to complete the required down payment and SM Prime is unable to find another purchaser for such property.

There can be no assurance that SM Prime will not suffer from substantial sales cancellations and that such cancellations will not materially and adversely affect SM Prime's business, financial condition and results of operations.

**The loss of certain tax exemptions and incentives for residential home sales may increase the price of SM Prime's residential units and may lead to a reduction in sales.**

SM Prime's customers benefits from provisions under Philippine law and regulations which exempt sales of residential lots with a gross selling price of ₱1,500,000 and below and sales of residential houses and lots with a gross selling price of ₱2,500,000 and below from the value-added tax ("VAT") of 12.0%. Beginning 1 January 2021, the VAT exemption shall only apply to sale of real properties not primarily held for sale to customers or held for lease in the ordinary course of trade or business, sale of real property utilized for socialized housing as defined by Republic Act No. 7279, sale of house and lot and other residential dwellings with selling price of not more than ₱3,600,000 based on the latest BIR regulations, and subject to readjustment every three (3) years thereafter. However, if two or more adjacent lots, or houses and lots, are sold to one buyer from the same seller for the purpose of utilizing them as one residential area, the sale shall be exempt from VAT only if the aggregate value of the properties does not exceed the threshold prices for exemption. Adjacent lots or houses and lots sold to the same person shall be presumed to be a sale of one residential area although covered by separate titles and/or tax declarations and by separate deeds of conveyance. In the event that sales become subject to VAT, due to a change in Government policy or otherwise, the purchase prices for SM Prime's subdivision lots and housing and condominium units will increase and this could adversely affect its sales. Because taxes such as the VAT are expected to have indirect effects on SM Prime's results of operations by affecting general levels of spending in the Philippines and the prices of subdivision lots and houses, any adverse change in the Government's VAT-exemption policy could have an adverse effect on SM Prime's results of operations.

**A domestic asset price bubble could adversely affect the Company's business.**

One of the risks inherent in any real estate property market is the possibility of an asset price bubble. This occurs when there is a gross imbalance between the supply and demand in the property market, causing an unusual increase in asset prices, followed by a drastic drop in prices when the bubble bursts. In the

Philippines, the growth of the real estate sector is mainly driven by low interest rates, robust remittances from Overseas Filipino Workers, and the continued growth of the Business Process Outsourcing sector.

The Company believes that the Philippine property sector is adequately protected against a domestic asset price bubble burst. The country has a very young demographic profile benefitting from rising disposable income. It likewise remains to be one of the fastest growing emerging economies in the Asia Pacific region, registering gross domestic product ("GDP") growth rates of 6.2% in 2018 and 5.9% in 2019 and the growth in the property sector is largely supported by infrastructure investments from both the public and private sectors and strong macroeconomic fundamentals. Due to business disruptions brought about by the COVID-19 pandemic, the Philippine GDP contracted by 9.5% in 2020. However, it should be noted that the gradual reopening of the country's economy resulted to a 5.6% growth in 2021, 7.6% growth in 2022, and 5.6% growth in 2023. For 2024, the target GDP growth range of the Government is 6.5% to 7.5%.

There can be no assurance however, that the Philippines will achieve strong economic fundamentals in the future. Changes in the conditions of the Philippine economy could materially and adversely affect the Company's business, financial condition and results of operations.

## **RISKS RELATING TO THE PHILIPPINES**

**Substantially all of the Company's operations and assets are based in the Philippines; a slowdown in economic growth in the Philippines could materially adversely affect its businesses.**

Historically, the Company has derived a large majority of its revenue and operating profits from the Philippines and, as such, is highly dependent on the state of the Philippine economy. Demand for retail, commercial and residential real estate are all directly related to the strength of the Philippine economy (including its overall growth and income levels), the overall levels of business activity in the Philippines, as well as the amount of remittances received from OFWs and overseas Filipinos.

Factors that may adversely affect the Philippine economy include:

- decreases in business, industrial, manufacturing or financial activities in the Philippines, the Southeast Asian region or globally;
- scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines, the Southeast Asian region or globally;
- exchange rate fluctuations;
- inflation or increases in interest rates;
- levels of employment, consumer confidence and income;
- changes in the Government or of the Government's fiscal and regulatory policies;
- public health epidemics or outbreaks of diseases;
- natural disasters, including but not limited to tsunamis, typhoons, earthquakes, fires, floods and similar events;
- political instability, terrorism or military conflict in the Philippines, other countries in the region or globally; and
- other social, political or economic developments in or affecting the Philippines.

There can be no assurance that the Philippines will achieve strong economic fundamentals in the future. Changes in the conditions of the Philippine economy could materially and adversely affect the Group's business, financial condition and results of operations.

**Any political instability in the future may have a negative effect on SM Prime's financial results.**

The Philippines has from time to time experienced political and social and instability.

The Company may be affected by political and social developments in the Philippines and changes in the political leadership and/or government policies in the Philippines. Such political or regulatory changes may include (but are not limited to) the introduction of new laws and regulations that could impact the Company's business.

The elections held on 9 May 2022, resulting in the presidential election of Ferdinand R. Marcos Jr., may result to developments that may impact the Company's operations. There can be no assurance that the current administration will continue to implement the economic policies favored by the previous administration. Major deviations from the policies of the previous administration or fundamental change of direction, including with respect to Philippine foreign policy, may lead to an increase in political or social uncertainty and instability. Any potential instability could have an adverse effect on the Philippine economy, which may impact the Company's business, prospects, financial condition, and results of operations.

No assurance can be given that the future political environment in the Philippines will be stable or that current or future Governments will adopt economic policies conducive to sustaining economic growth. Political instability in the Philippines could negatively affect the general economic conditions in the Philippines which could have a material impact on the financial results of the Group. In addition, such adverse factors may affect the Philippine tourism industry, which is the focus of one element of the Group's growth strategy.

Historically, the Group has remained apolitical and cooperates with the country's duly constituted government. The Group supports and contributes to nation-building.

**SM Prime's businesses may be disrupted by terrorist acts, crime, and natural disasters or fears of such occurrences in Metro Manila or other parts of the Philippines.**

The Philippines has been subject to a number of terrorist attacks in the past several years. The Philippine army has been in conflict with the Abu Sayyaf organization, which has been responsible for kidnapping and terrorist activities in the Philippines and is alleged to have ties to the Al-Qaeda terrorist network. There have also been sporadic bombings and prominent kidnappings and slayings of foreigners in the Philippines, including the hijacking of a tourist bus carrying Hong Kong tourists that resulted in the deaths of several passengers.

There can be no assurance that the Philippines will not be subject to further acts of terrorism and violence in the future. Terrorist attacks have, in the past, had a material adverse effect on investment and confidence in, and the performance of, the Philippine economy and, in turn, the Company's business. The Company's current insurance policies do not cover terrorist attacks. Any terrorist attack or violent acts arising from, and leading to, instability and unrest, could cause interruption to parts of the Company's businesses and materially and adversely affect the Company's financial condition, results of operations and prospects.

The Philippines has experienced a number of major natural catastrophes in recent years, including typhoons, volcanic eruptions, earthquakes, mudslides, and droughts. Natural catastrophes may disrupt the Company's ability to deliver its services and impair the economic conditions in the affected areas as well as the overall Philippine economy. Furthermore, there is growing political and scientific consensus that emissions of greenhouse gases continue to alter the global atmosphere in ways that are affecting the global climate. These effects may include changes in temperature levels which may in turn bring about changes in weather patterns (including storm frequency and intensities, drought and rainfall levels), and ultimately,

changes that may negatively affect global water and food security. Climate change and geohazards also remain as threats as evidenced by the heavy floods brought about by major typhoons and the eruption of Taal Volcano in 2020.

It is not possible to predict the extent to which the Company's various businesses will be affected by any future occurrences of natural calamities or fears that such occurrences will take place, and there can be no assurance that any disruption to its businesses will not be protracted, that property will not be damaged and that any such damage will be completely covered by insurance or at all. Any such occurrences may disrupt the operations of the Company's businesses and could materially and adversely affect their business, financial condition and results of operations. Further, any such occurrences may also destabilize the Philippine economy and business environment, which could also materially and adversely affect the Company's financial position and results of operations.

**Volatility in the value of the Peso against the U.S. dollar and other currencies could adversely affect SM Prime's businesses.**

The Philippine economy has from time to time experienced volatility in the value of the Peso and limited availability of foreign exchange. In July 1997, the BSP announced that the Peso can be traded and valued freely on the market. As a result, the value of the Peso underwent significant fluctuations between July 1997 and December 2004 and the Peso declined from approximately ₱29.00 to U.S.\$1.00 in July 1997 to ₱56.18 to U.S.\$1.00 by December 2004. As of 31 December 2023, according to BSP data, the Peso has appreciated by 0.99% to ₱55.57 per U.S.\$1.00 from ₱56.12 per U.S.\$1.00 as at 31 December 2022.

Reduced risk appetite for emerging market assets could also result in a decline in value of the Peso as investors move their portfolios out of emerging markets. Intervention in the currency markets as well as changes in demand for the Peso could result in volatility in the value of the Peso against the U.S. dollar and other currencies.

The revenues of the Company are predominantly denominated in Pesos, while certain expenses, including fixed debt obligations, are denominated in currencies other than Pesos. Certain of the Company's borrowings are denominated in US dollars and China renminbi and accordingly, the Company is exposed to fluctuations in the Peso to US dollar and other foreign currency exchange rates. A depreciation of the Peso against the US dollar and other foreign currencies will increase the amount of Peso revenue required to service foreign currency denominated debt obligations.

There can be no assurance that the Peso will not depreciate further against other currencies and that such depreciation will not have an adverse effect on the Philippine economy and on the Company's businesses.

In addition, changes in currency exchange rates may result in significantly higher domestic interest rates, liquidity shortages and capital or exchange controls. This could result in a reduction of economic activity, economic recession, sovereign or corporate loan defaults, lower deposits and increased cost of funds. The foregoing consequences, if they occur, would have a material adverse effect on the Company's financial condition, liquidity and results of operations.

As a policy, the Company does not engage in foreign currency speculation. Furthermore, the Company minimizes foreign exchange exposure and fully hedges its foreign currency liabilities.

**Tensions with China and other neighboring countries may adversely affect the Philippine economy and business environment.**

The Philippines, Vietnam and several Southeast Asian nations have been engaged in a series of longstanding territorial disputes with China and other Southeast Asian countries over certain territories in the West Philippine Sea, also known as the South China Sea. The Philippines' efforts at bilateral talks with

China failed, and thus the dispute remains unresolved. Actions taken by both sides have threatened to disrupt trade and other ties between the two countries, including a temporary ban by China on Philippine banana imports and a temporary suspension of tours to the Philippines by Chinese travel agencies. In January 2013, the Philippines initiated arbitral proceedings before a tribunal under the United Nations Convention on the Law of the Sea (“UNCLOS”), in which China refused to participate.

On 20 June 2015, the Government, through the Department of Foreign Affairs, issued a statement reiterating its serious concern that China’s reclamation and construction activities in a disputed part of the West Philippine Sea grossly violate the 2002 ASEAN-China Declaration on the Conduct of Parties in the South China Sea (“DOC”) and may serve to escalate the disputes and undermine efforts to promote peace, security, and stability. In the same statement, the Philippines called on China anew to heed calls from the region and the international community to exercise self-restraint in the conduct of activities pursuant to Paragraph 5 of the DOC. On 17 May 2016, then President Aquino issued Memorandum Circular No. 94 s. 2016 creating a National Task Force for the West Philippine Sea, to secure the country’s sovereignty and national territory and to preserve marine wealth in its waters and the exclusive economic zone, thereby reserving use and enjoyment of the West Philippine Sea exclusively for Filipino citizens.

In July 2016, the UNCLOS tribunal rendered a decision stating that the Philippines has exclusive sovereign rights over the West Philippine Sea (in the South China Sea) and that China’s “nine-dash line” claim is invalid. Despite the decision, the Chinese Government has maintained its position that the Tribunal has no jurisdiction over the dispute, and thus, the decision is not binding on the Chinese Government. In 2017, the Chinese Government successfully registered names for five undersea features found in the Philippine Rise (formerly Benham Rise) with the International Hydrographic Organization. This is despite the decision that the United Nations Commission on the Limits of the Continental Shelf had already granted the Philippines full territorial claim to the Philippine Rise in April 2012. While the Philippine Government downplayed the Chinese names, the Philippines’ central mapping agency sought the assistance of the Department of Foreign Affairs for the nullification of the Chinese names for underwater features from the International Hydrographic Organization-Intergovernmental Oceanographic Commission General Bathymetric Chart of the Oceans (“IHOIOC GEBCO”) Sub-Committee on Undersea Feature Names (“SCUFN”). Such request to nullify the decision, however, was denied by the IHOIOC GEBCO SCUFN. On separate occasions in 2023, the Chinese Coast Guard was reported to have been involved in the purported harassment of a Philippine Coast Guard vessel in the Ayungin Shoal in the West Philippine Sea, as well as in the installment of a floating barrier near the Bajo de Masinloc (Scarborough Shoal) in the West Philippine Sea in an attempt to prevent Filipino fishermen from entering the Scarborough Shoal.

There had been other occurrences of territorial disputes with Malaysia and Taiwan. In March 2013, several hundred armed Filipino Muslims illegally entered Malaysia in a bid to enforce an alleged historical claim on the territory. Clashes between the Filipino Muslim individuals and the Malaysian armed forces resulted in casualties on both sides. Taiwan imposed economic sanctions on the Philippines as a result of an incident in May 2013, whereby a Taiwanese fisherman was unintentionally killed by a Philippine coast guard ship that opened fire on his vessel in a disputed exclusive economic zone between Taiwan and the Philippines. The sanctions were eventually lifted after a formal apology was issued by the Philippine government.

Should territorial disputes between the Philippines and other countries in the region continue or escalate further, the Philippines and its economy may be disrupted and the Company’s operations could be adversely affected as a result.

## **Corporate governance and disclosure standards in the Philippines may differ from those in more developed countries.**

While a principal objective of the Philippine securities laws, SEC regulations and PSE disclosure rules is to promote full and fair disclosure of material corporate information, there may be less publicly available information about Philippine public companies, such as the Issuer, than is regularly made available by public companies in the United States and other countries. The Philippines securities market is generally subject to less strict regulatory oversight than securities markets in more developed countries. Improper trading activities could affect the value of securities and concerns about inadequate investor protection may limit participation by foreign investors in the Philippine securities market. Furthermore, although the Issuer complies with the requirements of the SEC and PSE with respect to corporate governance standards, these standards may differ from those applicable in other jurisdictions. For example, the Philippine Securities Regulation Code requires the Issuer to have at least two independent directors or such number of independent directors as is equal to 20% of the Board, whichever is the lower number. The Issuer currently has three independent directors. Many other jurisdictions require significantly more independent directors.

SM Prime has been receiving awards consistently for good corporate governance, the latest of which is the Five Golden Arrow Award, the highest corporate governance distinction in the Golden Arrow Recognition organized by the Institute of Corporate Directors, in partnership with the SEC, held in 2023. Further, SM Prime bagged the Best Diversity, Equity and Inclusion (DEI) in the Philippines (Gold) and Best ESG Company in the Philippines (Silver) at the 2023 FinanceAsia Best Managed Companies Awards and the Best Environment Responsibility and Best Investor Relations Company at the 13th Asian Excellence Award of Corporate Governance Asia.

## **RISKS RELATING TO THE DEBT SECURITIES**

### **The priority of debt evidenced by a public instrument.**

Under Philippine law, in the event of liquidation of a company, an unsecured debt of the company (including guarantees of debt) which is evidenced by a public instrument, as provided in Article 2244(14) of the Civil Code of the Philippines, will rank ahead of unsecured debt of the company which is not so evidenced. Under Philippine law, a debt becomes evidenced by a public instrument when it has been acknowledged before a notary or any person authorized to administer oaths in the Philippines. Although the position is not clear under Philippine law, it is possible that a jurat (which is a statement of the circumstances in which an affidavit was made) may be sufficient to constitute a debt evidenced by a public instrument. So far as the Issuer is aware, none of its debt is evidenced by a public instrument and the Issuer will undertake in the terms and conditions of the Debt Securities to use its best endeavors not to incur such debt. Any such debt evidenced by a public instrument may, by mandatory provision of law, rank ahead of the Debt Securities in the event of the liquidation of the Issuer.

As a policy, SM Prime's borrowings are clean and are not collateralized by its assets, except for debts that are required by law to be secured.

### **An active trading market for the Debt Securities may not develop.**

The Debt Securities are a new issue of securities for which there is currently no trading market. Even if the Debt Securities are listed on the PDEX, trading in securities such as the Debt Securities may be subject to extreme volatility at times, in response to fluctuating interest rates, developments in local and international capital markets and the overall market for debt securities among other factors. Although certain offers are intended to be listed on PDEX as soon as reasonably practicable, no assurance can be given that an active trading market for the debt securities will develop and, if such a market were to develop the Joint Issue

Managers and the Joint Lead Underwriters and Bookrunners are under no obligations to maintain such a market. The liquidity and the market prices for the Debt Securities can be expected to vary with changes in market and economic conditions, the financial position and prospects of the Company and other factors that generally influence the market prices of securities.

The Company has no control over this risk as active trading of the Debt Securities is highly dependent on the bondholders. The Group actively cooperates in efforts aimed at improving the capital markets in the Philippines.

**The Issuer may be unable to redeem the Debt Securities.**

At maturity, the Issuer will be required to redeem all of the Debt Securities. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Debt Securities in time, or on acceptable terms, or at all. The ability to redeem the Debt Securities in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Debt Securities by the Issuer would constitute an event of default under the Debt Securities, which may also constitute a default under the terms of other indebtedness of the Issuer.

The Issuer has a very strong business franchise in the Philippines. It has a strong recurring cash flow and maintains a low debt-equity ratio and a high level of liquidity in its balance sheet. The Issuer believes that it has sufficient resources which will allow it to service the principal and interest of the Debt Securities.

**Investors may be subject to reinvestment risk.**

Prior to the Maturity Date, the Issuer shall have the right, but not the obligation, to redeem in whole (but not in part), the outstanding Debt Securities on any Optional Redemption Date (see "Description of the Debt Securities – Optional Redemption"). In the event that the Issuer exercises this redemption option, all Debt Securities will be redeemed, and the Issuer would pay the amounts to which relevant investors would be entitled.

The Issuer may purchase the Debt Securities at any time in the open market or by tender or by contract, in accordance with the PDEX Rules, as may be amended from time to time, without any obligation to make pro rata purchases from all investors. The Debt Securities so purchased shall be redeemed and cancelled and may not be re-issued (see "Description of the Debt Securities – Purchase and Cancellation").

Following such forms of purchase, there can be no assurance that investors in the redeemed Debt Securities will be able to reinvest such amounts in securities that would offer a comparative or better yield or terms, at such time.

**There can be no assurance that the rating of the Debt Securities will be retained over its life.**

There is no assurance that the rating of the relevant Debt Securities will be retained throughout its life. The rating is not a recommendation to buy, sell, or hold securities and may be subject to revision, suspension, or withdrawal at any time by the assigning rating organization.

## USE OF PROCEEDS

*The use of proceeds for each succeeding Tranche shall be set out in the relevant Offer Supplement.*

The Issuer estimates that the net proceeds from the issuance of the Bonds, without the Oversubscription Option, is approximately ₱19,770 million after deducting fees, commissions and expenses. Assuming the Oversubscription Option of up to ₱5,000 million is fully exercised, the Issuer expects total net proceeds of approximately ₱24,716 million after deducting fees, commissions and expenses.

Net proceeds from the Offer are estimated to be at least as follows:

<b>For a ₱20.0 billion Issue Size</b>		
Estimated proceeds from the sale of Bonds		₱20,000,000,000
Less: Estimated expenses		
Documentary Stamp Tax	150,000,000	
SEC Registration Expenses	6,880,655	
Underwriting and Selling Fees <sup>1</sup>	64,516,129	
Auditor's Fees	2,400,000	
Rating Fee	3,600,000	
Listing Application Fee	450,000	
Trustee Fees	250,000	
Paying Agency and Registry Fees	762,500	
Miscellaneous fees <sup>2</sup>	800,000	229,659,284
Estimated net proceeds for ₱20.0 billion Issue		₱19,770,340,716
<b>For the ₱5.0 billion Oversubscription Option</b>		
Estimated proceeds from the sale of Bonds		₱5,000,000,000
Less: Estimated expenses		
Documentary Stamp Tax	37,500,000	
Selling Fees <sup>1</sup>	16,129,032	
Rating Fee	900,000	54,529,032
Estimated net proceeds for ₱5.0 billion Oversubscription Option		₱4,945,470,968
<b>Total estimated net proceeds (inclusive of Oversubscription Option)</b>		<b>₱24,715,811,684</b>

Aside from the foregoing one-time costs, SM Prime expects the following annual expenses related to the Bonds:

1. The Issuer will be charged the first year Annual Listing Maintenance Fee in advance upon the approval of the Listing;
2. The Issuer will pay a yearly retainer fee to the Trustee amounting to ₱200,000 per annum;
3. After the Issue Date, a Paying Agency fee amounting to ₱100,000 is payable every interest payment date; and
4. The Registrar will charge a quarterly maintenance fee for each series of the Bonds based on the face value of each series of the Bonds and the number of Bondholders.

<sup>1</sup> The Joint Issue Managers and Joint Lead Underwriters and Bookrunners shall receive an underwriting and selling fee of 0.30%, inclusive of applicable gross receipt taxes, on the total face value of the Bonds issued.

<sup>2</sup> Miscellaneous fees pertain to allowances for marketing expenses such as advertising placements, if any.

The net proceeds of the Offer of ₱19,770 million, assuming an Issue Size of up to ₱20,000 million, shall be used primarily to fund debt refinancing as set out below:

<i>(Amount in millions)</i>	<b>Amount</b>
<b>Debt Refinancing</b>	
Bridge loans used for refinancing	₱19,770
Series G Bonds due on 18 May 2024	

If the ₱5,000 million Oversubscription Option is fully exercised, the additional net proceeds of ₱4,945 million from the Oversubscription Option shall be used to fund debt refinancing and capital expenditures for the expansion of the Issuer's portfolio.

<i>(Amount in millions)</i>	<b>Amount</b>
<b>Debt Refinancing</b>	
Series C Bonds due on 1 September 2024	₱2,602

<i>(Amounts in millions)</i>	<b>Amount and schedule of disbursement 2025</b>	<b>Remaining amount needed to complete the project</b>	<b>Target completion date</b>	<b>Percentage completion<sup>1</sup></b>
<b>New Malls</b>				
SM Harrison Plaza	₱1,703	₱2,555	2026	19%
SM General Trias	641	1,541	2026	1%
<b>Total</b>	<b>₱2,344</b>	<b>₱4,096</b>		

*Note 1: Percentage completion as of the date of this Prospectus.*

In case less than all of the Bonds to be offered will be sold, the order of priority of the use of proceeds shall be as follows:

1. refinancing of debt; and
2. construction of new malls.

Any shortfall in the net proceeds for the intended uses described above shall be funded by the Issuer from internal sources such as cash flows generated from operations and/or availments from credit facilities provided to the Issuer by various financial institutions.

Any excess in the net proceeds for the intended uses described above shall be used to fund the Issuer's acquisition of land bank and other opportunistic acquisitions not covered by the estimated proceeds of the Offer.

### **Debt refinancing**

<b>Debt</b>	<b>Amount of the original debt</b>	<b>Outstanding amount to be refinanced</b>	<b>Interest rate</b>	<b>Maturity date</b>
	<i>(Amounts in millions)</i>			
Bridge loans used for refinancing the Series G Bonds due 2024 (Lenders: Philippine National Bank and Bank of the Philippine Islands)	₱20,000	₱19,770	Average of 6.3% per annum	1 July 2024 and 16 July 2024, respectively
Series C Bonds due 2024	₱2,602	₱2,602	5.7417% per annum	1 September 2024

The Issuer secured bridge loans to fund the refinancing of the Series G Bonds with a principal amount of ₱20,000 million. The Series G Bonds had an interest rate of 5.1683% per annum and a maturity date of 18 May 2024. The proceeds from the Series G Bonds were used to finance capital expenditures for the

expansion of the Issuer's commercial and residential operations. A copy of the offer supplement with further details on the use of proceeds of the Series G Bonds can be accessed through the following link: <https://www.smpprime.com/wp-content/uploads/2024/03/SMPH-Bonds-T2-Offer-Supplement-with-Financials-Final.pdf>.

The proceeds from the Series C Bonds were used to finance capital expenditures for the expansion of the Issuer's malls, offices, and hotel operations. A copy of the prospectus with further details on the use of proceeds of the Series C Bonds can be accessed through the following link: [https://www.smpprime.com/wp-content/uploads/2021/07/SMPH-Prospectus-081314\\_FINAL.pdf](https://www.smpprime.com/wp-content/uploads/2021/07/SMPH-Prospectus-081314_FINAL.pdf)

### ***Expansion of Property Portfolio***

*SM Harisson Plaza* is set to open in 2026 with approximately 87,000 square meters of gross floor area. The mall has a lot size of almost 30,000 square meters located in Manila. The anchor tenants will be The SM Store and SM Supermarket.

*SM General Trias* is set to open in 2026 with approximately 60,000 square meters of gross floor area. The mall has a lot size of 100,000 square meters located in Cavite. The anchor tenants will be SM Store and SM Supermarket.

Pending the above uses, the Issuer intends to invest the net proceeds from the Offer in short-term and medium-term liquid investments including, but not limited to, short-term government securities, bank deposits, and money market placements which are expected to earn prevailing market rates.

The net proceeds from the Offer will not be used to reimburse any officer, director, employee, or shareholder for services rendered, assets previously transferred, money loaned or advanced, or otherwise.

The Issuer undertakes that it will not use the net proceeds from the Offer for any purpose, other than as discussed above. However, the Issuer's plans may change, based on factors including changing macroeconomic and market conditions, or new information regarding the cost or feasibility of these plans. The Issuer's cost estimates may also change as these plans are developed further, and actual costs may be different from budgeted costs. For these reasons, timing and actual use of the net proceeds may vary from the foregoing discussion and the Issuer's management may find it necessary or advisable to reallocate the net proceeds within the categories described above, or to alter its plans, including modifying the projects described in the foregoing and/or pursuing different projects. In the event of any substantial deviation/adjustment in the planned uses of proceeds as approved by the Issuer's Board of Directors, the Issuer shall make the necessary disclosures, as may be required under applicable laws and regulations and shall inform: (i) the SEC and the stockholders within thirty (30) days prior to its utilization; and (ii) the Bondholders, in accordance with the terms of the Trust Indenture Agreement.

## **DETERMINATION OF THE OFFER PRICE**

*The determination for each succeeding Tranche being offered shall be set in the relevant Offer Supplement under "Determination of the Offer Price".*

The Bonds shall be issued at par or 100% of principal amount or face value.

The interest rate of the Series V Bonds was based on the sum of (a) the simple average of the three (3)-year PHP BVAL Reference Rate as published on the website of the Philippine Dealing System ("PDS") Group or, if unavailable, the PDEX page of Bloomberg (or such successor website or page of the publication agent or electronic service provider) at approximately 5:00 p.m., for the three (3) consecutive Business Days immediately preceding and inclusive of the Interest Rate Setting Date and (b) the applicable final spread, determined via a bookbuilding process.

The interest rate of the Series W Bonds was based on the sum of (a) the simple average of the five (5)-year PHP BVAL Reference Rate as published on the website of the PDS Group or, if unavailable, the PDEX page of Bloomberg (or such successor website or page of the publication agent or electronic service provider) at approximately 5:00 p.m., for the three (3) consecutive Business Days immediately preceding and inclusive of the Interest Rate Setting Date and (b) the applicable final spread, determined via a bookbuilding process.

The interest rate of the Series X Bonds was based on the sum of (a) the simple average of the seven (7)-year PHP BVAL Reference Rate as published on the website of the PDS Group or, if unavailable, the PDEX page of Bloomberg (or such successor website or page of the publication agent or electronic service provider) at approximately 5:00 p.m., for the three (3) consecutive Business Days immediately preceding and inclusive of the Interest Rate Setting Date and (b) the applicable final spread, determined via a bookbuilding process.

## PLAN OF DISTRIBUTION

*The detailed plan of distribution and underwriting arrangement for each succeeding Tranche shall be set out in the relevant Offer Supplement.*

SM Prime plans to issue the Bonds to institutional and retail investors in the Philippines through a public offering to be conducted through the Joint Lead Underwriters and Bookrunners. The Offer does not include an international offering. The Bonds will be issued as the first tranche of the Debt Securities Program with an aggregate principal amount of up to ₱20,000,000,000 and an Oversubscription Option of up to ₱5,000,000,000.

BDO Capital & Investment Corporation and China Bank Capital Corporation have been appointed as the Joint Issue Managers for the Offer and as such, manage and coordinate the various workstreams to ensure the successful execution of the Offer.

The Joint Issue Managers together with BPI Capital Corporation, East West Banking Corporation, First Metro Investment Corporation, Land Bank of the Philippines, and SB Capital Investment Corporation pursuant to an Issue Management and Underwriting Agreement with the Issuer executed on 4 June 2024 (the "Issue Management and Underwriting Agreement"), have agreed to act as the Joint Lead Underwriters and Bookrunners for the Offer and as such, distribute and sell the Bonds at the Offer Price, and have also committed to underwrite ₱20,000,000,000 on a firm basis, in either case subject to the satisfaction of certain conditions and in consideration for certain fees and expenses.

Each of the Joint Lead Underwriters and Bookrunners has committed to underwrite the Offer on a firm basis up to the amount indicated below:

<b>Joint Lead Underwriters and Bookrunners</b>	<b>Amount</b>
BDO Capital	₱3,750,000,000
Chinabank Capital	₱3,750,000,000
BPI Capital	₱2,500,000,000
EastWest Bank	₱2,500,000,000
First Metro	₱2,500,000,000
LANDBANK	₱2,500,000,000
SB Capital	₱2,500,000,000
<b>Total</b>	<b>₱20,000,000,000</b>

There is no allocation of the Oversubscription Option among the Joint Lead Underwriters and Bookrunners. The Issuer and the Joint Lead Underwriters and Bookrunners have the right but not the obligation to exercise such Oversubscription Option.

There is no arrangement for the Joint Lead Underwriters and Bookrunners to return to the Issuer any unsold Bonds. The Issue Management and Underwriting Agreement may be terminated in certain circumstances prior to payment of the net proceeds of the Offer being made to the Issuer. There is no arrangement as well giving the Joint Lead Underwriters and Bookrunners the right to designate or nominate any member to the Board of Directors of the Issuer.

The Issuer will pay the Joint Issue Managers, Joint Lead Underwriters and Bookrunners an underwriting and selling fee of 0.30% on the final aggregate nominal principal amount of the Bonds issued, which is inclusive of the fee to be ceded to any participating underwriters and selling agents. No fees will be given to broker-dealers selling the Bonds.

The Joint Lead Underwriters and Bookrunners are duly licensed by the SEC to engage in underwriting and distribution of securities to the public. The Joint Lead Underwriters and Bookrunners may, from time to time, engage in transactions with and perform services in the ordinary course of business with the Issuer, its parent company, SMIC, or other members of the SM Group.

BDO Capital & Investment Corporation is the wholly-owned investment banking subsidiary of BDO Unibank, Inc., which, in turn, is an associate of the SM Group. BDO Capital & Investment Corporation is a full-service investment house primarily involved in securities underwriting and trading, loan syndication, financial advisory, private placement of debt and equity, project finance, and direct equity investment. Incorporated in December 1998, BDO Capital & Investment Corporation commenced operations in March 1999. As of 31 December 2023, it has total assets of ₱4.62 billion and a capital base of ₱4.45 billion.

China Bank Capital Corporation is the wholly owned investment banking subsidiary of China Banking Corporation. It was registered and licensed as an investment house on 27 November 2015, with SEC Company Registration No. CS201522558 and SEC Investment House License No. CR 01-2015-00279 (renewed on 18 November 2022), as a result of the spin-off of China Banking Corporation's Investment Banking Group. The firm offers a full suite of investment banking solutions that enable clients to achieve their fundraising objectives and strategic goals. The firm's services include arranging, managing, and underwriting debt and equity transactions, such as bond offerings, corporate notes issuances, initial public offerings and follow-on offerings of common and preferred shares, private placement of securities, structured loans, project finance, real estate investment trusts, and asset securitizations. Chinabank Capital also provides financial advisory services, such as deal structuring, valuation, and execution of mergers, acquisitions, divestitures, joint ventures, and other corporate transactions. As of 31 December 2023, it has total assets of ₱3.62 billion and a capital base of ₱3.54 billion.

BDO Capital and Chinabank Capital are organizationally and operationally distinct groups within SM Investments Corporation, which is the direct parent company of the Issuer. BDO Capital and Chinabank Capital are separate and independent from each other and the Issuer.

BPI Capital Corporation offers investment banking services in the areas of financial advisory, mergers and acquisitions, debt and equity underwriting, private placements, project finance and loan syndication. Founded in December 1994, BPI Capital is duly licensed by the Philippine SEC to engage in the underwriting and distribution of securities. As of 31 December 2023, BPI Capital had total assets of ₱3.83 billion, total liabilities of ₱0.22 billion and total equity of ₱3.61 billion. The firm operates as a wholly owned subsidiary of the Bank of the Philippine Islands.

East West Banking Corporation is a subsidiary of Filinvest Development Corporation. East West Banking Corporation is a universal bank providing a wide range of banking services to retail, commercial, and corporate clients. It was established as a commercial bank in July 1994 and received its universal banking license from the BSP in July 2012. East West Banking Corporation is licensed by the SEC to engage in the underwriting or distribution of securities to the public. As of 31 December 2023, it has total assets of ₱464.2 billion and a capital base of ₱67.2 billion.

First Metro Investment Corporation is a leading investment bank in the Philippines with sixty (60) years of service in the development of the country's capital markets. It is a subsidiary of Metropolitan Bank & Trust Company ("Metrobank") with a 99.3% ownership and is the investment banking arm of the Metrobank Group, one of the largest financial conglomerates in the country. First Metro is licensed by the SEC to engage in underwriting and distribution of securities to the public. First Metro and its subsidiaries offer a wide range of services, from debt and equity underwriting to loan syndication, project finance, financial advisory, government securities and corporate debt trading, equity brokering, online trading, asset management, and research. First Metro has established itself as a leading bond house with key strengths

in origination, structuring, and execution. As of 31 December 2023, its total assets stood at ₱32.2 billion with a capital base amounting to ₱16.4 billion.

Land Bank of the Philippines is a government financial institution organized and existing pursuant to Republic Act No. 3844, otherwise known as the Agricultural Land Reform Code, as amended. LANDBANK was established in 1963 and it operates as a universal bank, providing a wide range of financial services to support the growth of the agriculture sector, rural communities, and other priority sectors of the economy such as infrastructure and utilities, power, micro, small and medium enterprises, healthcare and education, and environment and natural resources management, among others. LANDBANK is licensed by the SEC to engage in underwriting and distribution of securities to the public. As of 31 December 2023, total assets of LANDBANK amounted to ₱3.27 trillion, while its capital amounted to ₱266.77 billion.

SB Capital Investment Corporation is a Philippine corporation organized in October 1995 as a wholly-owned subsidiary of Security Bank Corporation. It obtained its license to operate as an investment house in 1996 and is licensed by the SEC to engage in underwriting and distribution of securities to the public. SB Capital Investment Corporation provides a wide range of investment banking services including underwriting of debt and equity securities, project finance, loan syndications, mergers and acquisitions and other corporate/financial advisory services. SB Capital Investment Corporation is also involved in equity trading through its wholly-owned stock brokerage subsidiary, SB Equities, Inc. Its senior executives have extensive experience in the capital markets and were involved in a lead role in a substantial number of major debt and equity issues. As of 31 December 2023, it has total assets of ₱1.93 billion and a capital base of ₱1.88 billion.

## **SALE AND DISTRIBUTION**

The distribution and sale of the Bonds shall be undertaken by the Joint Lead Underwriters and Bookrunners who shall sell and distribute the Bonds to third-party buyers/investors. Nothing herein shall limit the rights of the Joint Lead Underwriters and Bookrunners from purchasing the Bonds for their own respective accounts.

There are no persons to whom the Bonds are allocated or designated. The Bonds shall be offered to the public at large and without preference. No finders are involved in the distribution of the Bonds.

The obligations of each of the Joint Lead Underwriters and Bookrunners will be several, and not solidary, and nothing in the Issue Management and Underwriting Agreement shall be deemed to create a partnership or joint venture between and among any of the Joint Lead Underwriters and Bookrunners. Unless otherwise expressly provided in the Issue Management and Underwriting Agreement, the failure by a Joint Lead Underwriter and Bookrunner to carry out its obligations thereunder shall neither relieve the other Joint Lead Underwriters and Bookrunners of their obligations under the same Issue Management and Underwriting Agreement, nor shall any Joint Lead Underwriter and Bookrunner be responsible for the obligation of another Joint Lead Underwriter and Bookrunner.

## **OFFER PERIOD**

The Offer Period for the Bonds shall commence at 9:00 a.m. of 7 June 2024, and end at 5:00 p.m. of 14 June 2024.

## **APPLICATION TO PURCHASE**

Applicants may purchase the Bonds during the Offer Period by submitting to the Joint Lead Underwriters and Bookrunners properly completed Applications to Purchase, whether originally signed or electronically submitted through e-SIP, together with all applicable supporting documentation in the prescribed form and

submitted in the prescribed manner, with full payment of the purchase price of the Bonds in the manner provided therein.

Corporate and institutional applicants must also submit, in addition to the foregoing, a copy of their SEC Certificate of Registration of Articles of Incorporation and By-Laws, Articles of Incorporation, By-Laws, and the appropriate authorization by their respective boards of directors and/or committees or bodies authorizing the purchase of the Bonds and designating the authorized signatory(ies) thereof.

Individual applicants must also submit, in addition to accomplished Applications to Purchase and its required attachments, a photocopy of any one of the following valid identification cards (ID), subject to verification with the original ID: passport, driver's license, postal ID, company ID, SSS/GSIS ID and/or Senior Citizen's ID.

A corporate and institutional investor who is exempt from withholding tax, or is subject to a preferential withholding tax rate shall be required to submit the following requirements to the Registrar, subject to acceptance by the Issuer as being sufficient in form and substance:

- (i) a current and valid BIR-certified true copy of the tax exemption certificate, ruling or opinion addressed to the relevant applicant or Bondholder, confirming its exemption or preferential rate as required under BIR Revenue Memorandum Circular No. 8-2014 including any clarification, supplement or amendment thereto, and certified by the Corporate Secretary of the Bondholder that: (a) the original is in the possession of the Corporate Secretary as the duly authorized custodian of the same; and (b) the Corporate Secretary has personal knowledge based on his official functions of any amendment, revocation, expiration, change or any circumstance affecting the said certification's validity. Should the submitted tax exemption certificate, ruling or opinion expire during the Offer Period, the Bondholder must submit an updated/revalidated tax exemption certificate;
- (ii) with respect to tax treaty relief, (a) prior to the payment of the initial interest due, (i) three (3) originals of the duly executed and apostilled/consularized BIR Form 0901-I (Interest Income) or Application Form for Treaty Purposes filed by the Bondholder or, if the Bondholder is a fiscally transparent entity, each of the Bondholder's owners or beneficiaries with the proof of receipt by the concerned office of the BIR, as required under BIR Revenue Memorandum Order No. 14-2021, (ii) one (1) original of the apostilled/consularized Tax Residency Certificate duly issued by the respective foreign tax authority of the country of residence of the Bondholder or, if the Bondholder is a fiscally transparent entity, the country of residence of each of the Bondholder's owners or beneficiaries, in the form acceptable for recognition under Philippine law, (iii) the relevant provision of the tax treaty providing for the claimed tax exemption or preferential tax rate, in a form acceptable to the Issuer, and (iv) three (3) originals of the duly notarized, consularized or apostilled (as the case may be), if executed outside of the Philippines, Special Power of Attorney executed by the Bondholder or the Bondholder's owners or beneficiaries, as may be applicable, in favor of the authorized representative (if the Application Form for Treaty Purposes and other documents are accomplished by an authorized representative) and confirmation acceptable to the Issuer that the Bondholder or the Bondholder's owners or beneficiaries is/are not doing business in the Philippines to support the applicability of a tax treaty relief; (b) prior to the payment of subsequent interests due, (i) three (3) originals of the duly executed and apostilled/consularized new or updated BIR Form 0901-I (Interest Income) or Application Form for Treaty Purposes, as the Issuer deems applicable, and (ii) one (1) original of the apostilled/consularized Tax Residency Certificate duly issued by the respective foreign tax authority of the country of residence of the Bondholder or, if the Bondholder is a fiscally transparent entity, the country of residence of each of the

Bondholder's owners or beneficiaries, in the form acceptable for recognition under Philippine law, if the validity period of the previously issued tax residency certificate has already lapsed; and (c) other additional documents as may be required by the Issuer or pursuant to applicable tax regulations, which shall be submitted by the Bondholder/Registrar to the Issuer no later than the 1<sup>st</sup> day of the month when such initial or subsequent interest payment/s shall fall due and, if applicable, including any clarification, supplement or amendment thereto;

- (iii) a duly notarized undertaking executed by (1) the Corporate Secretary or any authorized representative of such applicant or Bondholder, who has personal knowledge of the exemption based on his official functions, if the applicant purchases, or the Bondholder holds, the Bonds for its account, or (2) the Trust Officer, if the applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Bonds pursuant to its management of tax-exempt entities (i.e. Employee Retirement Fund, etc.), declaring and warranting such entities' tax-exempt status or preferential rate entitlement, undertaking to immediately notify the Issuer, the Registrar, and the Paying Agent of any suspension or revocation of the tax exemption certificate, ruling or opinion issued by the BIR, executed using the prescribed form, with a declaration and warranty of its tax-exempt status or entitlement to a preferential tax rate, and agreeing to indemnify and hold the Issuer, the Registrar, the Paying Agent, the Joint Lead Underwriters and Bookrunners, and the selling agents, if any, free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or reduced withholding of the required tax; and
- (iv) such other documentary requirements as may be reasonably required by the Issuer, the Registrar, or the Paying Agent, or as may be required under the applicable regulations of the relevant taxing or other authorities, e.g. BIR Revenue Memorandum Order No. 14-2021, which for purposes of claiming tax treaty withholding rate benefits, shall include, among others, evidence of the applicability of a tax treaty and consularized or apostilled (as the case may be) proof of the Bondholder's legal domicile in the relevant treaty state, and confirmation acceptable to the Issuer that the Bondholder is not doing business in the Philippines; provided, that the Issuer shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Bondholder on the interest payments to such Bondholder; provided further, that all sums payable by the Issuer to tax-exempt entities shall be paid in full without deductions for taxes, duties, assessments, or government charges subject to the submission by the Bondholder claiming the benefit of any exemption of the required documents and of additional reasonable evidence of such tax-exempt status to the Registrar.

Completed Applications to Purchase and corresponding payments must reach the Joint Lead Underwriters and Bookrunners prior to the end of the Offer Period, or such earlier date as may be specified by the Joint Lead Underwriters and Bookrunners. Acceptance by the Joint Lead Underwriters and Bookrunners of the completed Application to Purchase shall be subject to the availability of the Bonds and the acceptance by the Issuer. In the event that any check payment is returned by the drawee bank for any reason whatsoever or the nominated bank account to be debited is invalid, the Application to Purchase shall be automatically canceled and any prior acceptance of the Application to Purchase shall be deemed revoked.

#### **MINIMUM PURCHASE**

A minimum purchase of Twenty Thousand Pesos (₱20,000) for each series of the Bonds shall be considered for acceptance. Purchases for each series of the Bonds in excess of the minimum shall be in multiples of

Ten Thousand Pesos (₱10,000) for each series.

### **ALLOTMENT OF THE BONDS**

If the Bonds are insufficient to satisfy all Applications to Purchase, the available Bonds shall be allotted in accordance with the chronological order of submission of properly completed and appropriately accomplished Applications to Purchase on a first-come, first-served basis, without prejudice and subject to the Issuer's exercise of its right of rejection.

### **ACCEPTANCE OF APPLICATIONS**

The Issuer and the Joint Lead Underwriters and Bookrunners reserve the right to accept or reject applications to purchase the Bonds, and in case of oversubscription, allocate the Bonds available to the applicants in a manner they deem appropriate.

### **REFUNDS**

If any application is rejected or accepted in part only, the application money or the appropriate portion thereof shall be returned without interest to such applicant through the relevant Joint Lead Underwriter and Bookrunner with whom such application to purchase the Bonds was made.

### **PAYMENTS**

The Paying Agent shall open and maintain a Payment Account, which shall be operated solely and exclusively by the said Paying Agent in accordance with the Registry and Paying Agency Agreement, provided that beneficial ownership of the Payment Account shall always remain with the Bondholders. The Payment Account shall be used exclusively for the payment of the relevant interest and principal on each Payment Date.

The Paying Agent shall maintain the Payment Account for six (6) months from Maturity Date or the date of early redemption. Upon closure of the Payment Account, any balance remaining in such Payment Account shall be returned to the Issuer and shall be held by the Issuer in trust and for the irrevocable benefit of the Bondholders with unclaimed interest and principal payments.

### **PURCHASE AND CANCELLATION**

The Issuer may purchase the Bonds at any time in the open market or by tender or by contract at market price, in accordance with PDEX Rules, without any obligation to make pro-rata purchases from all Bondholders. Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

Upon listing of the Bonds on PDEX, the Issuer shall disclose any such transactions in accordance with the applicable PDEX disclosure rules.

### **SECONDARY MARKET**

The Issuer intends to list the Bonds on PDEX. The Issuer may purchase the Bonds at any time without any obligation to make pro-rata purchases of Bonds from all Bondholders.

### **REGISTRY OF BONDHOLDERS**

The Bonds shall be issued in scripless form. A Master Certificate of Indebtedness representing the Bonds sold in the Offer shall be issued to and registered in the name of the Trustee, on behalf of the Bondholders.

Legal title to the Bonds shall be shown in the Register of Bondholders to be maintained by the Registrar. Initial placement of the Bonds and subsequent transfers of interests in the Bonds shall be subject to applicable prevailing Philippine selling restrictions. The names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers of Bonds shall be entered into the Register of Bondholders. Transfers of ownership shall be effected through book-entry transfers in the scripless Register of Bondholders.

## DESCRIPTION OF THE DEBT SECURITIES

*The detailed terms and conditions of each succeeding Tranche shall be set out in the relevant Offer Supplement.*

### Description of the Bonds

*The following does not purport to be a complete listing of all the rights, obligations, or privileges of the Bonds. Some rights, obligations, or privileges may be further limited or restricted by other documents. Prospective investors are enjoined to carefully review the Articles of Incorporation, By-Laws, and resolutions of the Board of Directors and Shareholders of the Issuer, the information contained in this Prospectus, the Bond Agreements, and other agreements relevant to the Offer.*

A registration statement covering the Debt Securities Program and the initial offering of up to Twenty Billion Pesos (₱20,000,000,000) Series V Bonds, Series W Bonds, and Series X Bonds with an Oversubscription Option of up to Five Billion Pesos (₱5,000,000,000), as authorized by a resolution of the Board of Directors of the Issuer on 19 February 2024, was filed by the Issuer with the SEC on 17 April 2024. The SEC is expected to issue an order rendering the Registration Statement effective, and a corresponding permit to offer securities for sale covering the first tranche of the Debt Securities Program.

The Bonds shall be issued on the Issue Date. The Series V Bonds, Series W Bonds, and Series X Bonds shall have a term of three (3) years, five (5) years, and seven (7) years, respectively, from the Issue Date.

The Bonds shall be constituted by a Trust Indenture Agreement to be executed on or about 4 June 2024 (the "Trust Indenture Agreement") entered into between the Issuer and Philippine National Bank – Trust Banking Group as the trustee (the "Trustee"), which term shall, wherever the context permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Indenture Agreement. The description of the terms and conditions of the Bonds set out below includes summaries of, and is subject to, the detailed provisions of the Trust Indenture Agreement. The Trustee has no interest in or relation to the Issuer which may conflict with its role as Trustee for the Bonds.

A registry and paying agency agreement shall be executed on or about 4 June 2024 (the "Registry and Paying Agency Agreement") in relation to the Bonds between the Issuer and Philippine Depository & Trust Corp. as registrar (the "Registrar") and as paying agent (the "Paying Agent"). The Registrar and Paying Agent has no interest in or relation to the Issuer which may conflict with its role as Registrar for the Offer.

Copies of the Trust Indenture Agreement and the Registry and Paying Agency Agreement are available for inspection during normal business hours at the specified offices of the Trustee. The holders of the Bonds (the "Bondholders") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Indenture Agreement and are deemed to have notice of those provisions of the Registry and Paying Agency Agreement applicable to them.

### FORM, DENOMINATION AND TITLE

#### Form and Denomination

The Bonds shall be issued in scripless form and shall be offered and sold through a general public offering in the Philippines. The Bonds shall be issued in minimum denominations of Twenty Thousand Pesos (₱20,000) each, and in multiples of Ten Thousand Pesos (₱10,000) thereafter, and shall be traded in denominations of Ten Thousand Pesos (₱10,000) in the secondary market.

## **Title**

Legal title to the Bonds shall be shown in the Register of Bondholders maintained by the Registrar. A notice confirming the principal amount of the Bonds purchased by each applicant in the Offer shall be issued by the Registrar to all Bondholders following the Issue Date. Upon any assignment, title to the Bonds shall pass by recording of the transfer from the transferor to the transferee in the electronic Register of Bondholders maintained by the Registrar. Settlement in respect of such transfer or change of title to the Bonds, including the settlement of any cost arising from such transfers, including, but not limited to, documentary stamp taxes, if any, arising from subsequent transfers, shall be for the account of the relevant Bondholder. If e-SIP is used for the Offer, the operational guidelines, and procedures for the use of e-SIP shall govern.

## **BOND RATING**

The Bonds have been rated PRS Aaa with Stable Outlook by PhilRatings. Obligations rated PRS Aaa are of the highest quality with minimal credit risk. The obligor's capacity to meet its financial commitment on the obligation is extremely strong. PRS Aaa is the highest rating assigned by PhilRatings. A Stable Outlook, on the other hand, indicates that the rating is likely to be maintained or to remain unchanged in the next twelve (12) months.

The rating was arrived at after considering the following factors: the Issuer's strong liquidity, sustained recovery in profitability, sound capitalization, well-experienced shareholders and management, and strong brand equity.

The rating is subject to regular annual reviews, or more frequently as market developments may dictate, for as long as the Bonds are outstanding. After the Issue Date, the Trustee shall monitor the compliance of the Bonds with the regular annual reviews.

A rating is not a recommendation to buy, sell, or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.

## **TRANSFER OF THE BONDS**

### **Register of Bondholders**

The Issuer shall cause the Register of Bondholders to be kept by the Registrar, in electronic form. The names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers of Bonds shall be entered into the Register of Bondholders. As required by Circular No. 428-04 issued by the BSP, the Registrar shall send each Bondholder a written statement of registry holdings at least quarterly (at the cost of the Issuer), and a written advice confirming every receipt or transfer of the Bonds that is effected in the Registrar's system. Such statement of registry holdings shall serve as the confirmation of ownership of the relevant Bondholder as of the date thereof. Any requests of Bondholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Bondholder. No transfer of the Bonds may be made during the period commencing on a Record Date as defined in this Section on "Interest Payment Dates".

### **Transfers; Tax Status**

The Registrar shall ultimately and conclusively determine all matters regarding the evidence necessary to effect any such transfers. Settlement in respect of such transfers or change of title to the Bonds, including

the settlement of any documentary stamp taxes, if any, arising from subsequent transfers, shall be settled directly between the transferee and/or the transferor Bondholders.

Transfers across tax categories shall not be allowed except on Interest Payment Dates that fall on a Business Day. Restricted transfers include, but are not limited to, transfers on a non-Interest Payment Date (1) between taxable and non-taxable entities, (2) between taxable entities of different tax categories (where tax-withheld entities with different final withholding tax rates (e.g. 20%, 25%) are considered as belonging to different tax categories), or (3) between parties who claim the benefit of a tax treaty; provided, however, that transfers from a tax-exempt category to a taxable tax category on a non-Interest Payment Date shall be allowed using the applicable tax-withheld series name to ensure that the computation is based on the final withholding tax rate of the taxable party to the trade. For such transactions, the tax-exempt entity shall be treated as belonging to the same tax category as its taxable counterpart for the interest period within which such transfer occurred.

A Bondholder claiming tax-exempt status is required to submit a written notification of the sale or purchase to the Trustee and the Registrar, including the tax status of the transferor or transferee, as appropriate, together with the supporting documents specified under the Registry and Paying Agency Agreement upon submission of the account opening documents to the Registrar. Transfers taking place in the Register of Bondholders after the Bonds are listed on PDEX shall be allowed between tax-exempt and non tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if and/or when so allowed under and in accordance with the relevant rules, conventions and guidelines of PDEX and PDTTC.

### **Secondary Trading of the Bonds**

The Issuer intends to list the Bonds on PDEX for secondary market trading. The Bonds will be traded in a minimum board lot size of ₱10,000 as a minimum, and in multiples of ₱10,000 in excess thereof for so long as any of the Bonds are listed on PDEX. Secondary market trading in PDEX shall follow the applicable PDEX rules and conventions and guidelines, including rules, conventions and guidelines governing trading and settlement between Bondholders of different tax status, and shall be subject to the relevant fees of PDEX and PDTTC.

### **RANKING**

The Bonds shall constitute the direct, unconditional, unsubordinated, and unsecured obligations of the Issuer ranking at least *pari passu* and ratably without any preference or priority among themselves and with all its other present and future direct, unconditional, unsubordinated, and unsecured obligations (other than subordinated obligations and those preferred by mandatory provisions of law).

### **INTEREST**

#### **Interest Payment Dates**

The Bonds shall bear interest on its principal amount from and including the Issue Date at the rate of 6.5754% p.a. for the Series V Bonds, 6.7537% p.a. for the Series W Bonds, and 6.9650% p.a. for the Series X Bonds, payable semi-annually in arrear starting on 24 December 2024 for the first Interest Payment Date, and on 24 June and 24 December of each year for each subsequent Interest Payment Date at which the Bonds are outstanding, or the subsequent Business Day, without adjustment for accrued interest, if such Interest Payment Date is not a Business Day. If the Issue Date is set at a date other than 24 June 2024, then the Interest Payment Dates will be automatically adjusted to the numerically corresponding dates at every six (6) months following the actual Issue Date.

The cut-off date in determining the existing Bondholders entitled to receive interest or principal amount due shall be two (2) Business Days prior to the relevant Interest Payment Dates (the "Record Date"), which shall be the reckoning date in determining the Bondholders entitled to receive interest, principal or any other amount due under the Bonds. No transfers of the Bonds may be made during this period intervening between and commencing on the Record Date and the relevant Interest Payment Dates.

### **Interest Accrual**

The Bonds shall cease to bear interest from and including the relevant Maturity Date, as defined in the discussion on "*Final Redemption*" below, unless, upon due presentation, payment of the principal in respect of the Bonds then outstanding is not made, is improperly withheld or refused, in which case the Penalty Interest (see "*Penalty Interest*" below) shall apply.

### **Determination of Interest Amount**

The interest shall be calculated on the basis of a 360-day year consisting of twelve (12) months of thirty (30) days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of thirty (30) days.

## **REDEMPTION AND PURCHASE**

### **Final Redemption**

Unless otherwise earlier redeemed or previously purchased and cancelled by the Issuer, the Bonds shall be redeemed at par or 100% of face value on each series' relevant Maturity Date. However, if the Maturity Date is not a Business Day, payment of all amounts due on such date will be made by the Issuer through the Paying Agent, without adjustment for accrued interest, on the succeeding Business Day.

### **Redemption for Taxation Reasons**

If payments under the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Bonds in whole, but not in part, on any Interest Payment Date (having given not more than sixty (60) nor less than thirty (30) days' notice) at par plus accrued interest.

### **Optional Redemption**

Prior to the Maturity Date of the Bonds, the Issuer shall have a one-time option, but shall not be obligated, to redeem in whole, and not a part only, the outstanding series of the Bonds, in accordance with the schedule set forth below.

<b>Bonds</b>	<b>Optional Redemption Dates</b>	<b>Optional Redemption Price</b>
<b>Series V Bonds</b>	Not applicable	
<b>Series W Bonds</b>	Sixth (6 <sup>th</sup> ) and seventh (7 <sup>th</sup> ) Interest Payment Dates	101.0%
	Eighth (8 <sup>th</sup> ) and ninth (9 <sup>th</sup> ) Interest Payment Dates	100.5%
<b>Series X Bonds</b>	Tenth (10 <sup>th</sup> ) and eleventh (11 <sup>th</sup> ) Interest Payment Dates	101.0%
	Twelfth (12 <sup>th</sup> ) and thirteenth (13 <sup>th</sup> ) Interest Payment Dates	100.5%

The Issuer shall give no less than thirty (30) nor more than sixty (60) calendar days' prior written notice of its intention to redeem the Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the relevant series of the Bonds at the Interest Payment Date stated in such notice. The amount payable to the Bondholders in respect of such redemption shall be calculated as the sum of: (i) the relevant Optional Redemption Price applied to the principal amount of the outstanding series of Bonds being redeemed; and (ii) accrued interest on the relevant series of the Bonds as of the relevant Optional Redemption Date.

### **Purchase and Cancellation**

Upon listing of the Bonds on PDEX, the Issuer shall disclose any such transactions in accordance with the applicable PDEX disclosure rules.

The Issuer may at any time purchase any of the Bonds at market price in the open market or by tender or by contract at market price, in accordance with PDEX Rules, without any obligation to purchase Bonds pro-rata from all Bondholders. Any Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

### **Change in Law or Circumstance**

The following events shall be considered as changes in law or circumstances as it refers to the obligations of the Issuer and the rights and interests of the Bondholders under the Trust Indenture Agreement and the Bonds:

- (a) Any government and/or non-government consent, license, authorization, registration, or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Indenture Agreement or the Bonds shall be modified, withdrawn or withheld in a manner which, in the reasonable opinion of the Trustee, will materially and adversely affect the ability of the Issuer to comply with such obligations;
- (b) Any provision of the Trust Indenture Agreement or any of the related documents is or becomes, for any reason, invalid, illegal or unenforceable to the extent that it becomes for any reason unlawful for the Issuer to give effect to its rights or obligations thereunder, or to enforce any provisions of the Trust Indenture Agreement or any of the related documents in whole or in part; or any law is introduced or any applicable existing law is modified or rendered ineffective or inapplicable to prevent or restrain the performance by the parties thereto of their obligations under the Trust Indenture Agreement or any other related documents; or
- (c) Any concessions, permits, rights, franchise, or privileges required for the conduct of the business and operations of the Issuer shall be revoked, cancelled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, in such manner as to materially and adversely affect the financial condition or operations of the Issuer.

Upon the occurrence of a Change in Law or Circumstance (as enumerated above), the Issuer may redeem the Bonds in whole, but not in part, on any Interest Payment Date (having given not more than sixty (60) nor less than thirty (30) days' notice) at par plus accrued interest.

## **Payments**

The principal of, interest on, and all other amounts payable on, the Bonds shall be paid to the Bondholders by crediting of the settlement accounts designated by each of the Bondholders. The principal of, and interest on, the Bonds shall be payable in Philippine Pesos. The Issuer shall ensure that so long as any of the Bonds remains outstanding, there shall at all times be a Paying Agent for purposes of disbursing payments on the Bonds. In the event the Paying Agent shall be unable or unwilling to act as such, the Issuer shall appoint a qualified financial institution in the Philippines authorized to act in its place. The Paying Agent may not resign its duties or be unreasonably removed without a successor having been appointed. In case of resignation of the Paying Agent, the procedure in Section 10.2 of the Registry and Paying Agency Agreement shall be followed.

## **Payment of Additional Amounts - Taxation**

Interest income on the Bonds is subject to a withholding tax at rates of between twenty percent (20%) and twenty-five percent (25%) depending on the tax status of the relevant Bondholder under relevant law, regulation or tax treaty. Except for such withholding tax and as otherwise provided, all payments of principal and interest are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of Republic of the Philippines, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties, if any. If such taxes or duties are imposed, the same shall be for the account of the Issuer; provided however that, the Issuer shall not be liable for the following:

- a) The withholding tax applicable on interest earned on the Bonds prescribed under the Tax Code, as amended, and its implementing rules and regulations as may be in effect from time to time. An investor who is exempt from the aforesaid withholding tax, or is subject to a preferential withholding tax rate shall be required to submit the following requirements to the Registrar, subject to acceptance by the Issuer as being sufficient in form and substance:
  - (i) a current and valid BIR-certified true copy of the tax exemption certificate, ruling or opinion addressed to the relevant applicant or Bondholder, confirming its exemption or preferential rate as required under BIR Revenue Memorandum Circular No. 8-2014 including any clarification, supplement or amendment thereto, and certified by the Corporate Secretary of the Bondholder that: (a) the original is in the possession of the Corporate Secretary as the duly authorized custodian of the same; and (b) the Corporate Secretary has personal knowledge based on his official functions of any amendment, revocation, expiration, change or any circumstance affecting the said certification's validity. Should the submitted tax exemption certificate, ruling or opinion expire during the Offer Period, the Bondholder must submit an updated/revalidated tax exemption certificate;
  - (ii) with respect to tax treaty relief, (a) prior to the payment of the initial interest due, (i) three (3) originals of the duly executed and apostilled/consularized BIR Form 0901-I (Interest Income) or Application Form for Treaty Purposes filed by the Bondholder or, if the Bondholder is a fiscally transparent entity, each of the Bondholder's owners or beneficiaries with the proof of receipt by the concerned office of the BIR, as required under BIR Revenue Memorandum Order No. 14-2021, (ii) one (1) original of the apostilled/consularized Tax Residency Certificate duly issued by the respective foreign

tax authority of the country of residence of the Bondholder or, if the Bondholder is a fiscally transparent entity, the country of residence of each of the Bondholder's owners or beneficiaries, in the form acceptable for recognition under Philippine law, (iii) the relevant provision of the tax treaty providing for the claimed tax exemption or preferential tax rate, in a form acceptable to the Issuer, and (iv) three (3) originals of the duly notarized, consularized or apostilled (as the case may be), if executed outside of the Philippines, Special Power of Attorney executed by the Bondholder or the Bondholder's owners or beneficiaries, as may be applicable, in favor of the authorized representative (if the Application Form for Treaty Purposes and other documents are accomplished by an authorized representative) and confirmation acceptable to the Issuer that the Bondholder or the Bondholder's owners or beneficiaries is/are not doing business in the Philippines to support the applicability of a tax treaty relief; (b) prior to the payment of subsequent interests due, (i) three (3) originals of the duly executed and apostilled/consularized new or updated BIR Form 0901-I (Interest Income) or Application Form for Treaty Purposes, as the Issuer deems applicable, and (ii) one (1) original of the apostilled/consularized Tax Residency Certificate duly issued by the respective foreign tax authority of the country of residence of the Bondholder or, if the Bondholder is a fiscally transparent entity, the country of residence of each of the Bondholder's owners or beneficiaries, in the form acceptable for recognition under Philippine law, if the validity period of the previously issued tax residency certificate has already lapsed; and (c) other additional documents as may be required by the Issuer or pursuant to applicable tax regulations, which shall be submitted by the Bondholder/Registrar to the Issuer no later than the 1<sup>st</sup> day of the month when such initial or subsequent interest payment/s shall fall due and, if applicable, including any clarification, supplement or amendment thereto;

- (iii) a duly notarized undertaking executed by (1) the Corporate Secretary or any authorized representative of such applicant or Bondholder, who has personal knowledge of the exemption based on his official functions, if the applicant purchases, or the Bondholder holds, the Bonds for its account, or (2) the Trust Officer, if the applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Bonds pursuant to its management of tax-exempt entities (i.e. Employee Retirement Fund, etc.), declaring and warranting such entities' tax-exempt status or preferential rate entitlement, undertaking to immediately notify the Issuer, the Registrar, and the Paying Agent of any suspension or revocation of the tax exemption certificate, ruling or opinion issued by the BIR, executed using the prescribed form, with a declaration and warranty of its tax-exempt status or entitlement to a preferential tax rate, and agreeing to indemnify and hold the Issuer, the Registrar, the Paying Agent, the Joint Lead Underwriters and Bookrunners, and the selling agents, if any, free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or reduced withholding of the required tax; and
- (iv) such other documentary requirements as may be reasonably required by the Issuer, the Registrar, or the Paying Agent, or as may be required under the applicable regulations of the relevant taxing or other authorities, e.g. BIR Revenue Memorandum Order No. 14-2021, which for purposes of claiming tax treaty withholding rate benefits, shall include, among others, evidence of the applicability of a tax treaty and consularized or apostilled (as the case may be) proof of the Bondholder's legal domicile in the relevant treaty state, and confirmation acceptable to the Issuer that the Bondholder is not doing business in the Philippines; provided, that the Issuer shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the

Bondholder on the interest payments to such Bondholder; provided further, that all sums payable by the Issuer to tax-exempt entities shall be paid in full without deductions for taxes, duties, assessments, or government charges subject to the submission by the Bondholder claiming the benefit of any exemption of the required documents and of additional reasonable evidence of such tax-exempt status to the Registrar;

- b) Gross Receipts Tax under Section 121 of the Tax Code;
- c) Taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding; and
- d) Value Added Tax ("VAT") under Sections 106 to 108 of the Tax Code, and as amended by Republic Act No. 9337.

Documentary stamp tax for the primary issue of the Bonds and the execution of the Bond Agreements, if any, shall be for the Issuer's account.

## **FINANCIAL RATIOS**

The Issuer shall maintain the following financial ratios:

- a) Debt-to-Equity Ratio of not more than 70:30; and
- b) Interest Coverage Ratio of not less than 2.5x.

There are no other regulatory ratios that the Issuer is required to comply with.

## **NEGATIVE PLEDGE**

So long as the Bonds remain outstanding (as defined in the Trust Indenture Agreement):

- (i) the Issuer will not create or permit to subsist any lien upon the whole or any part of its undertaking, assets or revenues present or future to secure any Indebtedness or any guarantee of or indemnity in respect of any Indebtedness;
- (ii) the Issuer shall procure that its Material Subsidiaries will not create or permit to subsist any lien upon the whole or any part of any Material Subsidiary's undertaking, assets or revenues present or future to secure any Public Debt or any guarantee of or indemnity in respect of any Public Debt;
- (iii) the Issuer will procure that no other Person creates or permits to subsist any lien or gives any guarantee of, or indemnity upon the whole or any part of the undertaking, assets or revenues present or future of that other Person to secure any Public Debt of the Issuer, or any Material Subsidiary or to secure any guarantee of or indemnity in respect of the Public Debt of the Issuer or any of its Material Subsidiaries;
- (iv) the Issuer will procure that no Person gives any guarantee of, or indemnity in respect of, the Public Debt of the Issuer or any of its Material Subsidiaries; and

- (v) Except as required by Applicable Law or any Governmental Authority, the Issuer shall not:
  - (a) make or permit any material change in the nature of its business from that being carried on as of the date hereof; or
  - (b) engage in any business operation or activity other than that for which it is presently authorized, expressly or impliedly, by its articles of incorporation or by Applicable Law.

The Negative Covenants set forth in Sections 5.2 (a), (b), (c), and (d) of the Trust Indenture Agreement shall not apply if, at the same time or prior thereto, the Issuer's obligations under the Bonds and the Trust Indenture Agreement: (a) are secured equally and ratably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be; or (b) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Bondholders or as shall be approved by the majority of the Bondholders; and provided that this paragraph shall not apply to liens: (aa) arising by operation of law; (bb) created in respect of Indebtedness (for the avoidance of doubt, including Indebtedness in respect of which there is a preference or priority under Article 2244 of the Civil Code of the Philippines as the same may be amended from time to time) in aggregate principal amount not exceeding 15% of the Fair Market Value of Consolidated Assets as determined in the Issuer's latest audited consolidated financial statements; (cc) encumbrance to secure contracts (other than Indebtedness) in the ordinary course of business; (dd) encumbrance on deposits and/or financial instruments made by the Issuer with the proceeds of any loan facility made to it by any bank or financial institution for the purpose of hedging transactions; or (ee) encumbrance on an asset for taxes, assessments, governmental charges or levies on such asset, which are being contested in good faith and by appropriate proceedings diligently pursued.

## **EVENTS AND CONSEQUENCES OF DEFAULT**

If any of the following events occurs (the "Events of Default") and is continuing, the Trustee shall give notice to the Issuer that the Bonds are, and they shall immediately become, due and payable at their principal amount together with accrued interest:

- (a) The Issuer shall fail to pay, when due, the principal of or interest on or any amount payable under the Bonds, and such failure to pay is not remedied within ten (10) Business Days from due date thereof;
- (b) The Issuer shall default in the due performance, observance of, or compliance with any other covenant contained in the Trust Indenture Agreement or the Bonds, and such default shall remain unremedied for a period of thirty (30) days after the Issuer shall have received written notice thereof from the Trustee;
- (c) Any statement, representation, or warranty made by the Issuer in the Trust Indenture Agreement or in any other document delivered or made pursuant thereto shall prove to be incorrect or untrue in any material respect as and when made and the circumstances which cause such representation or warranty to be incorrect or misleading continue for more than thirty (30) days (or such longer period as the Majority Bondholders shall approve) after receipt of written notice from the Trustee to that effect;
- (d) The Issuer or any of its Subsidiaries fails to pay or defaults in the payment of any installment of the principal or interest relative to, or fails to comply with or to perform, any other obligation, or commits a breach or violation of any of the terms, conditions or stipulations, of any agreement, contract or document relating to any of their respective Indebtedness, including without limitation any credit extended by Bondholders or any third Person or Persons and under the terms of which such agreement, contract or document,

shall constitute an event of default thereunder, but allowing for all applicable grace periods thereunder; *provided*, however, that no Event of Default will occur under this paragraph unless the aggregate amount of Indebtedness in respect of which one or more of the events above-mentioned has or have occurred equals or is in excess of fifteen percent (15%) of the Fair Market Value of Consolidated Assets as determined and recognized in the Issuer's latest audited consolidated financial statements;

- (e) The Issuer or any of its Subsidiaries shall:
  - (i) become insolvent or unable to pay its Indebtedness as they mature;
  - (ii) stop or suspend all or a material part of (or a particular type of) its Indebtedness;
  - (iii) propose or make any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its Indebtedness, unless such deferral, rescheduling or other readjustment is not due to its inability to pay its Indebtedness and the Issuer gives prior notice of such deferral, rescheduling or other readjustment and the reasons therefor to the Bondholders through the Trustee and secure the required consent to effect such;
  - (iv) propose or make a general assignment or an arrangement or composition with or for the benefit of relevant creditors in respect of any of such Indebtedness, unless such general assignment, arrangement or composition is not due to its inability to pay its Indebtedness and the Issuer gives prior notice of such general assignment, arrangement or composition and the reasons therefor to the Bondholders through the Trustee;
  - (v) take advantage of insolvency, moratorium, corporate rehabilitation or other laws for the relief of debtors;
  - (vi) there shall be commenced against the Issuer or any Subsidiary any proceeding under such laws, or any judgment or order is entered by a court of competent jurisdiction for the appointment of a receiver, trustee or the like to take charge of all or substantially all of the assets of the Issuer, and such proceedings shall not have been discharged or stayed within a period of sixty (60) days or such longer period as the Issuer satisfies the Majority Bondholders as appropriate under the circumstances;
- (f) Any act or deed or judicial or administrative proceeding in the nature of an expropriation, confiscation, nationalization, intervention, acquisition, seizure, or condemnation of or with respect to the whole or any material portion of the business and operations, capital stock, property, or assets of the Issuer or any of its Material Subsidiary, shall be undertaken or instituted by any governmental authority, unless such act, deed or proceedings are otherwise contested in good faith by the Issuer or the Subsidiary concerned;
- (g) An attachment or garnishment of or levy upon a material part of the properties of the Issuer or any of its Material Subsidiary is made and is not discharged, stayed or fully bonded, within sixty (60) days (or such longer period as the Issuer satisfies the Majority Bondholders as appropriate under the circumstances);
- (h) Any of the Trust Indenture Agreement or the Bonds or any material portion thereof is declared to be illegal or unenforceable, unless such illegality or enforceability is remedied

within thirty (30) days of the occurrence or declaration of the illegality or unenforceability, as the case may be;

- (i) Any of the concessions, permits, rights, franchises, or privileges required for the conduct of the business and operations of the Issuer or any Subsidiary shall be revoked, canceled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented in such manner as shall have a material adverse effect, and such continues unremedied for a period of sixty (60) days from the date of such revocation, cancellation, termination or curtailment;
- (j) A final judgment, decree or order has been entered against the Issuer or any Subsidiary by a court of competent jurisdiction from which no appeal may be made or is taken for the payment of money in excess of Five Billion Pesos (₱5,000,000,000), and any relevant period specified for payment of such judgment, decree or order shall have expired without it being satisfied, discharged or stayed;
- (k) Any lien created or assumed by the Issuer or any Subsidiary becomes unenforceable and any step is taken to enforce it (including the taking possession or the appointment of a receiver, manager or other similar person) and the Indebtedness secured by the lien is not discharged or such steps stayed within sixty (60) days of such steps being so taken unless and for so long as the Bondholders are satisfied that it is being contested in good faith with due diligence and by appropriate proceedings;
- (l) The Issuer shall contest in writing the validity or enforceability of the Trust Indenture Agreement or the Bonds or shall deny generally in writing the liability of the Issuer under the Trust Indenture Agreement or the Bonds; or
- (m) Any event occurs which under the law has an analogous effect to any of the events referred to in the foregoing paragraphs of this section.

### **Notice of Default**

The Trustee shall, within five (5) days after the occurrence of any Event of Default, give to the Bondholders written notice of such default known to it, unless the same shall have been cured before the giving of such notice; provided that, in the case of payment default, as described in item (a) of "Events and Consequences of Default" above, the Trustee shall immediately notify the Bondholders upon the occurrence of such payment default. The existence of a written notice required to be given to the Bondholders hereunder shall be published in a newspaper of general circulation in the Philippines for two (2) consecutive days, further indicating in the published notice that the Bondholders or their duly authorized representatives may obtain an important notice regarding the Bonds at the principal office of the Trustee upon presentation of sufficient and acceptable identification.

### **Penalty Interest**

In case any amount payable by the Issuer under the Bonds, whether for principal, interest, fees due to Trustee or Registrar or otherwise, is not paid on due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest and other amounts, pay penalty interest on the defaulted amount(s) at the rate of 2.0% p.a. (the "Penalty Interest") from the time the amount falls due until it is fully paid.

## **Payment in the Event of Default**

The Issuer covenants that upon the occurrence of any Event of Default, the Issuer shall pay to the Bondholders, through the Paying Agent, the whole amount which shall then have become due and payable on all such outstanding Bonds with interest at the rate borne by the Bonds on the overdue principal and with Penalty Interest as described above, and in addition thereto, the Issuer shall pay to the Trustee such further amounts as shall be determined by the Trustee to be sufficient to cover the cost and expenses of collection, including reasonable compensation to the Trustee, its agents, attorneys and counsel, and any reasonable expenses or liabilities incurred without negligence or bad faith by the Trustee hereunder.

## **Application of Payments**

Any money collected or delivered to the Paying Agent, and any other funds held by it, subject to any other provision of the Trust Indenture Agreement and the Registry and Paying Agency Agreement relating to the disposition of such money and funds, shall be applied by the Paying Agent in the order of preference as follows: *first*, to the payment to the Trustee, the Paying Agent and the Registrar, of the costs, expenses, fees and other charges of collection, including reasonable compensation to them, their agents, attorneys and counsel, and all reasonable expenses and liabilities incurred or disbursements made by them, without gross negligence or bad faith; *second*, to the payment of the interest in default, in the order of the maturity of such interest with Penalty Interest; *third*, to the payment of the whole amount then due and unpaid upon the Bonds for principal, and interest, with Penalty Interest; and *fourth*, the remainder, if any shall be paid to the Issuer, its successors or assigns, or to whoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct. Except for any interest and principal payments, all disbursements of the Paying Agent in relation to the Bonds shall require the conformity of the Trustee and this conformity, once given, shall constitute as an irrevocable instruction of the Issuer. The Paying Agent shall render a monthly account of such funds under its control.

## **Prescription**

Claims in respect of principal and interest or other sums payable hereunder shall prescribe unless made within ten (10) years (in the case of principal or other sums) or five (5) years (in the case of interest) from the date on which payment becomes due.

## **Remedies**

All remedies conferred by the Trust Indenture Agreement to the Trustee and the Bondholders shall be cumulative and not exclusive and shall not be so construed as to deprive the Trustee or the Bondholders of any legal remedy by judicial or extra judicial proceedings appropriate to enforce the conditions and covenants of the Trust Indenture Agreement, subject to the discussion below on "*Ability to File Suit*".

No delay or omission by the Trustee or the Bondholders to exercise any right or power arising from or on account of any default hereunder shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence thereto; and every power and remedy given by the Trust Indenture Agreement to the Trustee or the Bondholders may be exercised from time to time and as often as may be necessary or expedient.

## **Ability to File Suit**

No Bondholder shall have any right by virtue of or by availing of any provision of the Trust Indenture Agreement to institute any suit, action or proceeding for the collection of any sum due from the Issuer hereunder on account of principal, interest and other charges, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless: (i) such Bondholder previously shall have given to the

Trustee written notice of an Event of Default and of the continuance thereof and the related request for the Trustee to convene a meeting of the Bondholders to take up matters related to their rights and interests under the Bonds; (ii) the Majority Bondholders shall have decided and made the written request upon the Trustee to institute such action, suit or proceeding in the latter's name; (iii) the Trustee for sixty (60) days after the receipt of such notice and request shall have neglected or refused to institute any such action, suit or proceeding; and (iv) no directions inconsistent with such written request shall have been given under a waiver of default by the Bondholders, it being understood and intended, and being expressly covenanted by every Bondholder with every other Bondholder and the Trustee, that no one or more Bondholders shall have any right in any manner whatever by virtue of or by availing of any provision of the Trust Indenture Agreement to affect, disturb or prejudice the rights of the holders of any other such Bonds or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under the Trust Indenture Agreement, except in the manner herein provided and for the equal, ratable and common benefit of all the Bondholders.

### **Waiver of Default by the Bondholders**

The Majority Bondholders may direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, or the Majority Bondholders may decide for and in behalf of the Bondholders to waive any past default, except the events of default defined as a payment default, breach of representation or warranty default, expropriation default, insolvency default, or closure default, and its consequences, which would require the unanimous waiver of all the Bondholders. In case of any such waiver, the Issuer, the Trustee, and the Bondholders shall be restored to their former positions and rights hereunder; provided however that, no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Bonds.

### **SUBSTITUTION**

Substitution of the Bonds is not contemplated.

### **TRUSTEE; NOTICES**

#### **Notice to the Trustee**

All documents required to be submitted to the Trustee pursuant to the Trust Indenture Agreement, this Prospectus and all correspondences addressed to the Trustee shall be delivered to:

To the Trustee:	Philippine National Bank Trust Banking Group
Attention:	Joy Jasmin Santos / Maria Victoria Mendoza
Address:	3 <sup>rd</sup> Floor, PNB Financial Center Diosdado Macapagal Boulevard, Pasay City
Subject:	SM Prime Series [V/W/X] Bonds
E-mail:	mendezamc@pnb.com.ph

All documents and correspondence not sent to the above-mentioned address shall be considered as not to have been sent at all.

For any inquiries and complaints, the Issuer or any of the Bondholders may send an e-mail to Trust\_CustomerCare@pnb.com.ph. The Trustee shall respond within forty-eight (48) hours or two (2) Business Days and resolve the complaint within twenty (20) Business Days. The Trustee shall notify the Issuer or the Bondholders, as applicable, in case the complaint cannot be resolved within twenty (20) Business Days.

For urgent concerns, the Issuer or the Bondholders may call the Trustee's Customer Care Hotline at (632) 8573 8888 available from 8 a.m. to 8 p.m., Monday to Sunday.

The Trustee is regulated by the BSP with e-mail address at [consumeraffairs@bsp.gov.ph](mailto:consumeraffairs@bsp.gov.ph).

### **Notice to the Bondholders**

The Trustee shall send all notices to Bondholders to their mailing address as set forth in the Register of Bondholders. Except where a specific mode of notification is provided for herein, notices to Bondholders shall be sufficient when made in writing and transmitted in any one of the following modes: (i) registered mail; (ii) surface mail; (iii) by one-time publication in a newspaper of general circulation in the Philippines; or (iv) personal delivery to the address of record in the Register of Bondholders. The Trustee shall rely on the Register of Bondholders in determining the Bondholders entitled to notice. All notices shall be deemed to have been received: (i) ten (10) days from posting if transmitted by registered mail; (ii) fifteen (15) days from mailing if transmitted by surface mail; (iii) on date of publication; or (iv) on date of delivery, for personal delivery.

### **Binding and Conclusive Nature**

Except as provided in the Trust Indenture Agreement, all notifications, opinions, determinations, certificates, calculations, quotations, and decisions given, expressed, made, or obtained by the Trustee for the purposes of the provisions of the Trust Indenture Agreement, shall (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, and all Bondholders and (in the absence as referred to above) no liability to the Issuer, the Paying Agent, or the Bondholders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties, and discretions under the Trust Indenture Agreement.

### **Duties and Responsibilities of the Trustee**

- (a) The Trustee is appointed as trustee for and on behalf of the Bondholders and accordingly shall perform such duties and shall have such responsibilities as provided in the Trust Indenture Agreement and inform the Bondholders of any event which has a material adverse effect on the ability of the Issuer to comply with its obligations to the Bondholders, breach of representations and warranties, and Events of Default within a reasonable period from the time that the Trustee learns or is informed of such events.
- (b) The Trustee shall have custody of and hold in its name, for and in behalf of the Bondholders, the Master Certificates of Indebtedness for the total issuance of the Bonds.
- (c) The Trustee shall promptly and faithfully carry out the instructions or decisions of the Majority Bondholders issued or reached in accordance with the terms and conditions of the Trust Indenture Agreement.
- (d) The Trustee shall, in accordance with the terms and conditions of the Trust Indenture Agreement, monitor the compliance or non-compliance by the Issuer with all its representations and warranties,

and the observance by the Issuer of all its covenants and performance of all its obligations, under and pursuant to the Trust Indenture Agreement.

- (e) The Trustee shall, prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, perform only such duties as are specifically set forth in the Trust Indenture Agreement. In case of default, the Trustee shall exercise such rights and powers vested in it by the Trust Indenture Agreement, and use such judgment and care under the circumstances then prevailing that individuals of prudence, discretion and intelligence, and familiar with such matters exercise in the management of their own affairs.
- (f) The Trustee, in the performance of its duties, shall observe due diligence in exercising such rights and powers vested in it under the Trust Indenture Agreement, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs under similar circumstances. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the Bondholders, and to whom the Bondholders shall communicate with in respect to any matters that must be taken up with the Issuer.
- (g) The Trustee shall perform such other powers and functions as provided for elsewhere under the Trust Indenture Agreement.

#### **Liability of the Trustee**

- (a) No provision of the Trust Indenture Agreement shall be construed to relieve the Trustee from liability for its own grossly negligent action, its own grossly negligent failure to act, or its willful misconduct, or that of its directors, officers, or employees, provided that:
  - (i) The Trustee shall not be liable other than the performance of such duties as are specifically set forth in the Trust Indenture Agreement;
  - (ii) In the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely upon, as to the truth of the statements and the correctness of the opinion of the expressed in, any certificate or opinion furnished to the Trustee conforming to the requirements of the Trust Indenture Agreement;
  - (iii) The Trustee shall not be liable for any error of judgment made in good faith by its responsible officer or officers, unless it shall be proven that the Trustee was grossly negligent in ascertaining the pertinent facts, as determined by a final non-appealable judgement of a court of competent jurisdiction; and
  - (iv) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Majority Bondholders relating to the time, method, and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee under the Trust Indenture Agreement.
- (b) None of the provisions contained in the Trust Indenture Agreement, or this Prospectus, shall require or be interpreted to require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

### **Ability to Consult Counsel**

- (a) The Trustee may consult with counsel in connection with the duties to be performed by the Trustee under the Trust Indenture Agreement and any opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or omitted to be taken by the Trustee hereunder in good faith and in accordance with such opinion; provided that, prior to taking or not taking such action for which opinion of counsel is sought, the Trustee shall inform the Issuer of the relevant opinion of counsel; provided further that, the Trustee shall not be bound by the foregoing condition to inform the Issuer of counsel's opinion if the opinion of counsel which is being sought by the Trustee pertains to, or involves actions to be undertaken due to, an Event of Default or issues pertaining thereto.
- (b) Notwithstanding any provision of the Trust Indenture Agreement authorizing the Trustee conclusively to rely upon any certificate or opinion, the Trustee may, before taking or refraining from the taking of any action in reliance thereon, require further evidence or make any further investigation as to the facts or matters stated therein which it may in good faith deem reasonable under the circumstances, and the Trustee shall require such further evidence or make such further investigation as may reasonably be requested in writing by the Majority Bondholders.

### **The Trustee as Holder or Owner of the Bonds**

The Trustee, in its individual or any other capacity, may become a holder or owner of the Bonds with the same rights it would have if it were not the Trustee and the Trustee shall otherwise deal with the Issuer in the same manner and to the same extent as though it were not the Trustee hereunder, provided, that such ownership shall not be considered a conflict of interest under Section 8.10 of the Trust Indenture Agreement requiring resignation or change of the Trustee under Section 8.5(b) of the Trust Indenture Agreement.

### **Resignation and Change of Trustee**

- (a) The Trustee may at any time resign by giving ninety (90) days' prior written notice to the Issuer and to the Bondholders of such resignation.
- (b) Upon receiving such notice of resignation of the Trustee, the Issuer shall immediately appoint a successor trustee by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the resigning Trustee and one (1) copy to the successor trustee. If no successor shall have been so appointed and have accepted appointment within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor, or any Bondholder who has been a *bona fide* holder for at least six (6) months (the "*bona fide* Bondholder") may, on behalf of himself and all other Bondholders, petition any such court for the appointment of a successor. Such court may thereupon after notice, if any, as it may deem proper, appoint a successor trustee. Subject to the provision of Subsection (e) below, such a successor trustee should possess all the qualifications required under pertinent laws, otherwise, the incumbent trustee shall continue to act as such.
- (c) In case at any time the Trustee shall become incapable of acting, or has acquired conflicting interest, or shall be adjudged as bankrupt or insolvent, a receiver for the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its properties or affairs for the purpose of rehabilitation, conservation or liquidation, then the Issuer may within thirty (30) days remove the Trustee, and appoint a successor trustee, by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the Trustee so removed and one (1) copy to the successor trustee. If the Issuer fails to remove

the Trustee and appoint a successor trustee, any bona fide Bondholder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee. Such court may thereupon after such notice, if any, as it may deem proper, remove the Trustee and appoint a successor trustee. Subject to the provisions of Subsection (e) below, such successor trustee should possess all the qualifications required under pertinent laws; otherwise, the incumbent Trustee shall continue to act as such until a successor trustee is duly appointed.

- (d) The Majority Bondholders may at any time remove the Trustee for cause, and appoint a successor trustee, by the delivery to the Trustee so removed, to the successor trustee and to the Issuer of the required evidence under the provisions on Evidence Supporting the Action of the Bondholders in the terms and conditions.
- (e) Without prejudice to any liabilities of the Trustee which have accrued, any resignation or removal of the Trustee and the appointment of a successor trustee pursuant to any of the provisions of this Subsection shall become effective upon the earlier of: (i) acceptance of appointment by the successor trustee as provided in the Trust Indenture Agreement; or (ii) effectivity of the resignation notice sent by the Trustee under Section 8.5 (a) of the Trust Indenture Agreement (the "Resignation Effective Date"); provided, however, that after the Resignation Effective Date and, as relevant, until such successor trustee is qualified and appointed (the "Holdover Period"), the resigning trustee shall discharge duties and responsibilities solely as a custodian of records for turnover to the successor trustee promptly upon the appointment thereof by the Issuer provided further that the resigning trustee shall be entitled to the payment of the fee stipulated in Section 2.2 of the Trust Indenture Agreement during the Holdover Period.

### **Successor Trustee**

- (a) Any successor trustee appointed shall execute, acknowledge and deliver to the Issuer and to its predecessor trustee an instrument accepting such appointment, and thereupon the resignation or removal of the predecessor trustee shall become effective and such successor trustee, without further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trusteeship with like effect as if originally named as trustee in the Trust Indenture Agreement. The foregoing notwithstanding, on the written request of the Issuer or of the successor trustee, the trustee ceasing to act as such shall execute and deliver an instrument transferring to the successor trustee, all the rights, powers and duties of the trustee so ceasing to act as such. Upon request of any such successor trustee, the Issuer shall execute any and all instruments in writing as may be necessary to fully vest in and confer to such successor trustee all such rights, powers and duties. Upon effectivity of the removal or resignation of the trustee as provided above, such trustee's liabilities and obligations shall immediately cease.
- (b) Upon acceptance of the appointment by a successor trustee, the Issuer shall notify the Bondholders in writing of the succession of such trustee to the trusteeship. If the Issuer fails to notify the Bondholders within ten (10) days after the acceptance of appointment by the successor trustee, the latter shall cause the Bondholders to be notified at the expense of the Issuer.

### **Merger or Consolidation**

Any corporation into which the Trustee may be merged or with which it may be consolidated or any corporation resulting from any merger or consolidation to which the Trustee shall be a party or any corporation succeeding to the business of the Trustee shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding, provided that, such successor trustee shall be eligible under the provisions of the Trust Indenture Agreement and the SRC, and has none of the conflict of interest

under Section 8.10 of the Trust Indenture Agreement; however, where such successor trustee is not qualified under the pertinent Law, then the provisions of Section 8.5(d) of the Trust Indenture Agreement shall apply.

### **Reliance**

In the performance of its obligations under the Trust Indenture Agreement, the Trustee is entitled to rely on the records of the Registrar, but shall exercise such judgment and care under the circumstances then prevailing, that individuals of prudence, discretion and intelligence, and familiar with such matters exercise in the management of their own affairs.

In addition, the Trustee shall not be held liable for any of its act or omission unless such act or omission was committed with fraud, evident bad faith, gross or willful negligence, or the Trustee shall have failed to exercise the prudence, care or diligence required by law and under the circumstances.

### **Bond**

The Trustee and each successor trustee shall be exempt from giving a surety or performance bond in respect of the execution of the trust or of the powers herein provided for or otherwise in respect of the premises.

### **Conflict of Interest**

- (a) If the Trustee has or acquires any conflicting interest, as defined in Section 8.10(c) of the Trust Indenture Agreement, the Trustee shall, within sixty (60) days after ascertaining that it has such conflicting interest, either eliminate such conflicting interest or resign as Trustee in the manner and with the effect specified in Section 8.5 of the Trust Indenture Agreement.
- (b) In the event that the Trustee shall fail to comply with the provisions of Section 8.10(a) of the Trust Indenture Agreement, the Trustee shall within ten (10) days after expiration of the aforesaid sixty (60)-day period transmit notice of such failure to the Bondholders and the Issuer; provided that, any delay or failure to transmit such notice shall not prejudice any of the rights or remedies of the Bondholders or Issuer under Section 8.5 of the Trust Indenture Agreement.
- (c) For the purpose of this section, the Trustee shall be deemed to have a conflicting interest if the Trustee directly or indirectly controls or is directly or indirectly controlled by or is under direct or indirect common control of the Issuer.

### **Reports to the Bondholders**

The Trustee shall submit to the Bondholders on or before 28 February of each year from the relevant Issue Date, until full payment of the Bonds, a brief report dated 31 December of the immediately preceding year with respect to:

- (i) The funds, if any, physically in the possession of the Paying Agent held in trust for the Bondholders on the date of such report; and
- (ii) Any action taken by the Trustee in the performance of its duties under the Trust Indenture Agreement which it has not previously reported and which in its opinion materially affects the Bonds, except action in respect of a default, notice of which has been or is to be withheld by it.

The Trustee shall submit to the Bondholders a brief report within ninety (90) days from the making of any advance for the reimbursement of which it claims or may claim a lien or charge which is prior to that of the Bondholders on the property or funds held or collected by the Paying Agent with respect to the character, amount and the circumstances surrounding the making of such advance; provided that, such advance remaining unpaid amounts to at least ten percent (10%) of the aggregate outstanding principal amount of the Bonds at such time.

### **Inspection of Documents**

The following pertinent documents may be inspected during regular business hours on any Business Day at the principal office of the Trustee:

1. Trust Indenture Agreement;
2. Registry and Paying Agency Agreement;
3. Articles of Incorporation and By-Laws of the Issuer; and
4. Registration Statement of the Issuer with respect to the Bonds.

### **MEETINGS OF BONDHOLDERS**

A meeting of the Bondholders may be called at any time for the purpose of taking any actions authorized to be taken by or in behalf of the Bondholders of any specified aggregate principal amount of the Bonds under any other provisions of the Trust Indenture Agreement or under the law and such other matters related to the rights and interests of the Bondholders under the Bonds.

### **Notice of Meetings**

The Trustee may at any time call a meeting of the Bondholders, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of Bonds may direct in writing the Trustee to call a meeting of the Bondholders, to take up any allowed action, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of the Bondholders, setting forth the time and the place of such meeting and the purpose of such meeting in reasonable detail, shall be sent by the Trustee to the Issuer and to each of the registered Bondholders not earlier than forty-five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting. However, the Trustee shall send notices in respect of any meeting called by the Issuer to obtain consent of the Bondholders to an amendment of the Trust Indenture Agreement in the following manner, a notice shall be sent to Bondholders detailing the amendments proposed and consents requested by the Issuer not earlier than sixty (60) days nor later than forty-five (45) days prior to the date fixed for the meeting, if the Bondholder fails to respond as required by such notice, the Trustee shall send a second notice to such Bondholder not later than fifteen (15) days prior to the date fixed for the meeting. Each of such notices shall be published in a newspaper of general circulation as provided in the Trust Indenture Agreement. All reasonable costs and expenses incurred by the Trustee for the proper dissemination of the requested meeting shall be reimbursed by the Issuer within ten (10) days from receipt of the duly supported billing statement.

### **Failure of the Trustee to Call a Meeting**

In case at any time the Issuer, pursuant to a resolution of its Board of Directors or executive committee, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of the Bonds shall have requested the Trustee to call a meeting of the Bondholders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed and published, in accordance with the notice requirements, the notice of such meeting, then the Issuer or the Bondholders

in the amount above specified may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof.

### **Quorum**

The Trustee shall determine and record the presence of the Majority Bondholders, personally or by proxy. The presence of the Majority Bondholders shall be necessary to constitute a quorum to do business at any meeting of the Bondholders except for any meeting called by the Issuer solely for the purpose of obtaining the consent of the Bondholders to an amendment of the Trust Indenture Agreement, where the failure of any Bondholder to transmit an objection to such proposal of the Issuer after at least two (2) notices to such Bondholder have been sent by the Trustee, will be considered by the Trustee as an affirmative vote (and such Bondholder will be considered present for quorum purposes by the Trustee) for the proposal of the Issuer.

### **Procedure for Meetings**

- (a) The Trustee shall preside at all the meetings of the Bondholders, unless the meeting shall have been called by the Issuer or by the Bondholders, in which case the Issuer or the Bondholders calling the meeting, as the case may be, shall in like manner move for the election of the chairman and secretary of the meeting.
- (b) Any meeting of the Bondholders duly called may be adjourned for a period or for periods not to exceed in the aggregate of one (1) year from the date for which the meeting shall originally have been called and the meeting as so adjourned may be held without further notice. Any such adjournment may be ordered by persons representing a majority of the aggregate principal amount of the Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

### **Voting Rights**

To be entitled to vote at any meeting of the Bondholders, a person shall be a registered holder of one (1) or more Bonds or a person appointed by an instrument in writing as proxy by any such holder as of the date of the said meeting. Bondholders shall be entitled to one vote for every Ten Thousand Pesos (₱10,000) interest. The only persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the persons entitled to vote at such meeting and any representatives of the Issuer and its legal counsel.

### **Voting Requirement**

All matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the Majority Bondholders present or represented in a meeting at which there is a quorum except as otherwise provided in the Trust Indenture Agreement (please refer to the discussion on "Quorum"). Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as herein provided shall be binding upon all the Bondholders and the Issuer as if the votes were unanimous.

### **Role of the Trustee in Meetings of the Bondholders**

Notwithstanding any other provisions of the Trust Indenture Agreement, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of the Bondholders, in regard to proof of ownership of the Bonds, the appointment of proxies by registered holders of the Bonds, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and

examination of proxies, certificates and other evidences of the right to vote and such other matters concerning the conduct of the meeting as it shall deem fit.

### **Amendments**

The Issuer and the Trustee may amend the terms and conditions or the Bonds without notice to any Bondholder but with the written consent of the Majority Bondholders (including consents obtained in connection with a tender offer or exchange offer for the Bonds). However, without the consent of each Bondholder affected thereby, an amendment may not:

- (1) reduce the amount of Bondholder that must consent to an amendment or waiver;
- (2) reduce the rate of or extend the time for payment of interest on any Bonds;
- (3) reduce the principal of or extend the Maturity Date of any Bonds;
- (4) impair the right of any Bondholder to receive payment of principal of and interest on their Bonds on or after the due dates therefore or to institute suit for the enforcement of any payment on or with respect to such Bondholders;
- (5) reduce the amount payable upon the redemption or repurchase of any Bonds under the terms and conditions or change the time at which any Bonds may be redeemed;
- (6) make any Bonds payable in money other than that stated in the Bonds;
- (7) subordinate the Bonds to any other obligation of the Issuer;
- (8) release any Bond interest that may have been granted in favor of the Bondholders;
- (9) amend or modify the Payment of Additional Amounts, Taxation, the Events of Default of the terms and conditions or the Waiver of Default by the Bondholders; or
- (10) make any change or waiver of the aforementioned conditions.

It shall not be necessary for the consent of the Bondholders under this condition to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof. After an amendment under this condition becomes effective, the Issuer shall send a notice briefly describing such amendment to the Bondholders in the manner provided in the section entitled "Notices".

### **Evidence Supporting the Action of the Bondholders**

Wherever in the Trust Indenture Agreement it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of the Bonds may take any action (including the making of any demand or requests and the giving of any notice or consent or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing; (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith; or (iii) a combination of such instrument and any such record of meeting of the Bondholders.

**Non-Reliance**

Each Bondholder also represents and warrants to the Trustee that it has independently and, without reliance on the Trustee, made its own credit investigation and appraisal of the financial condition and affairs of the Issuer on the basis of such documents and information as it has deemed appropriate and that he has subscribed to the Issue on the basis of such independent appraisal, and each Bondholder represents and warrants that it shall continue to make its own credit appraisal without reliance on the Trustee. The Bondholders agree to indemnify and hold the Trustee harmless from and against any and all liabilities, damages, penalties, judgments, suits, expenses and other costs of any kind or nature against the Trustee in respect of its obligations hereunder, except for its gross negligence or wilful misconduct.

**GOVERNING LAW**

The Bond Agreements are governed by and are construed in accordance with Philippine law.

## CAPITALIZATION AND INDEBTEDNESS

*For each succeeding Tranche, the unaudited consolidated short-term and long-term debt and capitalization of the Issuer as of the relevant period shall be set out in the relevant Offer Supplement.*

As at 31 December 2023, the authorized capital stock of the Issuer was ₱40.00 billion divided into 40 billion common shares each with ₱1.00 par value per share, and its issued capital stock was ₱33.17 billion consisting of 33.166 billion common shares of ₱1.00 par value each. As at 31 December 2023 and 2022, the Issuer has 28,856 million outstanding shares and 4,310 million treasury shares.

The following table sets forth the consolidated capitalization and indebtedness of the Issuer as at 31 December 2023 and as adjusted to give effect to the issue of the Bonds. This table should be read in conjunction with the Issuer's audited consolidated financial statements as at 31 December 2023 and notes thereto, included elsewhere in this Prospectus.

	As at 31 December 2023		
	Actual (Audited)	Adjusted <sup>1</sup> to assume ₱20.00 billion Issue Size (Unaudited)	Adjusted <sup>1</sup> to assume ₱25.00 billion Issue Size (Unaudited)
<i>(in millions)</i>			
<b>Short-term debt</b>			
Loans payable	₱4,289	₱4,289	₱4,289
Current portion of long-term debt	67,746	67,746	67,746
Total short-term debt	72,035	72,035	72,035
<b>Long-term debt - net of current portion</b>			
Banks and other financial institutions	294,622	294,622	294,622
The Bonds to be issued	-	19,770	24,716
Total long-term debt - net of current portion	294,622	314,392	319,338
<b>Equity Attributable to Equity Holders of the Parent</b>			
Capital stock	33,166	33,166	33,166
Additional paid-in capital - net	38,160	38,160	38,160
Cumulative translation adjustment	2,556	2,556	2,556
Net fair value changes of equity instruments at fair value through other comprehensive income	16,939	16,939	16,939
Net fair value changes on cash flow hedges	1,079	1,079	1,079
Remeasurement loss on defined benefit obligation	(1,062)	(1,062)	(1,062)
Retained earnings			
Appropriated	42,200	42,200	42,200
Unappropriated	266,144	266,144	266,144
Treasury stock	(2,985)	(2,985)	(2,985)
Total Equity Attributable to Equity Holders of the Parent	396,197	396,197	396,197
<b>Total capitalization<sup>2</sup></b>	<b>₱762,854</b>	<b>₱782,624</b>	<b>₱787,570</b>

**Notes:**

- (1) Adjusted amount as at 31 December 2023 includes gross proceeds of the principal amount of the Bonds offered hereunder, net of expenses related to the proceeds, accounted for as contra-liability of the long-term debt account and subsequently amortized as expense during the term of the debt.
- (2) Total capitalization is the sum of short-term debt, long-term debt and equity attributable to the equity holders of the parent.

## DESCRIPTION OF THE ISSUER

### OVERVIEW

SM Prime was incorporated in the Philippines and registered with the SEC on 6 January 1994. It is a leading integrated Philippine real estate company with business units focused on malls, residential, commercial, and hotels and convention centers.

As at 31 December 2023, SM Prime's consolidated total assets stood at ₱943.3 billion, consolidated total liabilities were at ₱544.4 billion, with net debt-to-equity ratio (being the ratio of aggregate consolidated indebtedness (sum of loans payable and long-term debt (current and noncurrent portion) net of cash and cash equivalent over equity attributable to the equity holders of the parent) of 46:54.

The table below sets out each business unit's contribution to SM Prime's consolidated revenue for the years ended 31 December 2023, 2022 and 2021.

<i>(in ₱ millions)</i>	<b>For the years ended 31 December</b>		
	Audited		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
Malls	72,123	55,541	30,079
Residential	43,100	40,083	45,897
Commercial	6,897	6,123	5,010
Hotels and Convention Centers	6,288	4,344	1,587
Eliminations	(310)	(305)	(258)
<b>Consolidated Total</b>	<b>128,098</b>	<b>105,786</b>	<b>82,315</b>

### Subsidiaries

The subsidiaries of the Company are as follows:

Name of company	Place of incorporation	Year of incorporation	Percentage ownership
<b>MALLS</b>			
A. Canicosa Holdings, Inc.	Philippines	2008	100.0
AD Canicosa Properties, Inc.	Philippines	2008	100.0
ADC	Philippines	1950	100.0
Britannia Trading Corp. and Subsidiaries	Philippines	2001	100.0
CHAS and Subsidiaries	Philippines	1995	100.0
Cherry Realty Development Corporation	Philippines	1977	100.0
CPDC	Philippines	1998	100.0
MLI	Philippines	2006	100.0
PCI and Subsidiary	Philippines	1998	100.0
PSC	Philippines	1998	100.0
PMI and Subsidiary	Philippines	1995	100.0
PCPMC	Philippines	2009	100.0
Rushmore Holdings, Inc.	Philippines	1994	100.0

Name of company	Place of incorporation	Year of incorporation	Percentage ownership
SLHC	Philippines	2001	100.0
Simply Prestige	British Virgin Islands	2013	100.0
SMACC	Philippines	2012	100.0
SM Land China	Hong Kong	2006	100.0
SPC	Philippines	2008	100.0
Springfield Global Enterprises Limited	British Virgin Islands	2007	100.0
Supermalls Transport Services, Inc.	Philippines	2017	100.0
FARDC	Philippines	1987	74.2
Mindpro	Philippines	1970	70.0
FLVG	Philippines	2007	50.0
<b>RESIDENTIAL</b>			
SMDC and Subsidiaries	Philippines	1974	100.0
CDHI and Subsidiary	Philippines	2006	100.0
HPI and Subsidiary	Philippines	2001	100.0
<b>COMMERCIAL</b>			
MOA Esplanade Port, Inc.	Philippines	2014	100.0
Premier Clark Complex, Inc.	Philippines	2019	100.0
SCIDC	Philippines	2019	100.0
TRDC	Philippines	1988	100.0
<b>HOTELS AND CONVENTION CENTERS</b>			
SM Hotels and Subsidiaries	Philippines	2008	100.0

The contribution of SM Prime and its subsidiaries to the Company's total consolidated revenues for the years ended 31 December 2023, 2022, and 2021 is set out below.

Name of Subsidiary	2023		2022		2021	
	Revenue	% to Total	Revenue	% to Total	Revenue	% to Total
<i>(Amounts in ₱ thousands)</i>						
SM Prime Holdings, Inc.	71,503	56%	55,212	52%	32,032	39%
SMDC and Subsidiaries	33,826	26%	22,704	21%	33,809	41%
SM Land China	6,385	5%	14,519	14%	9,871	12%
FARDC	4,862	4%	3,649	3%	1,576	2%
PCI and Subsidiary	2,484	2%	1,818	2%	1,125	1%
HPI and Subsidiary	1,526	1%	1,246	1%	844	1%
PSC	1,524	1%	1,200	1%	659	1%
CPDC	1,306	1%	1,024	1%	518	1%
PCPMC	972	1%	1,118	1%	300	0%
SPC	904	1%	645	1%	321	0%
SMACC	871	1%	329	0%	45	0%
CDHI and Subsidiary	846	1%	1,517	1%	938	1%
FLVG	399	0%	266	0%	93	0%

Name of Subsidiary	2023		2022		2021	
	Revenue	% to Total	Revenue	% to Total	Revenue	% to Total
PMI and Subsidiary	293	0%	240	0%	211	0%
Mindpro	267	0%	194	0%	86	0%
Britannia Trading Corp and Subsidiaries	261	0%	233	0%	–	0%
CHAS and Subsidiaries	144	0%	118	0%	84	0%
SM Hotels and Subsidiaries	18	0%	30	0%	34	0%
MLI	13	0%	14	0%	13	0%
SLHC	9	0%	9	0%	9	0%
TRDC	5	0%	4	0%	4	0%
MOA Esplanade Port, Inc.	1	0%	2	0%	1	0%
Supermalls Transport Services, Inc.	(11)	0%	–	0%	–	0%
Eliminations	(310)	0%	(305)	0%	(258)	0%
<b>Total</b>	<b>128,098</b>	<b>100%</b>	<b>105,786</b>	<b>100%</b>	<b>82,315</b>	<b>100%</b>

The contribution of SM Prime and its subsidiaries to the Company's total consolidated net income attributable to equity holders of the Parent for the years ended 31 December 2023, 2022, and 2021 is set out below.

Name of Subsidiary	2023		2022		2021	
	Net Income	% to Total	Net Income	% to Total	Net Income	% to Total
<i>(Amounts in ₱ thousands)</i>						
SM Prime Holdings, Inc.	25,401	63%	19,626	65%	6,527	30%
SMDC and Subsidiaries	7,804	20%	4,178	14%	10,566	48%
FARDC	2,015	5%	1,498	5%	527	2%
PSC	971	2%	746	2%	366	2%
CPDC	825	2%	669	2%	311	1%
HPI and Subsidiary	629	2%	426	1%	248	1%
PCI and Subsidiary	504	1%	386	1%	328	2%
SPC	495	1%	311	1%	100	0%
PMI and Subsidiary	334	1%	205	1%	146	1%
PCPMC	319	1%	290	1%	127	1%
SM Land China	309	1%	1,497	5%	2,561	12%
SMACC	283	1%	124	0%	(46)	0%
CDHI and Subsidiary	281	1%	402	1%	309	1%
Simply Prestige	150	0%	(203)	(1%)	(40)	0%
FLVG	71	0%	21	0%	(47)	0%
Mindpro	40	0%	28	0%	(12)	0%
CHAS and Subsidiaries	8	0%	(2)	0%	(31)	0%
MLI	6	0%	7	0%	5	0%
TRDC	1	0%	1	0%	1	0%
ADC	–	0%	–	0%	(2)	0%

Name of Subsidiary	2023		2022		2021	
	Net Income	% to Total	Net Income	% to Total	Net Income	% to Total
AD Canicosa Properties, Inc.	(1)	0%	(1)	(1%)	(1)	0%
Rushmore Holdings, Inc.	(2)	0%	(2)	0%	–	0%
MOA Esplanade Port, Inc.	(2)	0%	(1)	0%	(4)	0%
SLHC	(12)	0%	(2)	0%	3	0%
Supermalls Transport Services, Inc.	(12)	0%	(1)	0%	(8)	0%
SM Hotels and Subsidiaries	(22)	0%	6	0%	(117)	(1%)
SCIDC	(42)	0%	(22)	0%	(19)	0%
Premier Clark Complex, Inc.	(126)	0%	(223)	(1%)	(11)	0%
Britannia Trading Corp and Subsidiaries	(216)	(1%)	136	0%	–	0%
<b>Total</b>	<b>40,011</b>	<b>100%</b>	<b>30,100</b>	<b>100%</b>	<b>21,787</b>	<b>100%</b>

The Company's operations in China account for a portion of the SM Prime's consolidated revenues and net income. The contribution of the Company's China operations to its consolidated revenues and net income for each of the last three (3) years is set out below.

Year	Contribution to Revenues	Contribution to Net Income
2021	12%	12%
2022	14%	4%
2023	5%	1%

SM Prime is listed on the PSE and as at 31 December 2023 was 49.70% directly-owned by SMIC. SM Prime had a market capitalization of ₱950.1 billion as of 31 December 2023.

## COMPETITIVE STRENGTHS

### Integrated real estate platform with strong track record across segments

SM Prime benefits from a strong track record in the Philippine real estate industry, including being the number one shopping mall developer and operator in the Philippines based on both gross floor area ("GFA") and number of malls, a leading residential developer in the Philippines in terms of condominium units sold, and operating growing office, hotel, and leisure segments.

SM Prime possesses end-to-end capabilities across the integrated real estate value chain, encompassing land banking, master planning, construction, retailing and operations. SM Prime is able to leverage on the diverse skill sets of each of its business units while optimizing value through more efficient planning and control over its developments. SM Prime believes it can maximize the existing plots of its retail developments that may be underutilized or unutilized by adding residential, commercial and hospitality developments, thereby providing customers with an attractive "live, work, play" lifestyle.

SM Prime is one of the largest integrated real estate developers in Southeast Asia that offers innovative and sustainable lifestyle cities with the development of malls, residences, offices, hotels and convention centers. SM Prime believes it is the largest shopping mall developer in the Philippines in terms of gross leasable area. SM Prime believes that it is well positioned to take advantage of greater demand for

residential homes resulting from the growth of the Philippine economy and increasing demand from expatriate Filipinos, among other factors.

### **Leading retail malls business**

As of 31 December 2023, SM Prime was the largest mall operator in the Philippines, with eighty-five (85) malls in the Philippines and eight (8) malls in the PRC. SM Prime's track record of operating malls dates back to 1985 when the first SM Mall was opened.

Drawing on its relationship with key tenants, SM Prime believes it is able to establish an appropriate mix of tenants in its malls and hence attract retail foot traffic. SM Prime enjoys long-standing relationships with anchor tenants such as The SM Stores, SM Markets, and Jollibee in the Philippines and Walmart and Vanguard in the PRC. In addition, SM Prime has long-term relationships with an extensive base of international and domestic tenants and has access to a wide leasing network, with approximately 20,615 tenants in the Philippines and 2,183 tenants in the PRC across multiple segments as of 31 December 2023. These tenants include well-known Philippine brands such as Jollibee and Bench as well as international brands such as Uniqlo, Forever 21, H&M, Starbucks, KFC, McDonalds, Miniso and IKEA.

SM Prime's diverse network of tenants allows it to pursue a dynamic leasing and marketing strategy. For example, international brands such as Uniqlo, Forever 21, H&M, Miniso and IKEA have chosen SM Supermalls as the locations to open their flagship stores in the Philippines. SM Prime's diverse network of tenants generally also allows it to achieve high occupancy levels in a short period time following the opening of new malls. Significant demand backlog gives SM Prime the flexibility to optimize its tenant mix, ensuring steady foot traffic and consistent same store sales growth at its malls.

SM Prime believes that in its thirty-nine (39) years of operating history, the SM Malls have established strong brand equity. SM Supermalls was recognized with Reader's Digest Most Trusted in the Philippines Brand Award in 2019.

SM Prime's retail malls provide an anchor for its lifestyle city projects, generating steady foot traffic and enhancing the value of its mixed-use developments.

### **Access to a prime large-scale land bank**

SM Prime aims to have a significant growth pipeline as underscored by its large and diversified land bank consisting of retail, commercial, and residential land in prime locations across the Philippines. As of 31 December 2023, SM Prime possessed a land bank of 2,324 hectares including around the MOA complex, South Road Properties in Cebu, and SMDC properties in Metro Manila, among others, which SM Prime believes is among the largest land banks in the country.

SM Prime believes that its well-established presence and reputation in the Philippines, as well as its expansion into China, enable it to gain access to additional quality land bank. SM Prime also has a track record of implementing a proactive land banking strategy, for example, the master plan for the 600-hectare reclamation project in Pasay and Parañaque is already in process. In addition, SMIC has granted a non-binding right of first refusal to SM Prime to purchase additional land from SMIC to support further development initiatives.

## **Strong balance sheet and access to capital**

SM Prime believes that it has access to capital from a wide variety of sources and thus is not dependent on any one source for its funding needs. As a well-established PSE-listed company, SM Prime has access to the domestic and international capital markets for potential issuances of equity, debt or other securities. SM Prime is also able to secure debt financing at what it believes to be competitive rates, including revolving bank loans and medium-term notes.

SM Prime believes that its strong balance sheet boosted by a large asset and equity base ensures that it is able to move quickly to acquire real estate assets and additional land bank. As of 31 December 2023, SM Prime had consolidated total assets of ₱943.3 billion and a total equity attributable to equity holders of the Parent of ₱396.2 billion. As of 31 December 2023, SM Prime's consolidated net debt-to-equity ratio was 46:54, providing sufficient debt headroom flexibility for current and future capital expenditure and expansion plans.

SM Prime believes that its stable real estate portfolio contributes to its liquidity and strong mix of recurring income from its mall and office operations. For the year ended 31 December 2023, 61% of SM Prime's consolidated revenue was derived from mall and commercial. SM Prime believes that its long-term leases help to create a steady stream of cash flow.

## **Experienced management team with strong corporate governance practices**

SM Prime's senior management team comprises Mr. Henry T. Sy, Jr. as Chairman of the Board, and Mr. Jeffrey C. Lim and Mr. Hans T. Sy as President and Chairman of the Executive Committee, respectively. Each of these individuals has been with SM Prime or its component businesses for at least thirty (30) years.

SM Prime adheres to strong corporate governance practices, with three (3) out of the eight (8) members of its Board of Directors being independent directors. The Company's commitment to uphold excellence in corporate governance has again been confirmed and recognized through the prestigious award it received in 2023. In particular, Five Golden Arrow Award, the highest corporate governance distinction in the Golden Arrow Recognition organized by the Institute of Corporate Directors, in partnership with the SEC, held on 28 September 2023.

## **BUSINESS STRATEGIES**

### **Continue to expand SM Prime's land bank and develop integrated lifestyle cities**

SM Prime has integrated all land banking functions into a centralized department retaining the highly successful culture that allowed the Company to reach its strong current land bank position. Going forward, the key focus of SM Prime will be on acquiring land bank that is suitable for mid-to-large scale mixed-use master planned projects in fast growing areas of the Philippines. SM Prime also plans to continue acquiring a strategic land bank near its existing developments, select schools, mass transit stations and other areas which are expected to be significant beneficiaries of infrastructure development in the future.

A successful land banking strategy creates the foundation for the next phase in the development of lifestyle city projects, being the master planning for an integrated township design. These lifestyle cities are anchored by SM Prime's retail malls, supported by commercial, residential, hotel and convention center developments, creating a synergistic value enhancement across product classes and offering a complete selection of products to customers. For example, SM Prime aims to replicate the successful model of its MOA complex, a 60-hectare master-planned bayside development in Pasay City. SM Prime believes that the success of the MOA complex is a result of the substantial synergies from each real estate offering in

the integrated development. For example, the MOA Arena has been a preferred venue for events due to its proximity to the MOA, which in turn increased foot traffic at the MOA. Sea Residences, Shell Residences and Shore 1 to 3 Residences have been SM Prime's top selling residential development projects in part due to its proximity to the MOA, while again providing additional foot traffic to the MOA. SM Prime was also awarded by the cities of Pasay and Parañaque to reclaim land adjacent to the MOA complex totaling around 600 hectares.

SM Prime has a large and diverse land bank suitable for projects that are modeled after the MOA complex and creating lifestyle cities across the Philippines. For example, SM Prime is building a 30-hectare mixed use development project in Cebu City, the SM Seaside City. The mall in SM Seaside City is the city's largest mall, with a GFA of over 400,000 sq. m. Other potential developments in SM Seaside City complex may include high-rise residential condominiums, office buildings and hotels.

### **Leverage retail malls to anchor lifestyle city developments**

SM Prime expects mall operations to continue to be its primary focus going forward and is targeted to account for a majority of SM Prime's net income for the foreseeable future. Expansion is expected to take place in major cities outside of Metro Manila, especially in areas where disposable income is expected to increase significantly and retail space is currently limited. Certain major cities have a per capita income and rent per sq. m. that are comparable to those within Metro Manila, driven by a shift in business processing outsourcing ("BPO") demand to regional provinces. Over time, retail malls built in these cities could be converted into mixed use developments by adding office, residential and hospitality components as the cities continue to grow.

SM Prime also plans to expand within Metro Manila on a selective basis, developing supercenters (malls consisting of less than 100,000 sq. m.) that are situated between mega malls in Metro Manila. SM Prime believes that the current demand backlog for leases in several of its developments provides an opportunity for further mall expansion.

SM Prime plans to develop three to five malls in the Philippines each year for the near term, and also to opportunistically expand its presence in second and third tier cities in China by building one mall every two (2) years for the near term, in each case subject to market conditions. SM Prime is targeting to increase its overall mall GFA by 2-4% per year to approximately 9.6 million sq. m. in the Philippines and approximately 1.6 million sq. m. in China by year end 2024. SM Prime believes it will be able to do this given its direct access to a larger land bank that should allow it to accelerate its mall development throughout the country.

### **Optimize existing properties by adding complementary developments**

SM Prime will pursue a multi-pronged long-term strategy that is aimed to allow it to optimize the value of existing properties, developments and current land bank through an integrated real estate platform while retaining flexibility to efficiently allocate capital among its various business units. SM Prime will embark on more large scale mixed used developments throughout the Philippines in an effort to replicate the success of the MOA complex.

SM Prime intends to further expand these complimentary projects by adding retail, office, residential and leisure developments to its existing property projects, including those projects with underutilized plots of vacant land. For example, SM Prime developed Radisson Blu Cebu, Park Inn by Radisson Davao, Park Inn by Radisson Clark, Park Inn Radisson Iloilo, Park Inn by Radisson North EDSA, and Conrad Manila within existing mall developments such as SM City Cebu, SM Lanang Premier, SM City Clark, SM City Iloilo, SM City North EDSA, and SM Mall of Asia. SM Prime believes that SM Seaside City, SM Megamall, SM City

Fairview, SM City Clark, and SM City Iloilo still have significant under-utilized plot ratios that are suitable for commercial, hospitality and residential developments.

### **Continue aggressive rollout of BPO office development**

Taking advantage of the robust BPO sector outlook as well as increasing flight to quality from older BPO developments, SM Prime's strategic focus includes expanding its office portfolio with IT and BPO buildings. SM Prime plans to leverage the new company's enlarged and geographically diverse land bank to expand its office space presence in second and third tier Philippine cities in Cebu, Davao, Pampanga and Iloilo, areas where BPO companies are currently expanding their operations due to favorable labor market conditions.

### **Focus on a "one product-one market" strategy for the residential business**

SM Prime intends to capitalize on the increasing urbanization and economic development of the Philippines to develop vertical residential projects in key areas across Metro Manila specifically the cities of Makati, Mandaluyong, Manila, Parañaque, Pasay, Pasig, Quezon City, and Taguig, as well as Tagaytay City and Cebu that target the Philippine mass middle market. By leveraging the already strong SM brand and its leadership in the residential condominium segment, SM Prime believes it can aggressively roll-out new projects in the strategically placed land bank throughout Metro Manila and the rest of the country. SM Prime will focus its residential development on the low-to-middle income segments, which is underpinned by resilient housing demand driven by a housing supply backlog, growing household creation, and increasing urbanization. As of 31 December 2023, SM Prime has thirty-three (33) completed residential projects.

SM Prime plans to accelerate residential project launches in areas near existing SM Prime developments. For 2024, SM Prime is targeting to launch between 8,000 to 10,000 residential units.

### **Maintain a strong balance sheet, prudent risk and capital management and good governance**

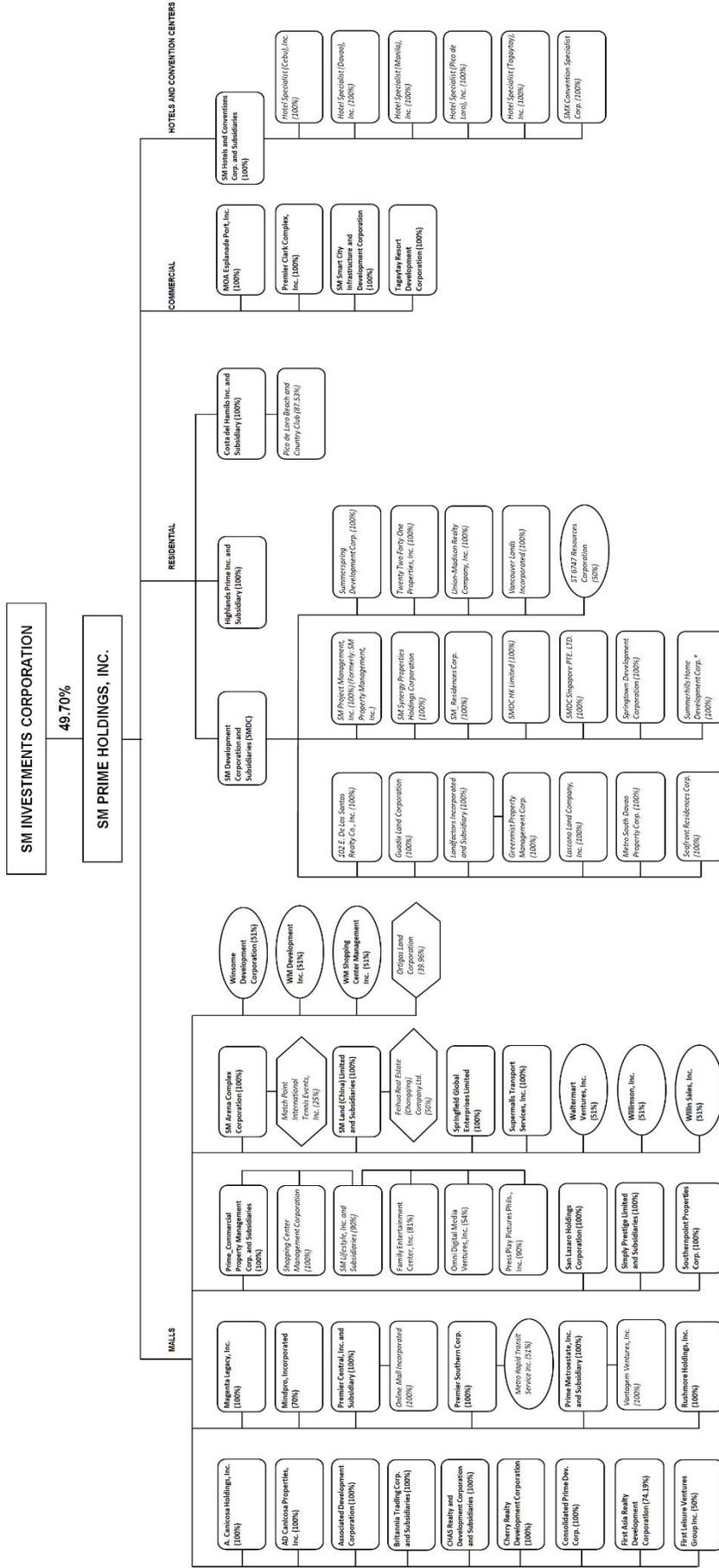
By maintaining a strong balance sheet, SM Prime believes it will be better able to withstand economic and financial cycles, while allowing the Company to achieve expansion quickly, as well as give it the flexibility to embark on acquisitions if and when opportunities arise. SM Prime intends to maintain prudent debt levels and a sufficient equity buffer with a target net debt-to-equity ratio of no more than 50:50. SM Prime also plans to maintain a relatively long and well spread-out debt maturity profile and continue to diversify its sources of funding. SM Prime will take a disciplined approach to the allocation of capital across its projects with strict application of hurdle rates and benchmarks for each investment.

## **OWNERSHIP AND CORPORATE STRUCTURE**

The chart below shows the current shareholding of SM Prime and its four business segments.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES  
 MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP  
 As of December 31, 2023

Annex I



\* Summerhill Home Development Corp. is 70.4% owned by SMDC and 29.6% owned by SMHR

Note: % Refers to Effective Ownership

## MALLS

SM Prime operates and maintains modern commercial shopping malls and is involved in all related businesses, such as the operation and maintenance of shopping spaces for rent, amusement centers and cinema theaters within the compound of the shopping malls. The principal sources of mall revenues include rental income from leases in mall and food court, cinema ticket sales and amusement income from bowling and ice skating. As of 31 December 2023, the malls business unit has eighty-five (85) malls in the Philippines with 9.2 million sq.m. of GFA and eight (8) shopping malls in China with 1.6 million sq.m. of GFA.

SM Prime plans to continue to expand its existing malls and develop new ones, with a target of opening approximately four (4) new malls in the Philippines in 2024, subject to market conditions, which will provide an addition of 0.4 million sq.m. of GFA. As the Metro Manila area becomes increasingly well served by shopping malls, SM Prime's strategy is to expand its activities in the provinces, where it currently operates sixty-one (61) malls and holds an additional of 330 hectares plot of land available for development, all of which are owned.

SM Prime also owns and operates amusement parks, an arena, and various buildings across the country. The major tenant of these buildings is the SM Retail Group.

Approximately 52% of SM Prime's gross leasable space is currently leased by members of the SM Group or companies who are affiliated with the Sy family. Such tenants contributed 30% (₱18.2 billion) of SM Prime's consolidated mall revenues for the year ended 31 December 2023.

SM Prime retains ownership of all of the sites on which the SM Prime malls are built, with the exception of SM City Bacoor, SM City Manila, SM Center Valenzuela, SM Center Molino, SM Center Pasig, SM City Clark, SM City Taytay, SM Aura Premier, SM City Masinag, SM City Baguio, SM by the Bay, SM Cubao, SM Savemore Nagtahan, SM Marketmall Dasmariñas, SM Center Muntinlupa, SM City Naga, SM City Tarlac, SM City San Pablo, SM City Calamba, SM City Olongapo, SM City Consolacion, SM City San Mateo, SM City Pampanga, SM City Daet, SM City Dasmariñas, SM Makati, SM Delgado, SM Savemore Jaro, SM Hypermarket Sucat-Lopez, SM City Xiamen, SM City Jinjiang, SM City Chengdu, SM City Suzhou, SM City Chongqing, SM City Zibo, SM City Tianjin and SM City Yangzhou which are held under long term leases.

SM China malls have 40-70 years land use rights. In addition, the land where SM City Baguio is constructed is owned by SMIC, the land where SM Savemore Nagtahan is constructed is owned by A. D. Farming Inc., a subsidiary of SMIC. The land where SM City San Lazaro is constructed is owned by SLHC. SM by the Bay is owned by FLVG. Lease renewal options are subject to mutual agreement of the parties.

The following is a brief summary of each of SM Prime's current malls.

### Metro Manila

<b>SM Supermalls</b>	<b>Location</b>	<b>GFA (In 000s sq. m.)</b>
SM City North EDSA	Quezon City	477
SM City Sta. Mesa	Quezon City	133
SM Megamall	Mandaluyong City	474
SM Southmall	Las Piñas City	198
SM City Fairview	Quezon City	280
SM City Manila	Manila City	159
SM City Sucat	Parañaque City	88
SM City Bicutan	Parañaque City	116

<b>SM Supermalls</b>	<b>Location</b>	<b>GFA (In 000s sq. m.)</b>
SM City San Lazaro	Manila City	168
SM Center Valenzuela	Valenzuela City	68
SM Mall of Asia	Pasay City	497
SM Center Pasig	Pasig City	30
SM Center Muntinlupa	Muntinlupa City	35
SM City Marikina	Marikina City	126
SM Center Las Piñas	Las Piñas City	49
SM City Novaliches	Quezon City	55
SM Aura Premier	Taguig City	200
SM City BF Parañaque	Parañaque City	121
SM Center Sangandaan	Caloocan City	36
SM Cherry Shaw	Mandaluyong City	36
SM Cherry Congressional	Quezon City	12
SM City East Ortigas	Pasig City	65
S Maison	Pasay City	42
SM City Grand Central	Caloocan City	136

## **Provincial**

### **Luzon**

<b>SM Supermalls</b>	<b>Location</b>	<b>GFA (In 000s sq. m.)</b>
SM City Bacoor	Bacoor City	120
SM City Pampanga	San Fernando City	132
SM City Lucena	Lucena City	79
SM City Baguio	Baguio City	190
SM City Marilao	Marilao, Bulacan	82
SM City Dasmariñas	Dasmariñas City	198
SM City Batangas	Batangas City	77
SM City Molino	Bacoor City	75
SM City Sta. Rosa	Sta. Rosa City	137
SM City Clark	Angeles City	154
SM City Lipa	Lipa City	144
SM City Taytay	Taytay, Rizal	99
SM City Rosales	Rosales, Pangasinan	65
SM City Baliwag	Baliuag, Bulacan	100
SM City Naga	Naga City	76
SM City Rosario	Rosario, Cavite	61
SM City Tarlac	Tarlac City	99
SM City San Pablo	San Pablo City	53
SM City Calamba	Calamba City	63
SM City Masinag	Antipolo City	88

<b>SM Supermalls</b>	<b>Location</b>	<b>GFA (In 000s sq. m.)</b>
SM City Olongapo	Olongapo City	51
SM City San Fernando	San Fernando City	38
SM City Cauayan	Cauayan City	56
SM Center Angono	Angono, Rizal	36
SM Megacenter Cabanatuan	Cabanatuan City	46
SM City San Mateo	San Mateo, Rizal	70
SM City Cabanatuan	Cabanatuan City	143
SM City San Jose Del Monte	San Jose Del Monte, Bulacan	97
SM City Trece Martires	Trece Martires City	68
SM Cherry Antipolo	Antipolo City	27
SM Puerto Princesa	Puerto Princesa City	54
SM Center Tuguegarao Downtown	Tuguegarao City	34
SM Center Pulilan	Pulilan, Bulacan	27
SM Center Lemery	Lemery, Batangas	25
SM Center Imus	Imus, Cavite	13
SM Urdaneta Central	Urdaneta City	68
SM City Telabastagan	Telabastagan, Pampanga	54
SM City Legazpi	Legazpi City	73
SM Olongapo Central	Olongapo City	93
SM Center Dagupan	Dagupan City	24
SM City Daet	Daet, Camarines Norte	47
SM City Tanza	Tanza, Cavite	60
SM City Sorsogon	Sorsogon City	40
SM City Tuguegarao	Tuguegarao City	62
SM City Bataan	Balanga City, Bataan	46
SM Center San Pedro	San Pedro, Laguna	31
SM City Sto. Tomas	Sto. Tomas, Batangas	110

### Visayas

<b>SM Supermalls</b>	<b>Location</b>	<b>GFA (In 000s sq. m.)</b>
SM City Cebu	Cebu City	268
SM City Iloilo	Iloilo City	144
SM City Bacolod	Bacolod City	128
SM City Consolacion	Consolacion, Cebu	98
SM Seaside City Cebu	Cebu City	407
SM Center Ormoc	Ormoc City	44
SM City Roxas	Roxas City	41

## Mindanao

<b>SM Supermalls</b>	<b>Location</b>	<b>GFA (In 000s sq. m.)</b>
SM City Davao	Davao City	120
SM City Cagayan de Oro	Cagayan de Oro City	113
SM City General Santos	General Santos City	132
SM Lanang Premier	Davao City	133
SM CDO Downtown Premier	Cagayan de Oro City	128
SM City Butuan	Butuan City, Agusan Del Norte	48
SM City Mindpro	Zamboanga City	59

## SM China Malls

<b>Malls</b>	<b>Location</b>	<b>GFA (In 000s sq. m.)</b>
SM Xiamen	Fujian	360
SM City Jinjiang	Jinjiang	168
SM City Chengdu	Sichuan	167
SM City Suzhou	Jiangsu	73
SM City Chongqing	Chongqing	149
SM City Zibo	Shandong	152
SM City Tianjin	Tianjin	338
SM City Yangzhou	Jiangsu	222

SM Prime believes that the eight (8) malls will provide a platform for it to expand in the China market. It intends to continue to develop the SM Malls in China through synergies with its existing mall operations and other management expertise. The Company intends to continue seeking opportunities for mall developments in second and third tier cities in China, where the mall can serve to anchor the city center. Although SM Prime is still developing its expansion plans in China, subject to the availability of suitable locations, SM Prime may initially build two new malls and one expansion project over the next five (5) years in China.

## Sky Ranch

<b>Name</b>	<b>Location</b>
Sky Ranch Tagaytay	Tagaytay City, Cavite
Sky Ranch Pampanga	San Fernando City, Pampanga
Sky Ranch Baguio	Baguio City, Benguet

## The SM Stores and SM Markets

SM Prime also owns several The SM Store and SM Markets buildings with a total GFA of almost 300,000 sq. m. The following table sets forth certain information regarding SM Stores and SM Markets buildings as at 31 December 2023:

<b>The SM Stores</b>	<b>Location</b>	<b>GFA (In 000s sq. m.)</b>
SM Store Makati	Makati City	110
SM Store Cubao	Quezon City	109
SM Store Delgado	Iloilo City	26

<b>SM Markets</b>	<b>Location</b>	<b>GFA (In 000s sq. m.)</b>
Marketmall Dasmariñas	Dasmariñas City	30
Savemore Tacloban	Tacloban City	15
Savemore Market Malabon	Malabon City	13
Hypermarket Sucat	Parañaque City	8
Hypermarket Lapu-Lapu	Lapu-lapu City	8
Savemore Market Apalit	Apalit	6
Savemore Nagtahan Market	Manila	5
Savemore Novaliches	Quezon City	4
Savemore Jaro	Iloilo City	4

Except for Savemore Jaro, SM Prime also owns the land on which the retail establishments listed in the table above are situated.

### **MOA Arena**

The MOA Arena is a five-storey, first class multipurpose venue for sporting events, concerts, entertainment shows, and other similar events. The arena has a seating capacity of approximately 16,000 for sporting events, and a full-house capacity of 20,000. It occupies approximately two hectares of land and has a GFA of approximately 68,000 sq. m.

### **Land Bank for Malls Development**

SM Prime's existing land bank owned for development of new malls as at 31 December 2023 is 353 hectares, 329 of which is strategically located on various provinces across the country.

### **Principal Tenants**

SM Prime enjoys a competitive advantage due to its long-standing retail experience in establishing an appropriate mix of tenants including its associated anchor tenants. SM Prime controls the tenant mix of each of its malls, which has contributed to the profitability of the malls. The principal anchor tenants in the malls include The SM Stores and SM Markets. Other significant tenants include Jollibee, Mang Inasal, KFC, iQor, Globe, Chowking, Smart, Starbucks, Concentrix, Greenwich and Penshoppe.

In addition to the anchor tenants associated with SM Prime, other retail operations controlled by or in which the Sy family has a significant interest, such as Ace Hardware, SM Appliance Center, Watsons, Surplus, Our Home, Toy Kingdom, BDO, Kultura, Uniqlo, and Miniso are also tenants in most of the malls.

During the years ended 31 December 2023, 2022, and 2021, 26%, 28%, and 30%, respectively, of the aggregate mall rental revenue received by SM Prime in respect of the malls were from members of the Group and companies affiliated with the Sy family.

SM Prime believes that all the leases entered into between SM Prime and the Group or companies affiliated to the Sy family have been entered into on an arm's length basis and on commercial terms.

Some SM Supermalls also hosts some premier tenants, which specialize in higher-end merchandise, such as Mango, Zara, Marks & Spencer and Muji.

## **Leasing Policies**

The leasing policy of SM Prime in relation to each of the malls is to screen applicants carefully and to secure an appropriate mix of tenants, both in terms of the nature of their businesses and their size. The high demand for tenancies within the malls means that SM Prime generally has a waiting list sufficient to cover any vacancies that may arise in the malls.

It is the policy of SM Prime that all leases, whether with members of the SM Group, companies affiliated with the Sy family or unrelated third parties, should be entered into on commercial terms, and SM Prime considers that the current rentals payable by tenants of the malls that are operational at present reflect prevailing market rents.

SM Prime's tenancies are generally granted for a term of one (1) year, with the exception of some of the larger tenants operating nationally, which are granted initial lease terms of five (5) years, renewable on an annual basis thereafter. At the inception of the lease agreement, tenants are required to pay certain amounts of deposits. At the termination of the lease contracts, the deposits received by the Company are returned to tenants, reduced by unpaid rental fees, penalties and/or deductions from repairs of damaged leased properties, if any. Tenants likewise pay either a fixed monthly rent, which is calculated by reference to a fixed sum per square meter of area leased, or pay rent on a percentage rental basis, which comprises of a basic monthly amount and a percentage of gross sales or a minimum set amount, whichever is higher.

## **Management of the Malls**

Management and operation of the malls, including the provision of manpower, maintenance and engineering and security, leasing, marketing and other promotional activities, are assumed by the PCPMC. In addition, the PCPMC negotiate and handle major tenant issues for the malls, while reporting to and under the direction of SM Prime. The PCPMC also adjust the tenant mix according to instructions given by SM Prime, which is based on a variety of factors, including the target market, location of the mall, demographics, size of the retail spaces and market positioning, among others. Each of the PCPMC performs specific functions in relation to each of the malls.

The entertainment and leisure facilities within the malls, including cinemas, bowling centers and ice skating rinks, are primarily owned by SM Prime, and the PCPMC manage the operations of the entertainment and leisure facilities within the malls. Certain entertainment facilities, such as amusement rides, are operated by third parties, whereby SM Prime receives a percentage of the amusement fees.

## **Competition**

SM Prime faces competition from other key industry players listed on the PSE that are likewise engaged in integrated property developments. SM Prime believes its commercial business unit competes primarily on the location of the properties (proximity to schools, malls and public transportation) and aggressive pricing.

## RESIDENTIAL (PRIMARY)

As of 31 December 2023, primary residential business unit has sixty-seven (67) residential projects in the market, forty-seven (47) of which are in Metro Manila and twenty (20) are outside Metro Manila.

### Completed Residential Projects

Condominium Projects	Building Type	Location	Year Completed	No. of Units
Mezza Residences	High-rise	Quezon City	2010	2,332
Chateau Elysee	Mid-rise	Parañaque City	2011	2,820
Berkeley Residences	High-rise	Quezon City	2011	1,276
Sea Residences	High-rise	Pasay City	2012	2,899
Princeton Residences	High-rise	Quezon City	2013	1,096
Grass Residences Phase 1	High-rise	Quezon City	2014	6,003
Sun Residences	High-rise	Quezon City	2014	4,039
Blue Residences	High-rise	Quezon City	2014	1,591
Jazz Residences	High-rise	Makati City	2015	5,367
Light Residences	High-rise	Mandaluyong City	2015	4,227
M Place South Triangle	High-rise	Quezon City	2015	3,437
Mezza II Residences	High-rise	Quezon City	2015	1,324
Shine Residences	High-rise	Pasig City	2015	892
Green Residences	High-rise	Manila City	2015	3,378
Shell Residences	High-rise	Pasay City	2015	3,093
Wind Residences	Mid-rise	Tagaytay City	2016	3,524
Breeze Residences	High-rise	Pasay City	2017	2,133
Grace Residences	Mid-rise	Taguig City	2018	3,579
Shore Residences	High-rise	Pasay City	2019	5,691
Grass Residences Phase 2	High-rise	Quezon City	2020	3,914
South Residences	Mid-rise	Las Piñas City	2020	2,010
Air Residences	High-rise	Makati City	2021	3,642
Fame Residences	High-rise	Mandaluyong City	2021	5,106
Cool Suites	Mid-rise	Tagaytay City	2021	741
Shore 2 Residences	High-rise	Pasay City	2021	5,488
Coast Residences	High-rise	Pasay City	2021	2,197
S Residences	High-rise	Pasay City	2021	2,395
Spring Residences	Mid-rise	Parañaque City	2022	1,655
Shore 3 Residences	High-rise	Pasay City	2022	5,382
Vine Residences	Mid-rise	Quezon City	2022	2,056
Hope Residences	Mid-rise	Trece Martires City	2022	685
Trees Residences	Mid-rise	Quezon City	2022	6,703
Lush Residences	High-rise	Makati City	2022	674

## Ongoing Residential Projects

<b>Condominium Projects</b>	<b>Building Type</b>	<b>Location</b>	<b>Year Launched</b>	<b>No. of Units</b>
Cheer Residences	Mid-rise	Marilao City, Bulacan	2016	995
Cheerful Homes	House and Lot	Mabalacat City, Pampanga	2017	2,816
Bloom Residences	Mid-rise	Parañaque City	2017	5,890
Red Residences	High-rise	Makati City	2018	1,106
Park Residences	Mid-rise	Sta. Rosa City, Laguna	2018	1,864
Leaf Residences	Mid-rise	Muntinlupa City	2018	804
Lane Residences	Mid-rise	Davao City	2018	3,712
Field Residences	Mid-rise	Parañaque City	2019	4,165
Green 2 Residences	Mid-rise	Dasmariñas City, Cavite	2019	3,254
Hill Residences	Mid-rise	Quezon City	2019	1,717
Sail Residences	High-rise	Pasay City	2019	2,832
Glam Residences	High-rise	Quezon City	2019	2,966
Style Residences	Mid-rise	Iloilo City, Iloilo	2019	2,935
Light 2 Residences	High-rise	Mandaluyong City	2019	4,190
Gold Residences	High-rise	Parañaque City	2019	6,790
Charm Residences	Mid-rise	Cainta, Rizal	2020	3,027
Gem Residences	High-rise	Pasig City	2020	1,463
Smile Residences	Mid-rise	Bacolod City	2020	1,192
Mint Residences	High-rise	Makati City	2020	1,966
South 2 Residences	Mid-rise	Las Piñas City	2020	1,938
Sands Residences	High-rise	Malate, Manila	2021	2,367
Cheerful Homes 2	House and Lot	Mabalacat, Pampanga	2021	1,586
Ice Tower	High-rise	Pasay City	2021	844
Twin Residences	High-rise	Las Piñas City	2021	2,406
Joy Residences	Mid-rise	Baliwag, Bulacan	2021	2,823
Calm Residences	Mid-rise	Sta. Rosa City, Laguna	2021	2,949
Gold Residential-Offices	High-rise	Parañaque City	2021	2,050
Glade Residences	Mid-rise	Jaro, Iloilo	2021	1,458
Vail Residences	Mid-rise	Cagayan de Oro City	2022	2,288
Now Residences	Mid-rise	Angeles City, Pampanga	2022	1,741
Zeal Residences	Mid-rise	General Trias City	2022	2,188
Jade Residences	High-rise	Makati City	2023	1,998
Turf Residences	Mid-rise	Biñan City, Laguna	2023	998
Parkville	House and Lot	Bacolod City, Bacolod	2023	824

## RESIDENTIAL (LEISURE)

SM Prime owns leisure and resort developments including properties located in the Tagaytay Highlands and Tagaytay Midlands in Laguna, Tagaytay City, and Batangas.

In addition, SM Prime is the developer of Pico de Loro Cove, the first residential community within Hamilo Coast, a master-planned coastal resort township development in Nasugbu, Batangas encompassing 13 coves and 31 kilometers of coastline.

As of 31 December 2023, secondary (leisure) residential business unit has twenty-four (24) residential projects in the market.

Projects	Location	Year Launched	No. of Units
The Horizon	Talisay, Batangas	2005 - 2021	308
Woodridge Place Phase 1	Tagaytay City	2006	71
The Hillside	Calamba, Laguna	2006	156
Jacana	Nasugbu, Batangas	2007	246
Myna	Nasugbu, Batangas	2007	246
Carola	Nasugbu, Batangas	2008	248
Miranda	Nasugbu, Batangas	2008	248
Pueblo Real	Talisay, Batangas	2009	86
Woodridge Place Phase 2	Tagaytay City	2010	177
Sierra Lago	Talisay, Batangas	2010	185
Aspenhills	Calamba, Laguna	2012	204
Vireya 1 & 2	Talisay, Batangas	2016 - 2017	209
Freia	Nasugbu, Batangas	2017	223
Horizon Terraces Garden Villas	Talisay, Batangas	2018 - 2022	19
Vireya 3	Talisay, Batangas	2018	92
The Pines at Aspenhills	Calamba, Laguna	2019	25
Provence	Talisay, Batangas	2020	119
The Woodlands Point	Tagaytay City	2009	60
Sola	Nasugbu, Batangas	2021	53
Primrose Parks	Talisay, Batangas	2022	99
Trealva	Talisay, Batangas	2023	231
Highlands Residences	Calamba, Laguna	2023	53
Ardea	Nasugbu, Batangas	2023	75
Balea	Nasugbu, Batangas	2023	136

## Land Bank for Residential (Primary) Development

The Company continues to invest in properties that it believes are in prime locations across the Philippines for existing and future property development projects. It is important to the Company to have access to a steady supply of land for future projects.

Potential land acquisitions are evaluated against a number of criteria, including the attractiveness of the acquisition price relative to the market and the suitability or the technical feasibility of the planned development. The Company identifies land acquisitions through active search and referrals.

SM Prime's existing land bank owned for development of residential (primary) as at 31 December 2023 is 1,345 hectares, 1,003 of which is strategically located on various provinces across the country.

The Company believes this land bank is sufficient to sustain development and sales. Moreover, the Company's residential business unit continually seeks to increase its land bank in various parts of the Philippines for future residential development through direct acquisitions.

### **Land Bank for Residential (Leisure) Development**

SM Prime owns 508 hectares of land located in Tagaytay City, Cavite, Laguna and Batangas.

### **COMMERCIAL**

SM Prime's commercial business unit is engaged in the development and leasing of office buildings in prime locations in Metro Manila and in the provinces, as well as the operations and management of such buildings and other land holdings. As of 31 December 2023, SM Prime has eighteen (18) office buildings with a combined GFA of 1.56 million sq. m.

### **Offices and BPO Towers**

<b>Offices</b>	<b>Year Opened</b>	<b>Location</b>	<b>GFA (In 000s sq. m.)</b>
SM Cyber One	2008	Makati City	24
SM Cyber Two	2008	Makati City	15
Two E-Com Center	2012	Pasay City	108
SM Aura Tower	2014	Taguig City	51
Cyber West	2014	Quezon City	41
Five E-Com Center	2015	Pasay City	144
SM City Taytay BPO Towers	2015	Taytay, Rizal	11
Clark Tech Hub	2016	Angeles City	99
The Core	2017	Sta. Rosa City	68
Downtown Tower	2018	Cagayan De Oro City	20
Three E-Com Center	2018	Pasay City	130
SM Strata	2018	Iloilo City	53
SM South Tower	2018	Las Piñas City	69
Fairview Tower 1, 2, 4 and 5	2019	Quezon City	154
NU Mall of Asia (NUMA) Building	2019	Pasay City	86
North Towers 1 and 2	2020	Quezon City	109
Mega Tower	2021	Mandaluyong City	191
Four E-Com Center	2022	Pasay City	190

## Landbank for Commercial Development

SM Prime's existing land bank owned for development of new commercial buildings and offices as at 31 December 2023 is 118 hectares.

## Competition

SM Prime's top competitors for commercial properties are ALI and Megaworld Corporation ("MEG"). ALI is involved in the development and lease or sale of office buildings, sale of industrial lots and lease of factory buildings, and fee-based management and operations of office buildings. MEG is involved in the development of mixed-use communities comprising high-end residential condominiums and commercial properties located in convenient urban locations in Metro Manila. MEG's total assets as at 31 December 2021, 2022, and 2023 were ₱398.0 billion, ₱409.2 billion, and ₱440.6 billion, respectively. SM Prime believes its commercial business unit competes primarily on the location of the properties (proximity to schools, malls and public transportation) and aggressive pricing.

## HOTELS AND CONVENTION CENTERS

As of 31 December 2023, the hotels and convention centers business unit is composed of ten (10) hotels with 2,602 saleable rooms and six (6) convention centers and two (2) trade halls.

### Hotels

Hotels	Location	Number of Rooms
Radisson Blu Hotel Cebu	Cebu City	400
Conrad Hotel Manila	Pasay City	348
Park Inn by Radisson Davao	Davao City	204
Park Inn by Radisson Clark	Mabalacat City	255
Park Inn by Radisson Iloilo	Iloilo City	200
Park Inn by Radisson North EDSA	Quezon City	239
Park Inn by Radisson Bacolod	Bacolod	151
Taal Vista Hotel	Tagaytay City	261
Pico Sands Hotel	Batangas City	154
Lanson Place MOA	Pasay City	390

### Convention Centers and Tradehalls

Convention Centers and Trade Halls	Location	Gross Leasable Area (In 000s sq. m.)
SMX Manila	Pasay City	17
SMX Davao	Davao City	5
SMX Aura	Taguig City	3
SMX Bacolod	Bacolod City	4
Olongapo City Convention Center	Olongapo City	2
SMX Clark	Mabalacat City	4
Megatrade Hall	Mandaluyong City	4
Sky Hall SM Seaside	Cebu City	2

## **Competition**

The primary competitors of SM Prime's existing hotels are the Marriott for Radisson Blu Cebu; the Anvaya for Pico Sands Hotel in Batangas; the Seda Hotels for Park Inn Davao, Park Inn North EDSA, Park Inn Bacolod, and Park Inn Iloilo; Quest Hotel and Conference Center Clark for Park Inn Clark; Anya, Summit Ridge Tagaytay, and Escala Tagaytay for Taal Vista Hotel. Conrad Manila competes with other luxury properties such as: Shangri-La Makati, Shangri-La Fort, Solaire, City of Dreams, Grand Hyatt BGC and the Sofitel Manila. SM Prime's primary competitors for its convention centers and trade halls in Metro Manila are the PICC Convention Center, World Trade Center and the Marriott hotel in Resorts World and the Trade Halls in Ayala Malls in the provinces. The strong synergy between our growing portfolio of hotels and properties remains one of our key strengths.

## **DEVELOPMENT**

The business units (malls, residential, commercial and hotels and convention centers) coordinate on the land banking process, particularly on the use of the land. Each business unit still retains a separate engineering and project management group, as the structures and the requirements for each business unit in relation to construction and design side may be different. However, purchasing and selection of pool of contractors and suppliers may be consolidated to leverage on the size and scale of the mixed-use developments.

The malls business unit is responsible for identifying viable sites for the construction of new malls. They determine the viability of a potential plot of land for a new mall site based on the demographics of the area, including the size of the population, its income levels, local government and the local infrastructure, particularly accessibility by public transport. For malls, once a suitable site is selected, based on the factors described above, the business unit determines the size of the mall to be constructed, which typically may range from a gross floor area of 60,000 to 150,000 sq. m. The construction and development of each mall is overseen by a third-party project management company. The average time for the planning and construction of each mall ranges from sixteen (16) to thirty-one (31) months, depending on the size of the mall.

For residential and commercial properties, once a suitable site is selected, based on the factors described above, the groups determine the type of development to be constructed. The construction and development of each residential condominium and commercial office building is overseen by their respective project development teams and a third-party project management company. The average time for construction is thirty-six (36) to forty-eight (48) months, depending on the size of the project.

SM Prime believes it benefits from its significant development experience and focus on immediately developable sites in its construction activities. SM Prime has generally financed land purchases and the construction of its developments from internal funds and borrowings. SM Prime incurred capital expenditure (sum of real estate development cost incurred, additions to property and equipment and investment properties) of ₱88,176 million, ₱75,419 million, and ₱64,918 million in 2023, 2022, and 2021, respectively, related to construction of shopping malls and land banking activities, project development costs of condominium buildings and resort facilities, and hotel development costs.

## **FINANCING**

Financing is handled by the Treasury Finance Group ("TFG"), which has the primary responsibility of ensuring that SM Prime has adequate funds on a daily basis for its capital and operational expenditures

including land banking, construction, capital acquisitions, interest and debt servicing. TFG also plays active role with respect to fundraising as it services the needs of the other business units.

Sources of funding currently include internally generated funds, borrowings through syndicated loans, notes issuances (private placements), bilateral loans, and bond issuances. At the beginning of each year, TFG coordinates with its Corporate Finance Group to determine the amount of funding requirements based on the annual projected receipts and disbursements.

TFG is also actively engaged in investment placements, foreign exchange trading and derivative transactions to hedge SM Prime's loan portfolio for foreign exchange and interest rate risk exposure.

## SECURITY HOLDINGS

SM Prime also holds shares of various Philippine companies. The table set forth below shows the companies and the corresponding number of shares that SM Prime holds in such companies as of 31 December 2023.

<b>Company</b>	<b>No. of shares held</b>	<b>Market value (in P thousands)</b>
BDO	108,029,274	14,097,820
Ayala Corporation	7,690,430	5,237,183
Shang Properties, Inc.	189,550,548	695,651
SMIC	146,104	127,403
ACEN Corporation	23,071,290	101,052
Republic Glass Holdings Corporation	14,230,000	42,690
Picop Resources, Inc.	40,000,000	8,200
Prime Media Holdings, Inc.	500,000	1,435
Benguet Corporation "A"	266,757	1,299
Philippine National Bank	112	2
<b>Total</b>		<b>20,312,735</b>

## INSURANCE, ENVIRONMENT, HEALTH AND SAFETY

SM Prime has its insurance arrangement effected through BDO Insurance Brokers, Inc. ("BDO Insure"). SM Prime believes that it is adequately insured, both in terms of the insured risks and the amount which is covered. The commercial all risks insurance policies are underwritten by Prudential Guarantee Assurance Company, which is supported by a panel of reinsurers whose minimum rating from Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, is "A."

SM Prime's policies cover any potential loss of property. Loss of revenue under the business interruption coverage resulting from fire, water damage and acts of God including earthquake, typhoon and flood is provided. Retail affiliates operating inside SM Prime's malls have their own material damage and business interruption insurance cover.

Moreover, in order to protect from losses during the construction period, the companies require their contractors to provide all-risk insurance that covers property damage and third-party bodily injury or damage claims. Losses from possible default of contractors are also covered through performance and guarantee bonds. SM Prime's principal insurance counterparties are BDO Insure and Prudential Guarantee and Assurance, Inc.

In addition, the comprehensive general liability insurance coverage extends to third-party liability, including loss of life and its corresponding litigation expenses. SM Prime is also insured against terrorism.

SM Prime maintains professional indemnity insurance for its directors and executive officers. SM Prime also provides government-mandated insurance including workmen’s compensation and personal accident, group hospitalization and surgical insurance for its employees. SM Prime likewise maintains key personnel insurance for its directors and executive officers.

SM Prime and its subsidiaries are subject to various environmental, health and safety regulations in the course of their operations, including but not limited to the Environmental Impact Statement Law, the Toxic Substances and Nuclear Waste Act of 1990, the Philippine Clean Air Act, the Ecological Solid Waste Management Act of 2000 and the Philippine Clean Water Act of 2004.

As of the date of this Prospectus, SM Prime is, and each of its principal subsidiaries are, in material compliance with all currently applicable national and local environmental, health and safety laws and regulations.

## **LEGAL PROCEEDINGS**

SM Prime and its subsidiaries may be subject to various legal proceedings and claims that arise in the ordinary course of business. Legal proceedings that are considered to be material by the Company and its subsidiaries are those involving amounts equivalent to at least five percent (5%) of the Company’s and its subsidiaries’ earnings before income tax. As of the date of this Prospectus, there is no known direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

As of the date of this Prospectus, there are no material legal proceedings involving SM Prime, its subsidiaries, or affiliates or any of SM Prime’s properties.

## **INTELLECTUAL PROPERTY**

SM Prime has intellectual property rights on the use of various trademark and names for each of its commercial and residential development projects. The “SM” name is owned by its parent company, SMIC, and is registered with the Philippine Intellectual Property Office (“IPO”). SM Prime owns the trademark “SM Prime” which registration is set to expire in 2030. SMDC owns the trademark “SM Development Corporation”, which registration will expire in 2028. Most of SM Prime’s projects have been issued a Certificate of Registration by the IPO. SM Prime believes that its trademark and the names of its development projects play a significant role in its effort to create brand recall and strengthen its position in the industry.

Details of SM Prime’s other applicable licenses are set out below:

<b>Registered Logo/Brand</b>	<b>Date of Registration</b>
SM Mall of Asia with slogan “No other mall comes close”	3 September 2007
The SM City	23 November 2009
Interior Zone SM City North EDSA	1 October 2010
Skydome SM City North Edsa Device	1 October 2010
SM Center (inside a circle logo)	31 December 2010
SM City	31 December 2010
SM Prime	31 December 2010

<b>Registered Logo/Brand</b>	<b>Date of Registration</b>
SM Supermalls	31 December 2010
Pico Restaurant & Bar with device	11 May 2012
Cafe Veranda	18 September 2014
Skyranch 4-2015-000811	16 July 2015
Skyranch 4-2015-000813	16 July 2015
SM Southmall	1 October 2015
SM Supercenter	1 October 2015
SM Supermalls	1 October 2015
Taza Fresh Table	10 December 2015
China Blue	7 January 2016
Food on Four	7 January 2016
SM Foodcourt Let's Meet and Eat! 4-2015-007114	7 January 2016
SM Foodcourt Let's Meet and Eat! 4-2015-007116	7 January 2016
SM Megamall Food Hall	7 January 2016
SM Food Hall	15 April 2016
SM Foodcourt Let's Meet and Eat! 4-2015-007119	29 April 2016
C Lounge	5 May 2016
Bru Coffee Bar with device	16 June 2016
Braisserie on 3	11 August 2016
SM Little Stars Logo	15 September 2016
SM Little Star	22 September 2016
Maison and Device	20 April 2017
Veranda	25 May 2017
Skyhall Seaside Cebu	23 November 2017
Click & Collect	8 March 2018
SM Click & Collect	8 March 2018
Sails	12 April 2018
Culinaire Savor.Match.Experience	3 May 2018
SM Mall of Asia No Other Mall Comes Close	3 May 2018
SMDC Residences: Home Beside the Mall	26 July 2018
Style Residences	16 September 2018
The Food Village	14 February 2019
Snacktime	14 April 2019
Trend Residences	18 July 2019
Mall of Asia Complex and Logo 4-2018-018198	8 August 2019
Mall of Asia Complex and Logo 4-2018-018199	8 August 2019
Ani	18 August 2019
Dash	18 August 2019
SM Prime Logo	10 October 2019
SM Cyber	14 November 2019
SM Bowling	12 January 2020
SM Offices 4-2019-001710	12 January 2020
SM Offices 4-2019-001711	12 January 2020
Casa Urban Table	10 February 2020
Terraza on 7	10 February 2020
OneE-com Center	14 March 2020
SM Skating	30 March 2020
FourE-com Center	17 July 2020
ThreeE-com Center	17 July 2020
TwoE-com Center	17 July 2020
FiveE-com Center	19 July 2020

<b>Registered Logo/Brand</b>	<b>Date of Registration</b>
SixE-com Center	19 July 2020
Mega Tower	24 July 2020
SM Seaside Complex Cebu	11 September 2020
Director's Club by SM Cinema	20 September 2020
Sine Sindak	20 September 2020
SM Cinema 4-2019-019971	20 September 2020
SM Cinema 4-2019-019972	20 September 2020
SM Lifestyle, Inc. 4-2019-019976	20 September 2020
SM Lifestyle, Inc. 4-2019-019977	20 September 2020
SM Lifestyle, Inc. 4-2019-019978	20 September 2020
SM Lifestyle, Inc. 4-2019-019979	20 September 2020
E-plus	22 November 2020
Esplanade Seaside Terminal	6 December 2020
South Coast City	1 January 2021
SM Tickets	17 January 2021
SMDC Woods Residences	7 February 2021
Skydome SM City North Edsa	12 March 2021
Glee Residences	14 March 2021
Twin Residences	14 March 2021
Arima	11 June 2021
South 2 Residences	11 June 2021
Hope Residences	11 June 2021
Pickup at SM Supermalls 04-2019-019589	23 July 2021
Pickup at SM Supermalls 04-2019-019590	23 July 2021
Arriba	4 June 2022
SM Bay City	29 August 2022
Rain the Spa	15 September 2022
S Mall	29 April 2023
Baguio Marketplace by SM	12 June 2023
Baguio Marketplaza by SM	12 June 2023
Baguio Marketsquare by SM	12 June 2023
SM Baguio Marketplace	12 June 2023
SM Baguio Marketplaza	12 June 2023
SM Baguio Marketsquare	12 June 2023
Focus	12 August 2023
Parcel Excellence	19 August 2023

## **CAPITAL EXPENDITURE**

SM Prime incurred capital expenditure of ₱88,176 million, ₱75,419 million, and ₱64,918 million in 2023, 2022, and 2021, respectively, related to construction of shopping malls and land banking activities, project development costs of condominium buildings and resort facilities, and hotel development costs.

Capital expenditure for 2024 is approximately ₱100.0 billion, with 30% for malls, 30% for residential, 5% for commercial and 35% for the bay city. Capital expenditure for 2025 is approximately ₱100.0 billion, with 35% for malls, 30% for residential, 10% for commercial and 25% for the bay city. SM Prime plans to fund its capital expenditure plan through recurring income flows and external financing.

## **GOVERNMENT REGULATIONS AND AUTHORIZATIONS**

Our legal department is responsible for ensuring our continued compliance with applicable laws and regulations, including any changes or updates that may materially impact or adversely affect the Company and its principal subsidiaries' operations and business.

As of the date of this Prospectus, the Company and its principal subsidiaries are in material compliance with applicable regulatory requirements, including permits and licenses which are necessary to its business operations, the failure to possess any of which would have a material adverse effect on the business and operations of the Company.

See "Regulatory" section of this Prospectus for a detailed discussion of the government regulations and environmental laws affecting the Company's businesses.

## **EMPLOYEES**

As at 31 March 2024, the Company had 11,163 regular employees. The employees are classified as follows:

	<b><u>No. of Employees</u></b>
Rank and file	8,617
Junior/ mid-level managers	2,201
Senior executive officers	345

We anticipate to have a five percent (5%) increase in the number of employees within twelve (12) months from the date of this Prospectus.

All employees directly hired by the Company, including its executive officers, go through the standard onboarding process which includes the concurrence of new hires by signing the formal job offer letter as well as the original appointment document. The Company also complies with the mandated labor standards in the processing and awarding of the final pay for resigned and retired employees, including its executive officers.

The employees are not subject to a collective bargaining agreement. Apart from the basic employment compensation package, the Company does not and will not have any supplemental benefits or incentive arrangements with its employees.

As at 31 December 2023, SM Prime's mall business unit is supported by 7,402 officers and employees of PCPMC. PCPMC manage and operate the malls, including the provision of manpower, maintenance and engineering and security and promotional activities. The Company complies with minimum compensation and benefits standards as well as other applicable labor and employment regulations.

## **RELATED PARTY TRANSACTIONS**

The Company has transactions with related parties such as SMIC, SM Retail, BDO Unibank and China Banking Corporation, among others. These transactions generally comprise rent, service fees, dividend income, cash placement and loans.

### **Rent**

The Company has existing lease agreements for office and commercial spaces with related companies (retail

and banking group and other related parties).

### **Other Revenue**

The Company provides management, manpower and other related services to affiliates.

### **Dividend Income**

The Company's equity instruments at FVOCI of certain affiliates earn income upon the declaration of dividends by the investees.

### **Cash Placements and Loans**

The Company has certain bank accounts and cash placements that are maintained with the banking group. Such accounts earn interest based on prevailing market interest rates.

The Company also availed of bank loans and long-term debt from the banking group and pays interest based on prevailing market interest rates.

The Company also entered into financing arrangements with the banking group. There were no assigned receivables on a with recourse basis to the banking group in 2023 and 2022.

### **Certain Relationships and Related Transactions**

The Company, in the regular course of trade or business, enters into transactions with affiliates/ related companies principally consisting of leasing agreements, management fees and cash placements. Generally, leasing and management agreements are renewed on an annual basis and are made at normal market prices. Outstanding balances at year-end are unsecured, noninterest-bearing and generally settled within thirty (30) to ninety (90) days. In addition, the Company also has outstanding borrowings/ placements from/ to related banks. There have been no guarantees/collaterals provided or received for any related party receivables or payables. For the year ended 31 December 2023, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

In compliance with regulations of the SEC, specifically, SEC Memorandum Circular No. 10, series of 2019 (Rules on Material Related Party Transactions for Publicly-Listed Companies), the Company has adopted a *Revised Related Party Transactions Policy* which incorporated rules on material related party transactions of the Company. A copy of the Policy is available in the Company's website. The Policy mainly provides that the Company's Board of Directors shall ensure that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulation to protect the interests of the Company's shareholders and other stakeholders. All material individual related party transactions are referred to the Chief Risk Officer for review and endorsement to Related Party Committee prior to approval by at least two-thirds (2/3) vote of the Board of Directors with at least a majority of the independent directors approving the transaction.

The Company's non-material transactions and arrangements in the ordinary course of business and include lease agreements for office and commercial spaces with related companies such as SM Retail, BDO Unibank, Inc. (BDO) and China Banking Corporation (Chinabank), among others, the provision of manpower and other services to affiliates, as well as treasury transactions (e.g. maintenance of depository accounts, cash placements and loan availments in the ordinary course of business with BDO and Chinabank) which are all on an arms' length basis in accordance with the Company's *Revised Related Party Transactions Policy* and

priced based on prevailing market rates.

There are no other transactions undertaken or to be undertaken by the Company in which any director or executive officer, nominee for election as director, or any member of their immediate family was or will be involved or had or will have a direct or indirect material interest. There are likewise no material related party transactions undertaken or to be undertaken by the Company.

There are no third parties (not related parties) with whom the Company or its related parties have a relationship that enable the parties to negotiate terms of material transactions that may not be available from other, more clearly independent, parties on an arm's length basis.

Please refer to Note 19 of the audited consolidated financial statements for the significant transactions entered into by SM Prime with its related parties and the amounts with respect to these transactions.

## MATERIAL CONTRACTS

As of the date of this Prospectus, the Company is not a party to any material contracts, except for contracts entered into in the ordinary course of business.

## MATERIAL PERMITS AND LICENSES

As of the date of this Prospectus, the Company and its Subsidiaries have the following material permits and licenses:

Entity	No.	Permits & Licenses	Issuing Agency	Permit & License No.	Issue Date	Expiration Date
SM Prime		<b>CERTIFICATE OF INCORPORATION (COI)</b>	<b>SEC</b>			
	1	Head Office		AS094-000088	05-Jan-94	Not Applicable
		<b>CERTIFICATE OF REGISTRATION (COR)</b>	<b>BIR</b>			
	1	Head Office		003-058-789-00000	21-Oct-96	Not Applicable
	2	SM City Cebu		003-058-789-00001	05-Nov-96	Not Applicable
	3	SM City Fairview		003-058-789-00006	03-Dec-98	Not Applicable
	4	SM City Complex North Edsa		003-058-789-00007	21-Oct-96	Not Applicable
	5	SM City Sta. Mesa		003-058-789-00009	21-Oct-96	Not Applicable
	6	SM City Bacoor		003-058-789-00010	06-Aug-99	Not Applicable
	7	SM City Bacoor-kiddie rides		003-058-789-011	31-Aug-99	Not Applicable
	8	SM Southmall		003-058-789-00012	21-Oct-96	Not Applicable
	9	SM City Manila		003-058-789-00014	15-Mar-00	Not Applicable
	10	SM City Pampanga		003-058-789-00016	28-Sep-00	Not Applicable
	11	SM Megamall Kiddie rides		003-058-789-017	12-Jan-01	Not Applicable
	12	SM City Sucat		003-058-789-00018	04-Apr-01	Not Applicable
	13	SM City Davao		003-058-789-00020	23-Oct-01	Not Applicable
	14	SM City Cagayan		003-058-789-00022	14-Jun-02	Not Applicable
	15	SM City Bicutan		003-058-789-00024	27-Aug-02	Not Applicable
16	SM City Iloilo		003-058-789-00027	28-Feb-03	Not Applicable	
17	SM City Baguio		003-058-789-00028	07-Mar-03	Not Applicable	
18	SM City Marilao		003-058-789-00029	16-Jun-03	Not Applicable	

Entity	No.	Permits & Licenses	Issuing Agency	Permit & License No.	Issue Date	Expiration Date
	19	SM City Lucena		003-058-789-00030	15-Jul-03	Not Applicable
	20	SM City Baguio		003-058-789-00031	11-Aug-03	Not Applicable
	21	SM City San Lazaro		003-058-789-00035	13-Apr-05	Not Applicable
	22	SM City Valenzuela		003-058-789-037	15-Aug-05	Not Applicable
	23	SM City Molino		003-058-789-00039	17-Aug-05	Not Applicable
	24	SM Mall of Asia		003-058-789-00041	20-Dec-05	Not Applicable
	25	SM City Santa Rosa		003-058-789-00042	22-Dec-05	Not Applicable
	26	SM City Dasmariñas		003-058-789-00043	27-Dec-05	Not Applicable
	27	SM City Batangas		003-058-789-044	10-Jan-06	Not Applicable
	28	SM City Clark		003-058-789-00045	06-Mar-06	Not Applicable
	29	SM Center-Pasig		003-058-789-00046	03-May-06	Not Applicable
	30	SM City Lipa		003-058-789-00047	01-Jun-06	Not Applicable
	31	SM City Bacolod		003-058-789-00048	05-Dec-06	Not Applicable
	32	SM City Taytay		003-058-789-00049	12-Jun-07	Not Applicable
	33	SM Center Muntinlupa		003-058-789-00050	13-Jul-07	Not Applicable
	34	By the Bay Kiddie Rides		003-058-789-052	14-Sep-07	Not Applicable
	35	SM City Marikina		003-058-789-00053	25-Jan-08	Not Applicable
	36	SM Savemore Market Nagtahan		003-058-789-00054	25-Jun-08	Not Applicable
	37	SM City Baliwag		003-058-789-00055	24-Jul-08	Not Applicable
	38	SM City Rosales		003-058-789-00056	21-Aug-08	Not Applicable
	39	SM City Naga		003-058-789-00057	18-Feb-09	Not Applicable
	40	SM Center Las Piñas		003-058-789-00058	06-Mar-09	Not Applicable
	41	SM City Rosario		003-058-789-00059	18-Mar-09	Not Applicable
	42	SM City Calamba		003-058-789-00062	14-Jan-10	Not Applicable
	43	SM City Novaliches		003-058-789-00063	19-Jan-10	Not Applicable
	44	SM City San Pablo		003-058-789-00064	20-Jan-10	Not Applicable
	45	SM City Tarlac		003-058-789-00065	21-Jan-10	Not Applicable
	46	The SMKL Podium		003-058-789-00066	20-Aug-10	Not Applicable
	47	SM City San Fernando Downtown		003-058-789-00067	06-Jan-11	Not Applicable
	48	SM Savemore Market Apalit		003-058-789-00068	06-Jan-11	Not Applicable
	49	SM City Masinag		003-058-789-00069	13-Jan-11	Not Applicable
	50	SM City Olongapo Downtown		003-058-789-070	22-Feb-11	Not Applicable
	51	SM Rosales		003-058-789-00071	23-May-11	Not Applicable
	52	SM Marketmall Dasmariñas		003-058-789-00072	07-Jul-11	Not Applicable
	53	SM City Consolacion		003-058-789-00073	07-Jul-11	Not Applicable
	54	SM Makati		003-058-789-00074	11-Jul-11	Not Applicable
	55	SM Hypermarket Sucat Lopez		003-058-789-00076	08-Nov-11	Not Applicable
	56	SM City General Santos		003-058-789-00077	12-Jan-12	Not Applicable
	57	SM Lanang Premier		003-058-789-00078	14-May-12	Not Applicable
	58	SM Aura Premier		003-058-789-00079	22-Oct-12	Not Applicable
	59	Skyranch Tagaytay		003-058-789-080	15-Nov-12	Not Applicable
	60	SM City BF Parañaque		003-058-789-00081	21-May-13	Not Applicable
	61	SM City Cauayan		003-058-789-00082	19-Jul-13	Not Applicable
	62	Waltermart Calamba		003-058-789-00083	05-Nov-13	Not Applicable
	63	Waltermart Sta. Maria		003-058-789-00084	06-Nov-13	Not Applicable

Entity	No.	Permits & Licenses	Issuing Agency	Permit & License No.	Issue Date	Expiration Date
	64	Waltermart Makati		003-058-789-00085	06-Nov-13	Not Applicable
	65	Waltermart Gapan		003-058-789-00086	08-Nov-13	Not Applicable
	66	Waltermart Tanauan		003-058-789-00088	08-Nov-13	Not Applicable
	67	SM Delgado		003-058-789-089	12-Nov-13	Not Applicable
	68	SM Cubao		003-058-789-090	12-Nov-13	Not Applicable
	69	SM Savemore Tacloban		003-058-789-00091	12-Nov-13	Not Applicable
	70	SM Megacenter Cabanatuan		003-058-789-00092	14-Jan-14	Not Applicable
	71	SM Center Angono		003-058-789-00093	06-Feb-14	Not Applicable
	72	SM Hypermarket Lapu-Lapu		003-058-789-00094	02-Apr-14	Not Applicable
	73	SM Cyber West Ave		003-058-789-00095	05-Jun-14	Not Applicable
	74	One E-com Center (Booking Office)		003-058-789-096	08-Aug-14	Not Applicable
	75	Pico Sands Hotel		003-058-789-097	08-Aug-14	Not Applicable
	76	Radisson Blu Cebu		003-058-789-098	08-Aug-14	Not Applicable
	77	Park Inn By Radisson Davao		003-058-789-099	08-Aug-14	Not Applicable
	78	Taal Vista Hotel		003-058-789-100	08-Aug-14	Not Applicable
	79	Philcom Bldg (Booking Office)		003-058-789-102	12-Aug-14	Not Applicable
	80	Light Residences - SM Tickets		003-058-789-104	23-Oct-14	Not Applicable
	81	Two E-com		003-058-789-105	15-Dec-14	Not Applicable
	82	SM City San Mateo		003-058-789-00106	20-Jan-15	Not Applicable
	83	SM Savemore Malabon		003-058-789-00107	13-Feb-15	Not Applicable
	84	SM City Cabanatuan		003-058-789-00109	17-Mar-15	Not Applicable
	85	SM Seaside City Cebu		003-058-789-00110	04-May-15	Not Applicable
	86	Cherry Shaw		003-058-789-00111	20-May-15	Not Applicable
	87	Eastwood Mall		003-058-789-00112	25-Jun-15	Not Applicable
	88	Lucky China Town		003-058-789-00113	25-Jun-15	Not Applicable
	89	SM Center Sangandaan		003-058-789-00114	03-Jul-15	Not Applicable
	90	Tower Mall Trece Martires		003-058-789-00115	03-Jul-15	Not Applicable
	91	Cherry Congressional		003-058-789-00116	03-Aug-15	Not Applicable
	92	Cherry Antipolo		003-058-789-00117	03-Aug-15	Not Applicable
	93	SM City East Ortigas		003-058-789-00118	05-Aug-15	Not Applicable
	94	Uptown Mall- SM Tickets		003-058-789-00120	15-Sep-15	Not Applicable
	95	SM Baliwag Central Terminal		003-058-789-00121	15-Sep-15	Not Applicable
	96	SM City San Jose Del Monte		003-058-789-00122	23-Nov-15	Not Applicable
	97	SM City Trece Martires		003-058-789-00123	23-Nov-15	Not Applicable
	98	Cabanatuan Central Terminal		003-058-789-00125	21-Dec-15	Not Applicable
	99	SM CDO Downtown Premier		003-058-789-00126	27-Feb-17	Not Applicable
	100	SM Center Tuguegarao		003-058-789-00127	09-Mar-17	Not Applicable
	101	SM Center Lemery		003-058-789-00128	02-Jun-17	Not Applicable
	102	SM Center Pulilan		003-058-789-00129	02-Jun-17	Not Applicable
	103	SM Center Ormoc		003-058-789-00131	02-Jun-17	Not Applicable
	104	SM City Puerto Princesa		003-058-789-00132	05-Jun-17	Not Applicable
	105	SM City Urdaneta		003-058-789-00133	14-Jul-17	Not Applicable
	106	SM City Telabastagan		003-058-789-00134	06-Dec-17	Not Applicable
	107	SM City Legazpi		003-058-789-00135	06-Dec-17	Not Applicable
	108	SM Center Dagupan		003-058-789-136	16-Aug-18	Not Applicable

Entity	No.	Permits & Licenses	Issuing Agency	Permit & License No.	Issue Date	Expiration Date
	109	NU Mall of Asia		003-058-789-137	25-Oct-18	Not Applicable
	110	Skyranch Baguio		003-058-789-138	05-Nov-18	Not Applicable
	111	Park Inn By Radisson Iloilo		003-058-789-139	03-Dec-18	Not Applicable
	112	Park Inn By Radisson North Edsa		003-058-789-140	11-Feb-19	Not Applicable
	113	SM City Olongapo Central		003-058-789-00141	06-Mar-19	Not Applicable
	114	SM City Butuan		003-058-789-00142	20-Jun-19	Not Applicable
	115	Star Cruises Center (SM Tickets)		003-058-789-143	29-Oct-19	Not Applicable
	116	SM City Grand Central		003-058-789-144	25-Nov-19	Not Applicable
	117	SM City Roxas		003-058-789-00145	27-Dec-19	Not Applicable
	118	SM City Daet		003-058-789-146	27-Dec-19	Not Applicable
	119	The SM Store Estancia		003-058-789-00149	11-Jun-20	Not Applicable
	120	Estancia		003-058-789-00150	01-Sep-20	Not Applicable
	121	SM City Tuguegarao		003-058-789-00151	05-Oct-20	Not Applicable
	122	Park Inn By Radisson Bacolod		003-058-789-00152	21-Oct-10	Not Applicable
	123	SM City Sorsogon		003-058-789-00153	21-Oct-20	Not Applicable
	124	SM City Bataan		003-058-789-00155	15-Dec-20	Not Applicable
	125	MOA Square		003-058-789-00156	15-Dec-20	Not Applicable
	126	SM City Tanza		003-058-789-00158	27-Nov-21	Not Applicable
	127	SM City Sto. Tomas		003-058-789-00159	05-Jul-22	Not Applicable
	128	SM Center San Pedro		003-058-789-00160	25-Aug-22	Not Applicable
	129	Lanson Place Mall of Asia, Manila		003-058-789-00161	19-Dec-22	Not Applicable
	130	SM City J Mall		003-058-789-00162	17-Mar-23	Not Applicable
	131	SM City Caloocan		003-058-789-00163	02-Jun-23	Not Applicable
	132	Four E-com (Parking)		003-058-789-00164	04-Sep-23	Not Applicable
	133	Three E-com (Parking)		003-058-789-00165	04-Sep-23	Not Applicable
	134	Two E-com (Parking)		003-058-789-00166	04-Sep-23	Not Applicable
	135	SM City La Union		003-058-789-00167	01-Mar-24	Not Applicable
	136	SM City Laoag		003-058-789-00168	01-Mar-24	Not Applicable
		<b>CERTIFICATE OF REGISTRATION (COR)</b>	<b>DHSUD (HLURB)</b>			
	1	South Residences		27982	12-Oct-16	Not Applicable
	2	Cheer Residences		28380	13-Dec-17	Not Applicable
	3	Hope Residences		28721	11-Apr-18	Not Applicable
	4	Sail Residences		29483	28-Mar-19	Not Applicable
	5	Style Residences		28889	06-May-19	Not Applicable
	6	Smile Residences		PCR-06-001	21-Jan-20	Not Applicable
	7	Joy Residences Phase 1		2021-07-213	02-Aug-21	Not Applicable
	8	Joy Residences Phase 2		2022-04-285	07-Apr-22	Not Applicable
	9	Twin Residences		11	17-Jan-23	Not Applicable
	10	South 2 Residences		81	27-Sep-23	Not Applicable
		<b>LICENSE TO SELL (LTS)</b>	<b>DHSUD (HLURB)</b>			
	1	South Residences		31618	12-Oct-16	Not Applicable
	2	Cheer Residences		33207	13-Dec-17	Not Applicable
	3	Hope Residences		33129	11-Apr-18	Not Applicable
	4	Style Residences		33552	06-May-19	Not Applicable
	5	Smile Residences		06-002	21-Jan-20	Not Applicable

Entity	No.	Permits & Licenses	Issuing Agency	Permit & License No.	Issue Date	Expiration Date
	6	Joy Residences Phase 1, Bldg. A, F, G,H ,K & L		2021-07-263	02-Aug-21	Not Applicable
				2021-07-264	02-Aug-21	Not Applicable
				2021-07-265	02-Aug-21	Not Applicable
				2021-07-266	02-Aug-21	Not Applicable
				2021-07-269	02-Aug-21	Not Applicable
				2021-07-270	02-Aug-21	Not Applicable
	7	Joy Residences Phase 1, Bldg. I & J		2021-07-267	03-Aug-21	Not Applicable
				2021-07-268	03-Aug-21	Not Applicable
	8	Joy Residences Phase 2		2022-04-348	07-Apr-22	Not Applicable
	9	Twin Residences		71	06-Jul-23	Not Applicable
	10	Sail Residences		99	08-Aug-23	Not Applicable
11	South 2 Residences		128	27-Sep-23	Not Applicable	
		<b>CERTIFICATE OF REGISTRATION (COR)</b>	<b>BOI</b>			
1	Park Inn By Radisson Iloilo		2019-106	04-Jun-19	Not Applicable	
2	Park Inn By Radisson North Edsa		2019-180	24-Sep-19	Not Applicable	
3	Taal Vista Hotel		2013-037	05-Feb-2013	Not Applicable	
4	Taal Vista Hotel		2008-149	04-Jul-2008	Not Applicable	
		<b>BUSINESS PERMIT (BP)</b>	<b>LGU OF:</b>			
1	Head Office	Pasay City	13-040974	17-Apr-24	31-Dec-24	
			11-034348	17-Apr-24	31-Dec-24	
2	SM City North Edsa	Quezon City	97-026271	2024 Permit – Still in Process		
			97-076550	2024 Permit – Still in Process		
			97-085634	2024 Permit – Still in Process		
			97-026280	2024 Permit – Still in Process		
			09-004383	2024 Permit – Still in Process		
			97-087399	2024 Permit – Still in Process		
			13-013604	2024 Permit – Still in Process		
			13-005941	2024 Permit – Still in Process		
			11-010723	2024 Permit – Still in Process		
02-204649	2024 Permit – Still in Process					
3	North Tower	Quezon City	18-014095	2024 Permit – Still in Process		
			18-014097	2024 Permit – Still in Process		
			18-014096	2024 Permit – Still in Process		
4	SM Center Congressional	Quezon City	15-010608	2024 Permit – Still in Process		
			15-010602	2024 Permit – Still in Process		
			15-010614	2024 Permit – Still in Process		
5	SM Megamall	Mandaluyong City	MC-2002-01345	13-Jan-24	31-Dec-24	
6	SM Center Pasig	Pasig City	PM-2006-016699	2024 Permit – Still in Process		
7	The Podium	Mandaluyong City	24-06279	12-Jan-24	31-Dec-24	
			MC-2010-02293	12-Jan-24	31-Dec-24	
8	SM Center Shaw	Mandaluyong City	MC-2015-02448	N/A	31-Dec-24	

Entity	No.	Permits & Licenses	Issuing Agency	Permit & License No.	Issue Date	Expiration Date
	9	SM By the Bay	Pasay City	07-022623	23-Apr-24	31-Dec-24
	10	SM Mall of Asia	Pasay City	07-017724	25-Jan-24	31-Mar-24*
				07-017725	25-Jan-24	31-Mar-24*
				07-017728	25-Jan-24	31-Mar-24*
				07-017730	25-Jan-24	31-Mar-24*
				07-017727	25-Jan-24	31-Mar-24*
				07-017731	25-Jan-24	31-Mar-24*
				07-017732	25-Jan-24	31-Mar-24*
				07-017734	25-Jan-24	31-Mar-24*
				07-017822	25-Jan-24	31-Mar-24*
				07-017823	25-Jan-24	31-Mar-24*
				07-017825	25-Jan-24	31-Mar-24*
				07-017826	25-Jan-24	31-Mar-24*
				07-017828	25-Jan-24	31-Mar-24*
				07-017829	25-Jan-24	31-Mar-24*
				07-017830	25-Jan-24	31-Mar-24*
				07-017831	25-Jan-24	31-Mar-24*
	07-017833	25-Jan-24	31-Mar-24*			
	07-017735	25-Jan-24	31-Mar-24*			
	18-056023	25-Jan-24	31-Mar-24*			
	18-056022	25-Jan-24	31-Mar-24*			
	20-000630	25-Jan-24	31-Mar-24*			
	11	Mall of Asia Arena	Pasay City	12-036901	25-Jan-24	31-Mar-24*
	12	S Maison	Pasay City	16-047730	14-Feb-24	31-Mar-24*
	13	Esplanade Seaside Terminal	Pasay City	15-045539	23-Apr-24	31-Dec-24
	14	Luxe Duty Free	Pasay City	18-055938	23-Apr-24	31-Dec-24
	15	SM MOA Square	Pasay City	21-002088	25-Jan-24	31-Mar-24*
	16	SM Aura Premier	Taguig City	20-012543	19-Jan-24	31-Dec-24
				20-012544	19-Jan-24	31-Dec-24
				20-012545	19-Jan-24	31-Dec-24
				20-012547	19-Jan-24	31-Dec-24
				20-012546	19-Jan-24	31-Dec-24
				20-012548	19-Jan-24	31-Dec-24
				20-012549	19-Jan-24	31-Dec-24
				20-012550	19-Jan-24	31-Dec-24
				20-012551	19-Jan-24	31-Dec-24
				20-012552	19-Jan-24	31-Dec-24
				20-012554	19-Jan-24	31-Dec-24
	20-012553	19-Jan-24	31-Dec-24			
	17	SM Southmall	Las Piñas City	1995040274	19-Jan-24	30-Jun-24
				1995080549	19-Jan-24	30-Jun-24
				2012102436	19-Jan-24	30-Jun-24
				2012102439	19-Jan-24	30-Jun-24
				2012102440	19-Jan-24	30-Jun-24
				2012102441	19-Jan-24	30-Jun-24
	2012102435	19-Jan-24	30-Jun-24			

Entity	No.	Permits & Licenses	Issuing Agency	Permit & License No.	Issue Date	Expiration Date
				2012102434	19-Jan-24	30-Jun-24
				2012102438	19-Jan-24	30-Jun-24
				2012102437	19-Jan-24	30-Jun-24
				2019041036	19-Jan-24	30-Jun-24
				2019041037	19-Jan-24	30-Jun-24
				1995060341	19-Jan-24	30-Jun-24
				1999092907	19-Jan-24	30-Jun-24
				2000082744	19-Jan-24	30-Jun-24
				2013050940	19-Jan-24	30-Jun-24
	18	SM Center Las Piñas	Las Piñas City	2009091995	19-Jan-24	31-Dec-24
	19	SM City Baguio	Baguio City	10-2-52212-40673	21-Feb-24	31-Dec-24
				10-2-100073-28817	21-Feb-24	31-Dec-24
				10-2-68110-28816	12-Apr-24	31-Dec-24
				10-2-93293-40669	06-Mar-24	31-Dec-24
	20	Skyranch Baguio	Baguio City	10-2-68110-209020	21-Feb-24	31-Dec-24
	21	SM Center Dagupan	Dagupan City	24-03-3718	11-Mar-24	31-Dec-24
				18-00552	11-Mar-24	31-Dec-24
	22	SM City Rosales	Rosales, Pangasinan	2524 / S-015531-00230	29-Jan-24	30-Jun-24
				2525 / S-015531-00232	29-Jan-24	30-Jun-24
				2529 / S-015531-00231	29-Jan-24	30-Jun-24
				2526 / S-015531-00229	29-Jan-24	30-Jun-24
				2528 / S-015531-00228	29-Jan-24	30-Jun-24
				2530 / S-015531-00233	29-Jan-24	30-Jun-24
				2527 / S-015531-00227	29-Jan-24	30-Jun-24
	23	SM City Urdaneta Central	Urdaneta City	2625 / 00018040	12-Feb-24	31-Dec-24
				2633 / 00018034	12-Feb-24	31-Dec-24
				2632 / 00018035	12-Feb-24	31-Dec-24
				2634 / 00018037	12-Feb-24	31-Dec-24
				2624 / 00018039	12-Feb-24	31-Dec-24
				2636 / 00018038	12-Feb-24	31-Dec-24
				2635 / 00023445	12-Feb-24	31-Dec-24
				2626 / 00023446	12-Feb-24	31-Dec-24
	24	SM City Cauayan	Cauayan City	2024-2962 / 14-006231	26-Mar-24	31-Dec-24
				2024-2958 / 14-006246	26-Mar-24	31-Dec-24
				2024-2961 / 14-006248	26-Mar-24	31-Dec-24
				2024-2953 / 14-006252	26-Mar-24	31-Dec-24
				2024-2954 / 14-006255	26-Mar-24	31-Dec-24
				2024-2957 / 14-006250	26-Mar-24	31-Dec-24
				2024-2955 / 14-006251	26-Mar-24	31-Dec-24
				2024-2952 / 14-006233	26-Mar-24	31-Dec-24
				2024-2956/ 14-006232	26-Mar-24	31-Dec-24

Entity	No.	Permits & Licenses	Issuing Agency	Permit & License No.	Issue Date	Expiration Date
				2024-2959 / 14-006235	26-Mar-24	31-Dec-24
				2024-2960 / 14-006234	26-Mar-24	31-Dec-24
	25	SM Center Tuguegarao Downtown	Tuguegarao City	12816	17-Jan-24	31-Dec-24
				12815	17-Jan-24	31-Dec-24
				12814	17-Jan-24	31-Dec-24
				12818	17-Jan-24	31-Dec-24
				12817	17-Jan-24	31-Dec-24
				12819	17-Jan-24	31-Dec-24
	26	SM City Tuguegarao	Tuguegarao City	18987	17-Jan-24	31-Dec-24
				18989	17-Jan-24	31-Dec-24
				18986	17-Jan-24	31-Dec-24
				18990	17-Jan-24	31-Dec-24
				18991	17-Jan-24	31-Dec-24
				18988	17-Jan-24	31-Dec-24
				18992	17-Jan-24	31-Dec-24
				18993	17-Jan-24	31-Dec-24
				18994	17-Jan-24	31-Dec-24
				18995	17-Jan-24	31-Dec-24
				18996	17-Jan-24	31-Dec-24
	27	SM City Cabanatuan	Cabanatuan City	BLPD-23-18472/RF-23-26223/PN 23-01356	22-Jan-24	31-Dec-24
				BLPD-23-18475/RF-23-26268/PN 23-01357	22-Jan-24	31-Dec-24
				BLPD-23-18478/RF-23-26945 PN 23-01355	22-Jan-24	31-Dec-24
				BLPD-23-18477/RF-23-26227/PN 23-01359	22-Jan-24	31-Dec-24
				BLPD-23-18522/RF-23-26221/PN 23-01358	22-Jan-24	31-Dec-24
	28	Cabanatuan Central Terminal	Cabanatuan City	BLPD-23-18530/RF-23-26219/PN 23-01354	22-Jan-24	31-Dec-24
	29	SM Megacenter Cabanatuan	Cabanatuan City	24-00782/Business Permit (BP)LD-23-18129/RF-23-26122/PN 23-01353	19-Jan-24	31-Dec-24
				24-00781/Business Permit (BP)LD-23-18130/RF-23-26104/PN 23-01352	19-Jan-24	31-Dec-24
	30	SM City Olongapo Central	Olongapo City	1292/2019-0000972	18-Jan-24	31-Dec-24
				907/2019-0000965	18-Jan-24	31-Dec-24
				911/2019-0000964	18-Jan-24	31-Dec-24
				910/2019-0000968	18-Jan-24	31-Dec-24
				1291/2019-0000970	18-Jan-24	31-Dec-24
				912/2019-0000971	18-Jan-24	31-Dec-24
				913/2019-0000969	18-Jan-24	31-Dec-24
				906/2020-0000954	18-Jan-24	31-Dec-24
	31	SM City Olongapo Downtown	Olongapo City	918/2011-0001766	18-Jan-24	31-Dec-24

Entity	No.	Permits & Licenses	Issuing Agency	Permit & License No.	Issue Date	Expiration Date
				3629/2011-0001767	18-Jan-24	31-Dec-24
				1057/2011-0001768	18-Jan-24	31-Dec-24
				1050/2011-0001774	18-Jan-24	31-Dec-24
				1052/2011-0001770	18-Jan-24	31-Dec-24
				1049/2011-0001772	18-Jan-24	31-Dec-24
				920/2012-0000282	18-Jan-24	31-Dec-24
	32	SM City Tarlac	Tarlac City	017-17-2010-0000210	2024 Permit – Still in Process	
	33	SM City Bataan	Balanga City	PN 2024-3543	29-Feb-24	31-Dec-24
				PN 2024-3538	29-Feb-24	31-Dec-24
				PN 2024-3542	29-Feb-24	31-Dec-24
				PN 2024-3541	29-Feb-24	31-Dec-24
				PN 2024-3544	29-Feb-24	31-Dec-24
				PN 2024-3539	29-Feb-24	31-Dec-24
				PN 2024-3540	29-Feb-24	31-Dec-24
				PN 2024-3537	29-Feb-24	31-Dec-24
	34	SM City Clark	Angeles City	2024003268 / 54-01-2006001317	17-Jan-24	31-Dec-24
				2024003272 / 54-01-2010001468	17-Jan-24	31-Dec-24
				2024003282 / 54-01-2017000933	17-Jan-24	31-Dec-24
	35	SM City Pampanga	San Fernando City, Pampanga	8170 / 0170-2007-0075	05-Feb-24	31-Dec-24
				7349 / 0046-2007-0004	05-Feb-24	31-Dec-24
				7353 / 0135-2007-0010	05-Feb-24	31-Dec-24
				7366 / 0099-2007-0140	05-Feb-24	31-Dec-24
				7363 / 0197-2007-0003	05-Feb-24	31-Dec-24
				7369 / 0197-2007-0001	05-Feb-24	31-Dec-24
				7368 / 0197-2007-0004	05-Feb-24	31-Dec-24
				7367 / 0197-2007-0002	05-Feb-24	31-Dec-24
				7357 / 6001-2009-0025	05-Feb-24	31-Dec-24
				7359 / 9001-2010-0685	05-Feb-24	31-Dec-24
				2181 / 9001-2014-0720	05-Feb-24	31-Dec-24
				7364 / 0007-2007-0012	05-Feb-24	31-Dec-24
	36	SM City Pampanga	Mexico, Pampanga	2024-0305413000-0708 / S-035413-00170	17-Jan-24	31-Dec-24
				2024-0305413000-0706 / S-035413-00171	17-Jan-24	31-Dec-24
				2024-0305413000-0707 / S-035413-00172	17-Jan-24	31-Dec-24
				2024-0305413000-0705 / S-035413-00168	17-Jan-24	31-Dec-24

Entity	No.	Permits & Licenses	Issuing Agency	Permit & License No.	Issue Date	Expiration Date
				2024-0305413000-0709 / S-035413-00167	17-Jan-24	31-Dec-24
	37	SM San Fernando Downtown	San Fernando City, Pampanga	7351 / 9001-2012-0476	05-Feb-24	31-Dec-24
				7355 / 2001-2012-0012	05-Feb-24	31-Dec-24
				7352 / 2001-2012-0011	05-Feb-24	31-Dec-24
				7350 / 9001-2012-0435	05-Feb-24	31-Dec-24
				7361 / 9001-2012-0439	05-Feb-24	31-Dec-24
				7360 / 9001-2012-0437	05-Feb-24	31-Dec-24
				7362 / 9001-2012-0441	05-Feb-24	31-Dec-24
				7354 / 9001-2012-0436	05-Feb-24	31-Dec-24
				7358 / 9001-2012-0442	05-Feb-24	31-Dec-24
	38	SM Savemore Market Apalit	Apalit, Pampanga	2024-0305402000-0497/ S-035402-00061	05-Jan-24	31-Dec-24
	39	SM City Telabastagan	San Fernando City, Pampanga	8661 / 9001-2014-0729	05-Feb-24	31-Dec-24
				14129 / 9001-2018-0352	05-Feb-24	31-Dec-24
				14162 / 4001-2018-0014	05-Feb-24	31-Dec-24
				14164 / 6001-2018-0147	05-Feb-24	31-Dec-24
				14231 / 4001-2018-0015	05-Feb-24	31-Dec-24
				14368 / 9001-2018-0433	05-Feb-24	31-Dec-24
				14364 / 9001-2018-0429	05-Feb-24	31-Dec-24
				14365 / 9001-2018-0431	05-Feb-24	31-Dec-24
				14366 / 9001-2018-0432	05-Feb-24	31-Dec-24
				14372 / 9001-2018-0434	05-Feb-24	31-Dec-24
				14371 / 9001-2018-0436	05-Feb-24	31-Dec-24
				14370 / 9001-2018-0437	05-Feb-24	31-Dec-24
				14369 / 5001-2018-0253	05-Feb-24	31-Dec-24
				14367 / 9001-2018-0435	05-Feb-24	31-Dec-24
	40	SM City Baliwag	Baliwag, Bulacan	24-02178 / BB 2017-001247	19-Jan-24	31-Dec-24
				24-02108 / BB 2017-001243	19-Jan-24	31-Dec-24
				24-02109 / BB 2017-001241	19-Jan-24	31-Dec-24
				24-02110 / BB 2017-001237	19-Jan-24	31-Dec-24
				24-02112 / BB 2017-001235	19-Jan-24	31-Dec-24
				24-02113 / BB 2017-001232	19-Jan-24	31-Dec-24
				24-02115 / BB 2017-001226	19-Jan-24	31-Dec-24
				24-02116 / BB 2017-001224	19-Jan-24	31-Dec-24
				24-02117 / BB 2017-001231	19-Jan-24	31-Dec-24

Entity	No.	Permits & Licenses	Issuing Agency	Permit & License No.	Issue Date	Expiration Date
				24-02118 / BB 2017 001249	19-Jan-24	31-Dec-24
	41	SM City Marilao	Marilao, Bulacan	1595 / S-00133	19-Jan-24	31-Dec-24
				1590 / S-00139	19-Jan-24	31-Dec-24
				1591 / S-00138	19-Jan-24	31-Dec-24
				1593 / S-00202	19-Jan-24	31-Dec-24
				1592 / S-00203	19-Jan-24	31-Dec-24
				1594 / S-00204	19-Jan-24	31-Dec-24
				1596 / S-00509	19-Jan-24	31-Dec-24
				1599 / S-00136	19-Jan-24	31-Dec-24
	42	SM Center Pulilan	Pulilan, Bulacan	2024-01078 / PB-2017-002458	23-Jan-24	31-Dec-24
				2024-01077 / PB-2017-002459	23-Jan-24	31-Dec-24
				2024-01079 / PB-2017-002457	23-Jan-24	31-Dec-24
				2024-01081 / PB-2017-002456	23-Jan-24	31-Dec-24
				2024-01080 / PB- 2023-002531	23-Jan-24	31-Dec-24
	43	SM City Grand Central	Caloocan City	21-M1108-00008	01-Feb-24	31-Dec-24
				21-M1108-00005	01-Feb-24	31-Dec-24
				21-M1108-00004	01-Feb-24	31-Dec-24
				21-M1108-00006	01-Feb-24	31-Dec-24
				21-M1108-00007	01-Feb-24	31-Dec-24
	44	SM Center Sangandaan	Caloocan City	15-M0910-01503	06-Feb-24	31-Dec-24
				15-M0910-01504	06-Feb-24	31-Dec-24
	45	SM Savemore Malabon	Malabon City	15-002442	19-Jan-24	31-Dec-24
	46	SM City Valenzuela	Valenzuela City	VC-1079953-3 / 05- 100658	19-Jan-24	30-Jun-24
				VC-1079950-0 / 05- 100770	19-Jan-24	30-Jun-24
				VC-1079947-7 / 05- 100769	19-Jan-24	30-Jun-24
				VC-1079951-1 / 05- 100762	19-Jan-24	30-Jun-24
				VC-1079949-9 / 05- 100738	19-Jan-24	30-Jun-24
				VC-1079952-2 / 05- 100771	19-Jan-24	30-Jun-24
				VC-1079954-4 / 05- 100774	19-Jan-24	30-Jun-24
				VC-1079948-8 / 05- 100776	19-Jan-24	30-Jun-24
	47	SM City Fairview	Quezon City	97-201582	04-Apr-24	04-Apr-25
				99-014561	2024 Permit – Still in Process	
				97-203209	21-Mar-24	21-Mar-25
				97-203205	21-Mar-24	21-Mar-25
				97-203197	21-Mar-24	21-Mar-25
				04-010668	21-Mar-24	21-Mar-25
				97-203211	21-Mar-24	21-Mar-25

Entity	No.	Permits & Licenses	Issuing Agency	Permit & License No.	Issue Date	Expiration Date
				97-203210	21-Mar-24	21-Mar-25
				97-203208	21-Mar-24	21-Mar-25
				97-203206	21-Mar-24	21-Mar-25
				97-203195	21-Mar-24	21-Mar-25
				97-203283	21-Mar-24	21-Mar-25
				97-203192	23-Mar-24	23-Mar-25
				97-203187	25-Mar-24	25-Mar-25
				97-203161	25-Mar-24	25-Mar-25
				97-203183	25-Mar-24	25-Mar-25
				97-202142	13-Mar-24	13-Mar-25
				01-051642	13-Mar-24	13-Mar-25
				02-301030	13-Mar-24	13-Mar-25
				02-301029	13-Mar-24	13-Mar-25
				19-006651	13-Mar-24	13-Mar-25
	48	SM City Novaliches	Quezon City	10-011893	26-Apr-24	26-Apr-25
				10-011941	2024 Permit – Still in Process	
				10-011889	2024 Permit – Still in Process	
				10-011934	2024 Permit – Still in Process	
				10-011935	2024 Permit – Still in Process	
				10-011937	2024 Permit – Still in Process	
				10-011940	2024 Permit – Still in Process	
				13-013601	2024 Permit – Still in Process	
	49	SM City San Jose Del Monte	San Jose Del Monte	S-01022/2024-0002128	17-Jan-24	31-Dec-24
				S-01023/2024-0002126	17-Jan-24	31-Dec-24
				S-01024/2024-0006418	20-Feb-24	31-Dec-24
	50	SM City Manila	Manila City	2024-000030506 / 117-00-2004-0031380	19-Jan-24	31-Dec-24
				2024-000030515 / 117-00-2004-0037708	19-Jan-24	31-Dec-24
				2024-000030524 / 117-00-2004-0031653	19-Jan-24	31-Dec-24
				2024-000030499 / 117-00-2004-0036487	19-Jan-24	31-Dec-24
				2024-000030532 / 117-00-2004-0036509	19-Jan-24	31-Dec-24
				2024-000030542 / 117-00-2004-0036528	19-Jan-24	31-Dec-24
				2024-000030551 / 117-00-2004-0037672	19-Jan-24	31-Dec-24
				2024-000030564 / 117-00-2004-0037678	19-Jan-24	31-Dec-24
				2024-000030577 / 117-00-2004-0037683	19-Jan-24	31-Dec-24
				2024-000030586 / 117-00-2004-0037689	19-Jan-24	31-Dec-24

Entity	No.	Permits & Licenses	Issuing Agency	Permit & License No.	Issue Date	Expiration Date
				2024-000030591 / 117-00-2004-0037694	19-Jan-24	31-Dec-24
				2024-000030604 / 117-00-2004-0037710	19-Jan-24	31-Dec-24
				2024-000030612 / 117-00-2004-0037714	19-Jan-24	31-Dec-24
				2024-000030624 / 117-00-2004-0037718	19-Jan-24	31-Dec-24
				2024-000030629 / 117-00-2005-0000858	19-Jan-24	31-Dec-24
				2024-000030492 / 117-00-2004-0034344	19-Jan-24	31-Dec-24
				2024-000030643 / 117-00-2004-0037237	19-Jan-24	31-Dec-24
				2024-000030647 / 117-00-2004-0037239	19-Jan-24	31-Dec-24
	51	SM City San Lazaro	Manila City	2024-000028143 / 117-00-2005-0009377	19-Jan-24	31-Dec-24
				2024-000028023 / 117-00-2005-0009239	19-Jan-24	31-Dec-24
				2024-000028045 / 117-00-2005-0009236	19-Jan-24	31-Dec-24
				2024-000028055 / 117-00-2005-0009228	19-Jan-24	31-Dec-24
				2024-000028091 / 117-00-2005-0009221	19-Jan-24	31-Dec-24
				2024-000028108 / 117-00-2005-0009199	19-Jan-24	31-Dec-24
				2024-000028120 / 117-00-2005-0009230	19-Jan-24	31-Dec-24
				2024-000028162 / 117-00-2007-0024859	19-Jan-24	31-Dec-24
				2024-000028154 / 117-00-2007-0024863	19-Jan-24	31-Dec-24
	52	SM Savemore Market Nagtahan	Manila City	2024-000027744 / 117-00-2008-0015754	19-Jan-24	31-Dec-24
	53	SM Center Angono	Angono, Rizal	2024-02278 / 021-01-2014-0000587	29-Jan-24	31-Dec-24
				2024-02279 / 021-01-2014-0000588	29-Jan-24	31-Dec-24
				2024-02275 / 021-01-2014-0000585	29-Jan-24	31-Dec-24
				2024-02277 / 021-01-2015-0000522	29-Jan-24	31-Dec-24
				2024-02274 / 021-01-2014-0000586	29-Jan-24	31-Dec-24

Entity	No.	Permits & Licenses	Issuing Agency	Permit & License No.	Issue Date	Expiration Date
				2024-02276 / 021-01-2018-0000433	29-Jan-24	31-Dec-24
	54	SM City East Ortigas	Pasig City	PM-2015-002566 PM-2015-002559	2024 Permit – Still in Process	
	55	SM City Sta Mesa	Quezon City	97-076591	26-Mar-24	26-Mar-25
				97-076589	03-Mar-24	03-Mar-25
				97-076590	03-Mar-24	03-Mar-25
				97-076592	03-Mar-24	03-Mar-25
				97-087393	03-Mar-24	03-Mar-25
				02-205002	03-Mar-24	03-Mar-25
	56	SM City Taytay	Taytay, Rizal	2024-03492 / 07-000923	17-Jan-24	31-Dec-24
	57	SM Center Antipolo Downtown	Antipolo City	2024-002063 / 021-02-2015-0001812	23-Jan-24	31-Dec-24
	58	SM City Marikina	Marikina City	2024-01347 / 08-011082	03-Jan-24	31-Dec-24
				2024-01351 / 08-011173	03-Jan-24	31-Dec-24
				2024-01352 / 08-011126	03-Jan-24	31-Dec-24
				2024-01356 / 08-011199	03-Jan-24	31-Dec-24
				2024-01358 / 08-011201	03-Jan-24	31-Dec-24
				2024-01360 / 08-011195	03-Jan-24	31-Dec-24
				2024-01361 / 08-011193	03-Jan-24	31-Dec-24
				2024-01363 / 08-011191	03-Jan-24	31-Dec-24
				2024-01366 / 08-011187	03-Jan-24	31-Dec-24
				2024-01354 / 08-011160	03-Jan-24	31-Dec-24
	59	SM City Masinag	Antipolo City	2024-002064 / 021-02-2011-0000972	23-Jan-24	31-Dec-24
	60	SM City San Mateo	San Mateo, Rizal	2024-01643 / IA001-07-2015-0259	19-Jan-24	31-Dec-24
				2024-01642 / IA002-30-2015-0258	19-Jan-24	31-Dec-24
				2024-01637 / ACD03-24-2015-0267	19-Jan-24	31-Dec-24
				2024-01639 / ACB03-17-2015-0266	19-Jan-24	31-Dec-24
				2024-01641 / IA001-02-2019-1770	19-Jan-24	31-Dec-24
				2024-01644 / GB001-01-2015-0264	19-Jan-24	31-Dec-24
				2024-01640 / F0001-01-2015-0261	19-Jan-24	31-Dec-24
	61	SM City Muntinlupa	Muntinlupa City	S-29109	19-Jan-24	30-Jun-24
				S-32877	19-Jan-24	30-Jun-24
				S-29132	19-Jan-24	31-Dec-24
				S-29133	19-Jan-24	31-Dec-24
				S-29134	19-Jan-24	31-Dec-24

Entity	No.	Permits & Licenses	Issuing Agency	Permit & License No.	Issue Date	Expiration Date
				S-29135	19-Jan-24	31-Dec-24
	62	SM City BF Paranaque	Parañaque City	2013112759	20-Jan-24	30-Jun-24
				2013112737	20-Jan-24	30-Jun-24
				2013112757	20-Jan-24	30-Jun-24
				2013112732	20-Jan-24	30-Jun-24
				2013112754	20-Jan-24	30-Jun-24
				2013112752	20-Jan-24	30-Jun-24
				2013112733	20-Jan-24	30-Jun-24
				2013112760	20-Jan-24	30-Jun-24
				2013112734	20-Jan-24	30-Jun-24
				2013112756	20-Jan-24	30-Jun-24
				2013112746	20-Jan-24	30-Jun-24
				2013112743	20-Jan-24	30-Jun-24
				2013112745	20-Jan-24	30-Jun-24
				2013112740	20-Jan-24	30-Jun-24
				2013112744	20-Jan-24	30-Jun-24
	63	SM City Bicutan	Parañaque City	2005010453	22-Jan-24	30-Jun-24
				2005011291	22-Jan-24	30-Jun-24
				2004012186	22-Jan-24	30-Jun-24
				2004012136	22-Jan-24	30-Jun-24
				2004012188	22-Jan-24	30-Jun-24
				2004018007	22-Jan-24	30-Jun-24
				2007113051	22-Jan-24	30-Jun-24
	64	SM City Sucat	Parañaque City	2005010443	22-Jan-24	30-Jun-24
				2005010441	22-Jan-24	30-Jun-24
				2005010449	22-Jan-24	30-Jun-24
				2004012132	22-Jan-24	30-Jun-24
				2004018128	22-Jan-24	30-Jun-24
				2005010471	22-Jan-24	30-Jun-24
				2005010473	22-Jan-24	30-Jun-24
				2005010442	22-Jan-24	30-Jun-24
				2005010448	22-Jan-24	30-Jun-24
				2005010450	22-Jan-24	30-Jun-24
	65	SM Hypermarket Sucat Lopez	Parañaque City	2011123168	20-Jan-24	30-Jun-24
	66	SM City Bacoor	Bacoor City	S-00327	18-Jan-24	31-Dec-24
				S-00288	18-Jan-24	31-Dec-24
				S-00246	18-Jan-24	31-Dec-24
				S-00461	18-Jan-24	31-Dec-24
				S-00491	18-Jan-24	31-Dec-24
				S-01987	18-Jan-24	31-Dec-24
	67	SM City Molino	Bacoor City	S-01170	16-Jan-24	31-Dec-24
				S-01103	16-Jan-24	31-Dec-24
				S-01988	16-Jan-24	31-Dec-24
				S-03761	16-Jan-24	31-Dec-24

Entity	No.	Permits & Licenses	Issuing Agency	Permit & License No.	Issue Date	Expiration Date
	68	SM City Rosario	Rosario, Cavite	2024-0402117000-1584 / PN ROSCAV-2023-2075	22-Jan-24	31-Dec-24
				2024-0402117000-1571 / PN ROSCAV-2023-1863	22-Jan-24	31-Dec-24
				2024-0402117000-1581 / PN ROSCAV-2023-1862	22-Jan-24	31-Dec-24
				2024-0402117000-1578 / PN ROSCAV-2023-1861	22-Jan-24	31-Dec-24
				2024-0402117000-1583 / PN ROSCAV-2023-1860	22-Jan-24	31-Dec-24
				2024-0402117000-1573 / PN ROSCAV-2023-1866	22-Jan-24	31-Dec-24
	69	SM City Tanza	Tanza, Cavite	S-042120-00420 / PN S-042120-00342	22-Jan-24	31-Dec-24
	70	SM City Trece Martires	Trece Martires City	2915-24 / 0160930-14-1870	29-Jan-24	31-Dec-24
	71	Skyranch Tagaytay	Tagaytay City	2024-02282 / 129-00-2012-0000521	29-Jan-24	31-Dec-24
				2024-02281 / 129-00-2012-0000522	29-Jan-24	31-Dec-24
	72	SM City Dasmariñas	Dasmariñas City	2024-02720 / 01-2004-04752	18-Jan-24	31-Dec-24
				2024-02719 / 07-2010-01210	18-Jan-24	31-Dec-24
	73	SM Marketmall Dasmariñas	Dasmariñas City	2024-02825 / 10-2011-01609	19-Jan-24	31-Dec-24
				2024-02824 / 10-2011-01608	19-Jan-24	31-Dec-24
	74	SM City Calamba	Calamba City	2024-03170 / 192-00-2011-0002057	18-Jan-24	20-Jul-24
				2024-03186 / 192-00-2011-0002110	18-Jan-24	20-Jul-24
				2024-03193 / 192-00-2011-0002203	18-Jan-24	20-Jul-24
				2024-03178 / 192-00-2011-0002250	18-Jan-24	20-Jul-24
				2024-03172 / 192-00-2011-0005505	18-Jan-24	20-Jul-24
				2024-03195 / 192-00-2011-0002425	18-Jan-24	20-Jul-24
				2024-03179 / 192-00-2011-0002525	18-Jan-24	20-Jul-24
	75	SM City San Pablo	San Pablo City	0252 / 1333	18-Jan-24	31-Dec-24
	76	SM City Santa Rosa	Santa Rosa City	1869-24 / S-07414	17-Jan-24	31-Dec-24
				1871-24 / S-07407	17-Jan-24	31-Dec-24
				1875-24 / S-07411	17-Jan-24	31-Dec-24
				1873-24 / S-15839	17-Jan-24	31-Dec-24

Entity	No.	Permits & Licenses	Issuing Agency	Permit & License No.	Issue Date	Expiration Date
				1877-24 / S-15840	17-Jan-24	31-Dec-24
				1881-24 / S-07412	17-Jan-24	31-Dec-24
				1879-24 / S-07409	17-Jan-24	31-Dec-24
				S-92028	2024 Permit – Still in Process	
	77	SM City Santa Rosa - The Core	Santa Rosa City	7531-24 / S-91505	17-Jan-24	31-Dec-24
	78	SM Center San Pedro	San Pedro, Laguna	S-68232	2024 Permit – Still in Process	
	79	SM Center Lemery	Lemery, Batangas	2024-0401012000-1013 / 041012-00055	22-Jan-24	31-Dec-24
	80	SM City Batangas	Batangas City	2004-P0541 / 00-0006324	19-Jan-24	31-Jul-24
2004-P0547 / 00-0002081				19-Jan-24	30-Jun-24	
2011-P0714 / 00-0008818				19-Jan-24	31-Dec-24	
	81	SM City Lipa	Lipa City	10531 / S-00938	05-Mar-24	31-Dec-24
	82	SM City Sto. Tomas	Sto. Tomas City	2024-03107 / 024-26-2023-0001109	19-Jan-24	30-Apr-24*
	83	SM City Daet	Daet, Camarines Norte	2024-2958 / PN 2023-2958	06-Feb-24	31-Dec-24
				2024-2959 / PN 2023-2959	06-Feb-24	31-Dec-24
	84	SM City Legazpi	Legazpi City	2024-01828-0 / B13720181200029	17-Jan-24	31-Dec-24
				2024-01918-0 / B13720181200041	17-Jan-24	31-Dec-24
				2024-01860-0 / B13720181200040	17-Jan-24	31-Dec-24
				2024-01861-0 / B13720181200039	17-Jan-24	31-Dec-24
				2024-01859-0 / B13720181200030	17-Jan-24	31-Dec-24
				2024-01863-0 / B13720181200023	17-Jan-24	31-Dec-24
				2024-01864-0 / B13720181200024	17-Jan-24	31-Dec-24
				2024-01865-0 / B13720181200025	17-Jan-24	31-Dec-24
				2024-01868-0 / B13720181200026	17-Jan-24	31-Dec-24
				2024-01871-0 / B13720181200027	17-Jan-24	31-Dec-24
				2024-01875-0 / B13720181200028	17-Jan-24	31-Dec-24
				2024-01887-0 / B13720181200038	17-Jan-24	31-Dec-24
				2024-01882-0 / B13720181200037	17-Jan-24	31-Dec-24
				2024-01883-0 / B13720181200032	17-Jan-24	31-Dec-24

Entity	No.	Permits & Licenses	Issuing Agency	Permit & License No.	Issue Date	Expiration Date
				2024-01885-0 / B13720181200031	17-Jan-24	31-Dec-24
				2024-01862-0 / B13720230900019	17-Jan-24	31-Dec-24
	85	SM City Naga	Naga City	2024-04962-0 / B13520150500068	20-Jan-24	31-Dec-24
				2024-04971-0 / B13520150500066	20-Jan-24	31-Dec-24
				2024-04964-0 / B13520220900036	20-Jan-24	31-Dec-24
				2024-08035-0 / B13520150500067	08-Feb-24	31-Dec-24
	86	SM City Lucena	Lucena City	2024-S-15865 / 2003-0001106	25-Jan-24	31-Dec-24
				2023-WW-10828 / 2004-0000430	25-Jan-24	31-Dec-24
				2024-AP-10824 / 2004-0000429	24-Jan-24	31-Dec-24
				2024-AP-10825 / 2004-0000438	24-Jan-24	31-Dec-24
				2024-AP-10821 / 2004-0000440	24-Jan-24	31-Dec-24
				2024-S-15415 / 2010-0000579	24-Jan-24	31-Dec-24
				2024-CRF-19338 / 2009-0000598	24-Jan-24	31-Dec-24
				2024-CRF-19340 / 2009-0000599	24-Jan-24	31-Dec-24
				2024-AP-19341 / 2014-0000049	24-Jan-24	31-Dec-24
				2024-AP-10823 / 2004-0000439	24-Jan-24	31-Dec-24
	87	SM City Sorsogon	Sorsogon City	2024-02765-0 / B18920221000048	30-Jan-24	31-Dec-24
	88	SM City Cebu	Cebu City	30332	2024 Permit – Still in Process	
				30332-C	2024 Permit – Still in Process	
				30332-D	2024 Permit – Still in Process	
				41600	2024 Permit – Still in Process	
				30331	2024 Permit – Still in Process	
				72717	2024 Permit – Still in Process	
				72717-B	2024 Permit – Still in Process	
				30502	2024 Permit – Still in Process	
				30499	2024 Permit – Still in Process	

Entity	No.	Permits & Licenses	Issuing Agency	Permit & License No.	Issue Date	Expiration Date
				30497	2024 Permit – Still in Process	
				31018	2024 Permit – Still in Process	
				31021	2024 Permit – Still in Process	
				31023	2024 Permit – Still in Process	
				31024	2024 Permit – Still in Process	
				105550	2024 Permit – Still in Process	
				105551	2024 Permit – Still in Process	
				111501	2024 Permit – Still in Process	
				60268	2024 Permit – Still in Process	
				36879	2024 Permit – Still in Process	
				36879-C	2024 Permit – Still in Process	
	89	SM City Consolacion	Consolacion, Cebu	2024-1782 / S-00145	28-Feb-24	31-Dec-24
				2024-1785 / S-00243	28-Feb-24	31-Dec-24
				2024-1780 / S-00144	28-Feb-24	31-Dec-24
				2024-1786 / S-00241	28-Feb-24	31-Dec-24
				2024-1781 / S-00242	28-Feb-24	31-Dec-24
				2024-1783 / S-00240	28-Feb-24	29-Mar-24*
	90	SM Hypermarket Lapu-Lapu	Lapu-Lapu City	006010405 / 15-0004524	12-Feb-24	31-Dec-24
	91	SM Center Ormoc	Ormoc City	2304-2024 / 24180987	01-Jan-24	31-Dec-24
				2300-2024 / 24180987	01-Jan-24	31-Dec-24
				2299-2024 / 24180987	01-Jan-24	31-Dec-24
				2301-2024 / 24180987	01-Jan-24	31-Dec-24
				2305-2024 / 24180988	01-Jan-24	31-Dec-24
				2303-2024 / 24180989	01-Jan-24	31-Dec-24
				2289-2024 / 24180990	01-Jan-24	31-Dec-24
				2306-2024 / 24180991	01-Jan-24	31-Dec-24
	92	SM Savemore Market Tacloban	Tacloban City	2024 07005 / S-01326	20-Mar-24	31-Dec-24
				2024 07010/ S-01327	20-Mar-24	31-Dec-24
				2024 07007/ S-01317	20-Mar-24	31-Dec-24
				2024 07008/ S-01318	20-Mar-24	31-Dec-24
				2024 07006/ S-01316	20-Mar-24	31-Dec-24
	93	SM Seaside City Cebu	Cebu City	139793	2024 Permit – Still in Process	
				139842	2024 Permit – Still in Process	
				139833	2024 Permit – Still in Process	
				139834	2024 Permit – Still in Process	
				139835	2024 Permit – Still in Process	
				139836	2024 Permit – Still in Process	
				139792	2024 Permit – Still in Process	
				139828	2024 Permit – Still in Process	
				139829	2024 Permit – Still in Process	

Entity	No.	Permits & Licenses	Issuing Agency	Permit & License No.	Issue Date	Expiration Date
				139832	2024 Permit – Still in Process	
				139818	2024 Permit – Still in Process	
				139823	2024 Permit – Still in Process	
				139827	2024 Permit – Still in Process	
				139824	2024 Permit – Still in Process	
				139837	2024 Permit – Still in Process	
				139839	2024 Permit – Still in Process	
	94	SM City J Mall	Mandaue City	2024-072230000-07263 / D-072230-01362	19-Jan-24	31-Dec-24
	95	SM City Iloilo	Iloilo City	E-2024-07878 / S-00229	06-Feb-24	31-Dec-24
				E-2024-07879 / S-00223	06-Feb-24	31-Dec-24
				E-2024-07873 / S-01821	06-Feb-24	31-Dec-24
				E-2024-07871 / S-01825	06-Feb-24	31-Dec-24
				E-2024-07875 / S-01826	06-Feb-24	31-Dec-24
				E-2024-07866 / S-01827	06-Feb-24	31-Dec-24
				E-2024-07870 / S-01830	06-Feb-24	31-Dec-24
				E-2024-07869 / S-01829	06-Feb-24	31-Dec-24
				E-2024-07868 / S-01828	06-Feb-24	31-Dec-24
				E-2024-07876 / S-01824	06-Feb-24	31-Dec-24
				E-2024-07865 / M-00091	06-Feb-24	31-Dec-24
				E-2024-07872 / S-00215	06-Feb-24	31-Dec-24
				E-2024-07874 / S-00209	06-Feb-24	31-Dec-24
				E-2024-07867 / P-00122	06-Feb-24	31-Dec-24
				E-2024-07877 / P-00130	06-Feb-24	31-Dec-24
				E-2024-07880 / S-01822	06-Feb-24	31-Dec-24
	96	SM City Iloilo-Strata	Iloilo City	E-2024-07881 / S-03498	06-Feb-24	31-Dec-24
	97	SM City Roxas	Roxas City	0149-2024 / PN 0115-2023	16-Jan-24	31-Dec-24
				PN 2874-2023	2024 Permit – Still in Process	
				PN 2875-2023	2024 Permit – Still in Process	
				PN 2877-2023	2024 Permit – Still in Process	
				PN 2876-2023	2024 Permit – Still in Process	
				PN 2882-2023	2024 Permit – Still in Process	
	98	SM City Puerto Princesa	Puerto Princesa City	2024-07791-0 / B13420170900064	19-Jan-24	31-Dec-24
				2024-07782-0 / B13420170900014	19-Jan-24	31-Dec-24
				2024-07784-0 / B13420170900016	19-Jan-24	31-Dec-24
				2024-07788-0 / B13420170900017	19-Jan-24	31-Dec-24

Entity	No.	Permits & Licenses	Issuing Agency	Permit & License No.	Issue Date	Expiration Date
				2024-07786-0 / B13420170900019	19-Jan-24	31-Dec-24
				2024-07779-0 / B13420170900020	19-Jan-24	31-Dec-24
				2024-07767-0 / B13420170900063	19-Jan-24	31-Dec-24
				2024-07794-0 / B13420170900021	19-Jan-24	31-Dec-24
				2024-07777-0 / B13420170900023	19-Jan-24	31-Dec-24
				B13420170900026	2024 Permit – Still in Process	
	99	SM City Bacolod	Bacolod City	202433273 / PN 202309847	02-Feb-24	31-Dec-24
	100	SM City Butuan	Butuan City	2024-10314 / BC-2020-01538	29-Jan-24	31-Dec-24
				2024-10332 / BC-2020-01577	29-Jan-24	31-Dec-24
				2024-08030 / BC-2020-01576	24-Jan-24	31-Dec-24
				2024-08027 / BC-2020-01591	24-Jan-24	31-Dec-24
				2024-08016 / BC-2020-01590	24-Jan-24	31-Dec-24
				2024-08025 / BC-2020-01579	24-Jan-24	31-Dec-24
				2024-08026 / BC-2020-01573	24-Jan-24	31-Dec-24
				2024-08024 / BC-2020-01580	24-Jan-24	31-Dec-24
				2024-08010 / BC-2020-01582	24-Jan-24	31-Dec-24
				2024-08009 / BC-2020-01578	24-Jan-24	31-Dec-24
				2024-08018 / BC-2020-01575	24-Jan-24	31-Dec-24
				2024-08028 / BC-2020-01581	24-Jan-24	31-Dec-24
				2024-08005 / BC-2020-01574	24-Jan-24	31-Dec-24
	101	SM CDO Downtown Premier	Cagayan De Oro City	PN 2023-15758	2024 Permit – Still in Process	
				PN 2023-22757	2024 Permit – Still in Process	
				2024-13331 / PN 2023-15804	23-Jan-24	30-Jun-24
				2024-13328 / PN 2023-15764	23-Jan-24	30-Jun-24
				2024-13329 / PN 2023-15768	23-Jan-24	30-Jun-24
				2024-13322 / PN 2023-15755	23-Jan-24	30-Jun-24

Entity	No.	Permits & Licenses	Issuing Agency	Permit & License No.	Issue Date	Expiration Date
				2024-13332 / PN 2023-15767	23-Jan-24	30-Jun-24
				2024-13320 / PN 2023-15769	23-Jan-24	30-Jun-24
				2024-13316 / PN 2023-14693	23-Jan-24	30-Jun-24
				2024-13318 / PN 2023-15800	23-Jan-24	30-Jun-24
				2024-13306 / PN 2023-17412	23-Jan-24	30-Jun-24
				2024-13313 / PN 2023-15792	23-Jan-24	30-Jun-24
				2024-13311 / PN 2023-15797	23-Jan-24	30-Jun-24
				2024-13371 / PN 2023-17411	23-Jan-24	30-Jun-24
				2024-14719 / PN 2023-18726	26-Jan-24	30-Jun-24
				2024-14713 / PN 2023-18723	26-Jan-24	30-Jun-24
				2024-14711 / PN 2023-18724	26-Jan-24	30-Jun-24
				2024-14707 / PN 2023-18725	26-Jan-24	30-Jun-24
				2024-14700 / PN 2023-15780	26-Jan-24	30-Jun-24
				2024-14716 / PN 2023-15773	26-Jan-24	30-Jun-24
				2024-14702 / PN 2023-15776	26-Jan-24	30-Jun-24
				2024-14701 / PN 2023-15794	26-Jan-24	30-Jun-24
	102	SM City Cagayan De Oro	Cagayan De Oro City	2024-13951 / PN 2023-13191	24-Jan-24	30-Jun-24
				2024-13952 / PN 2023-13154	24-Jan-24	30-Jun-24
				2024-13955 / PN 2023-13183	24-Jan-24	30-Jun-24
				2024-13960 / PN 2023-13171	24-Jan-24	30-Jun-24
				2024-13958 / PN 2023-13151	24-Jan-24	30-Jun-24
				2024-13931 / PN 2023-13207	24-Jan-24	30-Jun-24
				2024-13957 / PN 2023-13203	24-Jan-24	30-Jun-24
				2024-13933 / PN 2023-13199	24-Jan-24	30-Jun-24
				2024-14270 / PN 2023-13609	25-Jan-24	30-Jun-24
	103	SM City Davao	Davao City	B-90026-6 / 2001- 900268	25-Jan-24	31-Dec-24
				B-90029-9 / 2001- 900294	25-Jan-24	31-Dec-24
				B-90030-0 / 2001- 900308	25-Jan-24	31-Dec-24
				B-90034-4 / 2001- 900345	25-Jan-24	31-Dec-24
				B-41119-9 / 2002- 181613	25-Jan-24	31-Dec-24
				B-115160-0 / 2012- 917169	24-Jan-24	31-Dec-24
				B-90027-7 / 2001- 900274	24-Jan-24	31-Dec-24
				B-90032-2 / 2001- 900329	24-Jan-24	31-Dec-24
				B-90028-8 / 2001- 900282	14-Mar-24	31-Dec-24
				B-90025-5 / 2001- 900257	14-Mar-24	31-Dec-24

Entity	No.	Permits & Licenses	Issuing Agency	Permit & License No.	Issue Date	Expiration Date
	104	SM Lanang Premier	Davao City	2012-93580-3	2024 Permit – Still in Process	
				2013-960236	2024 Permit – Still in Process	
				B-116563-3 / 2012-93582-1	20-Mar-24	31-Dec-24
	105	SM City General Santos	General Santos City	06624-0 / B17320190101824-5R	18-Jan-24	31-Dec-24
	106	NU Mall of Asia	Pasay City	19-057319	22-Jan-24	31-Mar-24*
	107	Light Mall (Cinema)	Mandaluyong City	MC-2016-02712	N/A	31-Dec-24
	108	Walmart Gapan	Gapan City	1363/B19120161000628-7R	19-Jan-24	31-Dec-24
	109	Walmart Tanauan	Tanauan City	24-900774/14-0367	18-Jan-24	31-Dec-24
	110	Park Inn By Radisson Bacolod	Bacolod City	202429615	22-Jan-24	31-Dec-24
	111	Radisson Blu Cebu	Cebu City	113061	04-Apr-24	31-Dec-25
	112	Park Inn By Radisson Davao	Davao City	B-117763-3	31-Jan-24	31-Dec-24
	113	Park Inn By Radisson Iloilo	Iloilo City	A-2024-00988	18-Jan-24	31-Dec-24
	114	Pico Sands Hotel	Nasugbu, Batangas	1852	19-Jan-24	31-Dec-24
	115	Conrad Manila	Pasay City	16-047729	15-Jan-24	31-Dec-24
	116	Lanson Place Mall of Asia	Pasay City	23-001177	19-Jan-24	20-Jan-25
	117	Park Inn By Radisson North Edsa	Quezon City	19-007582 / 19-007583	2024 Permit – Still in Process	
	118	Taal Vista Hotel	Tagaytay City	2024-01033	17-Jan-24	31-Dec-24
	119	SMX Convention Center Manila	Pasay City	09-029379	17-Apr-24	31-Dec-24
	120	SM Delgado	Iloilo City	S-00212	2024 Permit – Still in Process	
	121	Savemore Jaro	Iloilo City	S-02708	19-Jan-24	31-Dec-24
	122	SM Makati	Makati City	781142S	2024 Permit – Still in Process	
	123	SM Cyberzone 1	Makati City	39250	20-Mar-24	31-Dec-24
	124	SM Cyberzone 2	Makati City	39252	20-Mar-24	31-Dec-24
	125	Anza Building	Makati City	39249	20-Mar-24	31-Dec-24
	126	400 C. Palanca	Manila City	2024-000028924	19-Jan-24	31-Dec-24
	127	Pedro Gil [Savemore]	Manila City	2024-000028904	19-Jan-24	31-Dec-24
	128	Savemore Sta. Ana	Manila City	2024-000028902	19-Jan-24	31-Dec-24
	129	Asinan Lots/Asinan Warehouse Ph3	Parañaque City	2024-02-16-012-1-474	16-Feb-24	20-Jun-24
	130	Two E-Com Center	Pasay City	12-036457	05-Apr-24	31-Dec-24
	131	Three E-com Center	Pasay City	18-055853	05-Apr-24	31-Dec-24
	132	Four E-Com Center	Pasay City	21-001255	05-Apr-24	31-Dec-24
	133	Five E-Com Center	Pasay City	15-045120	05-Apr-24	31-Dec-24
	134	Corporate Office	Pasay City	03-008500	05-Apr-24	31-Dec-24
	135	Ugong Warehouse	Pasig City	PM-2006-016700	2024 Permit – Still in Process	
	136	SM Cubao Bldg.	Quezon City	99-017421	2024 Permit – Still in Process	
	137	SM Cubao Parking	Quezon City	04-009026	2024 Permit – Still in Process	
	138	Del Monte [Savemore]	Quezon City	09-005664	2024 Permit – Still in Process	
	139	Visayas/Tandang Sora [Savemore]	Quezon City	10-002683	2024 Permit – Still in Process	
	140	Novaliches [Savemore]	Quezon City	10-002689	2024 Permit – Still in Process	
	141	P. Tuazon [Savemore]	Quezon City	09-006432	2024 Permit – Still in Process	
	142	SM Cyber West Avenue Building	Quezon City	05-010710	2024 Permit – Still in Process	

Entity	No.	Permits & Licenses	Issuing Agency	Permit & License No.	Issue Date	Expiration Date
	143	SM Cyber West Avenue Parking	Quezon City	14-008207	2024 Permit – Still in Process	
	144	Savemore Marulas	Valenzuela City	18-132658	18-Jan-24	31-Dec-24
	145	Casino/Other properties	Tagaytay City	2024-01339	18-Jan-24	31-Dec-24
	146	Taguig Warehouse	Taguig City	20-006645	20-Jan-24	30-Jun-24
	147	Savemore La Union	San Fernando City, LU	03656	16-Feb-24	31-Dec-24
	148	Silangan Warehouse	Calamba City	03689	19-Jan-24	30-Jun-24
	149	SM Seaside City Cebu	Cebu City	168443	2024 Permit – Still in Process	
	150	MOA Arena	Pasay City	12-036456	25-Jan-24	31-Mar-24*
	151	Smile Residences	Bacolod City	2021251451	26-Mar-24	31-Dec-24
	152	Joy Residences	Baliwag, Bulacan	TP-2020-000759	18-Jan-24	31-Dec-24
	153	SRP 2 Cebu	Cebu City	146278	2024 Permit – Still in Process	
	154	SMDC Admin Office (SM Seaside City Cebu)	Cebu City	146286	2024 Permit – Still in Process	
	155	Style Residences	Iloilo City	S-03283	19-Jan-24	31-Dec-24
	156	Style Showroom	Iloilo City	S-03423	19-Jan-24	31-Dec-24
	157	South Showroom (SM Southmall)	Las Piñas City	2015071262	19-Jan-24	31-Dec-24
	158	South Residences	Las Piñas City	2016081450	19-Jan-24	31-Dec-24
	159	Twin Residences	Las Piñas City	2023061501	19-Jan-24	31-Dec-24
	160	Cheer Residences	Marilao, Bulacan	S-00790	19-Jan-24	31-Dec-24
	161	Two E-com Center	Pasay City	15-046494	22-Jan-24	31-Mar-24*
162	Hope Residences	Trece Martires City	0211027-12-6474	2024 Permit – Still in Process		
First Asia Realty Development Corporation		<b>CERTIFICATE OF INCORPORATION (COI)</b>	<b>SEC</b>			
	1	Head Office		144047	07-Sep-87	Not Applicable
		<b>CERTIFICATE OF REGISTRATION (COR)</b>	<b>BIR</b>			
	1	Head Office		000-159-510-0000	07-Sep-87	Not Applicable
		<b>BUSINESS PERMIT (BP)</b>	<b>LGU OF:</b>			
	1	SM Megamall	Mandaluyong City	MC-1991-01613	2024 Permit – Still in Process	
				MC-1991-01682	2024 Permit – Still in Process	
				MC-1991-02080	13-Jan-24	31-Dec-24
MC-1991-02079				2024 Permit – Still in Process		
MC-1994-00391				2024 Permit – Still in Process		
MC-1992-00014				2024 Permit – Still in Process		
2	Mega Tower	Mandaluyong City	MC-2022-02190	19-Jan-24	31-Dec-24	
Premier Central, Inc.		<b>CERTIFICATE OF INCORPORATION (COI)</b>	<b>SEC</b>			
	1	Head Office		A199804198	16-Mar-98	Not Applicable
		<b>CERTIFICATE OF REGISTRATION (COR)</b>	<b>BIR</b>			
	1	Head Office		005-648-463-00000	10-Jul-98	Not Applicable
	2	SM City Clark		005-648-463-00002	16-Mar-06	Not Applicable
	3	Park Inn By Radisson Iloilo		005-648-463-00004	06-Jul-15	Not Applicable
	4	SM City Clark Expansion		005-648-463-00006	20-Feb-20	Not Applicable
	5	Two E-com Center		005-648-463-00007	10-Nov-20	Not Applicable
6	SMX Convention Center Clark		005-648-463-00008	21-Oct-22	Not Applicable	

Entity	No.	Permits & Licenses	Issuing Agency	Permit & License No.	Issue Date	Expiration Date
		<b>CERTIFICATE OF REGISTRATION (COR)</b>	<b>BOI</b>			
	1	Park Inn By Radisson Clark		2015-270	20-Dec-15	Not Applicable
		<b>BUSINESS PERMIT (BP)</b>	<b>LGU OF:</b>			
	1	Head Office	Pasay City	04-012287	18-Jan-24	31-Mar-24*
	2	Two E-com Center	Pasay City	20-002479	22-Jan-24	31-Mar-24*
	3	SM City Clark	Angeles City	2024005997/ 54-01-2006001067	24-Jan-24	31-Dec-24
				2024003820/ 54-01-2006001330	18-Jan-24	31-Dec-24
				2024003806/ 54-01-2006001321	18-Jan-24	31-Dec-24
	4	SM City Clark Expansion	Mabalacat City	2024-0305409000 – 1103/ P-0305409-00542	18-Jan-24	31-Dec-24
	5	Park Inn By Radisson Clark	Mabalacat City	2024-0305409000- 3315	22-Feb-24	31-Dec-24
6	SMX Convention Center Clark	Mabalacat City	2024-0305409000- 1274/ 1-035409-00087	19-Jan-24	31-Dec-24	
<b>Consolidated Prime Dev. Corp.</b>		<b>CERTIFICATE OF INCORPORATION (COI)</b>	<b>SEC</b>			
	1	Head Office		A199805498	07-Apr-98	Not Applicable
		<b>CERTIFICATE OF REGISTRATION (COR)</b>	<b>BIR</b>			
	1	Head Office		005-649-159-00000	10-Mar-99	Not Applicable
	2	SM City Dasmariñas		005-649-159-00001	15-Mar-04	Not Applicable
		<b>BUSINESS PERMIT (BP)</b>	<b>LGU OF:</b>			
	1	Head Office	Pasay City	04-012286	17-Apr-24	31-Dec-24
	2	SM City Dasmariñas	Dasmariñas City	2024-02728/01- 2004-04811	18-Jan-24	31-Dec-24
				2024-02727/01- 2004-04814	18-Jan-24	31-Dec-24
				2024-02725/01- 2004-04535	18-Jan-24	31-Dec-24
			2024-02729/09- 2010-01369	18-Jan-24	31-Dec-24	
			2024-02723/01- 2019-01065	18-Jan-24	31-Dec-24	
			2024-02724/01- 2020-01482	18-Jan-24	31-Dec-24	
<b>First Leisure Ventures Group Inc.</b>		<b>CERTIFICATE OF INCORPORATION (COI)</b>	<b>SEC</b>			
	1	Head Office		CS200704643	28-Mar-07	Not Applicable
		<b>CERTIFICATE OF REGISTRATION (COR)</b>	<b>BIR</b>			
	1	Head Office		006-670-083-000	28-Mar-07	Not Applicable
	2	By the Bay Leisure Park		006-670-083-001	10-Aug-07	Not Applicable
		<b>BUSINESS PERMIT (BP)</b>	<b>LGU OF:</b>			
	1	Head Office	Pasay City	07-022622	17-Apr-24	31-Dec-24
2	By the Bay Leisure Park	Pasay City	07-022508	17-Apr-24	31-Dec-24	
<b>Magenta Legacy, Inc.</b>		<b>CERTIFICATE OF INCORPORATION (COI)</b>	<b>SEC</b>			
	1	Head Office		CS200618729	30-Nov-06	Not Applicable
		<b>CERTIFICATE OF REGISTRATION (COR)</b>	<b>BIR</b>			
	1	Head Office		006-583-235-00000	30-Nov-06	Not Applicable
		<b>BUSINESS PERMIT (BP)</b>	<b>LGU OF:</b>			
	1	Head Office	Pasay City	10-030757	22-Jan-24	31-Mar-24*
2	Hypermarket Caloocan	Caloocan City	004168	21-Jan-24	30-Jun-24	

Entity	No.	Permits & Licenses	Issuing Agency	Permit & License No.	Issue Date	Expiration Date
Costa Del Hamilo, Inc.		<b>CERTIFICATE OF INCORPORATION (COI)</b>	<b>SEC</b>			
	1	Head Office		CS200615188	26-Sep-06	Not Applicable
		<b>CERTIFICATE OF REGISTRATION (COR)</b>	<b>BIR</b>			
	1	Head Office		006-510-932-000	18-Oct-06	Not Applicable
	2	Hamilo Coast		006-510-932-001	05-Mar-10	Not Applicable
		<b>CERTIFICATE OF REGISTRATION (COR)</b>	<b>DHSUD (HLURB)</b>			
	1	FREIA		COR# 028555	07-Jun-17	Not Applicable
	2	SOLA		COR#0000558	01-Feb-21	Not Applicable
	3	PICO TERRACES BLDG 1		COR# 0000489	02-Mar-23	Not Applicable
	4	PICO TERRACES BLDG 2		COR# 0000489	02-Mar-23	Not Applicable
		<b>LICENSE TO SELL (LTS)</b>	<b>DHSUD (HLURB)</b>			
	1	FREIA		TS# 032871	07-Jun-17	Not Applicable
	2	SOLA		LTS# 0001534	01-Feb-21	Not Applicable
	3	PICO TERRACES BLDG 1		LTS# 0000498	02-Mar-23	Not Applicable
	4	PICO TERRACES BLDG 2		LTS# 0001747	22-Dec-23	Not Applicable
		<b>BUSINESS PERMIT (BP)</b>	<b>LGU OF:</b>			
	1	Head Office	Pasay City	07-021686	22-Jan-24	31-Dec-24
2	Hamilo Coast	Nasugbu, Batangas	20241559	23-Feb-24	31-Dec-24	
Highlands Prime, Inc.		<b>CERTIFICATE OF INCORPORATION (COI)</b>	<b>SEC</b>			
	1	Head Office		A200100680	15-Feb-01	Not Applicable
		<b>CERTIFICATE OF REGISTRATION (COR)</b>	<b>BIR</b>			
	1	Head Office		211-300-712-00000	30-May-01	Not Applicable
		<b>CERTIFICATE OF REGISTRATION (COR)</b>	<b>DHSUD (HLURB)</b>			
	1	Aspenhills at Tagaytay Highlands		24368	31-Oct-12	Not Applicable
	2	The Hillside at Tagaytay Highlands		18385	19-Dec-07	Not Applicable
	3	Pueblo Real		24548	01-Jul-13	Not Applicable
	4	Sierra Lago		24547	01-Jul-13	Not Applicable
	5	The Horizon		13468-R4A-05-10	13-Oct-05	Not Applicable
	6	Provence		0000543	29-May-23	Not Applicable
	7	The Pines at Aspenhills		0000544	29-May-23	Not Applicable
	8	Primerose Parks		0000541	29-May-23	Not Applicable
	9	Trealva Ph 1		0000542	29-May-23	Not Applicable
	10	Highlands Residences		0000562	21-Jun-23	Not Applicable
	11	Vireya		029754	04-Feb-19	Not Applicable
	12	The Woodridge at Tagaytay Highlands		06068-R4A- 03-01	10-Jan-03	Not Applicable
	13	The Woodlands Point at Tagaytay Highlands Phase 1		19079	10-Jun-08	Not Applicable
	14	The Woodridge Place at Tagaytay Highlands		16016-R4A-06-10	25-Oct-06	Not Applicable
		<b>LICENSE TO SELL (LTS)</b>	<b>DHSUD (HLURB)</b>			
1	The Woodridge at Tagaytay Highlands		LTS No. 08242-R4A-03-10	30-Oct-03	Not Applicable	
2	Aspenhills at Tagaytay Highlands		LTS No. 26440	31-Oct-12	Not Applicable	
3	The Horizon		LTS No. 26523	06-Mar-13	Not Applicable	
4	Pueblo Real		LTS No. 26539	01-Jul-13	Not Applicable	
5	Sierra Lago		LTS No. 26538	01-Jul-13	Not Applicable	
6	The Hillside at Tagaytay Highlands		LTS No. 28251	26-Jul-13	Not Applicable	

Entity	No.	Permits & Licenses	Issuing Agency	Permit & License No.	Issue Date	Expiration Date	
	7	The Woodlands Point at Tagaytay Highlands Phase 1		LTS No. 030418	20-Jul-15	Not Applicable	
	8	The Woodridge Place at Tagaytay Highlands		LTS No. 031284	07-Apr-16	Not Applicable	
	9	The Woodlands Point at Tagaytay Highlands Phase II-A		LTS No. 032061	14-Dec-16	Not Applicable	
	10	Vireya		LTS No. 034341	04-Feb-19	Not Applicable	
	11	Provence		LTS No. 0001515	29-May-23	Not Applicable	
	12	The Pines at Aspenhills		LTS No. 0001516	29-May-23	Not Applicable	
	13	Primerose Parks		LTS No. 0001513	29-May-23	Not Applicable	
	14	Trealva Ph 1		LTS No. 0001514	29-May-23	Not Applicable	
	15	Highlands Residences		LTS No. 0001538	21-Jun-23	Not Applicable	
	16	The Horizon Ph2		LTS No. 0001746	25-Jan-24	Not Applicable	
			<b>BUSINESS PERMIT (BP)</b>	<b>LGU OF:</b>			
	1	Head Office	Pasay City	05-015221	22-Jan-24	31-Dec-24	
	2	Tagaytay Highlands (Hillside, Aspenhills)	Calamba City	192-00-2012-0000071	26-Jan-24	31-Dec-24	
	3	Tagaytay Highlands ( Woodlandspoint, Woodridge Place, The Woodridge)	Tagaytay City	129-00-2003-0000024	19-Jan-24	31-Dec-24	
	4	Tagaytay Highlands (Horizon, Vireya, Sierra Lago, Pueblo Real, Alta Mira, Lakeview)	Talisay	119416325	31-Jan-24	31-Dec-24	
	Associated Development Corporation		<b>CERTIFICATE OF INCORPORATION (COI)</b>	<b>SEC</b>			
		Head Office		5159	26-May-50	Not Applicable	
		<b>CERTIFICATE OF REGISTRATION (COR)</b>	<b>BIR</b>				
	Head Office		003-940-858-00000	30-Jul-96	Not Applicable		
CHAS Realty and Development Corporation		<b>CERTIFICATE OF INCORPORATION (COI)</b>	<b>SEC</b>				
	1	Head Office		ASO95000891	31-Jan-95	Not Applicable	
		<b>CERTIFICATE OF REGISTRATION (COR)</b>	<b>BIR</b>				
	1	Head Office		004-485-013-000	01-Jan-97	Not Applicable	
	2	SM Megacenter Cabanatuan		004-485-013-00001	31-Jan-23	Not Applicable	
		<b>BUSINESS PERMIT (BP)</b>	<b>LGU OF:</b>				
	1	SM Megacenter Cabanatuan	Cabanatuan City	24-00785 / LD-23-18021/ RF-23-26115/ PN 23-01287	19-Jan-24	31-Dec-24	
				2400779 / LD-23-18221/ RF-23-26111/PN 23-01297	19-Jan-24	31-Dec-24	
			24-00784 / LD-23-18025/ RF-23-26109/PN 23-01290	19-Jan-24	31-Dec-24		
			24-00786 / LD-23-18022/ RF-23-26105/PN 23-01293	19-Jan-24	31-Dec-24		
			24-00787 / LD-23-18024/ RF-23-26106/PN 23-01292	19-Jan-24	31-Dec-24		
			24-00778 / LD-23-18023/ RF-23-26112/PN 23-01295	19-Jan-24	31-Dec-24		
MOA Esplanade		<b>CERTIFICATE OF INCORPORATION (COI)</b>	<b>SEC</b>				
	1	Head Office		CS201423699	05-Dec-14	Not Applicable	

Entity	No.	Permits & Licenses	Issuing Agency	Permit & License No.	Issue Date	Expiration Date
Port, Inc.		<b>CERTIFICATE OF REGISTRATION (COR)</b>	<b>BIR</b>			
	1	Head Office		008-920-148-000	06-Jan-15	Not Applicable
		<b>BUSINESS PERMIT (BP)</b>	<b>LGU OF:</b>			
	1	Head Office	Pasay City	15-044609	23-Apr-24	31-Dec-24
Mindpro, Incorporated		<b>CERTIFICATE OF INCORPORATION (COI)</b>	<b>SEC</b>			
	1	Head Office		41626	03-Jul-70	Not Applicable
		<b>CERTIFICATE OF REGISTRATION (COR)</b>	<b>BIR</b>			
	1	Head Office		000-254-569-00000	02-Jul-08	Not Applicable
		<b>BUSINESS PERMIT (BP)</b>	<b>LGU OF:</b>			
	1	Head Office	Zamboanga City	2024-06026-0	25-Jan-24	31-Dec-24
				2024-06027-0	25-Jan-24	31-Dec-24
				2024-06028-0	25-Jan-24	31-Dec-24
2024-06032-0				25-Jan-24	31-Dec-24	
2024-06033-0				25-Jan-24	31-Dec-24	
2024-06034-0				25-Jan-24	31-Dec-24	
			2024-06035-0	25-Jan-24	31-Dec-24	
A. Canicosa Holdings, Inc.		<b>CERTIFICATE OF INCORPORATION (COI)</b>	<b>SEC</b>			
	1	Head Office		CS200814491	10-Oct-08	Not Applicable
		<b>CERTIFICATE OF REGISTRATION (COR)</b>	<b>BIR</b>			
	1	Head Office		007-123-577-000	13-Nov-08	Not Applicable
	<b>BUSINESS PERMIT (BP)</b>	<b>LGU OF:</b>				
1	Head Office	Calamba City	2024-03603	19-Jan-24	31-Dec-24	
AD Canicosa Properties, Inc.		<b>CERTIFICATE OF INCORPORATION (COI)</b>	<b>SEC</b>			
	1	Head Office		CS200814504	10-Oct-08	Not Applicable
		<b>CERTIFICATE OF REGISTRATION (COR)</b>	<b>BIR</b>			
	1	Head Office		007-123-712-000	19-Nov-08	Not Applicable
	<b>BUSINESS PERMIT (BP)</b>	<b>LGU OF:</b>				
1	Head Office	Calamba City	2024-03608	19-Jan-24	31-Dec-24	
Cherry Realty Development Corporation		<b>CERTIFICATE OF INCORPORATION (COI)</b>	<b>SEC</b>			
	1	Head Office		76427	28-Oct-77	Not Applicable
		<b>CERTIFICATE OF REGISTRATION (COR)</b>	<b>BIR</b>			
	1	Head Office		000-958-289-000	30-Jun-94	Not Applicable
	<b>BUSINESS PERMIT (BP)</b>	<b>LGU OF:</b>				
1	Head Office	Sto. Tomas City	2024-02377	17-Jan-24	31-Dec-24	
Premier Clark Complex, Inc.		<b>CERTIFICATE OF INCORPORATION (COI)</b>	<b>SEC</b>			
	1	Head Office		CS201908637	29-May-19	Not Applicable
		<b>CERTIFICATE OF REGISTRATION (COR)</b>	<b>BIR</b>			
1	Head Office		010-332-515-000	30-May-19	Not Applicable	
Rushmore Holdings, Inc.		<b>CERTIFICATE OF INCORPORATION (COI)</b>	<b>SEC</b>			
	1	Head Office		ASO94003408	14-Apr-94	Not Applicable
		<b>CERTIFICATE OF REGISTRATION (COR)</b>	<b>BIR</b>			
	1	Head Office		003-869-806-00000	01-Jan-01	Not Applicable
	<b>BUSINESS PERMIT (BP)</b>	<b>LGU OF:</b>				
1	Head Office	Makati City	201502370	14-Feb-24	31-Dec-24	

Entity	No.	Permits & Licenses	Issuing Agency	Permit & License No.	Issue Date	Expiration Date
Premier Southern Corp.		<b>CERTIFICATE OF INCORPORATION (COI)</b>	<b>SEC</b>			
	1	Head Office		A199804816	25-Mar-98	Not Applicable
		<b>CERTIFICATE OF REGISTRATION (COR)</b>	<b>BIR</b>			
	1	Head Office		005-648-752-00000	13-Apr-99	Not Applicable
	2	SM City Batangas		005-648-752-00002	20-Aug-04	Not Applicable
	3	SM City Lipa		005-648-752-00003	21-May-06	Not Applicable
		<b>BUSINESS PERMIT (BP)</b>	<b>LGU OF:</b>			
	1	Head Office	Pasay City	04-012285	18-Jan-24	31-Mar-24*
	2	SM City Batangas	Batangas City	2004-P0542/00-0006322	19-Jan-24	30-Jun-24
				2004-P0544/00-0002083	19-Jan-24	30-Jun-24
				2004-P0548/00-0002087	19-Jan-24	31-Dec-24
				2004-P0549/00-0002088	19-Jan-24	31-Dec-24
				2004-P0550/04-0002089	19-Jan-24	31-Dec-24
				2004-P0551/00-0002090	19-Jan-24	31-Dec-24
				2011-P1235/00-0002084	19-Jan-24	31-Jul-24
				2011-P1234/00-0002085	19-Jan-24	31-Jul-24
2022-P0704/22-0028657				19-Jan-24	31-Jul-24	
3				SM City Lipa	Batangas City	10534/P-00906
	10529/P-00907	05-Mar-24	31-Dec-24			
	10533/P-17407	05-Mar-24	31-Dec-24			
	10407/P-00905	29-Feb-24	31-Dec-24			
	10405/M-10858	29-Feb-24	31-Dec-24			
	10402/M-12073	29-Feb-24	31-Dec-24			
Prime Metroestate, Inc.		<b>CERTIFICATE OF INCORPORATION (COI)</b>	<b>SEC</b>			
	1	Head Office		AS95005246	01-Jun-95	Not Applicable
		<b>CERTIFICATE OF REGISTRATION (COR)</b>	<b>BIR</b>			
	1	Head Office		004-726-498-00000	18-Sep-97	Not Applicable
	2	Iloilo City		004-726-498-00018	09-May-17	Not Applicable
	3	SM Center Imus		004-726-498-00019	05-Jun-17	Not Applicable
	4	Two E-Com		004-726-498-020	06-Mar-19	Not Applicable
		<b>BUSINESS PERMIT (BP)</b>	<b>LGU OF:</b>			
	1	Head Office	Pasay City	09-028206	05-Apr-24	31-Dec-24
	2	Cabuyao	Cabuyao City	3413	30-Jan-24	31-Dec-24
	3	Cainta	Cainta, Rizal	02406	19-Jan-24	31-Dec-24
	4	Davao	Davao City	2000-15381-3	23-Feb-24	31-Dec-24
	5	Molo	Iloilo City	A-2024-01199	19-Jan-24	31-Dec-24
	6	Hyper Imus	Imus City	07212	20-Jan-24	31-Dec-24
7	SM Center Imus	Imus City	07301	30-Jan-24	31-Dec-24	
8	Hyper Cebu	Mandaue City	2024-072230000-08434	19-Jan-24	31-Dec-24	
9	Tondo	Manila City	2024-000028903	19-Jan-24	31-Dec-24	
10	Muntinlupa	Muntinlupa City	2024-0003125	16-Jan-24	31-Dec-24	
11	Two E-com Center	Pasay City	20-002480	22-Jan-24	31-Mar-24*	
12	Pasig	Pasig City	09772	17-Jan-24	31-Dec-24	

Entity	No.	Permits & Licenses	Issuing Agency	Permit & License No.	Issue Date	Expiration Date
	13	Novaliches	Quezon City	00-038802	2024 Permit – Still in Process	
	14	Rosario	Rosario, Batangas	005345	21-Mar-24	31-Dec-24
<b>Prime_ Commercial Property Management Corp.</b>		<b>CERTIFICATE OF INCORPORATION (COI)</b>	<b>SEC</b>			
	1	Head Office		CS200917199	06-Nov-09	Not Applicable
		<b>CERTIFICATE OF REGISTRATION (COR)</b>	<b>BIR</b>			
	1	Head Office		007-434-002-000	12-Dec-09	Not Applicable
		<b>BUSINESS PERMIT (BP)</b>	<b>LGU OF:</b>			
	1	Head Office	Pasay City	11-0347301	22-Jan-24	31-Mar-24*
<b>San Lazaro Holdings Corp.</b>		<b>CERTIFICATE OF INCORPORATION (COI)</b>	<b>SEC</b>			
	1	Head Office		A200103097	07-Mar-01	Not Applicable
		<b>CERTIFICATE OF REGISTRATION (COR)</b>	<b>BIR</b>			
	1	Head Office		210-390-711-000	05-Apr-01	Not Applicable
		<b>BUSINESS PERMIT (BP)</b>	<b>LGU OF:</b>			
	1	Head Office	Pasay City	07-022509	17-Apr-24	31-Dec-24
<b>Southernpoint Properties Corp.</b>		<b>CERTIFICATE OF INCORPORATION (COI)</b>	<b>SEC</b>			
	1	Head Office		CS2008287-8	18-May-17	Not Applicable
		<b>CERTIFICATE OF REGISTRATION (COR)</b>	<b>BIR</b>			
	1	Head Office		261-896-179-00000	13-Jun-08	Not Applicable
	2	SM Lanang Premier		261-896-179-001	04-Apr-12	Not Applicable
		<b>BUSINESS PERMIT (BP)</b>	<b>LGU OF:</b>			
	1	Head Office	Pasay City	12-035994	17-Apr-24	31-Dec-24
	2	SM Lanang Premier	Davao City	B-89777-7/ 2008-66336-5	20-Mar-24	31-Dec-24
				B-116542-2/ 2012-93058-1	20-Mar-24	31-Dec-24
				B-116565-5/ 2012-93057-2	20-Mar-24	31-Dec-24
				B-116566-6/2012-93054-4	20-Mar-24	31-Dec-24
				2012-93056-4	2024 Permit – Still in Process	
				2012-93578-1	2024 Permit – Still in Process	
				2012-93583-2	2024 Permit – Still in Process	
				2012-93584-5	2024 Permit – Still in Process	
				2012-93585-0	2024 Permit – Still in Process	
				2012-93586-7	2024 Permit – Still in Process	
				2012-93579-5	2024 Permit – Still in Process	
				2012-93948-5	2024 Permit – Still in Process	
<b>SM Arena Complex Corporation</b>		<b>CERTIFICATE OF INCORPORATION (COI)</b>	<b>SEC</b>			
	1	Head Office		CS201205234	40983	Not Applicable
		<b>CERTIFICATE OF REGISTRATION (COR)</b>	<b>BIR</b>			
	1	Head Office		008-246-579-0000	41012	Not Applicable
		<b>BUSINESS PERMIT (BP)</b>	<b>LGU OF:</b>			
	1	Head Office	Pasay City	12-036898	25-Jan-24	31-Dec-24
	2	MOA Arena	Pasay City	12-036900	25-Jan-24	31-Dec-24

Entity	No.	Permits & Licenses	Issuing Agency	Permit & License No.	Issue Date	Expiration Date
<b>SM Hotels and Conventions Corp.</b>		<b>CERTIFICATE OF INCORPORATION (COI)</b>	<b>SEC</b>			
	1	Head Office		CS200804951	12-Jan-10	Not Applicable
		<b>CERTIFICATE OF REGISTRATION (COR)</b>	<b>BIR</b>			
	1	Head Office		007-005-546-00000	02-Apr-08	Not Applicable
		<b>BUSINESS PERMIT (BP)</b>	<b>LGU OF:</b>			
	1	Head Office	Pasay City	08-027116	17-Jan-24	31-Mar-24*
<b>Tagaytay Resort Development Corporation</b>		<b>CERTIFICATE OF INCORPORATION (COI)</b>	<b>SEC</b>			
	1	Head Office		154736	29-Aug-88	Not Applicable
		<b>CERTIFICATE OF REGISTRATION (COR)</b>	<b>BIR</b>			
	1	Head Office		000-502-872-00000	22-Jun-94	Not Applicable
		<b>BUSINESS PERMIT (BP)</b>	<b>LGU OF:</b>			
	1	Head Office	Pasay City	05-015216	05-Apr-24	31-Dec-24
	2	Tagaytay	Tagaytay City	2024-01350	18-Jan-24	31-Dec-24
<b>Supermalls Transport Services, Inc.</b>		<b>CERTIFICATE OF INCORPORATION (COI)</b>	<b>SEC</b>			
	1	Head Office		CS201702723	25-Jan-17	Not Applicable
		<b>CERTIFICATE OF REGISTRATION (COR)</b>	<b>BIR</b>			
	1	Head Office		009-539-079-00000	25-Jan-17	Not Applicable
		<b>BUSINESS PERMIT (BP)</b>	<b>LGU OF:</b>			
	1	Head Office	Pasay City	17-050221	17-Apr-24	31-Dec-24
<b>SM Smart City Infrastructure and Development Corporation</b>		<b>CERTIFICATE OF INCORPORATION (COI)</b>	<b>SEC</b>			
	1	Head Office		CS201914272	27-Aug-19	Not Applicable
		<b>CERTIFICATE OF REGISTRATION (COR)</b>	<b>BIR</b>			
	1	Head Office		010-387-743-00000	29-Aug-19	Not Applicable
		<b>BUSINESS PERMIT (BP)</b>	<b>LGU OF:</b>			
	1	Head Office	Pasay City	BAN: 19-058891	15-Feb-24	31-Mar-24*
<b>SM Development Corporation</b>		<b>CERTIFICATE OF INCORPORATION (COI)</b>	<b>SEC</b>			
	1	Head Office		0000056909	18-Jul-74	Not Applicable
		<b>CERTIFICATE OF REGISTRATION (COR)</b>	<b>BIR</b>			
	1	Head Office		000-601-470-000	22-Jun-94	Not Applicable
	2	Mezza Residences		000-601-470-00001	19-Feb-08	Not Applicable
	3	Berkeley Residences		000-601-470-002	19-Feb-08	Not Applicable
	4	Grass Residences		000-601-470-003	20-Feb-08	Not Applicable
	5	2F Northwing SM MOA		000-601-470-005	02-Mar-12	Not Applicable
	6	Grass Interior [NE] Showroom		000-601-470-00007	02-Mar-12	Not Applicable
	7	Mplace [Mega] Showroom		000-601-470-00009	02-Mar-12	Not Applicable
	8	Mplace Interior [NE] Showroom		000-601-470-00010	02-Mar-12	Not Applicable
	9	Omnibus [MOA] Showroom		000-601-470-00011	02-Mar-12	Not Applicable
	10	Shell [MOA] Showroom		000-601-470-00013	02-Mar-12	Not Applicable
	11	Light [Mega] Showroom		000-601-470-014	02-Mar-12	Not Applicable
	12	Field [Sucat] Showroom		000-601-470-017	02-Mar-12	Not Applicable
	13	Light Residences		000-601-470-018	02-Mar-12	Not Applicable
	14	Wind Residences		000-601-470-00020	02-Mar-12	Not Applicable
15	Jazz Residences		000-601-470-00022	11-Mar-13	Not Applicable	
16	Sun Mall		000-601-470-00023	30-Sep-13	Not Applicable	
17	Grace Residences		000-601-470-00024	04-Jul-17	Not Applicable	

Entity	No.	Permits & Licenses	Issuing Agency	Permit & License No.	Issue Date	Expiration Date
	18	M Place Mall		000-601-470-00025	01-Oct-13	Not Applicable
	19	Sea Residences		000-601-470-00026	29-Nov-13	Not Applicable
	20	Princeton Residences		000-601-470-00027	29-Nov-13	Not Applicable
	21	Blue Residences		000-601-470-028	08-Aug-14	Not Applicable
	22	Strip @ Shell Residences		000-601-470-00029	01-Feb-16	Not Applicable
	23	Strip @ Shine Residences		000-601-470-00030	30-Sep-15	Not Applicable
	24	S Residences		000-601-470-00031	21-Mar-16	Not Applicable
	25	Breeze Mall		000-601-470-00032	18-Jan-18	Not Applicable
	26	Lane Residences/SM Lanang Premier		000-601-470-00034	29-Aug-18	Not Applicable
	27	Strip @ Shore Residences		000-601-470-035	21-Jul-21	Not Applicable
	28	Air Mall		000-601-470-036	15-Oct-20	Not Applicable
	29	Smile Showroom (SM City Bacolod)		000-601-470-00037	03-Dec-20	Not Applicable
	30	Green 2 Residences		000-601-470-00038	29-Oct-20	Not Applicable
	31	Fame Mall		000-601-470-00039	21-Jul-21	Not Applicable
	32	The Strip at Coast Residences		000-601-470-00040	20-Dec-22	Not Applicable
	33	The Strip at Blue 2		000-601-470-00041	21-Dec-22	Not Applicable
	34	The Strip at Spring Residences		000-601-470-00042	21-Dec-22	Not Applicable
	35	The Strip at S Residences		000-601-470-00043	21-Dec-22	Not Applicable
	36	The Strip at Lush Residences		000-601-470-00044	22-Dec-22	Not Applicable
	37	The Strip at Red Residences		000-601-470-00045	17-Mar-23	Not Applicable
	38	Charm Mall		000-601-470-00046	05-May-23	Not Applicable
	39	The Strip at La Vista		000-601-470-00047	05-May-23	Not Applicable
	40	Glam Mall		000-601-470-00048	05-May-23	Not Applicable
	41	Hill Commercial Center		000-601-470-00049	14-Jun-23	Not Applicable
	42	Cheerful Mall		000-601-470-00050	14-Jun-23	Not Applicable
		<b>CERTIFICATE OF REGISTRATION (COR)</b>	<b>DHSUD (HLURB)</b>			
	1	Air Residences B01		LTS No. 032395	31-May-17	Not Applicable
	2	Berkeley Residences B01		25658	14-Mar-12	Not Applicable
	3	Bloom Residences PH 1		34562	13-Mar-19	Not Applicable
	4	Bloom Residences PH 2		194 Provisional LTS Regular LS : 0000093	23-Sep-21 / 08-Aug-23	Not Applicable
	5	Bloom Residences PH 3		051 Provisional LTS Regular LS : 0000096	16-Jul-20 / 08-Aug-23	Not Applicable
	6	Blue Residences B01		LTS No. 029228	15-Aug-14	Not Applicable
	7	Breeze Residences 1		31507	18-Apr-16	Not Applicable
	8	Charm Residences Ph1		ALTS No. 0001648	17-Oct-23	Not Applicable
	9	Charm Residences Ph2		ALTS No. 0001649	17-Oct-23	Not Applicable
	10	Charm Residences Ph3		ALTS No. 0001650	17-Oct-23	Not Applicable
	11	SMDC Cheerful Homes All Residential		34244	02-Aug-19	Not Applicable
	12	SMDC Cheerful Homes 2 All Residential		Provisional LTS No. 2021-05-227	24-May-21	Not Applicable
	13	Coast Residences B01		LTS No. 03157	20-Jul-16	Not Applicable
	14	Cool Suites at Wind Residences Tower A & B		LTS NO. 029705	03-Dec-14	Not Applicable
	15	Fame Residences - Towers 1 & 2		30763	26-Nov-15	Not Applicable
	16	Fame Residences - Towers 3		33349	13-Mar-18	Not Applicable
	17	Fame Residences - Towers 4		33374	18-Apr-18	Not Applicable
	18	Field Residences Phase 1 and 2		Ph1 - 029247 Ph2 - 029248	15-Sep-14	Not Applicable
	19	Field Residences 4		Bldg4 - 03240	27-Jun-17	Not Applicable
	20	Field Residences 5		Bldg 5 - 03245	24-Aug-17	Not Applicable

Entity	No.	Permits & Licenses	Issuing Agency	Permit & License No.	Issue Date	Expiration Date
	21	Field Residences 6		Bldg 6 - 03338	24-Apr-18	Not Applicable
	22	Field 9 and 10		035147	20-Sep-19	Not Applicable
	23	Field Parking Building		33436	14-Sep-18	Not Applicable
	24	Gem Residences B01		LTS No. 0000101	04-Aug-23	Not Applicable
	25	Glade Residences Bldgs A-K		PLTS No./ PLS-06-096	24-Dec-21	Not Applicable
	26	Glam Residences B01		LTS No. 0000085	01-Aug-23	Not Applicable
	27	Grace Residences PH1		LTS No. 029326	26-Jan-15	Not Applicable
	28	Grass Residences Ph2 (Fern)		LTS T4 - 029940 LTS T5 - 029939	15-May-15	Not Applicable
	29	Grass Residences Ph1		LTS T1 - 26908 LTS T2 - 26903 LTS T3 - 26904	04-Apr-13	Not Applicable
	30	Hill Residences (Phase 1)		LTS No. 034577	11-Apr-19	Not Applicable
	31	Hill Residences (Phase 2)		LTS No. 035118	07-Aug-19	Not Applicable
	32	Hill Residences (Phase 3)		Provisional LTS No. 044	08-Jul-20	Not Applicable
	33	ICE TOWER Residential-Offices B01		LTS No. 0000053	06-Jun-23	Not Applicable
	34	SMDC Jade Residences B01		TLS NCR 014	17-May-23	Not Applicable
	35	Jazz Residences All Towers		LTS No. 25701	16-May-12	Not Applicable
	36	Light Residences T1, T2, T3		LTS No. 28498	09-Dec-13	Not Applicable
	37	Lush Residences B01		LTS No. 033468 LTS No. 035122	14-Nov-18 13-Aug-19	Not Applicable
	38	Mezza Residences		23648	26-Aug-10	Not Applicable
	39	Mezza 2 Residences		033360	21-Mar-18	Not Applicable
	40	Mint Residences B01		PLS No. 091	26-Nov-20	Not Applicable
	41	M Place at South Triangle Tower 1, 2, 3, and 4		ALTS No. 034554	15-Feb-19	Not Applicable
	42	Princeton Residences B01		LTS NO. 27021	18-Sep-13	Not Applicable
	43	Red Residences B01		LTS No. 033469	16-Nov-18	Not Applicable
	44	S Residences 3		31645	01-Dec-16	Not Applicable
	45	Sands Residences 1		Provisional LTS No. 147	22-Mar-21	Not Applicable
	46	Sea Residences B01, B02, B03, B04, B05, B06		26981	23-Jul-13	Not Applicable
	47	Shell Residences B01, B02, B03, B04		032425	17-Jul-13	Not Applicable
	48	Shine Residences T1		LTS NO. 28486	21-Nov-13	Not Applicable
	49	Shore Residences 4		LTS NO. 029190	27-May-14	Not Applicable
	50	Shore 2 Residences B01, B02, B03		LTS 031588	05-Aug-16	Not Applicable
	51	Shore 3 Residences B01, B02, B03, B04		LTS 032418	07-Jul-17	Not Applicable
	52	Spring Residences Tower 1		LTS No.033413	20-Jul-18	Not Applicable
	53	Spring Residences Tower 2		LTS No.033413	20-Jul-18	Not Applicable
	54	Spring Residences Tower 3		LTS No.033403	26-Jun-18	Not Applicable
	55	Spring Residences Tower 4		LTS No.033411	05-Jul-18	Not Applicable
	56	Sun Residences Tower 1 and 2		LTS NO. 26362	29-Nov-12	Not Applicable
	57	Vine Residences PH 1		032367 ALTS 03349	12-Apr-17 / 10-Jan-19	Not Applicable
	58	Vine Residences PH 2		033379 ALTS 034556 Provisional LTS 318	24-Apr-18/ 22-Feb-19/ 16-Mar-22	Not Applicable
	59	Vine Residences PH 3		033376 ALTS 033446	19-Apr-18/ 15-Feb-19	Not Applicable
	60	Wind Residences Tower 1		LTS NO. 26577	23-May-13	Not Applicable
	61	Wind Residences Tower 2		LTS NO. 26578	23-May-13	Not Applicable
	62	Wind Residences Tower 3		LTS NO. 26579	23-May-13	Not Applicable

Entity	No.	Permits & Licenses	Issuing Agency	Permit & License No.	Issue Date	Expiration Date
	63	Wind Residences Tower 4		LTS NO. 28796	04-Nov-13	Not Applicable
	64	Wind Residences Tower 5		LTS NO. 28865	22-Jan-14	Not Applicable
	65	Vail Residences All Buildings (Buildings A-N)		Prov Lic REM-LS-22-012	06-Apr-22	Not Applicable
		<b>BUSINESS PERMIT (BP)</b>	<b>LGU OF:</b>			
	1	Head Office (15F Two E-com Center)	Pasay City	11-034349	22-Jan-24	31-Mar-24*
	2	SMDC Admin Office (SM City Clark)	Angeles City	54-01-2017000966	20-Jan-24	31-Dec-24
	3	Smile Showroom	Bacolod City		26-Mar-24	31-Dec-24
	4	Vail Showroom	Cagayan De Oro City	2022-25248	26-Jan-24	31-Dec-24
	5	Vail Residences	Cagayan De Oro City	2023-18150	26-Jan-24	31-Dec-24
	6	Charm Showroom	Cainta, Rizal	S-03278	2024 Permit in process	
	7	Charm Residences	Cainta, Rizal	S-03433	2024 Permit in process	
	8	SMDC Admin Office (SM City Dasmariñas)	Dasmariñas City	01-2018-00123	19-Jan-24	31-Dec-24
	9	SMDC Admin Office (SM Lanang Davao)	Davao City	20181348591	29-Jan-24	31-Dec-24
	10	Ecoland	Davao City	20201469394	30-Jan-24	31-Dec-24
	11	SMDC Admin Office (SM City Iloilo)	Iloilo City	S-03282	19-Jan-24	31-Dec-24
	12	SMDC Showroom (SM City Iloilo)	Iloilo City	S-03422	19-Jan-24	31-Dec-24
	13	Glade Residences	Iloilo City	S-A0637	19-Jan-24	31-Dec-24
	14	Glade Showroom	Iloilo City	S-A0636	19-Jan-24	31-Dec-24
	15	Field Residences (Bldg. 4)	Las Piñas City	2015030310	19-Jan-24	31-Dec-24
	16	Cheerful Homes	Mabalacat City		19-Jan-24	31-Dec-24
	17	Cheerful Homes (Showroom)	Mabalacat City		19-Jan-24	31-Dec-24
	18	Jazz Residences	Makati City	201302592	20-Jan-24	31-Dec-24
	19	FMC (Grand Showroom)	Makati City	201602148	20-Jan-24	31-Dec-24
	20	Air Residences	Makati City	202103503	20-Jan-24	31-Dec-24
	21	Lush Residences	Makati City	202204567	20-Jan-24	31-Dec-24
	22	Red Residences	Makati City	202304430	20-Jan-24	31-Dec-24
	23	Light Residences	Mandaluyong City	MC-2010-02185	2024 Permit in process	
	24	SMDC Corporate Showroom (SM Megamall)	Mandaluyong City	MC-2011-01531	2024 Permit in process	
	25	Fame Residences	Mandaluyong City	MC-2021-01746	2024 Permit in process	
	26	Sands Residences	Manila City	117-00-2021-0806328	19-Jan-24	31-Dec-24
	27	SMDC Admin Office (SM City Marilao)	Marilao, Bulacan	S-00791	19-Jan-24	31-Dec-24
	28	Field Residences	Parañaque City	2011010018	05-Mar-24	31-Mar-24*
	29	Field Showroom (SM City Sucat)	Parañaque City	2018050049	05-Mar-24	31-Dec-24
	30	Spring Showroom (SM City Bicutan)	Parañaque City	2016050223	05-Mar-24	31-Dec-24
	31	Spring Residences	Parañaque City	2019080137	05-Mar-24	31-Mar-24*
	32	Bloom Residences	Parañaque City	2017080164	05-Mar-24	31-Mar-24*
	33	Strip at Bloom Residences	Parañaque City	2018060065	05-Mar-24	31-Dec-24
	34	Coast Residences	Pasay City	20-002618	22-Jan-24	31-Mar-24*
	35	Sea Residences	Pasay City	10-032016	22-Jan-24	31-Mar-24*
	36	Shell Residences	Pasay City	12-037868	22-Jan-24	31-Mar-24*
	37	Breeze Residences	Pasay City	14-042745	22-Jan-24	31-Mar-24*
	38	Shore Residences	Pasay City	14-043900	22-Jan-24	31-Mar-24*
	39	SMDC Corporate Showroom (SM MOA NORTHWING)	Pasay City	10-031345	22-Jan-24	31-Mar-24*
	40	Shore Showroom (SM MOA SOUTHWEST)	Pasay City	10-031260	22-Jan-24	31-Mar-24*

Entity	No.	Permits & Licenses	Issuing Agency	Permit & License No.	Issue Date	Expiration Date
	41	S Residences	Pasay City	16-047686	22-Jan-24	31-Mar-24*
	42	Shine Residences	Pasig City	PM-2014-003633	2024 Permit in process	
	43	Mezza Residences	Quezon City	07-008041	05-Sep-23	05-Sep-24
	44	Mezza 2 Residences	Quezon City	12-009618	05-Sep-23	05-Sep-24
	45	Berkeley Residences	Quezon City	09-004969	05-Sep-23	05-Sep-24
	46	Grass Residences	Quezon City	09-004704	05-Sep-23	05-Sep-24
	47	Grass Showroom (SM City North EDSA)	Quezon City	10-010193	05-Sep-23	05-Sep-24
	48	Princeton Residences	Quezon City	10-010975	05-Sep-23	05-Sep-24
	49	Sun Residences	Quezon City	10-010974	05-Sep-23	05-Sep-24
	50	M Place @ South Triangle	Quezon City	10-012122	05-Sep-23	05-Sep-24
	51	Blue Residences	Quezon City	11-006622	05-Sep-23	05-Sep-24
	52	Vine Residences	Quezon City	19-013034	05-Sep-23	05-Sep-24
	53	Glam Residences	Quezon City	19-013035	05-Sep-23	05-Sep-24
	54	Hill Residences	Quezon City	19-013033	05-Sep-23	05-Sep-24
	55	Vine Showroom (SM Novaliches)	Quezon City	16-007281	05-Sep-23	05-Sep-24
	56	Wind Residences	Tagaytay City	129-00-2011-0000211	22-Jan-24	31-Dec-24
	57	Grace Residences	Taguig City	20-015810	25-Jan-24	31-Dec-24

*\*Renewal application ongoing/in process*

# REGULATORY

## REAL ESTATE LAWS AND REGULATIONS

### General

P.D. 957, R.A. 4726 and B.P. 220 are the principal statutes which regulate the development and sale of real property as part of a condominium or subdivision project. P.D. 957, R.A. 4726 and B.P. 220 cover subdivision projects and all areas included therein for residential, commercial, industrial and recreational purposes, and condominium projects for residential or commercial purposes. The DHSUD, formerly the HLURB, is the administrative agency of the Government which, together with LGUs, enforces these decrees and has jurisdiction to regulate the real estate trade and business.

All subdivision and condominium plans for residential, commercial, industrial and other development projects are required to be filed with the DHSUD, and the pertinent LGU of the area in which the project is situated. Approval of such plans is conditional on, among other things, the developer's financial, technical and administrative capabilities. Alterations of approved plans which affect significant areas of the project, such as infrastructure and public facilities, also require prior approval of the relevant government body or agency.

The development of subdivision and condominium projects can commence only after the relevant government body has issued the development permit.

The issuance of a development permit is dependent on, among others (i) compliance with required project standards and technical requirements which may differ depending on the nature of the project, and (ii) issuance of the barangay clearance, locational clearance from the DHSUD, DENR permits, and, as applicable, DAR conversion or exemption orders as discussed below. A bond equivalent to ten percent (10%) of the total project cost is required to be posted by the project developer to ensure commencement of the project within one (1) year from the issuance of the development permit.

Developers who sell lots or units in a subdivision or a condominium project are required to register the project with and obtain a license to sell from the DHSUD. Subdivision or condominium units may be sold or offered for sale only after a license to sell has been issued by the DHSUD. As a prerequisite for the issuance of a license to sell by the DHSUD, developers are required to file with the said agency any of the following to guarantee the construction and maintenance of the roads, gutters, drainage, sewerage, water system, lighting systems, and full development of the subdivision or condominium project and compliance with the applicable laws, rules and regulations:

- a surety bond callable upon demand equivalent to twenty percent (20.0%) of the development cost of the unfinished portion of the approved plan, issued by a duly accredited surety company (whether private or government), and acceptable to the DHSUD;
- a real estate mortgage executed by the developer as mortgagor in favor of the Republic of the Philippines as mortgagee, represented by the DHSUD, over property other than the land used for the project for which the license to sell is being obtained, free from any liens and encumbrance and the value of such property, computed on the basis of the zonal valuation of the BIR, must be at least twenty percent (20.0%) of the total development cost; or
- other forms of security equivalent to ten percent (10.0%) of the development cost of the unfinished portion of the approved plan which may be in the form of the following:

- a cash bond;
- a fiduciary deposit made with the cashier and/or disbursing officer of the DHSUD;
- a certificate of guaranty deposit issued by any bank or financing institution of good standing in favor of the DHSUD, for the total development cost;
- a letter from any bank of recognized standing certifying that so much has been set aside from the bank account of the developer in favor of the DHSUD, which amount may be withdrawn by the Chief Executive Officer of the DHSUD, or his authorized representative, at any time the developer fails or refuses to comply with his duties and obligations under the bond contract; or
- any irrevocable credit line to be utilized in the development of the project from any bank of recognized standing and a refinancing re-structuring program indicating sources of funding from duly accredited funding institutions.

Project permits and licenses to sell may be suspended, cancelled or revoked by the DHSUD, on its own initiative or upon a verified complaint from an interested party, for reasons such as insolvency, involvement in fraudulent transactions, misrepresentations concerning the subdivision project or condominium project in any literature which has been distributed to prospective buyers. A license or permit to sell may only be suspended, cancelled or revoked after notice to the developer has been served and all parties have been given an opportunity to be heard in compliance with the DHSUD's rules of procedure and other applicable laws.

Real estate dealers, brokers and salesmen are also required to register and secure a certificate of registration with the DHSUD, before they can sell lots or units in a registered subdivision or condominium project. The certificate of registration will expire on the first day of December of each year.

On 29 June 2009, Republic Act No. 9646 or the Real Estate Service Act of the Philippines ("R.A. 9646") was signed into law. R.A. 9646 strictly regulates the practice of real estate brokers by requiring licensure examinations and attendance in continuing professional education programs.

### **Subdivision Projects**

There are essentially two different types of residential subdivision developments, which are distinguished by different development standards issued by the DHSUD. The first type of subdivision, aimed at low-cost housing, must comply with B.P. 220, a Philippine statute regulating the development and sale of real property as part of a condominium project or subdivision, which allows for a higher density of building and relaxes some construction standards. Other subdivisions must comply with P.D. 957, which sets out standards for lower density developments. Both types of development must comply with standards regarding the suitability of the site, road access, necessary community facilities, open spaces, water supply, the sewage disposal system, electrical supply, lot sizes, the length of the housing blocks and house construction.

Under P.D. 957, a developer of a subdivision with an area of one hectare or more is required to reserve at least 30% of the gross land area of such subdivision for open space for common uses, which include roads and recreational facilities. In low-density subdivisions (20 family lots and below per gross hectare), a developer is required to reserve at least 3.5% of the gross project area for parks and playgrounds.

HLURB Resolution No. 926, or the "2015 Revised Implementing Rules and Regulations on Time of Completion" ("Resolution 926") was issued on 3 February 2016 and took effect on 14 February 2016. Resolution 926 requires owner or developers of subdivision and condominium projects to construct and provide the facilities, improvements, infrastructures and other forms of development, including water supply and electrical facilities, which are offered and indicated in the approved project plan, within one (1) year from the date of the issuance of the license for the project or such other period of time as may be

fixed by the HLURB, now the DHSUD. Resolution 926 also provided limited grounds upon which developers or owners may be granted additional time to complete a given project.

Republic Act No. 7279, as amended recently by Republic Act No. 10884, or the Urban Development and Housing Act of 1992, requires developers of proposed subdivision projects to develop an area for socialized housing equivalent to at least fifteen percent (15%) of the total subdivision area or total subdivision project cost, and at least five percent (5%) of condominium area or project cost, at the option of the developer, within the same city or municipality whenever feasible, and in accordance with the standards set by DHSUD and other existing laws. Alternatively, the developer may opt to buy socialized housing bonds issued by various accredited government agencies or enter into joint venture arrangements with other developers engaged in socialized housing development.

HLURB Resolution No. 946, Series of 2017, issued on 3 May 2017, provides for the rules and regulations implementing Republic Act No. 10884 ("IRR of RA 10884"). The IRR of RA 10884 provides for the other manners in which developers may comply with the required projects for socialized housing which includes the: (i) development of socialized housing in a new settlement; (ii) entering into joint venture arrangements with LGUs, housing agencies, private developer and non-government organization engaged in the provision of socialized housing; and (iii) participation in a new project under the community mortgage program. Under the IRR of RA 10884, the license to sell of the main project may be suspended, cancelled or revoked, if the required compliance project has not been developed or has not been completely developed in accordance with the approved work program and within the period approved by the HLURB, now the DHSUD.

### **Republic Act No. 11201: Department of Human Settlements and Urban Development Act**

Republic Act No. 11201, otherwise known as "Department of Human Settlements and Urban Development Act" was signed by the President on 14 February 2019. The Implementing Rules and Regulations of the Act was approved on 19 July 2019. This Act created DHSUD through the consolidation of HUDCC and HLURB, simultaneously with the reconstitution of HLURB into Human Settlement Adjudication Commission ("HSAC"). The functions of the HUDCC and the planning and regulatory functions of HLURB shall be transferred to and consolidated in the DHSUD, while the HSAC shall assume and continue to perform the adjudication functions of HLURB.

The DHSUD shall:

1. Act as the primary national government entity responsible for the management of housing, human settlement and urban development;
2. Be the sole and main planning and policy-making, regulatory, program, coordination, and performance monitoring entity for all housing, human settlement and urban development concerns, primarily focusing on the access to an affordability of basic human needs. The following functions of HLURB are transferred to DHSUD:
  - a. The land use planning and monitoring function, including the imposition of penalties for noncompliance to ensure that LGUs will follow the planning guidelines and implement their CLUPs and ZOs;
  - b. The regulatory function, including the formulation, promulgation, and enforcement of rules, standards and guidelines over subdivisions, condominiums and similar real estate developments, and imposition of fines and other administrative sanctions for violations, pursuant to PD 957, as amended, BP 220 and other related laws; and

- c. The registration, regulation and supervision of Homeowners Associations, including the imposition of fines for violations, pursuant to RA 9904, Section 26 of RA 8763 in relation to Executive Order No. (EO) 535, series of 1979, and other related laws; and
3. Develop and adopt a national strategy to immediately address the provision of adequate and affordable housing to all Filipinos, and ensure the alignment of the policies, programs, and projects of all its attached agencies to facilitate the achievement of this objective.

All existing policies, and rules and regulations of the HUDCC and the HLURB shall continue to remain in full force and effect unless subsequently revoked, modified or amended by the DHSUD or the HSAC, as the case may be.

All applications for permits, licenses and other issuances pending upon the effectivity of the Act and filed during the transition period shall continue to be acted upon by the incumbents until transition shall have been completed.

All cases and appeals pending with the HLURB shall continue to be acted upon by the HLURB Arbiters and the Board of Commissioners, respectively, until transition shall have been completed and the Commission's operations are in place. Thereafter, the Regional Adjudicators and the Commission shall correspondingly assume jurisdiction over those cases and appeals. All decisions of the Commission shall thenceforth be appealable to the Court of Appeals under Rule 43 of the Rules of Court.

The transition period shall commence upon the effectivity of the Implementing Rules and Regulations and shall end on 31 December 2019. Thereafter, the Act shall be in full force and effect.

### **Condominium Projects**

R.A. 4726 regulates the development and sale of condominium projects. R.A. 4726 requires that an annotation be registered on the master deed or on the certificate of title of the land on which the condominium project shall be located. The annotation should indicate, among other things, the description of the land, buildings, common areas and facilities of the condominium project.

A condominium project may be managed by a condominium corporation, an association, a board of governors or a management agent, depending on what is provided in the declaration of restriction of the condominium project. However, whenever the common areas are held by a condominium corporation, such corporation shall constitute the management body of the project.

### **Real Estate Sales and Installments**

The Maceda Law applies to all transactions or contracts involving the sale or financing of real estate through installment payments, including residential condominium units. Under the Maceda Law, buyers who have paid at least two (2) years of installments are granted a grace period of one (1) month for every year of paid installments to cure any payment default. The Maceda Law also requires the sellers of real estate to refund at least fifty percent (50%) of total payments made should the sale contract be cancelled provided that the buyer has paid at least two (2) years of installments, with an additional five percent (5%) per annum in cases where at least five (5) years of installment have been paid (but with the total not to exceed ninety percent (90%) of the total payments). Buyers who have paid less than (2) two years of installment and who default on installment payments are given a sixty (60)-day grace period to pay all unpaid installments before the sale can be cancelled, but without right of refund. The Maceda Law does not apply when payments are made through bank financing.

## **Shopping Malls**

Shopping malls are regulated by the LGU of the city or municipality where the shopping mall is located. Shopping mall operators must secure a mayor's permit or municipal license before operating. Shopping mall operators must also comply with the provisions of Republic Act No. 9514 or the Fire Code of the Philippines, and other applicable local ordinances. Shopping malls that have restaurants and other food establishments as tenants must obtain a sanitary permit from the Department of Health. Shopping malls that discharge commercial wastewater must apply for a wastewater discharge permit from the DENR and pay the fee incidental to the permit.

As a tourism-related establishment, shopping malls may obtain accreditation from DOT. A shopping mall can only be accredited upon complying with the minimum physical, staff and service requirements promulgated by the DOT.

## **Hotels and Resorts**

Hotels were previously classified by the DOT into the following categories: (a) De Luxe Class; (b) First Class; (c) Standard Class; and (d) Economy Class.

Memorandum Circular No. 2012-02 promulgated by the DOT in May 2012 imposes new national accreditation standards for hotels, resorts and apartment hotels, pursuant to the Tourism Act of 2009. The Memorandum Circular adopts the star grading system, with five levels of accommodation standards which are equivalent to one to five stars. For instance, a one-star rating will be granted to hotels which achieve 251 to 400 points (25% to 40% of the standards) and a five-star rating will be granted to hotels which achieve 851 to 1,000 points (85% to 100% of the standards). The accreditation process under the Memorandum Circular No. 2012-02 is currently being implemented by the DOT.

Once an application for accreditation is filed, the DOT sends an inspection team to conduct an audit of the establishment and determine compliance its classification. The Certificate of Accreditation issued by the DOT is valid for two (2) years, unless sooner revoked. The rights over the accreditation are non-transferrable.

## **Zoning and Land Use**

Under the agrarian reform law currently in effect in the Philippines and the regulations issued thereunder by the DAR, land classified for agricultural purposes as of or after 15 June 1988, cannot be converted to non-agricultural use without the prior approval of DAR.

Land use may be also limited by zoning ordinances enacted by LGUs. Once enacted, land use may be restricted in accordance with a comprehensive land use plan approved by the relevant LGU. Lands may be classified under zoning ordinances as commercial, industrial, residential or agricultural. While a procedure for change of allowed land use is available, this process may be lengthy and cumbersome.

## **Special Economic Zone**

Republic Act No. 7916 ("R.A. 7916"), as amended provides for the creation and management of Special Economic Zones ("Ecozones"), which are selected areas with highly developed or which have the potential to be developed into agro-industrial, industrial tourist/recreational, commercial, banking, investment, and financial centers.

PEZA is the government agency that operates, administers and manages designated PEZA Ecozones around the country. These Ecozones are generally established by a proclamation issued by the President of the Philippines, upon recommendation of the PEZA.

An Ecozone may contain any or all of the following: industrial estates, export processing zones, free trade zones, and tourist/recreational centers. There are several activities eligible for PEZA registration and incentives including, but not limited to, IT services, Tourism and Retirement activities.

PEZA registered enterprises locating in an Ecozone are generally entitled to fiscal and non-fiscal incentives such as income tax holidays and duty-free importation of equipment, machinery and raw materials.

1. IT enterprises offering IT services (such as call centers, and BPO using electronic commerce) are entitled to fiscal and non-fiscal incentives if they are PEZA-registered locators in a PEZA-registered IT Park, IT Building, or Ecozone. An IT Park is an area which has been developed into a complex capable of providing infrastructures and other support facilities required by IT enterprises, as well as amenities required by professionals and workers involved in IT enterprises, or easy access to such amenities. An IT Building is an edifice, a portion or the whole of which, provides such infrastructure, facilities and amenities.

PEZA requirements for the registration of an IT Park or IT Building differ depending on whether it is located in Metro Manila. Metro Manila is the area that covers the 16 cities of Manila, Caloocan, Las Piñas, Makati, Mandaluyong, Marikina, Muntinlupa, Parañaque, Pasay, Pasig, Quezon, Valenzuela, Malabon, Navotas, San Juan and Taguig and the municipality of Pateros. These PEZA requirements include clearances or certifications issued by the city or municipal legislative council, the DAR, the National Water Resources Board ("NWRB"), and the DENR.

2. Tourism activities involve the establishment and operation of PEZA registered Tourism Ecozones ("PEZA TEZs"). These are areas which have been developed into an integrated resort complex which have tourist facilities and activities. PEZA TEZ developers and locator enterprises are generally entitled to fiscal and non-fiscal incentives. However, on 13 November 2012, PEZA Board Resolution No. 12-610 withdrew particular fiscal incentives from developers and locator enterprises of TEZs in Metro Manila, Cebu City, Mactan Island, and Boracay Island. The same Board Resolution also denied the establishment of new TEZs in the four areas.

PEZA rules for the registration of a TEZ require, among others, an endorsement from the DOT, conversion or exemption orders from the DAR, and clearances, certifications, and endorsements from Department of Agriculture ("DA"), HLURB, Environmental Management Bureau-DENR ("EMB-DENR"), NWRB, and the concerned LGUs.

3. Retirement activities involve the establishment and operation of areas capable of providing retirement infrastructure and other support facilities such as accommodation facilities, health and wellness facilities, sports, recreation centers, and lifestyle facilities, cultural facilities, theme parks, and other amenities required by foreign retirees. Retirement Ecozone developers/operators and retirement Ecozone facilities enterprises are entitled to fiscal and non-fiscal incentives.

EO 1037 created the Philippine Retirement Authority ("PRA"), a government owned and controlled corporation under control and supervision of the office of the Board of Investments ("BOI"). It is mandated to attract foreign nationals and former Filipino citizens to invest, reside, and retire in the Philippines to accelerate the socio-economic development of the country and contribute to the foreign currency reserve of the economy.

PEZA rules for registration of retirement Ecozones and facilities enterprises require, among others, the endorsement from the PRA, and clearances and certifications from the DAR, DA, HLURB, EMB-DENR, NWRB, and the concerned LGUs.

Another government agency which is tasked to administer certain Ecozones is the Tourism Infrastructure and Enterprise Zone Authority ("TIEZA"). The TIEZA is an attached agency to the DOT tasked to designate, regulate, and supervise its own TEZs as well as develop, manage and supervise tourism infrastructure projects in the Philippines. Tourism enterprises are facilities, services, and attractions primarily engaged in tourism to attract visitors. TEZ Operators and Tourism Enterprises registered with the TIEZA may be granted fiscal and non-fiscal incentives. Activities eligible for registration with the TIEZA include, among others, accommodation establishments such as hotels, resorts, apartelles, tourist inns, motels, pension houses, and home stay operators, tourist estate management services, restaurants, shops, and department stores.

TIEZA rules for the registration of a TEZ will depend on the nature of the business and the type of business organization of the applicant. TIEZA registration requirements include, among others, certifications and endorsements from the DAR, the National Historical Institute, DENR, and DOH.

### **Tax and Other Incentives**

Generally, the fiscal incentives enjoyed by PEZA registered enterprises include an income tax holiday ("ITH") for four (4) to six (6) years, depending on the nature and location of the enterprise; thereafter, the enterprise enjoys a preferential tax rate of 5% on gross income earned (the "5% GIT"), in lieu of all national and local taxes (except for real property tax).

"Tourism Ecozone Developer/Operator" refers to the owner and/or operator of a Tourism Development Zone/Tourism Estate seeking registration with PEZA and the required Presidential Proclamation of the Tourism Development Zone/Tourism Estate as a Tourism Ecozone for the availment of incentives provided under R.A. 7916, as amended. "Tourism Development Zone/Tourism Estate" refers to a tract of land with defined boundaries, suitable for development into an integrated resort complex, with prescribed carrying capacities of tourist facilities and activities, such as, but not limited to, sports and recreation centers, accommodations, convention and cultural facilities, food and beverage outlets, commercial establishments and other special interest and attraction activities/establishments, and provided with roads, water supply facilities, power distribution facilities, drainage and sewage systems and other necessary infrastructure and public utilities. A Tourism Development Zone/Tourism Estate must be under unified and continuous management, and can either be a component of an ecozone or the whole ecozone itself. "Tourism Ecozone" refers to a Tourism Development Zone/Tourism Estate which has been granted special economic zone status, through PEZA registration and issuance of the required Presidential Proclamation, with its metes and bounds delineated by the Proclamation pursuant to R.A. 7916, as amended.

"Retirement Ecozone Developer/Operator" refers to a business entity duly endorsed by the PRA and registered with PEZA to develop, operate and maintain a Retirement Ecozone Park/Center and provide the required infrastructure facilities and as may be required for retirement economic zone. PEZA-registered Retirement Economic Zones shall be located in priority areas endorsed by the PRA and must be at least 4 hectares. Retirement Ecozone refers to an estate which is highly developed or which has the potential to be developed into a Retirement Ecozone Park/Center whose metes and bounds are fixed or delimited by Presidential Proclamation. The retirement economic zone shall be planned and designed in accordance with the accreditation standards of the PRA to have support facilities and services required by the retirement industry.

An "IT Park" or "IT Building" is an area or a building (the whole or a part of which) has been developed to provide infrastructure and other support facilities required by an IT Enterprise.

The PEZA Board, through its Board Resolution No. 12-610 dated 13 November 2012, withdrew (i) the 5% GIT incentive to developers of Tourism Economic Zones in Metro Manila, Cebu City, Mactan Island and Boracay Island; and (ii) the ITH incentive and 5% GIT given to locator enterprises of Tourism Enterprise Zones in the aforesaid 4 areas. Nevertheless, tourism enterprise locators in these areas continue to enjoy tax and duty-free importation and zero-VAT rating on local purchase of capital equipment.

The above policy does not have retroactive effect and therefore, existing PEZA TEZ developers and operators and tourism enterprises located in TEZs in the four aforesaid areas shall not be covered by the new PEZA policy. Existing and future PEZA TEZ developers and tourism enterprise locators outside the four areas shall continue to be entitled to four (4) years ITH, as may be provided in and in accordance with the provisions of the Investment Priorities Plan, and tax and duty-free importation of capital equipment required for the technical viability and operation of the registered activities of the enterprises. Upon expiry of the ITH period, PEZA TEZ locators are entitled to the 5% GIT incentive, provided, however, that they have the option to forego their ITH incentive entitlement and immediately avail of the 5% tax GIT incentive upon start of their commercial operations.

All PEZA-registered Tourism Developers/Operators and Locator Enterprises must conform with the development guidelines and operating standards of the DOT, land use and zoning regulations, as well as the policies and guidelines of other concerned government agencies, provided that in the case of Ecotourism Projects, endorsement from the National Ecotourism Steering Committee shall also be secured prior to PEZA registration.

PEZA-registered Tourism Ecozone Developers/Operators and Locators are entitled to the following non-fiscal incentives: (a) employment of foreign nationals, as provided under R.A. 7916; (b) Special Investor's Resident Visa, as provided under Executive Order No. 63; and (c) Incentives under the Build-Operate-Transfer Law, as may be applicable, subject to prescribed guidelines.

Retirement Economic Zone Developer/Operator of a proposed or partially developed Retirement Ecozone Park/Center shall be entitled to pay a special 5% tax on gross income, in lieu of all national and local taxes, except real property tax on land and shall be entitled to the following non-fiscal incentives: (a) Employment of foreign national; and (b) Special Investor's Resident Visa, as provided under Executive Order No. 63.

Pursuant to Board Resolution No. 12-329 dated 6 July 2012, IT Parks and Buildings to be located in Metro Manila and Cebu City shall no longer be entitled to incentives. Developers and owners of new IT Parks and Buildings to be located outside Metro Manila and Cebu City shall continue to enjoy fiscal incentives. Furthermore, in order to be entitled to PEZA incentives, Ecozones such as, but not limited to manufacturing, agro-industrial, and tourism, the Ecozone must have an area of at least 25 hectares except for single locator economic zones which shall be covered by specific guidelines issued by PEZA.

The Company routinely secures the required governmental approvals for its projects during the planning and construction and marketing stages of project development. The Company is not aware of any pending legislation or governmental regulation that is expected to materially affect its business. The Company believes that it has obtained the required government approvals relevant for each project at its current state of development.

### **Anti-Money Laundering**

On 29 January 2021, Republic Act No. 11521 was enacted, amending certain provisions of Republic Act No. 9160, otherwise known as the Anti-Money Laundering Act of 2001 ("AMLA"). The necessary changes were likewise incorporated in the 2018 Implementing Rules and Regulations through the Anti-Money Laundering Council's ("AMLC") Regulatory Issuance A, B, and C No. 1 Series of 2021 which took effect on 31 January

2021. In particular, RA 11521 revised the list of "Covered Persons" under the AMLA to include real estate brokers and developers. As such, real estate brokers and developers are now required to submit a covered transaction report involving any single cash transaction exceeding ₱7,500,000 or its equivalent in any other currency.

Further, RA 11521 provides the following suspicious transactions with Covered Persons, regardless of the amounts involved, where any of the following circumstances exist:

1. There is no underlying legal or trade obligation, purpose or economic justification;
2. The client is not properly identified;
3. The amount involved is not commensurate with the business or financial capacity of the client;
4. Taking into account all known circumstances, it may be perceived that the client's transaction is structured in order to avoid being the subject of reporting requirements under the Act;
5. Any circumstance relating to the transaction which is observed to deviate from the profile of the client and/or the client's past transactions with the covered person;
6. The transaction is in any way related to an unlawful activity or offense under this Act that is about to be, is being or has been committed; or
7. Any transaction that is similar or analogous to any of the foregoing.

Under the AMLA, Covered Persons shall report covered transactions and suspicious transactions to the AMLC, and shall identify and record the true identity of their customers, whether permanent or occasional, and whether natural or juridical persons, or legal arrangements based on official documents. To comply with this, such Covered Persons are obligated to implement appropriate systems of collecting and recording identification information and identification documents, and shall implement and maintain a system of verifying the true identity of their clients, including validating the truthfulness of the information and confirming the authenticity of the identification documents presented, submitted, and provided by the customer, using reliable and independent sources, documents, data, or information. All records of transactions and records of closed accounts are required to be maintained and stored for five (5) years from the date of a transaction or after their closure, respectively.

As a real estate developer, the Company is obligated to comply with the provisions of the AMLA, as amended. Failing to report to the AMLC all covered and suspicious transactions within the prescribed periods may expose real estate developers to penalties.

## **ENVIRONMENTAL LAWS**

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an ECC prior to commencement. The DENR through its regional offices or through the Environmental Management Bureau ("EMB"), determines whether a project is environmentally critical or located in an environmentally critical area. As a requisite for the issuance of an ECC, an environmentally critical project is required to submit an Environmental Impact Statement ("EIS") to the EMB while a project in an environmentally critical area is generally required to submit an Initial Environmental Examination ("IEE") to the proper DENR regional office. In case of an environmentally critical project within an environmentally critical area, an EIS is required. The construction of major roads and bridges are considered environmentally critical projects for which EISs and ECCs are mandated.

The EIS refers to both the document and the study of a project's environmental impact, including a discussion of scoping agreement identifying critical issues and concerns as validated by the EMB, environmental risk assessment if determined necessary by EMB during the scoping, environmental management program, the direct and indirect consequences to human welfare and ecological as well as

environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas.

While the EIS or an IEE may vary from project to project, as a minimum, it contains all relevant information regarding the projects' environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The issuance of an ECC is a Government certification, indicating that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System and that the proponent is committed to implement its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein before or during the operations of the project and in some cases, during the project's abandonment phase. The ECC also provides for other terms and conditions, any violation of which would result in a fine or the cancellation of the ECC.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund ("EGF") when the ECC is issued to projects determined by the DENR to pose a significant public risk to life, health, property and the environment. The EGF is intended to answer for damages caused by such a project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are mandated to include a commitment to establish an Environmental Monitoring Fund ("EMF") when an ECC is eventually issued. The EMF shall be used to support the activities of a multi-partite monitoring team which will be organized to monitor compliance with the ECC and applicable laws, rules and regulations.

Aside from the EIS and IEE, engineering, geological and geo-hazard assessment are also required for ECC applications covering subdivisions, housing and other development and infrastructure projects.

All development projects, installations and activities that discharge liquid waste into and pose a threat to the environment of the Laguna de Bay Region are also required to obtain a discharge permit from the Laguna Lake Development Authority.

The Company incurs expenses for the purposes of complying with environmental laws that consist primarily of payments for Government regulatory fees. Such fees are standard in the industry and are minimal.

### **Philippine Clean Water Act**

Republic Act No. 9275, or the "Philippine Clean Water Act of 2004", was enacted to streamline processes and procedures in the prevention, control, and abatement of pollution in the country's water resources. The law primarily applies to the abatement and control of water pollution from land-based sources. The DENR, in coordination with National Water Resources Board (NWRB), shall designate certain areas as water quality management areas using appropriate physiographic units such as watershed, river basins or water resources regions. The DENR shall chair the governing board composed of representatives of mayors and governors of member local government units (LGUs), and representatives of relevant national government agencies, duly registered nongovernmental organization, water utility sector, and business sector, which shall govern such management areas. The Philippine Clean Water Act also authorizes the DENR to formulate water quality criteria and standards for oil and gas exploration which encounter re-injection constraints.

The Philippine Clean Water Act requires owners or operators of facilities that discharge regulated effluents (such as wastewater from manufacturing plants or other commercial facilities) to secure a discharge permit from the DENR which authorizes the owners and operators to discharge waste and/or pollutants of specified concentration and volumes from their facilities into a body of water or land resource for a specified period of time.

### **Philippine Clean Air Act**

Republic Act No. 8749 or the "Philippine Clean Air Act of 1999" was enacted to formulate a holistic national program of air pollution management that shall be implemented by the government through proper delegation and effective coordination of functions and activities. The Philippine Clean Air Act of 1999 mandates the DENR to prepare an annual National Air Quality Status Report which shall be used as the basis in formulating the Integrated Air Quality Improvement Framework. The DENR is mandated to formulate a national program on how to prevent, manage, control, and reverse air pollution using regulatory and market-based instruments, and setup a mechanism for the proper identification and indemnification of victims of any damage or injury resulting from the adverse environmental impact of any project, activity or undertaking.

The Philippine Clean Air Act of 1999 further requires enterprises that operate or utilize air pollution sources to obtain an Authority to Construct or a Permit to Operate from the DENR with respect to the construction or use of air pollutants. The issuance of said permits seek to ensure that regulations of the DENR with respect to air quality standards and the prevention of air pollution are achieved and complied with by such enterprises.

### **The Toxic Substances and Hazardous and Nuclear Waste Control Act**

Republic Act No. 6969 or the "Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990" covers the importation, manufacture, processing, handling, storage, transportation, sale, distribution, use and disposal of all unregulated chemical substances and mixtures in the Philippines, including the entry, even in transit, as well as the keeping or storage and disposal of hazardous and nuclear wastes into the country for whatever purpose.

### **Ecological Solid Waste Management Act**

Republic Act No. 9003 or the "Ecological Solid Waste Management Act of 2000" was enacted to adopt a systematic, comprehensive and ecological solid waste management program which shall ensure the protection of public health and environment, utilize environmentally-sound methods that maximize the utilization of valuable resources and encourage resource conservation and recovery, and set guidelines and targets for solid waste avoidance and volume reduction through source reduction and waste minimization measures, including composting, recycling, re-use, recovery, green charcoal process, and others, before collection, treatment and disposal in appropriate and environmentally sound solid waste management facilities in accordance with ecologically sustainable development principles, among others.

The said law mandates all, especially, the local government units, to adopt a systematic, comprehensive and ecological solid waste management program which shall ensure protection of public health and environment, utilize environmentally sound methods, set targets and guidelines for solid waste avoidance and reduction, and ensure proper segregation, collection, transport and storage of solid waste. The National Solid Waste Management Commission, together with other government agencies and the different local government units, are responsible for the implementation and enforcement of the said law.

### **Code on Sanitation of the Philippines**

Presidential Decree No. 856 or the "Code on Sanitation of the Philippines" prescribes the standards and procedures for drinking water and their bacteriological and chemical examinations, the requirement of sanitary permit and health permit for the operation of a food establishment for public patronage as well as the structural requirements for such establishments, sanitary permit for the operation of a public laundry, and standards for school sanitation and health services, among others.

## **PROPERTY REGISTRATION**

The Philippines has adopted a Torrens System of land registration which conclusively confirms land ownership, which is binding on all persons, including the Government. Once registered, title to registered land becomes indefeasible after one (1) year from the date of entry of the decree of registration except with respect to claims noted on the certificate of title. Title to registered lands cannot be lost through adverse possession or prescription. Presidential Decree No. 1529, as amended, codified the laws relative to land registration and is based on the generally accepted principles underlying the Torrens System.

After proper surveying, application, publication and service of notice and hearing, unregistered land may be brought under the system by virtue of judicial or administrative proceedings. In a judicial proceeding, the Regional Trial Court within whose jurisdiction the land is situated confirms title to the land. Persons opposing the registration may appeal the judgment within fifteen (15) days to the Court of Appeals or the Supreme Court. After the lapse of the period of appeal, the Register of Deeds may issue an Original Certificate of Title. The decree of registration may be annulled on the ground of actual fraud within one (1) year from the date of entry of the decree of registration. Similarly, in an administrative proceeding, the land is granted to the applicant by the DENR by issuance of a patent and the patent becomes the basis for issuance of the Original Certificate of Title by the Register of Deeds. All land patents such as homestead, sales and free patents, must be registered with the appropriate registry of deeds since the conveyance of the title to the land covered thereby takes effect only upon such registration.

Any subsequent transfer of encumbrance of the land must be registered in the system in order to bind third persons. Subsequent registration and a new Transfer Certificate of Title in the name of the transferee will be granted upon presentation of certain documents and payment of fees and taxes.

All documents evidencing conveyances of subdivision and condominium units should also be registered with the Register of Deeds. Title to the subdivision or condominium unit must be delivered to the purchaser upon full payment of the purchase price. Any mortgage existing thereon must be released within six (6) months from the delivery of title. To evidence ownership of condominium units, a Condominium Certificate of Title is issued by the Register of Deeds.

## **NATIONALITY RESTRICTIONS**

The Philippine Constitution limits ownership of land in the Philippines to Filipino citizens or to corporations the outstanding capital stock of which is at least 60% owned by Philippine Nationals. While the Philippine Constitution prescribes nationality restrictions on land ownership, there is generally no prohibition against foreigners owning building and other permanent structures. However, with respect to condominium developments, the foreign ownership of units in such developments is limited to 40%.

Republic Act No. 7042, as amended, otherwise known as the Foreign Investments Act of 1991, and the Foreign Investment Negative List currently in effect, provide that certain activities are nationalized or partly-nationalized, such that the operation and/or ownership thereof are wholly or partially reserved for Filipinos. Under these regulations, and in accordance with the Philippine Constitution, ownership of private lands is partly-nationalized and thus, landholding companies may only have a maximum of 40% foreign equity.

For as long as the Company or any of its Subsidiaries own land in the Philippines, foreign ownership in the Company is limited to a maximum of 40% of the capital stock of the Company which is outstanding and entitled to vote. Accordingly, the Company shall disallow the issuance or the transfer of Shares to persons other than Philippine Nationals and shall not record transfers in its books if such issuance or transfer would result in the Company ceasing to be a Philippine National for purposes of complying with the restrictions on foreign ownership discussed above.

In the Philippine Supreme Court case of *Wilson P. Gamboa v. Finance Secretary Margarito B. Teves, et. al.* dated 28 June 2011 (G.R. No. 176579), a case involving a public utility company (which under the Philippine Constitution is also subject to the 60-40 rule on capital ownership), the Philippine Supreme Court ruled that the term "capital", as used in Section 11 of Article XII of the Philippine Constitution, refers only to shares of stocks entitled to vote in the election of directors and not to the total outstanding capital stock. This is because it is the said voting rights which translate to control. Subsequently and acting on the motions for reconsideration filed by various parties, the Supreme Court, sitting *en banc* issued on 9 October 2012 a Resolution (G.R. No. 176579) affirming their earlier ruling and denying such motions for reconsideration.

Pursuant to the above ruling of the Philippine Supreme Court, the SEC, on 20 May 2013, issued Memorandum Circular No. 8 or the *Guidelines on Compliance with the Filipino-Foreign Ownership Requirements Prescribed in the Constitution and/or Existing Laws by Corporations Engaged in Nationalized and Partly Nationalized Activities*. The Circular provides that for purposes of determining compliance therewith, the required percentage of Filipino ownership shall be applied to BOTH (a) the total number of outstanding shares of stock entitled to vote in the election of directors; AND (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors. While a petition for certiorari was filed in June 2013, questioning the constitutionality of the Rules on Foreign Ownership (Memorandum Circular No. 8, Series of 2013) promulgated by the SEC, the validity of said Circular was subsequently affirmed by the Philippine Supreme Court in the case of *Jose M. Roy III v. Chairperson Teresita Herbosa, et. al.* dated 18 April 2017 (G.R. No. 207246).

## **LAND RECLAMATION**

Land reclaimed from foreshore and reclaimed areas is public land owned by the Philippine State under the Regalian doctrine, under which the Philippine State owns all lands and waters in Philippine territory. The Government may allow land to become privately owned under relevant laws. The Constitution prohibits corporations from acquiring such public land unless such land is first reclassified as private. An additional rule applies to individual Philippine citizens; such individuals may also acquire public land classified as agricultural land and only up to 12.0 hectares of land classified as such. Commonwealth Act No. 141, or the Public Land Act, provides that before the Government alienates such public land, the President of the Philippines, upon the DENR's recommendation, must reclassify these lands as alienable or disposable. However, Supreme Court decisions, including those dealing with reclaimed foreshore land, have ruled that such reclassification to make public land alienable may also be implied and a clear intent exhibited by the Government may effect the necessary reclassification.

The Philippine Reclamation Authority (formerly the Public Estates Authority), has been delegated the authority to approve reclamation projects, and is authorized by its charter to develop, lease and sell any and all kinds of lands managed by it; the disposition of reclaimed lands is subject to the above constitutional restrictions.

## **PROPERTY TAXATION**

Real property taxes are payable annually based on the property's assessed value. The assessed value of property and improvements vary depending on the location, use and the nature of the property. Land is ordinarily assessed at 20% to 50% of its fair market value; buildings may be assessed at up to 80% of their fair market value; and machinery may be assessed at 40% to 80% of its fair market value. Real property taxes may not exceed 2% of the assessed value in municipalities and cities within Metro Manila or in other chartered cities and 1% in all other areas. An additional special education fund tax of 1% of the assessed value of the property is also levied annually.

## **PHILIPPINE COMPETITION ACT**

Republic Act No. 10667, or the Philippine Competition Act was signed into law on 21 July 2015 and took effect on 8 August 2015. This is the first antitrust statute in the Philippines and provides the competition framework in the Philippines. The Philippine Competition Act was enacted to provide free and fair competition in trade, industry and all commercial economic activities. To implement its objectives, the Philippine Competition Act provides for the creation of a Philippine Competition Commission (the "Commission"), an independent quasi-judicial agency with five commissioners. The Philippine Competition Act prohibits anti-competitive agreements between or among competitors, and mergers and acquisitions which have the object or effect of substantially preventing, restricting or lessening competition. It also prohibits practices which involve abuse of dominant position, such as selling goods or services below cost to drive out competition, imposing barriers to entry or prevent competitors from growing, and setting prices or terms that discriminate unreasonably between customers or sellers or the same goods, subject to exceptions.

On 3 June 2016 the Commission issued the implementing rules and regulations of the Philippine Competition Act ("IRR"). Under the IRR and pursuant to Commission Memorandum Circular No. 18-001 dated 1 March 2018 and Commission Advisory 2019-001, as a general rule, parties to a merger or acquisition are required to provide notification when: (a) The aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity of the acquiring or the acquired entities ("Size of Party") exceed ₱5.6 Billion; and (b) the value of the transaction, as determined in the IRR ("Size of Transaction"), exceeds ₱2.2 Billion; while parties to a joint venture transaction shall be subject to the notification requirement if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱2.2 Billion, or (b) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱2.2 Billion. The threshold amounts were last modified by the Commission on 1 March 2024 effective on the same date. Currently, parties to a merger or notification are required to provide notification when: (a) the Size of Party exceeds ₱7.8 billion; and (b) the Size of Transaction exceeds ₱3.2 billion. The adjusted threshold for Size of Transaction shall also apply to joint venture transactions.

Violations of the Philippine Competition Act and its IRR have severe consequences. Under the PCA and its IRR, a transaction that meets the thresholds and does not comply with the notification requirements and waiting periods shall be considered void and will subject the parties to an administrative fine of one percent (1%) to five percent (5%) of the value of the transaction. Fines of between ₱50 million and ₱250 million may also be imposed by the courts on entities that enter into these defined anti-competitive agreements between competitors that are either prohibited per se or that have the object of substantially preventing, restricting or lessening competition by setting, limiting or controlling production, markets, technical development or investment or by dividing or sharing the market. Directors and management personnel of such entities, who knowingly and willfully participate in such criminal offenses, may also be sentenced to imprisonment for two (2) to seven (7) years. Treble damages may be imposed by the Commission or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities.

On 19 January 2021, the Commission issued Memorandum Circular No. 21-001 adjusting the schedule of fines for violations of the 2017 Rules of Procedure and the Rules of Merger Procedure. Administrative fines may amount to up to ₱275 million. Commitment of acts such as, failure to comply with a ruling, order, or decision of the PCC or the disclosure, publication, transfer, copying or dissemination of Confidential Information (as defined in the 2017 Rules of Procedure of the Philippine Competition Commission) may amount to a fine of ₱55,000 up to ₱2.2 million.

## REVISED CORPORATION CODE

Republic Act No. 11232, also known as the Revised Corporation Code, was signed into law on 20 February 2019 and took effect on 23 February 2019. Among the salient features of the Revised Corporation Code are:

- Corporations are granted perpetual existence, unless the articles of incorporation provide otherwise. Perpetual existence shall also benefit corporations whose certificates of incorporation were issued before the effectivity of the Revised Corporation Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies the SEC that it elects to retain its specific corporate term under its current Articles of Incorporation.
- A corporation vested with public interest must submit to its shareholders and to the SEC an annual report of the total compensation of each of its directors or trustees, and a director or trustee appraisal or performance report and the standards or criteria used to assess each director, or trustee.
- Banks, quasi-banks, pawnshops, non-stock savings and loan associations (NSSLA), and corporations engaged in money service business, preneed trust and insurance companies, and other financial required, must have at least twenty percent (20%) independent directors in the Board, in accordance with the Securities and Regulation Code. This requirement also applies to other corporations engaged in businesses imbued with public interest, as may be determined by the SEC.
- The Revised Corporation Code allows the creation of a "One Person Corporation". However, it expressly prohibits banks and quasi-banks, preneed, trust, insurance, public and publicly-listed companies, among others, from being incorporated as such. This restriction also applies with respect incorporations as Close Corporation.
- Material contracts between the Corporation and its own directors, trustees, officers, or their spouses and relatives within the fourth civil degree of consanguinity or affinity must be approved by at least two-thirds (2/3) of the entire membership of the Board, with at least a majority of the independent directors voting to approve the same.
- The right of stockholders to vote in the election of directors or trustees, or in shareholders meetings, may now be done through remote communication or in absentia if authorized by the corporate by-laws. However, as to corporations vested with public interest, these votes are deemed available, even if not expressly stated in the corporate by-laws. The shareholders who participate through remote communication or in absentia are deemed present for purposes of quorum. When attendance, participation and voting are allowed by remote communication or in absentia, the notice of meetings to the stockholders must state the requirements and procedures to be followed when a stockholder or member elects either option.
- As to the filing of the by-laws and any amendments made to the by-laws of any bank, banking institution, building and loan association, trust company, insurance company, public utility, and other corporations governed by special laws, the Revised Corporation Code requires that a prior certificate of the appropriate government agency to the effect that such bylaws or amendments are in accordance with law, must be submitted.
- A favorable recommendation by the appropriate government agency is likewise required for banks or banking institutions, building and loan associations, trust companies, insurance companies, public utilities, and other corporations governed by special laws, before the SEC approves any merger or consolidation; or any voluntary dissolution.

- In case of transfer of shares of listed companies, the SEC may require that these corporations whose securities are traded in trading markets and which can reasonably demonstrate their capability to do so, to issue their securities or shares of stock in uncertificated or scripless form in accordance with the Rules of the SEC.

The Revised Corporation Code refers to the Philippine Competition Act in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock, incurring creating or increasing bonded indebtedness; or mergers or consolidations covered by the Philippine Competition Act thresholds.

## **DATA PRIVACY ACT OF 2012**

The Data Privacy Act of 2012 is a comprehensive and strict privacy legislation aimed to protect the fundamental human right to privacy of data subjects by: (a) protecting the privacy of individuals while ensuring free flow of information; (b) regulating the collection, recording, organization, storage, updating or modification, retrieval, consultation, use, consolidation, blocking, erasure or destruction of personal data; and (c) ensuring that the Philippines complies with international standards set for data protection through National Privacy Commission (NPC).

Intended to protect the privacy of individuals, it mandates companies to inform the individuals about how their personal information are collected and processed. It also ensures that all personal information must be (a) collected and processed with lawful basis, which includes consent, and only for reasons that are specified, legitimate, and reasonable; (b) handled properly, ensuring its accuracy and retention only for as long as reasonably needed; and (c) discarded properly to avoid access by unauthorized third parties.

Its Implementing Rules and Regulations took effect on September 9, 2016, mandating all Philippines companies to comply with the following: (a) appointment of a Data Protection Officer; (b) conduct of a privacy impact assessment; (c) adoption of a privacy management program and privacy policy; (d) implement privacy and data protection measures; and (e) establish a breach reporting procedure. In addition, companies with at least 250 employees, or whose processing includes sensitive personal information of at least 1,000 individuals, or whose processing will likely pose a risk to the rights and freedoms of data subjects, are required to register their data processing systems with the National Privacy Commission. The IRR, furthermore provides the only instances when data sharing is allowed, to wit: (a) data sharing is authorized by law, provided that there are adequate safeguards for data privacy and security, and processing adheres to principles of transparency, legitimate purpose and proportionality; (b) in the private sector, data sharing for commercial purposes is allowed upon (i) consent of data subject, and (ii) when covered by a data sharing agreement; (c) data collected from parties other than the data subject for purpose of research shall be allowed when the personal data is publicly available; and (d) data sharing among government agencies for purposes of public function or provision of a public service shall be covered by a data sharing agreement.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*Prospective investors should read the following discussion and analysis of the Issuer's consolidated financial position and financial performance together with (i) the report of the independent auditor and (ii) the audited consolidated financial statements as at 31 December 2021, 2022, and 2023 and for the years ended 31 December 2021, 2022, and 2023 and the notes thereto.*

### BASIS OF PREPARATION

The accompanying consolidated financial statements of the Issuer have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) and derivative financial instruments which have been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Company's functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest thousand peso, except when otherwise indicated.

The accompanying consolidated financial statements have been prepared under the going concern assumption.

#### Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with PFRS.

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Issuer has adopted the following new accounting pronouncements starting 1 January 2023:

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgment (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).
- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*, introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development, including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively. The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023. The Company is yet to apply the temporary exception because the Company's entities are operating in jurisdictions which Pillar Two legislation has not yet been enacted or substantially enacted.
- Amendments to PAS 8, *Definition of Accounting Estimates*, introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in

accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*, provide guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by (i) replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting principles; and (ii) adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to the Practice Statement provide non-mandatory guidance. The amendments have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company's financial statements.

Please refer to Note 3 of the Issuer's consolidated financial statements, included elsewhere in this Prospectus, for the effect of the adoption of the new and amended accounting standards.

## FINANCIAL PERFORMANCE

### Year ended 31 December 2023 vs. year ended 31 December 2022

<i>(in thousands)</i>	Years Ended 31 December			
	(Audited) 2023	2022	Increase (Decrease) in ₱	in %
<b>REVENUE</b>				
Rent	₱72,113,957	₱58,243,913	₱13,870,044	24%
Real estate sales	42,040,409	39,046,514	2,993,895	8%
Others	13,943,175	8,495,208	5,447,967	64%
	128,097,541	105,785,635	22,311,906	21%
<b>COSTS AND EXPENSES</b>	66,818,300	56,542,322	10,275,978	18%
<b>INCOME FROM OPERATIONS</b>	61,279,241	49,243,313	12,035,928	24%
<b>OTHER INCOME (CHARGES)</b>				
Interest expense	(13,963,271)	(11,465,787)	(2,497,484)	22%
Interest and dividend income	2,185,156	1,775,740	409,416	23%
Others - net	338,693	(839,262)	1,177,955	(140%)
	(11,439,422)	(10,529,309)	(910,113)	9%
<b>INCOME BEFORE INCOME TAX</b>	49,839,819	38,714,004	11,125,815	29%
<b>PROVISION FOR INCOME TAX</b>				
Current	8,211,259	6,783,913	1,427,346	21%
Deferred	764,715	1,186,962	(422,247)	(36%)
	8,975,974	7,970,875	1,005,099	13%
<b>NET INCOME</b>	₱40,863,845	₱30,743,129	₱10,120,716	33%

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**Attributable to**

Equity holders of the Parent	₱40,010,501	₱30,099,799	₱9,910,702	33%
Non-controlling interests	853,344	643,330	210,014	33%
	<u>₱40,863,845</u>	<u>₱30,743,129</u>	<u>₱10,120,716</u>	<u>33%</u>

**Revenue**

SM Prime recorded consolidated revenues of ₱128.10 billion in 2023, an increase of 21% compared to ₱105.79 billion in the same period of 2022, primarily due to the following:

*Rent*

SM Prime recorded consolidated revenues from rent of ₱72.11 billion in 2023, a 24% increase from ₱58.24 billion in the same period of 2022. 85% is contributed by the malls while 15% is from offices and hotels and convention centers.

*Real Estate Sales*

SM Prime recorded real estate sales of ₱42.04 billion in 2023 compared to ₱39.05 billion in the same period of 2022 primarily due to higher sales take-up and construction accomplishments of various projects including Gold Residences, Mint Residences, Sands Residences, Shore Residences, Cheerful Residences and South Residences. Reservation sales is at ₱102 billion in 2023.

*Other Revenues*

SM Prime's other revenues increased to ₱13.94 billion in 2023 from ₱8.50 billion in the same period in 2022 as the cinema, leisure and entertainment businesses reopen its doors to patrons. Other revenues include cinema ticket sales, sponsorships and advertising revenues, bowling operations and sale of food and beverages in hotels. Cinemas improved due to high ticket sales from movies shown during the year, including *Insidious: The Red Door*, *The Little Mermaid*, *John Wick: Chapter 4*, *Avatar: The Way of Water*, and *Barbie*. Leisure and entertainment business benefited from the new normal condition.

**Costs and Expenses**

SM Prime recorded consolidated costs and expenses of ₱66.82 billion in 2023, an increase of 18% from ₱56.54 billion in the same period in 2022, mainly from operating expenses which include depreciation and amortization, taxes and licenses, marketing and selling expenses, utilities and manpower costs. Gross profit margin on real estate sales (computed as the ratio of cost of real estate sold over real estate sales) is 60% in 2023 as a result of improving cost efficiencies and tighter monitoring and control of construction cost.

**Other Income (Charges)***Interest Expense*

SM Prime's consolidated interest expense increased to ₱13.96 billion in 2023 compared to ₱11.47 billion in the same period in 2022 mainly due to the issuance of retail bonds in 2023 and 2022 and new bank loans availed for working capital and capital expenditure requirements, net of the capitalized interest on proceeds spent for construction and development of investment properties.

### *Interest, Dividend and Others - net*

Interest, dividend and others - net increased to ₱2.52 billion in 2023 compared to ₱0.94 billion in the same period in 2022. This mainly consists of interest income from cash and cash equivalents, dividend income from equity instruments, equity in net earnings from associates and joint ventures and foreign exchange gains and losses.

### Provision for income tax

SM Prime's consolidated provision for income tax increased to ₱8.98 billion in 2023 compared to ₱7.97 billion in the same period in 2022.

### Net income attributable to non-controlling interests

SM Prime's consolidated net income attributable non-controlling interest increased to ₱0.85 billion in 2023 as compared to ₱0.64 billion in the same period in 2022.

### Net income attributable to Parent

SM Prime's consolidated net income attributable to Parent increased by 33% to ₱40.01 billion in 2023 compared to ₱30.10 billion in the same period in 2022.

## **Year ended 31 December 2022 vs. year ended 31 December 2021**

<i>(in thousands)</i>	<b>Years Ended 31 December</b>			
	(Audited) 2022	2021	Increase (Decrease) in ₱	in %
<b>REVENUE</b>				
Rent	₱58,243,913	₱34,694,185	₱23,549,728	68%
Real estate sales	39,046,514	45,116,120	(6,069,606)	(13%)
Others	8,495,208	2,505,179	5,990,029	239%
	105,785,635	82,315,484	23,470,151	29%
<b>COSTS AND EXPENSES</b>	56,542,322	49,900,933	6,641,389	13%
<b>INCOME FROM OPERATIONS</b>	49,243,313	32,414,551	16,828,762	52%
<b>OTHER INCOME (CHARGES)</b>				
Interest expense	(11,465,787)	(9,357,616)	(2,108,171)	23%
Interest and dividend income	1,775,740	1,025,066	750,674	73%
Others - net	(839,262)	3,651,524	(4,490,786)	(123%)
	(10,529,309)	(4,681,026)	(5,848,283)	125%
<b>INCOME BEFORE INCOME TAX</b>	38,714,004	27,733,525	10,980,479	40%
<b>PROVISION FOR INCOME TAX</b>				
Current	6,783,913	2,816,720	3,967,193	141%
Deferred	1,186,962	3,005,402	(1,818,440)	(61%)
	7,970,875	5,822,122	2,148,753	37%
<b>NET INCOME</b>	₱30,743,129	₱21,911,403	₱8,831,726	40%

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**Attributable to**

Equity holders of the Parent	₱30,099,799	₱21,786,516	₱8,313,283	38%
Non-controlling interests	643,330	124,887	518,443	415%
	₱30,743,129	₱21,911,403	₱8,831,726	40%

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### Revenues

SM Prime recorded consolidated revenues of ₱105.79 billion in 2022, an increase of 29% compared to ₱82.32 billion in the same period of 2021, primarily due to the following:

#### *Rent*

SM Prime recorded consolidated revenues from rent of ₱58.24 billion in 2022, a 68% increase from ₱34.69 billion in the same period of 2021. Malls operated on a new normal with the easing of mobility restrictions, and 85% of the total rental revenues is contributed by the malls while 15% is from offices, hotels and convention centers.

#### *Real Estate Sales*

SM Prime recorded real estate sales of ₱39.05 billion in 2022, a decrease of 13% from ₱45.12 billion in 2021 as a result of the spillover effect of the lapse of Bayanihan Act, which gave a reprieve to unit buyers during the height of the pandemic. Reservation sales in 2022 increased by 3% to ₱102.00 billion from ₱98.89 billion in the same period last year.

#### *Other Revenues*

SM Prime's other revenues increased to ₱8.50 billion in 2022 from ₱2.51 billion in the same period in 2021 as the cinema, leisure and entertainment businesses reopened its doors to patrons. Cinemas improved due to high ticket sales from blockbuster movies shown during the year, including Doctor Strange in the Multiverse of Madness, Avatar: The Way of Water and Black Panther: Wakanda Forever. Leisure and entertainment businesses benefited from the new normal condition. Other revenues also include cinema and event ticket sales, sponsorships and advertising revenues, bowling operations and sale of food and beverages in hotels.

### Costs and Expenses

SM Prime recorded consolidated costs and expenses of ₱56.54 billion in 2022, an increase of 13% from ₱49.90 billion in the same period in 2021, as a result of the following:

#### *Costs of Real Estate*

Consolidated costs of real estate decreased by 10% to ₱16.90 billion in 2022 from ₱18.69 billion in the same period in 2021. Gross profit margin on real estate sales (computed as the ratio of cost of real estate sold over real estate sales) is 57% in 2022 from 59% in 2021.

#### *Operating Expenses*

SM Prime's consolidated operating expenses increased by 27% to ₱39.64 billion in 2022 compared to last year's ₱31.21 billion. Out of the total operating expenses, 68% is contributed by the malls. Operating expenses include depreciation and amortization, taxes and licenses, marketing and selling expenses, utilities and manpower costs.

## Other Income (Charges)

### *Interest Expense*

SM Prime's consolidated interest expense increased by 23% to ₱11.47 billion in 2022 compared to ₱9.36 billion in the same period in 2021 mainly due to the issuance of fixed rate bonds in 2021 and 2022, and new bank loans availed for working capital and capital expenditure requirements, net of the capitalized interest on proceeds spent for construction and development of investment properties.

### *Interest, Dividend and Others - net*

Interest, dividend and others - net decreased to ₱0.94 billion in 2022 from last year's ₱4.68 billion. This mainly consists of interest income from cash and cash equivalents, dividend income from equity instruments, equity in net earnings from associates and joint ventures and foreign exchange gains and losses.

### Provision for income tax - net

SM Prime's consolidated provision for income tax - net increased to ₱7.97 billion in 2022 compared to ₱5.82 billion in the same period in 2021.

### Net income attributable to Parent

SM Prime's consolidated net income attributable to Parent increased by 38% to ₱30.10 billion in 2022 as compared to ₱21.79 billion in the same period in 2021.

## **Year ended 31 December 2021 vs. year ended 31 December 2020**

	<b>Years Ended 31 December</b>			
	(Audited) 2021	2020	Increase (Decrease) In ₱	in %
<i>(in thousands)</i>				
<b>REVENUE</b>				
Real estate sales	₱45,116,120	₱46,973,399	(₱1,857,279)	(4%)
Rent	34,694,185	32,013,024	2,681,161	8%
Others	2,505,179	2,912,875	(407,696)	(14%)
	82,315,484	81,899,298	416,186	1%
<b>COSTS AND EXPENSES</b>	49,900,933	52,825,112	(2,924,179)	(6%)
<b>INCOME FROM OPERATIONS</b>	32,414,551	29,074,186	3,340,365	11%
<b>OTHER INCOME (CHARGES)</b>				
Interest expense	(9,357,616)	(8,596,750)	(760,866)	9%
Interest and dividend income	1,025,066	1,207,227	(182,161)	(15%)
Others - net	3,651,524	779,078	2,872,446	369%
	(4,681,026)	(6,610,445)	1,929,419	(29%)
<b>INCOME BEFORE INCOME TAX</b>	27,733,525	22,463,741	5,269,784	23%
<b>PROVISION FOR INCOME TAX</b>				
Current	2,816,720	1,761,051	1,055,669	60%

Deferred	3,005,402	2,562,953	442,449	17%
	5,822,122	4,324,004	1,498,118	35%
<b>NET INCOME</b>	<b>₱21,911,403</b>	<b>₱18,139,737</b>	<b>₱3,771,666</b>	<b>21%</b>
<b>Attributable to</b>				
Equity holders of the Parent	₱21,786,516	₱18,006,512	₱3,780,004	21%
Non-controlling interests	124,887	133,225	(8,338)	(6%)
	<b>₱21,911,403</b>	<b>₱18,139,737</b>	<b>₱3,771,666</b>	<b>21%</b>

## Revenues

SM Prime recorded consolidated revenues of ₱82.32 billion in 2021, an increase of 1% compared to ₱81.90 billion in the same period of 2020, primarily due to the following:  
Rent

SM Prime recorded consolidated revenues from rent of ₱34.69 billion in 2021, an 8% increase from ₱32.01 billion in the same period of 2020. Out of the total rental revenues, 83% is contributed by the malls and the rest from offices and hotels and convention centers. Rent revenues of ₱10.91 billion in the last quarter of 2021 increased by 46% from the ₱7.48 billion in the same period in 2020 as the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF) and local government unit (LGU) eased enhanced community quarantine (ECQ) restrictions during the fourth quarter of 2021, relaxing age mobility restrictions and allowing more tenants to operate.

### *Real Estate Sales*

SM Prime recorded real estate sales of ₱45.12 billion in 2021, slightly lower from ₱46.97 billion in 2020. Reservation sales in 2021 is flat at ₱98.9 billion. Revenues are recognized in the books based on percentage of completion.

### *Other Revenues*

SM Prime's other revenues improved to ₱0.95 billion in the last quarter of 2021 compared to ₱0.63 billion in the same period in 2020. However, it decreased by 14% to ₱2.51 billion in 2021 from ₱2.91 billion in the same period in 2020 as pandemic condition started in March 2020. Other revenues in 2021 include cinema and event ticket sales, sponsorships and advertising revenues, bowling operations and sale of food and beverages in hotels.

## Costs and Expenses

SM Prime recorded consolidated costs and expenses of ₱49.90 billion in 2021, a decrease of 6% from ₱52.83 billion in the same period in 2020, as a result of the following:

### *Costs of Real Estate*

Consolidated costs of real estate decreased by 9% to ₱18.69 billion in 2021 from ₱20.58 billion in the same period in 2020 due to decrease in real estate sales, net of savings as a result of improving cost efficiencies. Gross profit margin on real estate sales (computed as the ratio of cost of real estate sold over real estate sales) improved to 59% in 2021 from 56% in 2020.

### *Operating Expenses*

SM Prime's consolidated operating expenses decreased by 3% to ₱31.21 billion in 2021 compared to last year's ₱32.25 billion. Out of the total operating expenses, 64% is contributed by the malls. Operating expenses include depreciation and amortization, taxes and licenses, marketing and selling expenses, utilities and manpower costs.

### Other Income (Charges)

#### *Interest Expense*

SM Prime's consolidated interest expense increased by 9% to ₱9.36 billion in 2021 compared to ₱8.60 billion in the same period in 2020 mainly due to ₱20.00 billion fixed rate bonds issued in 2021 and new bank loans availed for working capital and capital expenditure requirements, net of the capitalized interest on proceeds spent for construction and development of investment properties.

#### *Interest, Dividend and Others - net*

Interest, dividend and others - net increased to ₱4.68 billion in 2021 from last year's ₱1.99 billion. This mainly consists of interest income from cash and cash equivalents, dividend income from equity instruments, equity in net earnings from associates and joint ventures and foreign exchange gains and losses.

### Provision for income tax - net

SM Prime's consolidated provision for income tax - net increased to ₱5.82 billion in 2021 compared to ₱4.32 billion in the same period in 2020. The Issuer recognized one-time impact of CREATE to provision for income tax amounting to ₱0.29 billion.

### Net income attributable to Parent

SM Prime's consolidated net income attributable to Parent increased by 21% to ₱21.79 billion in 2021 as compared to ₱18.01 billion in the same period in 2020.

## **FINANCIAL CONDITION**

### **31 December 2023 vs. 31 December 2022**

<i>(in thousands)</i>	<i>(Audited)</i>		<i>Increase (Decrease)</i>	
	<i>2023</i>	<i>2022</i>	<i>in ₱</i>	<i>in %</i>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	₱31,816,802	₱42,060,082	(₱10,243,280)	(24%)
Receivables and contract assets	76,952,202	82,560,354	(5,608,152)	(7%)
Real estate inventories	77,886,781	70,500,025	7,386,756	10%
Equity instruments at fair value through other comprehensive income (FVOCI)	747,840	534,865	212,975	40%
Derivative assets	2,247,073	585,576	1,661,497	284%
Prepaid expenses and other current assets	27,804,930	25,767,334	2,037,596	8%
<b>Total Current Assets</b>	<b>217,455,628</b>	<b>222,008,236</b>	<b>(4,552,608)</b>	<b>(2%)</b>

<b>Noncurrent Assets</b>				
Equity instruments at FVOCI - net of current portion	19,570,212	17,077,198	2,493,014	15%
Investment properties	545,074,746	489,266,042	55,808,704	11%
Investments in associates and joint ventures	32,431,195	30,578,320	1,852,875	6%
Property and equipment	1,554,990	1,399,840	155,150	11%
Deferred tax assets - net	1,492,359	931,366	560,993	60%
Derivative assets - net of current portion	3,276,971	6,752,744	(3,475,773)	(51%)
Other noncurrent assets	122,471,474	106,200,906	16,270,568	15%
<b>Total Noncurrent Assets</b>	<b>725,871,947</b>	<b>652,206,416</b>	<b>73,665,531</b>	<b>11%</b>
	<b>₱943,327,575</b>	<b>₱874,214,652</b>	<b>₱69,112,923</b>	<b>8%</b>

## **LIABILITIES AND EQUITY**

### **Current Liabilities**

Loans payable	₱4,288,964	₱5,422,524	(₱1,133,560)	(21%)
Accounts payable and other current liabilities	99,077,428	88,122,597	10,954,831	12%
Current portion of long-term debt	67,746,351	50,839,776	16,906,575	33%
Derivative liabilities	7,423	19,496	(12,073)	(62%)
Income tax payable	1,295,842	765,909	529,933	69%
<b>Total Current Liabilities</b>	<b>172,416,008</b>	<b>145,170,302</b>	<b>27,245,706</b>	<b>19%</b>

### **Noncurrent Liabilities**

Long-term debt – net of current portion	294,622,256	296,134,836	(1,512,580)	(1%)
Tenants' and customers' deposits – net of current portion	25,301,504	23,799,162	1,502,342	6%
Liability for purchased land – net of current portion	539,959	1,129,719	(589,760)	(52%)
Deferred tax liabilities – net	12,458,096	11,140,040	1,318,056	12%
Derivative liabilities – net of current portion	265,013	294,403	(29,390)	(10%)
Other noncurrent liabilities	38,837,703	31,394,584	7,443,119	24%
<b>Total Noncurrent Liabilities</b>	<b>372,024,531</b>	<b>363,892,744</b>	<b>8,131,787</b>	<b>2%</b>
<b>Total Liabilities</b>	<b>544,440,539</b>	<b>509,063,046</b>	<b>35,377,493</b>	<b>7%</b>

### **Equity Attributable to Equity Holders of the Parent**

Capital stock	33,166,300	33,166,300	–	0%
Additional paid-in capital – net	38,159,900	38,124,193	35,707	0%
Cumulative translation adjustment	2,556,139	3,435,171	(879,032)	(26%)
Net fair value changes of equity instruments at FVOCI	16,938,503	14,232,514	2,705,989	19%
Net fair value changes on cash flow hedges	1,079,094	2,984,605	(1,905,511)	(64%)
Remeasurement loss on defined benefit obligation	(1,062,437)	(928,882)	(133,555)	14%
Retained earnings:				
Appropriated	42,200,000	42,200,000	–	0%
Unappropriated	266,143,815	232,972,284	33,171,531	14%
Treasury stock	(2,984,695)	(2,984,695)	–	0%
<b>Total Equity Attributable to Equity Holders of the Parent</b>	<b>396,196,619</b>	<b>363,201,490</b>	<b>32,995,129</b>	<b>9%</b>
<b>Non-controlling Interests</b>	<b>2,690,417</b>	<b>1,950,116</b>	<b>740,301</b>	<b>38%</b>
<b>Total Equity</b>	<b>398,887,036</b>	<b>365,151,606</b>	<b>33,735,430</b>	<b>9%</b>
	<b>₱943,327,575</b>	<b>₱874,214,652</b>	<b>₱69,112,923</b>	<b>8%</b>

SM Prime's total assets amounted to ₱943.33 billion and ₱874.21 billion as of 31 December 2023 and 31 December 2022, respectively.

Cash and cash equivalents decreased to ₱31.82 billion from ₱42.06 billion as of 31 December 2023 and 31 December 2022, respectively, mainly due to various capital expenditures and payments of maturing debts, net of collections from operations.

Receivables and contract assets decreased by 7% to ₱76.95 billion from ₱82.56 billion as of 31 December 2023 and 31 December 2022, respectively, mainly due to collections made for the period.

Real estate inventories increased by 10% to ₱77.89 billion from ₱70.50 billion as of 31 December 2023 and 31 December 2022, respectively, due to construction accomplishments for the period, net of cost of sold units.

Equity instruments at fair value through other comprehensive income (FVOCI) increased by 15% to ₱20.32 billion from ₱17.61 billion as of 31 December 2023 and 31 December 2022, respectively, with equivalent increase of 19% in net fair value changes of equity instruments at FVOCI to ₱16.94 billion from ₱14.23 billion as of 31 December 2023 and 31 December 2022, respectively, due to changes in fair values under this portfolio.

Derivative assets - net decreased to ₱5.25 billion from ₱7.02 billion as of 31 December 2023 and 31 December 2022, respectively, mainly due to foreign exchange and net fair value changes on swap transactions and maturities during the period. Net fair value changes on cash flow hedges decreased to ₱1.08 billion from ₱2.98 billion unrealized gain as of 31 December 2023 and 31 December 2022, respectively.

Prepaid expenses and other current assets increased by 8% to ₱27.80 billion from ₱25.77 billion as of 31 December 2023 and 31 December 2022, respectively, due to increase in prepaid taxes and input and creditable withholding taxes.

Investment properties increased by 11% to ₱545.07 billion from ₱489.27 billion as of 31 December 2023 and 31 December 2022, respectively, primarily due to landbanking, ongoing new mall projects, redevelopment of existing malls, and construction of commercial projects, net of depreciation expense for the period.

Investments in associates and joint ventures increased by 6% to ₱32.43 billion from ₱30.58 billion as of 31 December 2023 and 31 December 2022, respectively, due to equity in net earnings of associates and joint ventures.

Property and equipment increased by 11% to ₱1.55 billion from ₱1.40 billion as of 31 December 2023 and 31 December 2022, respectively, primarily due to additions, net of depreciation during the period.

Deferred tax asset - net increased to ₱1.49 billion from ₱0.93 billion as of 31 December 2023 and 31 December 2022, respectively. Deferred tax liabilities - net increased to ₱12.46 billion from ₱11.14 billion as of 31 December 2023 and 31 December 2022, respectively, mainly due to unrealized gross profit on sale of real estate for income tax purposes.

Other noncurrent assets, which includes noncurrent portion of receivables from sale of real estate and bonds and deposits for real estate acquisitions, increased by 15% to ₱122.47 billion from ₱106.20 billion as of 31 December 2023 and 31 December 2022, respectively.

Loans payable decreased to ₱4.29 billion from ₱5.42 billion as of 31 December 2023 and 31 December 2022, respectively, due to payments, net of loan availments for the period.

Accounts payable and other current liabilities increased by 12% to ₱99.08 billion from ₱88.12 billion as of 31 December 2023 and 31 December 2022, respectively, mainly due to payables to contractors and suppliers related to ongoing projects, current portion of liability for purchased land and customers' deposits.

Income tax payable increased to ₱1.30 billion from ₱0.77 billion as of 31 December 2023 and 31 December 2022, respectively, mainly due to provisions, net of payments for the year.

Long-term debt increased by 4% to ₱362.37 billion from ₱346.97 billion as of 31 December 2023 and 31 December 2022, respectively, mainly due to issuance of retail bonds and new debt availments, net of payments of maturities during the period.

Tenants' and customers' deposits increased by 6% to ₱25.30 billion from ₱23.80 billion as of 31 December 2023 and 31 December 2022, respectively, mainly due to the new malls and office building tenants.

Liability for purchased land - net of current portion decreased to ₱0.54 billion from ₱1.13 billion as of 31 December 2023 and 31 December 2022, respectively, due to payments, net of additions for the year.

Other noncurrent liabilities increased to ₱38.84 billion from ₱31.39 billion as of 31 December 2023 and 31 December 2022, respectively, due to increase in deferred output VAT related to sale of residential projects and retention payable.

Cumulative translation adjustment decreased to ₱2.56 billion from ₱3.44 billion as of 31 December 2023 and 31 December 2022, respectively, as a result of foreign exchange movement between years.

Non-controlling interests increased by 38% to ₱2.69 billion from ₱1.95 billion as of 31 December 2023 and 31 December 2022, respectively, due to increase in net income for the period.

The Company has no known direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation. There were no contingent liabilities or assets in the Company's balance sheet. The Company has no off-balance sheet transactions, arrangements, obligations during the reporting year as of balance sheet date.

As at 31 December 2023 and 31 December 2022, the amount of retained earnings appropriated for the continuous corporate and mall expansions amounted to ₱42.20 billion. This represents a continuing appropriation for land banking activities and planned construction projects. The appropriation is being fully utilized to cover part of the annual capital expenditure requirement of the Company.

For the year 2024, the Company is looking at 100,000 million for its capital expenditure program. This will be funded with internally generated funds and external borrowings.

### 31 December 2022 vs. 31 December 2021

<i>(in thousands)</i>	(Audited)		Increase (Decrease)	
	2022	2021	in ₱	in %
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	₱42,060,082	₱39,775,852	₱2,284,230	6%

Receivables and contract assets	82,560,354	73,019,966	9,540,388	13%
Real estate inventories	70,500,025	56,575,047	13,924,978	25%
Equity instruments at fair value through other comprehensive income (FVOCI)	534,865	547,041	(12,176)	(2%)
Derivative assets	585,576	753,506	(167,930)	(22%)
Prepaid expenses and other current assets	25,767,334	24,993,357	773,977	3%
<b>Total Current Assets</b>	<b>222,008,236</b>	<b>195,664,769</b>	<b>26,343,467</b>	<b>13%</b>

### Noncurrent Assets

Equity instruments at FVOCI - net of current portion	17,077,198	17,400,372	(323,174)	(2%)
Investment properties	489,266,042	467,391,988	21,874,054	5%
Investments in associates and joint ventures	30,578,320	29,187,435	1,390,885	5%
Property and equipment	1,399,840	1,372,276	27,564	2%
Deferred tax assets - net	931,366	734,975	196,391	27%
Derivative assets - net of current portion	6,752,744	1,043,670	5,709,074	547%
Other noncurrent assets	106,200,906	91,607,795	14,593,111	16%
<b>Total Noncurrent Assets</b>	<b>652,206,416</b>	<b>608,738,511</b>	<b>43,467,905</b>	<b>7%</b>
	<b>₱874,214,652</b>	<b>₱804,403,280</b>	<b>₱69,811,372</b>	<b>9%</b>

## LIABILITIES AND EQUITY

### Current Liabilities

Loans payable	₱5,422,524	₱6,487,427	(₱1,064,903)	(16%)
Accounts payable and other current liabilities	88,122,597	91,377,717	(3,255,120)	(4%)
Current portion of long-term debt	50,839,776	42,261,601	8,578,175	20%
Derivative liabilities	19,496	335,367	(315,871)	(94%)
Income tax payable	765,909	563,387	202,522	36%
<b>Total Current Liabilities</b>	<b>145,170,302</b>	<b>141,025,499</b>	<b>4,144,803</b>	<b>3%</b>

### Noncurrent Liabilities

Long-term debt – net of current portion	296,134,836	264,969,216	31,165,620	12%
Tenants' and customers' deposits – net of current portion	23,799,162	21,458,281	2,340,881	11%
Liability for purchased land – net of current portion	1,129,719	2,540,050	(1,410,331)	(56%)
Deferred tax liabilities – net	11,140,040	9,688,555	1,451,485	15%
Derivative liabilities – net of current portion	294,403	1,748,186	(1,453,783)	(83%)
Other noncurrent liabilities	31,394,584	28,612,720	2,781,864	10%
<b>Total Noncurrent Liabilities</b>	<b>363,892,744</b>	<b>329,017,008</b>	<b>34,875,736</b>	<b>11%</b>
<b>Total Liabilities</b>	<b>509,063,046</b>	<b>470,042,507</b>	<b>39,020,539</b>	<b>8%</b>

### Equity Attributable to Equity Holders of the Parent

Capital stock	33,166,300	33,166,300	–	0%
Additional paid-in capital – net	38,124,193	38,056,016	68,177	0%
Cumulative translation adjustment	3,435,171	3,083,184	351,987	11%
Net fair value changes of equity instruments at FVOCI	14,232,514	14,708,368	(475,854)	(3%)
Net fair value changes on cash flow hedges	2,984,605	(432,883)	3,417,488	789%
Remeasurement loss on defined benefit obligation	(928,882)	(548,643)	(380,239)	69%
Retained earnings:				
Appropriated	42,200,000	42,200,000	–	0%

Unappropriated	232,972,284	205,671,557	27,300,727	13%
Treasury stock	(2,984,695)	(2,984,695)	–	0%
Total Equity Attributable to Equity Holders of the Parent	363,201,490	332,919,204	30,282,286	9%
<b>Non-controlling Interests</b>	1,950,116	1,441,569	508,547	35%
Total Equity	365,151,606	334,360,773	30,790,833	9%
	<b>₱874,214,652</b>	<b>₱804,403,280</b>	<b>₱69,811,372</b>	<b>9%</b>

SM Prime's total assets amounted to ₱874.21 billion and ₱804.40 billion as of 31 December 2022 and 31 December 2021, respectively.

Cash and cash equivalents increased by 6% to ₱42.06 billion from ₱39.78 billion as of 31 December, 2022 and 31 December 2021, respectively, mainly due to improved collections, proceeds from the issuance of bonds and availment of new loans, net of payments for capital expenditure projects during the period and debt servicing.

Receivables and contract assets increased by 13% to ₱82.56 billion from ₱73.02 billion as of 31 December 2022 and 31 December 2021, respectively, due to increase in rental receivables from new malls and expansions and increase in sale of residential units.

Real estate inventories increased by 25% to ₱70.50 billion from ₱56.58 billion as of 31 December 2022 and 31 December 2021, respectively, due to construction accomplishments for the period, net of cost of sold units.

Derivatives improved to ₱7.02 billion net asset from ₱0.29 billion net liability as of 31 December 2022 and 31 December 2021, respectively, mainly due to foreign exchange and net fair value changes on swap transactions during the period. This also resulted to the increase in net fair value changes on cash flow hedges to ₱2.98 billion unrealized gain from ₱0.43 billion unrealized loss as of 31 December 2022 and 31 December 2021, respectively.

Investment properties increased by 5% to ₱489.27 billion from ₱467.39 billion as of 31 December 2022 and 31 December 2021, respectively, primarily due to landbanking, ongoing new mall projects, redevelopment of SM Mall of Asia and other existing malls, and construction of commercial buildings, net of depreciation expense for the period.

Investments in associates and joint ventures increased by 5% to ₱30.58 billion from ₱29.19 billion as of 31 December 2022 and 31 December 2021, respectively, due to equity in net earnings of associates and joint ventures.

Other noncurrent assets, which include bonds and deposits for real estate acquisitions and noncurrent portion of receivables from sale of real estate, increased by 16% to ₱106.20 billion from ₱91.61 billion as of 31 December 2022 and 31 December 2021, respectively.

Loans payable decreased by 16% to ₱5.42 billion from ₱6.49 billion as of 31 December 2022 and 31 December 2021, respectively, due to payments, net of availment for the period.

Income tax payable increased by 36% to ₱0.77 billion from ₱0.56 billion as of 31 December 2022 and 31 December 2021, respectively, mainly due to provisions for the year, net of payments.

Long-term debt increased by 13% to ₱346.97 billion from ₱307.23 billion as of 31 December 2022 and 31 December 2021, respectively, mainly due to the issuance of fixed rate bonds and new loan availments, net of payments of maturing loans during the period.

Tenants' and customers' deposits increased by 11% to ₱23.80 billion from ₱21.46 billion as of 31 December 2022 and 31 December 2021, respectively, mainly due to the new malls and office building tenants.

Liability for purchased land decreased to ₱1.13 billion from ₱2.54 billion as of 31 December 2022 and 31 December 2021, respectively, due to payments made during the period.

Deferred tax liabilities - net increased by 15% to ₱11.14 billion from ₱9.69 billion as of 31 December 2022 and 31 December 2021, respectively, mainly due to unrealized gross profit on sale of real estate for income tax purposes. Deferred tax assets - net increased by 27% to ₱0.93 billion from ₱0.73 billion as of 31 December 2022 and 31 December 2021 mainly due to actuarial loss for the year.

Other noncurrent liabilities increased by 10% to ₱31.39 billion from ₱28.61 billion as of 31 December 2022 and 31 December 2021, respectively, due to increase in noncurrent portion of lease liabilities and deferred output VAT related to sale of residential projects.

Cumulative translation adjustment increased by 11% to ₱3.44 billion from ₱3.08 billion as of 31 December 2022 and 31 December 2021, respectively, as a result of foreign exchange. While remeasurement loss on defined benefit obligation increased by 69% to ₱0.93 billion from ₱0.55 billion as of 31 December 2022 and 31 December 2021, respectively, due to actuarial loss for the year.

As at 31 December 2022 and 31 December 2021, the amount of retained earnings appropriated for the continuous corporate and mall expansions amounted to ₱42.20 billion. This represents a continuing appropriation for land banking activities and planned construction projects. The appropriation is being fully utilized to cover part of the annual capital expenditure requirement of the Issuer.

### 31 December 2021 vs. 31 December 2020

<i>(in thousands)</i>	(Audited)		Increase (Decrease)	
	2021	2020	in ₱	in %
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	₱39,775,852	₱30,661,614	₱9,114,238	30%
Receivables and contract assets	73,019,966	58,944,930	14,075,036	24%
Real estate inventories	56,575,047	43,691,877	12,883,170	29%
Equity instruments at fair value through other comprehensive income (FVOCI)	547,041	568,146	(21,105)	(4%)
Derivative assets	753,506	2,747	750,759	27,327%
Prepaid expenses and other current assets	24,993,357	23,205,662	1,787,695	8%
<b>Total Current Assets</b>	<b>195,664,769</b>	<b>157,074,976</b>	<b>38,589,793</b>	<b>25%</b>
<b>Noncurrent Assets</b>				
Equity instruments at FVOCI - net of current portion	17,400,372	16,131,568	1,268,804	8%
Investment properties	467,391,988	436,159,081	31,232,907	7%
Investments in associates and joint ventures	29,187,435	27,735,239	1,452,196	5%
Property and equipment	1,372,276	1,311,208	61,068	5%
Deferred tax assets - net	734,975	831,546	(96,571)	(12%)
Derivative assets - net of current portion	1,043,670	-	1,043,670	100%
Other noncurrent assets	91,607,795	83,115,307	8,492,488	10%
<b>Total Noncurrent Assets</b>	<b>608,738,511</b>	<b>565,283,949</b>	<b>43,454,562</b>	<b>8%</b>
	<b>₱804,403,280</b>	<b>₱722,358,925</b>	<b>₱82,044,355</b>	<b>11%</b>

## LIABILITIES AND EQUITY

### Current Liabilities

Loans payable	₱6,487,427	₱10,900,000	(₱4,412,573)	(40%)
Accounts payable and other current liabilities	91,377,717	81,033,985	10,343,732	13%
Current portion of long-term debt	42,261,601	42,738,350	(476,749)	(1%)
Derivative liabilities	335,367	357,662	(22,295)	(6%)
Income tax payable	563,387	957,906	(394,519)	(41%)
<b>Total Current Liabilities</b>	<b>141,025,499</b>	<b>135,987,903</b>	<b>5,037,596</b>	<b>4%</b>

### Noncurrent Liabilities

Long-term debt – net of current portion	264,969,216	218,830,647	46,138,569	21%
Tenants' and customers' deposits – net of current portion	21,458,281	21,331,869	126,412	1%
Liability for purchased land – net of current portion	2,540,050	1,251,227	1,288,823	103%
Deferred tax liabilities – net	9,688,555	6,786,018	2,902,537	43%
Derivative liabilities – net of current portion	1,748,186	2,445,735	(697,549)	(29%)
Other noncurrent liabilities	28,612,720	25,007,898	3,604,822	14%
<b>Total Noncurrent Liabilities</b>	<b>329,017,008</b>	<b>275,653,394</b>	<b>53,363,614</b>	<b>19%</b>
<b>Total Liabilities</b>	<b>470,042,507</b>	<b>411,641,297</b>	<b>58,401,210</b>	<b>14%</b>

### Equity Attributable to Equity Holders of the Parent

Capital stock	33,166,300	33,166,300	–	0%
Additional paid-in capital – net	38,056,016	38,022,913	33,103	0%
Cumulative translation adjustment	3,083,184	1,524,439	1,558,745	102%
Net fair value changes of equity instruments at FVOCI	14,708,368	13,460,669	1,247,699	9%
Net fair value changes on cash flow hedges	(432,883)	(1,769,030)	1,336,147	(76%)
Remeasurement loss on defined benefit obligation	(548,643)	(587,796)	39,153	(7%)
Retained earnings:				
Appropriated	42,200,000	42,200,000	–	0%
Unappropriated	205,671,557	186,251,267	19,420,290	10%
Treasury stock	(2,984,695)	(2,984,695)	–	0%

<b>Total Equity Attributable to Equity Holders of the Parent</b>	<b>332,919,204</b>	<b>309,284,067</b>	<b>23,635,137</b>	<b>8%</b>
<b>Non-controlling Interests</b>	<b>1,441,569</b>	<b>1,433,561</b>	<b>8,008</b>	<b>1%</b>
<b>Total Equity</b>	<b>334,360,773</b>	<b>310,717,628</b>	<b>23,643,145</b>	<b>8%</b>
	<b>₱804,403,280</b>	<b>₱722,358,925</b>	<b>₱82,044,355</b>	<b>11%</b>

SM Prime's total assets amounted to ₱804.40 billion and ₱722.36 billion as of 31 December 2021 and 31 December 2020, respectively.

Cash and cash equivalents increased by 30% from ₱30.66 billion to ₱39.78 billion as of 31 December 2020 and 31 December 2021, respectively, mainly due to improved collections, proceeds from the issuance of bonds and availment of new loans, net of payments for capital expenditure projects during the period and

debt servicing.

Receivables and contract assets increased by 24% from ₱58.94 billion to ₱73.02 billion as of 31 December 2020 and 31 December 2021, respectively, due to sale of residential units.

Real estate inventories increased by 29% from ₱43.69 billion to ₱56.58 billion as of 31 December 2020 and 31 December 2021, respectively, due to construction accomplishments for the period, net of cost of sold units.

Equity instruments at fair value through other comprehensive income increased by 7% from ₱16.70 billion to ₱17.95 billion as of 31 December 2020 and 31 December 2021, with equivalent increase of 9% in net fair value changes of equity instruments at FVOCI, from ₱13.46 billion to ₱14.71 billion as of 31 December 2020 and 31 December 2021, respectively, due to changes in fair values under this portfolio.

Prepaid expenses and other current assets increased by 8% from ₱23.21 billion to ₱24.99 billion as of 31 December 2020 and 31 December 2021, respectively, due to increase in input and creditable withholding taxes and deposits and advances to contractors related to construction projects.

Investment properties increased by 7% from ₱436.16 billion to ₱467.39 billion as of 31 December 2020 and 31 December 2021, respectively, primarily due to landbanking, ongoing new mall projects, redevelopment of SM Mall of Asia and other existing malls, and construction of commercial buildings, net of depreciation expense for the period.

Investments in associates and joint ventures increased by 5% from ₱27.74 billion to ₱29.19 billion as of 31 December 2020 and 31 December 2021, respectively, due to equity in net earnings of associates and joint ventures.

Property and equipment increased by 5% from ₱1.31 billion to ₱1.37 billion as of 31 December 2020 and 31 December 2021, respectively, primarily due to acquisitions, net of depreciation during the period.

Other noncurrent assets, which includes bonds and deposits for real estate acquisitions and noncurrent portion of receivables from sale of real estate, increased by 10% from ₱83.12 billion to ₱91.61 billion as of 31 December 2020 and 31 December 2021, respectively.

Loans payable decreased by 40% from ₱10.90 billion to ₱6.49 billion as of 31 December 2020 and 31 December 2021, respectively, due to payments, net of availment for the period.

Accounts payable and other current liabilities increased by 13% from ₱81.03 billion to ₱91.38 billion as of 31 December 2020 and 31 December 2021, respectively, mainly due to payables to contractors and suppliers related to ongoing projects, liability for purchased land and customers' deposits.

Income tax payable decreased by 41% from ₱0.96 billion to ₱0.56 billion as of 31 December 2020 and 31 December 2021, respectively, mainly due payments for the year.

Long-term debt increased by 17% from ₱261.57 billion to ₱307.23 billion as of 31 December 2020 and 31 December 2021, respectively, mainly due to the issuance of ₱20.00 billion fixed rate bonds in 2021 and new loan availments, net of payments of maturing loans.

Derivative liabilities - net decreased from ₱2.80 billion to ₱0.29 billion as of 31 December 2020 and 31 December 2021, respectively, as a result of foreign exchange and net fair value changes on swap transactions, as well as maturity in January 2021 of certain principal only swap and interest rate swap transactions entered into to hedge the Issuer's foreign exchange currency exposure on dollar denominated

long-term debts. This also resulted to the 76% decrease in net fair value changes on cash flow hedges from ₱1.77 billion to ₱0.43 billion as of 31 December 2020 and 31 December 2021, respectively.

Liability for purchased land increased from ₱1.25 billion to ₱2.54 billion as of 31 December 2020 and 31 December 2021, respectively, due to acquisitions.

Deferred tax liabilities - net increased by 43% from ₱6.79 billion to ₱9.69 billion as of 31 December 2020 and 31 December 2021, respectively, mainly due to unrealized gross profit on sale of real estate for income tax purposes. Deferred tax assets - net decreased by 12% from ₱0.83 billion to ₱0.73 billion as of 31 December 2020 and 31 December 2021.

Other noncurrent liabilities increased by 14% from ₱25.01 billion to ₱28.61 billion as of 31 December 2020 and 31 December 2021, respectively, due to increase in noncurrent portion of lease liabilities and deferred output VAT related to sale of residential projects.

Cumulative translation adjustment increased by 102%, from ₱1.52 billion to ₱3.08 billion as of 31 December 2020 and 31 December 2021, respectively, as a result of foreign exchange. While remeasurement loss on defined benefit obligation decreased by 7% from ₱0.59 billion to ₱0.55 billion as of 31 December 2020 and 31 December 2021, respectively, due to actuarial gain for the year.

As at 31 December 2021 and 31 December 2020, the amount of retained earnings appropriated for the continuous corporate and mall expansions amounted to ₱42.20 billion. This represents a continuing appropriation for land banking activities and planned construction projects. The appropriation is being fully utilized to cover part of the annual capital expenditure requirement of the Issuer.

## KEY PERFORMANCE INDICATORS

The following are the major financial ratios of the Issuer as at and for the years ended 31 December 2023, 2022, and 2021:

	Year ended 31 December		
	2023	2022	2021
Current ratio <sup>(1)</sup>	1.26	1.53	1.39
Acid test ratio <sup>(2)</sup>	0.64	0.87	0.81
Solvency ratio <sup>(3)</sup>	1.73	1.72	1.71
Debt-to-equity <sup>(4)</sup>	48:52	49:51	49:51
Net debt-to-equity <sup>(5)</sup>	46:54	46:54	45:55
Return on equity <sup>(6)</sup>	11%	9%	7%
Net income margin <sup>(7)</sup>	31%	28%	26%
Debt to EBITDA <sup>(8)</sup>	4.95	5.77	7.28
Asset to equity ratio <sup>(9)</sup>	2.38	2.41	2.42
Interest service coverage ratio <sup>(10)</sup>	5.31	5.33	4.61
Return on investment properties <sup>(11)</sup>	9%	7%	6%

The Issuer's key financial indicators are measured in terms of the following:

- (1) Current ratio which measures the ratio of total current assets to total current liabilities;
- (2) Acid test ratio which measures the ratio of quick assets, which includes cash and cash equivalents, receivables and contract assets, and current portion of equity instruments at fair value through other comprehensive income, to total current liabilities;

- (3) Solvency ratio which measures the ratio of total assets to total liabilities;
- (4) Debt-to-equity ratio which measures the ratio of interest-bearing liabilities to equity attributable to equity holders of the Parent;
- (5) Net debt-to-equity which measures the ratio of interest-bearing liabilities net of cash and cash equivalents to equity attributable to equity holders of the Parent;
- (6) Return on equity which measures the ratio of net income attributable to the equity holders of the Parent to average total equity attributable to the equity holders of the Parent;
- (7) Net income margin which measures the ratio of net income attributable to the equity holders of the Parent to total revenue;
- (8) Debt to EBITDA which measures the ratio of EBITDA to total interest-bearing liabilities. EBITDA is calculated as the sum of income from operations (revenues less costs and expenses), depreciation and amortization less net income attributable to non-controlling interest;

<i>(in ₱ billions)</i>	Year ended 31 December		
	2023	2022	2021
<b>EBITDA Reconciliation:</b>			
Income from operations	₱61.28	₱49.24	₱32.41
Depreciation and amortization	13.65	12.49	10.82
Less: Net income attributable to non-controlling interest	(0.85)	(0.64)	(0.12)
<b>EBITDA</b>	<b>₱74.08</b>	<b>₱61.09</b>	<b>₱43.11</b>

- (9) Asset to equity ratio which measures the ratio of total assets to total equity attributable to equity holders of the Parent;
- (10) Interest service coverage ratio which measures the ratio of EBITDA to interest expense; and
- (11) Return on investment properties which measures the ratio of net income attributable to the equity holders of the Parent to total average investment properties (excluding construction in progress).

### Loan Agreements

The loan agreements of the Issuer provide certain restrictions and requirements principally with respect to maintenance of required financial ratios (i.e., debt-to-equity ratio of not more than 70:30 or 80:20, as applicable, and interest coverage ratio of not less than 2.50:1.00) and material change in ownership or control (where the Issuer should ensure that its controlling shareholder shall, directly or indirectly, continue to maintain, own and control more than fifty percent (50%) of the voting outstanding capital stock of the Issuer until the full and complete payment). As at 31 December 2023 and 2022, the Issuer is compliant with the terms of its loan covenants.

### Expansion Plans / Prospects for the Future

In relation thereto, the authority to approve resolutions in relation to transactions in the normal course of business of the Issuer, including additional capital expenditures for new projects and mall expansions, has been delegated by the Board of Directors to the Executive Committee. The Executive Committee meets and approves resolutions regularly.

The Issuer started the process of incorporating its Malls Real Estate Investment Trust ("REIT") company. The Issuer is closely monitoring market conditions to determine the timeline for its REIT offering. Proceeds from the REIT listing is intended for the Issuer's expansion plans.

The Issuer's malls business unit has eighty-five (85) shopping malls in the Philippines with 9.2 million square meters of GFA and eight (8) shopping malls in China with 1.6 million square meters of GFA as of 31

December 2023. The Issuer intends to launch 4 new malls in the Philippines in 2024. These new malls will provide an addition of more than 0.4 million square meters of GFA.

The Issuer has sixty-seven (67) primary residential projects, forty-seven (47) of which are in Metro Manila and twenty (20) are outside Metro Manila. It also has twenty-four (24) secondary residential projects as of 31 December 2023.

The Issuer's Commercial Properties Group has eighteen (18) office buildings with a combined GFA of almost 1.6 million square meters as of 31 December 2023.

The Issuer's hotels and convention centers business unit currently has a portfolio of six (6) convention centers, two (2) trade halls and ten (10) hotels with over 2,600 saleable rooms as of 31 December 2023.

The Issuer has no known direct or contingent financial obligation that is material to the Issuer, including any default or acceleration of an obligation. There were no contingent liabilities or assets in the Issuer's balance sheet. The Issuer has no off-balance sheet transactions, arrangements, obligations during the reporting year as of balance sheet date.

There are no known trends, events, material changes, seasonal aspects or uncertainties that are expected to affect the Issuer's continuing operations. The Issuer has no material commitments for capital expenditures except for those disclosed in Note 12 of the Issuer's financial statements found elsewhere in this Prospectus.

There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Issuer's liquidity increasing or decreasing in any material way. The Issuer does not anticipate having any cash flow or liquidity problems within the next twelve (12) months.

There are no significant elements of income or loss arising outside of the Issuer's continuing operations.

The Issuer is not in default or in breach of any note, loan, lease or other indebtedness or financing arrangement.

There are no significant amounts of the Issuer's trade payables that have not been paid within the stated trade terms.

## DESCRIPTION OF PROPERTIES

### Properties Owned

The Issuer's principally owned properties consist of commercial spaces or properties held for rental and/or capital appreciation, right-of-use assets, and land held for future development.

Please refer to the details of the properties under "Description of the Issuer".

### Leased Properties

As at 31 December 2023, the Issuer and its subsidiaries had thirty (30) leased properties with the details set forth below:

Leased Properties	Annual Lease (in ₱ millions)	Expiration Date	Renewal Option
SM Center Valenzuela	28	July 2043	No provision
SM City Baguio	112	October 2053	No provision
SM Center Muntinlupa	22	March 2055	No provision
SM Center Pasig	69	July 2020	No provision
SM City Bacoor	18	December 2043; December 2044	Automatically renewed for another 25 years
SM City San Lazaro	9	July 2028	Renewable for another 25 years
SM City Calamba	37	February 2054; April 2060	Automatically renewed for another 25 years
SM City San Pablo	31	September 2058	Automatically renewed for another 25 years
SM City Tarlac	12	April 2054	No provision
SM City Naga	19	August 2055	No provision
SM City Taytay	38	January 2055; August 2055	Automatically renewed for another 25 years
SM Aura Premier	137	November 2057; July 2058	Automatically renewed for another 25 years
SM City Consolacion	42	September 2060	Automatically renewed for another 25 years
SM City Olongapo	7	December 2059	Automatically renewed for another 25 years
SM City Clark	180	June 2023; May 2058	Renewable
SM By the Bay	97	November 2032	No provision
SM Center Molino	41	May 2056	Automatically renewed for another 25 years
SM City Manila	21	2025	Automatically renewed for another 25 years
SM San Mateo	27	February 2054	No provision
SM City Dasmariñas	13	June 2050	No provision
SM Savemore Nagtahan	7	March 2055	No provision
SM Hypermarket Sucat-Lopez	9	July 2035	Renewable for another 25 years
SM Marketmall Dasmariñas	9	March 2060	No provision
SM City Daet	26	December 2068	No provision
SM City Pampanga	14	October 2053	No provision
SM City Masinag	2	April 2035	No provision
SM Cubao	117	January 2039	No provision
SM Makati	174	January 2039	No provision
SM Delgado	51	August 2031	No provision
SM Savemore Jaro	9	July 2039	No provision
<b>Total Lease Payments</b>	<b>1,378</b>		

## BOARD OF DIRECTORS AND MANAGEMENT OF THE ISSUER

### DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the persons who served as a Director and/or executive officer of SM Prime as at the date of this Prospectus:

Office	Name	Citizenship	Age
Chairman	Henry T. Sy, Jr.	Filipino	70
Vice Chairman and Lead Independent Director	Amando M. Tetangco, Jr.	Filipino	71
Independent Director	J. Carlitos G. Cruz	Filipino	63
Independent Director	Darlene Marie B. Berberabe	Filipino	55
Director and President	Jeffrey C. Lim	Filipino	62
Director	Hans T. Sy	Filipino	68
Director	Herbert T. Sy	Filipino	67
Director	Jorge T. Mendiola	Filipino	64
Corporate Secretary/Alternate Compliance Officer	Elmer B. Serrano	Filipino	56
Assistant Corporate Secretary/Alternate Corporate Information Officer	Arthur A. Sy	Filipino	54
Chief Finance Officer/Chief Compliance Officer/Corporate Information Officer	John Nai Peng C. Ong	Filipino	53
VP – Internal Audit	Marvin Perrin L. Pe	Filipino	45
Chief Risk Officer	Joana B. Tiangco	Filipino	39

### Board of Directors

The following describes the background and business experience of the Issuer's Directors and Executive Officers during the last five (5) years:

**Henry T. Sy, Jr.** has been a director of SM Prime since 1994. He was appointed as Chairman of the Board in 2014. He is responsible for the real estate acquisitions and development activities of the SM Group, which include the identification, evaluation and negotiation for potential sites, as well as the input of design ideas. He is currently the Vice Chairman of SMIC, Chairman and Chief Executive Officer of SMDC, Vice Chairman of The National Grid Corporation of the Philippines, and Chairman of the Board of Synergy Grid & Development Phils., Inc. He holds a Bachelor's Degree in Management from De La Salle University.

**Amando M. Tetangco, Jr.\*** was elected as Vice Chairman and Independent Director of the Board of Directors of SM Prime in April 2021. He is concurrently the Chairman of SMIC, and independent director of Belle Corporation, Converge ICT Solutions, Inc. and Shell Pilipinas Corporation. He also currently holds directorates in Manila Hotel, Toyota Motor Philippines and CIBI Information, Inc. He is also a trustee of St. Luke's Medical Center, Tan Yan Kee Foundation and Foundation for Liberty and Prosperity. He is also a member of the international advisory board of the Graduate Institute for Policy Studies in Tokyo, Japan and the Asia School of Business in Kuala Lumpur, Malaysia.

Mr. Tetangco was the third Governor of the Bangko Sentral ng Pilipinas (BSP) and Chairman of the Monetary Board, and served for two consecutive 6-year terms from July 2005 to July 2017. He was a career central banker for over four decades, having joined the Central Bank of the Philippines (the predecessor of BSP) on 25 March 1974. During his term as Governor, he held other government positions, such as the Chairman of the Anti-Money Laundering Council, the Financial Stability Coordination Council, and the Philippine International Convention Center. He was also Vice-Chair of the Agriculture Credit Policy Council; and a member of the Capital Markets Development Council and the Export Development Council. Prior to his first appointment as Governor in 2005, he was Deputy Governor in-charge of the Banking Services Sector, Economic Research and Treasury of the BSP. He also was the Alternate Executive Director of the International Monetary Fund in Washington, D.C. from 1992 to 1994. Before joining the Central Bank, he worked briefly at the Management Services Division of SGV and Co. in 1973 to 1974.

Overseas, he was the country's representative to the ASEAN Central Bank Forum; the Executives' Meeting of East Asia and Pacific Central Banks; the South East Asia Central Banks; the South East Asia, New Zealand and Australia; and the Center for Latin American Monetary Studies. He was the Governor for the Philippines at the International Monetary Fund and the Alternate Governor at the World Bank and the Asian Development Bank. At the Bank for International Settlements, he was Chair of the Meeting of Small Open Economies. He also chaired various international committees -- the BIS Asian Consultative Council; the Financial Stability Board Regional Consultative Group for Asia; and the Alliance for Financial Inclusion Steering Committee.

He was conferred the Order of Lakandula with the Rank of Bayani by the President of the Philippines in 2009 and the Order of the Rising Sun, Gold and Silver Star by the Emperor of Japan in 2019. He also received multiple recognition by a number of international organizations as one of the best central bank governors and chosen as MAP Management Man of the Year in 2015. He was conferred the Honorary Degree of Doctorate in Management by the Asian Institute of Management in 2023.

Mr. Tetangco graduated from Ateneo de Manila University with an AB Economics degree (cum laude), and obtained his Masters in Public Policy and Administration (Development Economics) at the University of Wisconsin at Madison, Wisconsin, USA, as a BSP scholar. He attended various training programs at different institutions, including the Harvard Business School and the New York Institute of Finance.

**J. Carlitos G. Cruz\*** was elected as an Independent Director of the Board of Directors of SM Prime in April 2021. He is concurrently an independent director of Transnational Diversified Group, Inc., Federal Land, Inc., Solar Philippines Power Project Holdings, Inc., Asialink Finance Corporation, and related companies namely Global Dominion Financing Incorporated, South Asialink Finance Corporation, Global Cebuana Finance Inc., Cebuana Cycle Financing, AFC SME Finance Inc., Global SME Loans, Inc., Wisefund Finance Corp., Cycle Financing Corp., Surecycle Financing Corp. and Cepat Kredit Financing, Inc., and MarCoPay Inc. and its subsidiaries such as MCP Finance, Inc., MCP Insurance Management and Agency, Inc., and an independent trustee of the MPIC Beneficial Trust Fund. He is also an independent director of Vivant Corporation which is a listed company. He is also a member of the Makati Business Club, Inc. and Management Association of the Philippines. Mr. Cruz joined SGV & Co. in 1981 and was admitted to the partnership in 1995. He was later on appointed Chairman and Managing Partner in 2017 until 2019. Concurrent with his role as SGV Chairman and Managing Partner, he was also Chairman and President of

the SGV Foundation. He also became President of ACPAPP in 2017, and in 2018, assumed the presidency of the ACPAPP Foundation. Mr. Cruz has also been active in supporting the Government's efforts to promote business and trade by participating in Presidential business delegations to various countries, including Thailand during the terms of President Joseph Estrada, President Cory Aquino and President Rodrigo Duterte; Europe and Japan during the term of President Benigno Aquino III; and Russia during the term of President Rodrigo Duterte. Mr. Cruz graduated from the University of Santo Tomas with a Bachelor of Science in Commerce degree. He completed the Advanced Management Program of the Harvard Business School in 2007. He has been conferred with numerous awards, the latest of which is the "Parangal San Mateo" from the Philippine Institute of Certified Public Accountants. The award is the highest honor given to a CPA in honor of his significant contributions to the accountancy profession. He was also conferred by the Philippine Regulatory Board of Accountancy as a recipient of the Accounting Centenary Award of Excellence given to the 100 most notable CPAs in Philippine Accounting history.

**Darlene Marie B. Berberabe\*** was elected as an Independent Director of the Board of Directors of SM Prime in April 2021. She is a lawyer, management consultant, and academic. She is the Dean of the University of the Philippines (UP) College of Law and holds directorates in Joy-Nostalg Solaris Inc., Palm Concepcion Power Corporation, PA Alvarez, Katapult Digital Corp., and UnionDigital Bank. She is also a faculty member of the Philippine Judicial Academy. She is also elected to the Board of Trustees of The Outstanding Women in Nation Service, Philippine Heart Association and UP Law Alumni Foundation. She was an associate lawyer in Quisumbing Torres Law Firm with specialization on labor law. Post law firm, she joined Procter & Gamble Philippines where she was a Senior Counsel and member of the Leadership Team. In 2010, she was appointed by the President of the Republic of the Philippines as the CEO of Pag-IBIG Fund. She was a recipient of a number of awards including Outstanding CEO in Asia by the ADFIAP, Outstanding CEO in the public sector by Asia CEO, one of the The Outstanding Women in Nation Service in 2013, and one of the 100 Most Influential Filipino Women in 2014. She graduated with a degree in Philosophy from UP, summa cum laude and class valedictorian of the College of Social Sciences and Philosophy in 1989. She was the first female Philosophy instructor in the same school where she taught for 10 years, and has a Masters in Philosophy. She was a working student and graduated salutatorian of her class in UP Law in 1999.

*\*Independent director – The Independent Directors of the Company are **Messrs. Amando M. Tetangco, Jr. and J. Carlitos G. Cruz, and Ms. Darlene Marie B. Berberabe.** The Company has complied and will comply with the Guidelines set forth by SRC Rule 38, as amended, regarding the Nomination and Election of Independent Directors. The Company's By-Laws incorporate the procedures for the nomination and election of independent director/s in accordance with the requirements of the said Rule.*

**Jeffrey C. Lim** was appointed President of SM Prime in October 2016 and has been reappointed as such since then. He is a member of the Company's Executive Committee. He was elected to the Board of Directors of SM Prime in April 2016. He concurrently holds various board and executive positions in other SM Prime's subsidiaries. He is a Certified Public Accountant and holds a Bachelor of Science degree in Accounting from the University of the East. Prior to joining the Company in 1994, he worked for a multi-national company and for SGV & Co.

**Hans T. Sy** is the Chairman of the Executive Committee of SM Prime and has been a Director of the Company since 1994. He previously held the position of President of SM Prime until September 2016. He also held key positions in several companies engaged in banking, real estate development, mall operations, as well as leisure and entertainment. He is currently Adviser to the Board of SMIC, Chairman of China Banking Corporation, and Chairman of National University. Mr. Sy holds a B.S. Mechanical Engineering degree from De La Salle University.

**Herbert T. Sy** has been a director of the Company since 1994. He is an Adviser to the Board of SMIC and is currently the Chairman of Supervalve Inc., Super Shopping Market Inc. and Sanford Marketing

Corporation and Director of Alfamart Trading Philippines Inc. and China Banking Corporation. He also sits in the Board of several companies within the SM Group and has worked with SM Group companies engaged in food retail for more than 35 years. He is likewise actively involved in the SM Group's Supermarket Operations, which include acquisition, evaluation and negotiation for potential sites. He holds a Bachelor's degree in Management from De La Salle University.

**Jorge T. Mendiola** has been a director of the SM Prime since 2012. He is also currently a Director of SM Retail, Inc. He started his career with The SM Store as a Special Assistant to the Senior Branch Manager in 1989 and rose to become its President in 2011. He is also currently the Vice Chairman for Advocacy of the Philippine Retailers Association. He received his Masters in Business Management from the Asian Institute of Management. He holds an A.B. Economics degree from Ateneo de Manila University.

### **Executive Officers**

**John Nai Peng C. Ong** is the Chief Finance Officer, Chief Compliance Officer, Corporate Information Officer and a member of the Company's Executive Committee. He holds various board and executive positions in other SM Prime's subsidiaries. He is a Certified Public Accountant and holds a Bachelor of Science degree in Accounting from Ateneo de Zamboanga University. He received his Master in Management from the Asian Institute of Management. Prior to joining the Company in 2014, he was an assurance partner in SGV & Co.

**Marvin Perrin L. Pe** is the Vice President for Internal Audit and Chief Audit Executive of SM Prime. He holds a Bachelor of Science degree in Accountancy from Centro Escolar University. He has completed his Masters in Management Degree, with distinction, from the Asian Institute of Management. Mr. Pe is a Certified Public Accountant, Certified Internal Auditor and has a Certification in Control Self-Assessment. Before joining SM Prime, Mr. Pe was an assurance partner of SGV & Co.

**Joana B. Tiangco** is the Chief Risk Officer of SM Prime and has been with the Company since 2016. She was formerly a compliance and risk officer of the Bank of the Philippine Islands, where she gained over 10 years' experience in banking, compliance and risk management. Ms. Tiangco holds a Bachelor of Science in Management of Financial Institutions from the De La Salle University-Manila, with various training in areas of management, business continuity, operations and control, anti-money laundering, corporate governance, insurance, leadership management, ethics and compliance, and sustainability, among others.

**Elmer B. Serrano** is the Corporate Secretary of SM Prime since November 2014. Mr. Serrano is a practicing lawyer specializing in corporate law and is the Managing Partner of the law firm SERRANO LAW. Mr. Serrano has been awarded "Asia Best Lawyer" by the International Financial Law Review (IFLR), "Leading Lawyer-Highly Regarded" by IFLR 1000, and named "Leading Individual" by the Legal 500 Asia Pacific.

Mr. Serrano is also the Corporate Secretary of publicly-listed companies SMIC, Atlas Consolidated Mining and Development Corporation, Premium Leisure Corp. and DFNN Inc. He is also the Corporate Information Officer of BDO Unibank, Inc. and serves as the corporate secretary of bank's subsidiaries and affiliates. Mr. Serrano also sits as a director of several public companies. He is the Chairman of Dominion Holdings, Inc. (formerly BDO Leasing and Finance, Inc.), a director of EEI Corporation and DFNN Inc., and an independent director of Philippine Telegraph and Telephone Corporation and Benguet Corporation. He is also a director of 2GO Group, Inc.

Mr. Serrano is also counsel to financial industry institutions such as the Bankers Association of the Philippines and the Philippine Payments Management, Inc. and the PDS Group of Companies. Mr. Serrano is a Certified Associate Treasury Professional and was among the top graduates of the Trust Institute of the Philippines in 2001. Mr. Serrano holds a Juris Doctor degree from the Ateneo de Manila University and a BS Legal Management degree from the same university.

**Arthur A. Sy** is the Assistant Corporate Secretary of SM Prime. He is the Senior Vice President for Legal Department of SMIC, where he also serves as the Assistant Corporate Secretary. He is likewise the currently appointed Assistant Corporate Secretary of Belle Corporation, Premium Leisure Corp. and 2Go Group, Inc. and the Corporate Secretary of various major companies within the SM Group and the National University. A member of the New York Bar, he holds a Bachelor of Arts degree in Philosophy from the University of Santo Tomas and a Juris Doctor degree from the Ateneo de Manila University, School of Law.

The Directors of the Company are elected at the Annual Stockholders' Meeting. Directors will hold office for a term of one (1) year or until the next succeeding annual meeting and until their respective successors have been elected and qualified. The Directors possess all the qualifications and none of the disqualifications provided for in the SRC and its Implementing Rules and Regulations.

Procedure for Nomination of Directors:

- Any stockholder of record, including a minority stockholder, as of Record Date may be nominated for election to the Board of Directors of SM Prime.
- The Corporate Governance Committee passes upon, and deliberates on, the qualifications of all persons nominated to be elected to the Board of Directors of SM Prime, and pre-screens nominees from the pool of candidates submitted by the nominating stockholders in accordance with the Company's By-Laws and Manual of Corporate Governance. The Corporate Governance Committee shall prepare a Final List of Candidates containing information of the listed nominees, from the candidates who have passed the Guidelines, Screening Policies and Parameters for the nomination of directors. Only nominees qualified by the Corporate Governance Committee and whose names appear on the Final List of Candidates shall be eligible for election as director of the Company. No other nomination shall be entertained after the Final List of Candidates shall have been prepared. No further nomination shall be entertained or allowed on the floor during the actual annual stockholders' meeting.
- In case of resignation, disqualification or cessation of directorship before the next annual stockholders' meeting, the vacancy shall be filled by the vote of at least a majority of the remaining directors, provided, the Board of Directors still constituting a quorum and only after notice has been made with the Commission within five (5) days from such resignation, disqualification or cessation of directorship, upon the pre-qualification of the Corporate Governance Committee. Otherwise, the vacancy shall be filled by stockholders in a regular or special meeting called for that purpose. The director so elected to fill a vacancy shall serve only for the unexpired term of his or her predecessor in office.

All new directors will undergo an orientation program soon after election. This is intended to familiarize the new directors on their statutory/fiduciary roles and responsibilities in the Board and its Committees, SM Prime's strategic plans, enterprise risks, group structures, business activities, compliance programs, Code of Business Conduct and Ethics, Insider Trading Policy and Corporate Governance Manual.

All directors are also encouraged to participate in continuing education programs at SM Prime's expense to promote relevance and effectiveness and to keep them abreast of the latest developments in corporate directorship and good governance.

Aside from the Directors and Executive Officers enumerated above, there are no other employees expected to hold significant executive/officer position in the Company.

All SM Prime directors are expected to exercise due discretion in accepting and holding directorships outside of the Company. The directors notify the Board prior to accepting directorship in another company. The

following are directorships held by SM Prime Directors and Executive Officers in other reporting companies at least, in the last five (5) years:

<b><u>Name of Corporation</u></b>	<b><u>Position</u></b>
<b>Henry T. Sy, Jr.</b> Synergy Grid & Development Phils., Inc. SM Investments Corporation	Chairman of the Board Vice Chairman
<b>Amando M. Tetangco, Jr.</b> SM Investments Corporation Belle Corporation Converge ICT Solutions, Inc. Shell Pilipinas Corporation	Chairman/Independent Director Independent Director Independent Director Independent Director
<b>J. Carlitos G. Cruz</b> Vivant Corporation	Independent Director
<b>Hans T. Sy</b> China Banking Corporation SM Investments Corporation	Chairman Adviser to the Board
<b>Herbert T. Sy</b> China Banking Corporation SM Investments Corporation	Director Adviser to the Board
<b>Elmer B. Serrano</b> Dominion Holdings, Inc. ( <i>formerly BDO Leasing Finance, Inc.</i> ) EEI Corporation DFNN, Inc. Benguet Corporation Philippine Telegraph and Telephone Corporation 2Go Group, Inc.	Chairman Director Director Independent Director Independent Director Director

### **Involvement in Legal Proceedings**

The Issuer is not aware of any of the following events having occurred during the past five (5) years up to the date of this Prospectus that are material to an evaluation of the ability or integrity of any director, nominee for election as Director, executive officer, underwriter or controlling person of the Issuer:

- (a) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time;
- (b) any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- (c) being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring suspending or otherwise limiting his involvement in any type of business, securities,

commodities or banking activities; and

- (d) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

## **CORPORATE GOVERNANCE**

The Issuer's platform of governance remains rooted in its Manual on Corporate Governance and its Code of Ethics. The Manual on Corporate Governance (the "Governance Manual"), which is completely aligned with the SEC Revised Code of Corporate Governance, institutionalizes the principles of good corporate governance in the entire organization. It lays down the Issuer's compliance system and identifies the responsibilities of the Board and management in relation to good corporate governance. The Governance Manual also provides for the Issuer's policies on disclosure and transparency, the conduct of communication and training programs on corporate governance, the rights of all shareholders, and the protection of the interests of non-controlling shareholders. Under the Governance Manual, it is the Board's responsibility to foster the long term success of the Issuer and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise with the highest standards of corporate governance, in the best interests of the Issuer, its shareholders and other stakeholders.

The Code of Ethics (the "Code") serves as a guiding principle for the Issuer's directors, officers and employees in the performance of their duties and responsibilities, and in their business transactions with investors, creditors, customers, contractors, suppliers, regulators, and the public.

To supplement the Code, the Issuer adopted policies on acceptance of gifts, insider trading, conflict of interest, related-party transactions, to name a few. The Issuer has also implemented a whistleblowing policy, referred to as the Policy on Accountability, Integrity and Vigilance (PAIV), which was adopted to create an environment where concerns and issues, made in good faith, may be raised freely within the organization. The Issuer continues to align with corporate governance best practices through the continuous review and development of its policies and programs in conjunction with the continuous enhancement of its enterprise risk management systems.

The Board is composed of eight (8) directors, three (3) of whom are non-executive independent directors, in the persons of Mr. Amando M. Tetangco, Jr., Mr. J. Carlitos G. Cruz, and Ms. Darlene Marie B. Berberabe. Under the Issuer's Governance Manual, an independent director must possess all of the qualifications and none of the disqualifications of a regular director. He must also be independent of Management, substantial shareholdings and material relations, whether it be business or otherwise, which could reasonably be perceived to impede the performance of independent judgment.

The Board is supported in its corporate governance functions by five committees: the Executive Committee, the Audit Committee, the Board Risk Oversight Committee, the Corporate Governance Committee, and the Related Party Transactions Committee. All Board Committees have adopted their respective charters which identify the Committees' composition, roles and responsibilities, in alignment with the Issuer's Governance Manual.

Annually, the Corporate Governance Committee facilitates the evaluation of the performance of the Board as a whole, its respective Board Committees, the individual directors and the President and Chairman of the Board, based on duties and responsibilities provided in the Issuer's Governance Manual and By-Laws. The annual evaluation also serves as a venue for identifying areas for improvement in terms of trainings, continuing education programs or any other form of assistance that the directors may need in the

performance of their duties. The evaluation forms also include support services given to the Board, such as the quality and timeliness of information provided to them, the frequency and conduct of regular, special or committee meetings and their accessibility to Management, the Corporate Secretary and the Board advisors.

Every three (3) years, the assessment is supported by an independent external facilitator in compliance with SEC's Code of Corporate Governance for Publicly-Listed Companies. In 2022, the Institute of Corporate Directors (ICD) was engaged to conduct a Third party-led Board Evaluation for the Board's performance. The scope of the evaluation includes the Board's structure and composition, responsibilities and duties, board processes, dynamics and relationships, and corporate governance practices.

The Issuer provides access to training courses to directors as a matter of continuous professional education and to maintain and enhance their skills as directors. For 2023, the annual CG trainings were conducted on May 16, August 2, October 16 and December 15 which were facilitated by Institute of Corporate Directors, Good Governance Advocate and Practitioners of the Philippines, and Risks, Opportunities, Assessment and Management (ROAM), Inc. covering the various relevant topics:

- Ethical Decision-Making Models
- Digital Transformation: Case Studies and Success Stories
- Global Trends in Banking: Business and Technology Generative Artificial Intelligence
- Global Economic and Geopolitical Outlook
- Business Trends and Insight
- Generative A.I. and Cybersecurity
- Corporate Governance Regulatory Updates
- 2023 Global and Regional Trends in Corporate Governance (Asia-Pacific, America and Europe)
- Corporate Sustainability/Sustainability Reporting
- RP Economic Statistics
- Global and Local Economic, Political and Other Challenges
- Impact of Artificial Intelligence on Business and Society

## **COMMITTEES OF THE BOARD**

### **The Executive Committee**

The Executive Committee functions when the Board of Directors is not in session. Generally, the committee is responsible for assisting the Board in overseeing the implementation of strategies and long-term goals, reviewing major issues facing the organization, monitoring the operating activities of each business group, and defining and monitoring the Company's performance improvement goals. The Executive Committee is composed of Mr. Hans T. Sy, Mr. Henry T. Sy, Jr., Mr. Herbert T. Sy, Ms. Elizabeth T. Sy, Mr. Jeffrey C. Lim and Mr. John Nai Peng C. Ong as members. Mr. Hans T. Sy is a non-executive director and the Chairman of the Committee.

### **The Audit Committee**

The Audit Committee assists and advises the Board of Directors in fulfilling its oversight responsibilities to ensure the quality and integrity of the Company's accounting, financial reporting, auditing practices, risk management and internal control systems and adherence to overall corporate governance best practice. The Committee also oversees the Company's process for monitoring compliance with laws, regulations, the Code of Ethics, and performs other duties as the Board may require. The Audit Committee is composed of Mr. Amando M. Tetangco, Jr., Ms. Darlene Marie B. Berberabe, Mr. J. Carlitos G. Cruz, and Mr. Jorge T. Mendiola. Mr. Tetangco is an independent director and the Chairman of the Committee.

## The Board Risk Oversight Committee

The Board Risk Oversight Committee oversees the Company's Enterprise Risk Management system to ensure its functionality and effectiveness. The Committee assists the Board in ensuring that there is an effective and integrated risk management process in place. The Board Risk Oversight Committee is composed of Mr. J. Carlitos G. Cruz, Mr. Amando M. Tetangco, Jr., and Mr. Jorge T. Mendiola. Mr. Cruz is an independent director and the Chairman of the Committee.

## The Corporate Governance Committee

The Corporate Governance Committee assists the Board in the performance of its corporate governance responsibilities, including functions that were formerly assigned to the Nomination and Compensation and Remuneration Committees. The Corporate Governance Committee is currently composed of Ms. Darlene Marie B. Berberabe, Mr. J. Carlitos G. Cruz, and Mr. Amando M. Tetangco, Jr. Ms. Berberabe is an independent director and the Chairman of the Committee.

## The Related Party Transactions Committee

The Related Party Transactions Committee reviews all material related party transactions of the Company. The Related Party Transactions Committee is composed of Ms. Darlene Marie B. Berberabe, Mr. Amando M. Tetangco, Jr., and Mr. Jorge T. Mendiola. Ms. Berberabe is an independent director and the Chairman of the Committee.

## EXECUTIVE COMPENSATION

Aside from regular standard per diems, all directors do not receive regular annual salaries from the Company.

The following are the most highly compensated executive officers:

<b>Name</b>	<b>Position</b>
Jeffrey C. Lim	President
John Nai Peng C. Ong	Chief Finance Officer
Steven T. Tan	President, Malls
Jose Mari H. Banzon	President, Residential (Primary)
Shirley C. Ong	Head, Residential (Leisure)

### Summary Compensation Table (In ₱ Millions)

	<b>Year</b>	<b>Salary</b>	<b>Bonus</b>
President & 4 Most Highly Compensated Executive Officers	2024 (estimate)	188	32
	2023	174	29
	2022	161	26
	2021	149	25
All other officers* as a group unnamed	2024 (estimate)	479	81
	2023	443	74
	2022	409	68
	2021	355	59

*\*Managers & up*

In 2023, incumbent directors of SM Prime received the following amount of fees as compensation for their performance of duties and functions as members of the Board of Directors of the Company:

<b>Board of Directors</b>	<b>Total Compensation per Director</b>
Amando M. Tetangco, Jr. (Independent Director)	₱6,200,000
J. Carlitos G. Cruz (Independent Director)	₱5,100,000
Darlene Marie B. Berberabe (Independent Director)	₱4,900,000
Henry T. Sy, Jr.	₱120,000
Hans T. Sy	₱60,000
Herbert T. Sy	₱60,000
Jorge T. Mendiola	₱100,000
Jeffrey C. Lim	₱60,000

These fees include per diem received by the directors for their attendance in meetings of the Board.

The total amount of fees for 2023 allocated among directors does not exceed 10% of the total income of the Company before tax for 2023 in accordance with the Company's By-laws and relevant laws and regulations.

There are no outstanding warrants or options held by directors and officers of the Company. There are also no actions to be taken with regard to election, any compensatory plan, contract, or arrangement, any bonus or profit-sharing, change in pension/ retirement plan, granting of or extension of any options, warrants or rights to purchase any securities.

There are no other employees who are not Executive Officers who are expected by Company to make significant contribution to its business.

## **FAMILY RELATIONSHIPS**

Mr. Henry T. Sy, Jr., Mr. Hans T. Sy, Mr. Herbert T. Sy, and Mr. Harley T. Sy are sons and daughters of the late Mr. Henry Sy, Sr. All other directors and officers are not related to each other either by consanguinity or affinity. There are no other family relationships known to the registrant other than the ones disclosed herein.

## MARKET PRICE OF AND DIVIDENDS ON THE ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

### HOLDERS OF THE ISSUER'S COMMON SHARES

As at 31 March 2024, the following are the top 20 stockholders of the Issuer.

	<b>Stockholder Name</b>	<b>No. of shares</b>	<b>% to Total</b>
1	SM Investments Corporation	14,353,464,952	49.70%
2	PCD Nominee Corp. (Non-Filipino)	6,994,514,716	24.22%
3	PCD Nominee Corp. (Filipino)	2,949,986,491	10.21%
4	Harley T. Sy	695,936,131	2.41%
5	Hans T. Sy	682,162,901	2.36%
6	Teresita T. Sy	667,272,021	2.31%
7	Elizabeth T. Sy	667,166,537	2.31%
8	Herbert T. Sy	666,953,011	2.31%
9	Syntrix Holdings, Inc.	317,827,673	1.10%
10	Sysmart Corporation	317,775,948	1.10%
11	Henry T. Sy, Jr.	291,611,915	1.01%
12	Tansy Holdings Inc.	52,734,818	0.18%
13	Sybase Equity Investments Corp.	52,365,504	0.18%
14	SM Development Corporation	22,820,276	0.08%
15	Cutad, Inc.	19,694,544	0.07%
16	HSBB, Inc.	19,694,400	0.07%
17	William T. Gabaldon	1,500,000	0.01%
18	Henry III Tamesis Sy	912,575	0.00%
19	Lucky Securities, Inc.	910,000	0.00%
20	Jose T. Tan &/or Pacita L. Tan	892,126	0.00%
	<b>Total</b>	<b>28,776,196,539</b>	<b>99.63%</b>

As at 31 March 2024, the Issuer had 2,334 shareholders of its common shares. The foreign ownership level in the Issuer is 24%.

### DIVIDENDS AND DIVIDEND POLICY

As at 31 December 2023, the unappropriated retained earnings account is restricted for the payment of dividends to the extent of the accumulated equity in net earnings of subsidiaries, associates and joint ventures and the balance of treasury stock until such time that the Company receives the dividends from its subsidiaries, associates and joint ventures. The retained earnings available for dividend declaration amounted to ₱115,550 million and ₱96,642 million as at 31 December 2023 and 2022, respectively.

In 2023, the Board of Directors approved the declaration of cash dividend of ₱0.237 per share or ₱6,844 million to stockholders of record as of 10 May 2023, ₱5 million of which was received by SMDC. This was paid on 24 May 2023.

In 2022, the Board of Directors approved the declaration of cash dividend of ₱0.097 per share or ₱2,801 million to stockholders of record as of 11 May 2022, ₱2 million of which was received by SMDC. This was paid on 24 May 2022.

The policy of the Company is to provide a sustainable dividend stream to its shareholders. The Board of Directors determines the dividend payout taking into consideration the Company's operating results, cash flows, capital investment needs, and debt servicing requirements. Dividends shall be paid within thirty (30) days from the date of declaration.

The Company's subsidiaries have no defined dividend policy. The amount of dividend declaration annually by SM Prime and its subsidiaries depend on the net income, cash availability and the investment projects as approved by the Board of Directors of SM Prime and each of the subsidiaries.

The dividends declared and paid out or issued by the Company's subsidiaries during the years 2023, 2022, and 2021 are set out below.

Subsidiaries	Cash Dividends (in ₱ millions)		
	2023	2022	2021
PSC	₱1,050	₱850	₱400
CPDC	850	650	400
FARDC	742	371	371
SPC	550	350	600
PCPMC	200	200	-
CHAS	81	-	-
FLVG	65	15	-
MLI	4	6	7
PCI	-	300	-
HPI	-	500	300

Aside from the companies listed above, none of the subsidiaries of SM Prime have declared and paid out or issued any cash or stock dividends during the last three years.

## MARKET PRICE OF ISSUER'S COMMON EQUITY

The registrant's common equity is principally traded on the Main Board of the Philippine Stock Exchange. The high and low sales prices for each period are indicated in the table below.

(in ₱)	2024		2023		2022		2021	
	High	Low	High	Low	High	Low	High	Low
1st Quarter	35.40	31.20	38.90	32.80	39.90	33.10	41.95	33.55
2nd Quarter	n/a	n/a	35.10	32.10	40.05	33.30	40.05	31.80
3rd Quarter	n/a	n/a	34.25	27.70	39.00	29.70	37.55	31.45
4th Quarter	n/a	n/a	34.55	29.55	37.00	29.80	37.50	32.55

Market price of the Issuer's shares as at 31 March 2024 was ₱32.70 per share.

## RECENT SALES OF UNREGISTERED SECURITIES

The Company registered with the SEC the ₱35.00 billion fixed rate bonds issued on 23 May 2023 with actual proceeds amounting to ₱33.30 billion. The issue consists of the two and a half (2.5)-year Series S Bonds amounting to ₱16.03 billion with a fixed interest equivalent to 6.2069% per annum due on 2025, the four (4)-year Series T Bonds amounting to ₱6.24 billion with a fixed interest equivalent to 6.2151% per annum due on 2027, and the six (6)-year Series U Bonds amounting to ₱11.03 billion with a fixed interest equivalent

to 6.3275% per annum due on 2029.

The Company registered with the SEC the ₱30.00 billion fixed rate bonds issued on 22 April 2022. The issue consists of the five (5)-year Series P Bonds amounting to ₱10.92 billion with a fixed interest equivalent to 5.6141% per annum due on 2027, the seven (7)-year Series Q Bonds amounting to ₱13.03 billion with a fixed interest equivalent to 6.1175% per annum due on 2029, and the ten (10)-year Series R Bonds amounting to ₱6.05 billion with a fixed interest equivalent to 6.5432% per annum due on 2032.

There are no other recent sales of unregistered or exempt securities, including recent issuance of securities constituting an exemption transaction. There are likewise no existing or planned stock options for the Company. There are no registered securities subject to redemption or call. There are no existing or planned stock warrant offerings.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

### Security Ownership of Certain Record and Beneficial Owners

As at 31 March 2024, the following are the owners of the Issuer's common stock in excess of five percent (5%) of the total outstanding shares:

Title of Class	Name & address of record owner & relationship with Issuer	Name of beneficial owner & relationship with record owner	Citizenship	Amount and Nature of Direct Record/Beneficial Ownership ("r" or "b")	Percent (%)
Common	<b>SMIC</b> <sup>1</sup> One E-com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City	<b>SMIC</b> <sup>2</sup>	Filipino	14,353,464,952 (b)	49.70%
-do-	<b>PCD Nominee Corporation (PCNC)</b> <sup>3</sup> 37F Tower 1, The Enterprise Center, Ayala Ave., Makati City	<b>PCD Participants</b> <sup>4</sup>	Filipino 10.21% Non-Filipino - 24.22%	9,944,501,207 (r)	34.43%

Notes:

- The following are the individuals holding the direct beneficial ownership of SMIC: Hans T. Sy - 8.58%, Herbert T. Sy - 8.11%, Harley T. Sy - 7.61%, Teresita T. Sy - 7.03%, Elizabeth T. Sy - 6.31%. The PCD participants have the power to decide how their shares are to be voted. There are no other individual shareholders which own more than 5% of the Company.
- Amando M. Tetangco, Jr. is the Chairman of SMIC and Teresita T. Sy and Henry Sy, Jr. are the Vice Chairpersons of SMIC and as the appointed proxies of SMIC, they have the power to vote the common shares of SMIC in SM Prime.
- PCNC holds legal title to shares lodged in the Philippine Depository & Trust Corp. (PDTC). Beneficial owners retain the power to decide on how their lodged shares are to be voted. There are no beneficial owners under PCNC which own more than 5% shares of stock of the Company.
- PCNC is not related to the Company. PCNC is a nominee company which holds legal title to shares lodged in PDTC.

## Security Ownership of Management

As at 31 March 2024, the following are the number of shares owned of record by the Issuer's directors and key executive officers:

Title of Class	Name of Beneficial Owner	Citizenship	Amount and Nature of Beneficial Ownership (D) Direct (I) Indirect	Percent of Class
Common Stock	Henry T. Sy, Jr.	Filipino	291,611,915(D&I)	1.0098
-do-	Hans T. Sy	Filipino	682,162,901(D&I)	2.3621
-do-	Teresita T. Sy	Filipino	667,272,021(D)	2.3106
-do-	Elizabeth T. Sy	Filipino	667,166,537(D)	2.3102
-do-	Herbert T. Sy	Filipino	666,953,011(D)	2.3094
-do-	Jorge T. Mendiola	Filipino	703,167(D)	0.0024
-do-	Jeffrey C. Lim	Filipino	50,000(D)	0.0002
-do-	Amando M. Tetangco, Jr.	Filipino	1,000(D)	0.0000
-do-	J Carlitos G. Cruz	Filipino	100(D)	0.0000
-do-	Darlene Marie B. Berberabe	Filipino	100(D)	0.0000
-do-	Glenn D. Ang	Filipino	95,300(D)	0.0003
-do-	Steven T. Tan	Filipino	52,700(D)	0.0002
-do-	Jose Mari H. Banzon	Filipino	25,000(D)	0.0001
-do-	Antonio Felix L. Ortiga	Filipino	5,000(D)	0.0000
-do-	Joana B. Tiangco	Filipino	3,600(D)	0.0000
<b>Directors and Executive Officers as a group</b>			<b>2,976,102,352</b>	<b>10.3053</b>

## Voting Trust Holders of 5% or More

There are no persons holding more than five percent (5%) of a class of shares under a voting trust or any similar agreements.

## Change in Control

No change in control in the Issuer has occurred since the beginning of its last fiscal year.

## WARRANTS AND OPTIONS

As of the date of this Prospectus, there are no existing or planned stock options / stock warrant offerings.

## DESCRIPTION OF DEBT

The Company is subject to covenants under agreements evidencing or governing its outstanding indebtedness, including but not limited to those set forth in loan agreements with local banks and financial institutions. Under these loans, the Company undertook to maintain the financial covenants set forth below.

- (a) Debt-to-Equity Ratio of not more than 70:30 or 80:20, as applicable; and
- (b) Interest Coverage Ratio of not less than 2.5x.

Debt-to-Equity Ratio is calculated as the ratio of the Company's total consolidated interest-bearing debt-to-total equity attributable to the equity holders of the Parent. Interest Coverage Ratio is calculated as the consolidated EBITDA of the Company divided by interest expense.

The Company does not believe that these covenants will impose constraints on its ability to finance its capital expenditure program or, more generally, to develop its business and enhance its financial performance. The Company is in full compliance with the covenants required by the creditors.

## TAXATION

*The statements herein regarding taxation are based on the laws in force as of the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Debt Securities and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Debt Securities are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Debt Securities.*

### Philippine Taxation

On 1 January 2018, Republic Act No. 10963, otherwise known as the "Tax Reform for Acceleration and Inclusion" ("TRAIN") Act, took effect. The TRAIN Act amended provisions of the Tax Code including provisions on Documentary Stamp Tax, tax on interest income and other distributions, Estate Tax, and Donor's Tax. While the TRAIN Act brought about extensive changes to individual income taxation, it did not include changes in corporate income taxation. This was addressed in the second package of the Comprehensive Tax Reform Program ("CTRP") of the Philippine government or Republic Act No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act ("CREATE"), which was signed into law on 26 March 2021, amending provisions of the Tax Code, related to, among others, corporate income tax, lowering corporate income taxes and modernizing fiscal incentives in a bid to complement the expected incremental revenues from the first package.

Pursuant to the Tax Code, the following terms used in this section shall refer to:

- a. "resident alien" - an individual whose residence is within the Philippines and who is not a citizen thereof;
- b. "non-resident alien" - an individual whose residence is not within the Philippines and who is not a citizen of the Philippines;
- c. "non-resident alien engaged in trade or business within the Philippines" – a non-resident engaged in trade or business in the Philippines, provided that, a non-resident individual who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year shall be deemed as non-resident alien doing business in the Philippines;
- d. "non-resident alien not engaged in trade or business within the Philippines" - non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year shall be deemed as non-resident alien not doing business in the Philippines;
- e. "domestic corporation" – a corporation that is created or organized in the Philippines or under its laws;
- f. "resident foreign corporation" – a non-domestic corporation engaged in trade or business within the Philippines; and
- g. "non-resident foreign corporation" – a non-domestic corporation not engaged in trade or business within the Philippines.

### TAXATION OF INTEREST

The Tax Code provides that interest-bearing investments of Philippine residents are Philippine-sourced income subject to Philippine income tax. Interest income derived by Philippine citizens and alien resident individuals from the Bonds is thus subject to income tax, which is withheld at source, at the rate of 20% based on the gross amount of interest. Generally, interest on the Bonds received by non-resident aliens

engaged in trade or business in the Philippines is subject to a 20% final withholding tax while that received by non-resident aliens not engaged in trade or business is subject to a final withholding tax rate of 25%. Interest income received by domestic corporations and resident foreign corporations from the Bonds is subject to a final withholding tax rate of 20%. Interest income received by non-resident foreign corporations from the Bonds is subject to a 25% final withholding tax.

The foregoing rates are subject to further reduction by any applicable tax treaties in force between the Philippines and the country of residence of the non-resident owner. Most tax treaties to which the Philippines is a party generally provide for a reduced tax rate of 15% in cases where the interest which arises in the Philippines is paid to a resident of the other contracting state. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected with such permanent establishment.

### **TAX-EXEMPT STATUS OR ENTITLEMENT TO PREFERENTIAL TAX RATE**

The BIR has issued Revenue Memorandum Order No. 14-2021 ("RMO No. 14-2021") to streamline the procedures and documents for the availment of treaty benefits covering all items of income, derived by non-resident taxpayers from Philippine sources that are entitled to relief from double taxation under the relevant tax treaty. Under this regulation, when the treaty rates have been applied by the withholding agent on the income earned by the non-resident, the former shall file with the International Tax Affairs Division ("ITAD") of the BIR a request for confirmation on the propriety of the withholding tax rates applied on that item of income. On the other hand, if the regular rates have been imposed on the said income, the non-resident shall file a tax treaty relief application ("TTRA") with ITAD. The request for confirmation shall be filed by the withholding agent at any time after the payment of withholding tax but shall in no case be later than the last day of the fourth (4<sup>th</sup>) month following the close of each taxable year. The request for confirmation or TTRA shall be supported by the documentary requirements under RMO No. 14-2021. Other guidelines in relation to the filing of the TTRA are provided under Revenue Memorandum Circular Nos. 77-2021 and 20-2022.

If the BIR determines that the withholding tax rate applied is lower than the rate that should have been applied on an item of income pursuant to the treaty, or that the non-resident taxpayer is not entitled to treaty benefits, it will issue a BIR ruling denying the request for confirmation or TTRA. Consequently, the withholding agent shall pay the deficiency tax plus penalties. On the contrary, if the withholding tax rate applied is proper or higher than the rate that should have been applied, the BIR will issue a certificate confirming the non-resident income recipient's entitlement to treaty benefits. In the latter case, the taxpayer may apply for a refund of excess withholding tax.

If a company withholds the regular tax rate instead of the reduced rate applicable under an income tax treaty, a non-resident holder of the company's shares may file a claim for a refund from the BIR. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information may also involve the filing of a judicial appeal, it may be impractical to pursue such a refund.

The claim for refund may be filed independently of, or simultaneously with, the TTRA. If the claim was not filed simultaneously with the TTRA, the office where it was filed shall coordinate with, and defer to, ITAD the resolution of the non-resident's entitlement to treaty benefit. If, on the other hand, the claim was filed simultaneously with the TTRA, it shall be the responsibility of the ITAD to endorse the claim for refund to the proper office that handles the processing of tax refunds after the resolution of the TTRA. At any rate, all issues relating to the application and implementation of treaty provisions shall fall within the exclusive jurisdiction of the ITAD.

## **VALUE-ADDED TAX**

Gross receipts arising from the sale of the Bonds in the Philippines by dealers in securities shall be subject to a 12% value-added tax.

## **GROSS RECEIPTS TAX**

Bank and non-bank financial intermediaries performing quasi-banking functions are subject to gross receipts tax on gross receipts derived from sources within the Philippines in accordance with the following schedule:

On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

Maturity period is five years or less	5%
Maturity period is more than five years	1%

Non-bank financial intermediaries not performing quasi-banking functions doing business in the Philippines are likewise subject to gross receipts tax. Gross receipts of such entities derived from sources within the Philippines from interests, commissions and discounts from lending activities are taxed in accordance with the following schedule based on the remaining maturities of the instruments from which such receipts are derived:

Maturity period is five years or less	5%
Maturity period is more than five years	1%

In case the maturity period of the instruments held by banks, non-bank financial intermediaries performing quasi-banking functions and non-bank financial intermediaries not performing quasi-banking functions is shortened through pretermination, then the maturity period shall be reckoned to end as of the date of pre-termination for purposes of classifying the transaction and the correct rate shall be applied accordingly.

Net trading gains realized within the taxable year on the sale or disposition of the Bonds by banks and nonbank financial intermediaries performing quasi-banking functions shall be taxed at seven percent (7%).

## **DOCUMENTARY STAMP TAX**

A documentary stamp tax is imposed upon the issuance of debt instruments issued by Philippine companies, such as the Bonds, at the rate of ₱1.50 for each ₱200, or fractional part thereof, of the issue price of such debt instruments; provided that, for debt instruments with terms of less than one (1) year, the documentary stamp tax to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to 365 days.

The documentary stamp tax is collectible wherever the document is made, signed, issued, accepted, or transferred, when the obligation or right arises from Philippine sources, or the property is situated in the Philippines. Any applicable documentary stamp taxes on the original issue shall be paid by the Issuer for its own account.

## **TAXATION ON SALE OR OTHER DISPOSITION OF THE BONDS**

### **Income Tax**

Any gain realized from the sale, exchange or retirement of debt instruments as a rule, form part of the gross income of the sellers, for purposes of computing the relevant taxable income subject to ordinary income tax rates (at graduated rates from 0% to 35% for individuals, beginning 1 July 2020, twenty-five percent (25%) for domestic and resident foreign corporations, provided that domestic corporations with net taxable income not exceeding ₱5,000,000 and with total assets not exceeding ₱100,000,000 (excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed) ("Micro, Small, and Medium Enterprises"), shall be taxed at twenty percent (20%). Taxable net income refers to items of income specified under Section 32(A) of the Tax Code less the items of allowable deductions under Section 34 of the Tax Code or those allowed under special laws.) On the other hand, gains realized by non-residents from the sale or transfer of debt instruments are subject to final withholding tax at the rate of (i) twenty-five percent (25%), if the holder is a non-resident alien not engaged in trade or business within the Philippines, or (ii) twenty-five percent (25%), if the holder is a non-resident foreign corporation. If the debt instrument is sold by a seller, who is an individual and who is not a dealer in securities, who has held the debt instrument for a period of more than twelve (12) months prior to the sale, only fifty percent (50%) of any capital gain will be recognized and included in the sellers' gross taxable income.

However, under the Tax Code, any gain realized from the sale, exchange or retirement of bonds, debentures and other certificates of indebtedness with an original maturity date of more than five (5) years (as measured from the date of issuance of such bonds, debentures or other certificates of indebtedness) shall not be subject to income tax.

Moreover, any gain realized by a non-resident alien arising from such sale, regardless of the original instruments, may be exempt from income tax pursuant to various income tax treaties to which the Philippines is a party, and subject to procedures prescribed by the BIR for the availment of tax treaty benefits.

### **Estate and Donor's Tax**

The transfer by a deceased person, whether a Philippine resident or a non-Philippine resident, to his heirs of the Bonds shall be subject to an estate tax which is levied on the net estate of the deceased at a uniform rate of six percent (6.0%). A bondholder shall be subject to donor's tax based on the transfer of the Bonds by gift at a uniform rate of six percent (6.0%) on the basis of the total gifts in excess of ₱250,000 made during a calendar year for both individuals and corporate holders, whether the donor is a stranger or not.

The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor.

The estate tax and the donor's tax, in respect of the Bonds, shall not be collected: (a) if the deceased, at the time of death, or the donor, at the time of the donation, was a citizen and resident of a foreign country which, at the time of his death or donation, did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (b) if the laws of the foreign country of which the deceased or donor was a citizen and resident, at the time of his death or donation, allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in the foreign country.

In case the Bonds are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the Bonds exceeded the value of the consideration may be deemed a gift and may be subject to donor's taxes. However, a sale, exchange, or other transfer made in the ordinary course of business (a transaction which is bona fide, at arm's length, and free from any donative intent), will be considered as made for an adequate and full consideration in money or money's worth, and will not be subject to donors' tax.

### **Documentary Stamp Tax**

No documentary stamp tax is imposed on the subsequent sale or disposition of the Bonds, trading the Bonds in a secondary market or through an exchange. However, if the transfer constitutes a renewal of or extension of maturity of the Bonds, documentary stamp tax is payable anew.

## PENDING BILLS IN CONGRESS

*The statements herein regarding the pending bills in congress on the relevant tax consequences of the Offer are based on the pending bills as of the date of this Prospectus. **These pending bills are not yet passed into law as of the date of this Prospectus and the provisions thereof may vary once passed into law.** The following summary does not purport to be a comprehensive description of all pending bills that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Bonds are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Bonds.*

### Senate Bill No. 900

Senate Bill No. 900 ("SB 900"), otherwise known as the "Passive Income and Financial Intermediary Taxation Act" ("PIFITA"), was filed on 27 July 2022 and is currently pending in the Ways and Means Committee of the Philippine Senate.<sup>3</sup> The proposed PIFITA Bill aims to complement the TRAIN Law by making passive income and financial intermediary taxes fairer, more efficient, and competitive regionally. It simplifies the taxation of passive income, financial services, and transactions.

Under the PIFITA Bill, a single tax rate of 15% is imposed upon interests, yield, or any other monetary benefit earned or received from bank deposit, deposit substitute, trust fund, cash and/or property dividends, capital gains from sale, exchange, transfer, barter, and disposition of non-listed and non-traded debt instruments and other securities.<sup>4</sup>

Meanwhile, the presumptive capital gains from the sale, exchange, barter, or disposition of shares traded in the stock exchange or an organized marketplace will be gradually reduced from 5/10 of 1% to 1/10 of 1% from 1 January 2023 to 1 January 2027.<sup>5</sup>

Furthermore, a DST of seventy-five percent of one percent (0.75%) of the par value shall be collected for shares of stock or units of participation in a collective investment scheme. Moreover, a single gross receipt tax rate of 5% will be imposed on banks, quasi banks, and certain non-bank financial intermediaries.<sup>6</sup> If passed into law, this removes the distinction between lending and non-lending income, as well as the maturity of the instrument.<sup>7</sup>

### House Bill No. 4339

The fourth package of the CTRP, which is House Bill No. 4339 ("HB 4339"), otherwise known as "*An Act Amending Sections 6, 22, 24, 25, 27, 28, 32, 34, 37, 38, 39, 42, 51, 52, 54, 56, 57, 73, 108, 109, 112, 121, 122, 123, 127, 149, 174, 176, 179, 181, 182, 183, 184, 185, 186, 187, 190, 195, 198, 199, 204, 222, 237, 237-A, 255, 256, 257, 258, 261, 263, 264, 266, 275; Inserting New Section 270-A; and Repealing Sections 175, 177, 178, 180, 188, 192, and 193; All Under Republic Act No. 8424, Otherwise Known As The*

<sup>3</sup> Senate Bill No. 900, "An Act Amending Sections 22, 24, 25, 27, 28, 32, 34, 37, 38, 39, 42, 51, 52, 54, 56, 57, 73, 108, 121, 122, 123, 174, 176, 179, 181, 182, 183, 184, 185, 186, 187, 195, 198, AND 199; and Repealing Sections 175, 177, 178, 180, 188, 192, and 193; All Under Republic Act No. 8424, Otherwise Known As The National Internal Revenue Code of 1997, As Amended, and For Other Purposes."

<sup>4</sup> *Ibid.*, Sec. 4.

<sup>5</sup> *Id.*, Sec. 4.

<sup>6</sup> *Id.*, Sec. 24.

<sup>7</sup> *Id.*, Sec. 22.

*National Internal Revenue Code of 1997, As Amended'* was transmitted to the Senate on 15 November 2022.<sup>8</sup> If passed into law, HB 4339 would reduce the number of tax bases and rates applicable to passive income and ensure equitable taxation of passive income and financial transactions.

The proposed bill imposes a single tax rate of 15% on cash and/or property dividends, capital gains from the sale, exchange, barter, or disposition of shares of stock not traded in the stock exchange or organized market place, royalties, prizes, and other winnings earned as passive income.<sup>9</sup> The tax rates on royalties, prizes, and other winnings will be gradually reduced from 20% to 15% from 1 January 2023 to 1 January 2027.<sup>10</sup>

HB 4339 also proposes to rationalize the DST regime by imposing a single rate on the original issue of shares and units of participation of collective investment schemes. Under the proposed bill, a DST of seventy-five percent of one percent (75% of 1%) of the par value shall be collected for such shares of stock.<sup>11</sup> Meanwhile, for collective investment schemes without par value, the DST shall be based on the initial net asset value per unit.

Furthermore, a single gross receipt tax rate of 5% is imposed upon banks and non-bank financial intermediaries performing quasi-banking functions on income such as interest, commissions, and discounts from lending activities as well as income from financial leasing, royalties, rentals of property, profits from sale or exchange including gains derived from sale or transfer of real properties, trading gains within the taxable year of foreign currency, debt securities, derivatives, and other similar financial instruments, and all other items treated as gross income under Section 32 of the NIRC, except dividends and equity shares and net income of subsidiaries which shall be subject to zero percent (0%) tax.<sup>12</sup>

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<sup>8</sup> House Bill No. 4339, "*An Act Amending Sections 6, 22, 24, 25, 27, 28, 32, 34, 37, 38, 39, 42, 51, 52, 54, 56, 57, 73, 108, 109, 112, 121, 122, 123, 127, 149, 174, 176, 179, 181, 182, 183, 184, 185, 186, 187, 190, 195, 198, 199, 204, 222, 237, 237-A, 255, 256, 257, 258, 261, 263, 264, 266, 275; Inserting New Section 270-A; and Repealing Sections 175, 177, 178, 180, 188, 192, and 193; All Under Republic Act No. 8424, Otherwise Known As The National Internal Revenue Code of 1997, As Amended.*"

<sup>9</sup> *Ibid.*, Sec. 4.

<sup>10</sup> *Id.*, Sec. 4.

<sup>11</sup> *Id.*, Sec. 29.

<sup>12</sup> *Id.*, Sec 23.

## **INTERESTS OF NAMED EXPERTS**

### **Legal Matters**

All legal opinion/matters in connection with the issuance of the Debt Securities which are subject of the Offer shall be passed upon by Angara Abello Concepcion Regala & Cruz Law Offices ("ACCRA") for the Joint Lead Underwriters and Bookrunners, and SM Prime's Legal Affairs Division for the Company.

ACCRA has no direct and indirect interest in SM Prime. ACCRA may, from time to time, be engaged by SM Prime to advise in its transactions and perform legal services on the same basis that ACCRA provides such services to its other clients.

The named independent legal counsel has not acted and will not act as promoter, underwriter, voting trustee, officer, or employee of SM Prime.

### **Independent Auditor**

The audited consolidated financial statements of SM Prime as at 31 December 2021, 2022, and 2023 and for the years ended 31 December 2021, 2022, and 2023 have been audited by SyCip Gorres Velayo and Co. ("SGV & Co."), independent auditor, in accordance with Philippine Standards on Auditing as set forth in their report thereon appearing elsewhere in this Prospectus.

The Company's Audit Committee of the Board reviews and approves the scope of audit work of the independent auditor and the amount of audit fees for a given year. The financial statements will then be presented for approval by the stockholders in the annual meeting. As regards services rendered by the independent auditor other than the audit of financial statements, the scope of and amount for the same are subject to review and approval by the Audit Committee.

The fees to SGV & Co. and Ernst & Young ("EY") for assurance services amounted to ₱15 million each year for the years ended 31 December 2023 and 2022 and ₱11 million for the year ended 31 December 2021. The other fees for non-assurance services amounted to ₱7 million, ₱3 million, and ₱5 million for the years ended 31 December 2023, 2022, and 2021, respectively.

SGV & Co. does not have any direct or indirect interest in the Company.

The named independent auditor has not acted and will not act as promoter, underwriter, voting trustee, officer, or employee of SM Prime.

### **Changes in and Disagreements with Accountants**

SM Prime has not had any changes in or disagreements with its independent accountants/auditors on any matter relating to financial or accounting disclosures.

## **FINANCIAL STATEMENTS**

The following pages set forth SM Prime's audited consolidated financial statements as of 31 December 2023 and 2022 and for each of the years ended 31 December 2023, 2022 and 2021, and SM Prime's audited consolidated financial statements as of 31 December 2022 and 2021 and for each of the years ended 31 December 2022, 2021, and 2020.



## Statement of Management's Responsibility for Financial Statements

The management of SM Prime Holdings, Inc. and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of SM Prime Holdings, Inc. and Subsidiaries in accordance with the Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

A handwritten signature in black ink, appearing to be 'Henry T. Sy, Jr.', written over a horizontal line.

Henry T. Sy, Jr.  
Chairman

A handwritten signature in black ink, appearing to be 'Jeffrey C. Lim', written over a horizontal line.

Jeffrey C. Lim  
President

A handwritten signature in black ink, appearing to be 'John Nai Peng C. Ong', written over a horizontal line.

John Nai Peng C. Ong  
Chief Finance Officer

Signed this 19<sup>th</sup> of February, 2024

**SM PRIME**

MOA Square, Seashell Lane cor. Coral Way,  
Mall of Asia Complex, Pasay City 1300, Philippines

**SUBSCRIBED AND SWORN** to before me this FEB 26 2024 at PASAY CITY,  
affiants exhibiting to me their Philippine passports, as follows:

<b>NAME</b>	<b>PASSPORT NO.</b>	<b>DATE OF ISSUE</b>	<b>PLACE OF ISSUE</b>
HENRY T. SY, JR.	P4410521B	January 16, 2020	Manila <i>valid until 01-15-30</i>
JEFFREY C. LIM	P8242041B	November 23, 2021	Mandaluyong <i>valid until 11-22-31</i>
JOHN NAI PENG C. ONG	P8736675A	September 13, 2018	Manila <i>valid until 09-12-29</i>

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Page No. 51 ;  
Book No. III ;  
Series of 2024



**ATTY. RONHEL VINN A. PAPA**

Notary Public for Pasay City

Until December 31, 2024

IBP OR No. 324349/ 04-Dec-2023 / Roll No. 73157

PTR OR No. 8457592 1/04/24 / TIN# 743-448-049

MCLE Compliance No. VII-0025922 valid until 14 April 2025

## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors  
SM Prime Holdings, Inc.

### Opinion

We have audited the consolidated financial statements of SM Prime Holdings, Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as at December 31, 2023 and 2022, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2023, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



### *Real Estate Revenue and Cost Recognition*

The Company's real estate revenue recognition process, policies and procedures are significant to our audit because these involve application of significant judgment and estimation in the following areas: (1) assessment of the probability that the entity will collect the consideration from the buyer; (2) determination of the transaction price; (3) application of the output method as the measure of progress in determining revenue from sale of real estate; (4) determination of the actual costs incurred as cost of real estate sold; and (5) recognition of cost to obtain a contract.

In evaluating whether collectability of the amount of consideration is probable, the Company considers the significance of the buyer's initial payments in relation to the total contract price (or buyer's equity). Collectability is also assessed by considering factors such as history with the buyer, age of the outstanding receivables and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs if it would still support its current threshold of buyer's equity before commencing revenue recognition.

In determining the transaction price, the Company considers whether the selling price of the real estate property includes significant financing component.

In measuring the progress of its performance obligation over time, the Company uses the output method. This method measures progress of work based on physical proportion of work done, including the impact of customized uninstalled materials, on the real estate project which requires technical determination by the Company's project engineers. This is based on the monthly project accomplishment report prepared by the third-party project managers as approved by the construction managers.

In determining the actual costs incurred to be recognized as cost of real estate sold, the Company estimates costs incurred on materials, labor and overhead which have not yet been billed by the contractor.

The Company identifies sales commissions after contract inception as cost of obtaining a contract. For contracts which qualified for revenue recognition, the Company capitalizes the total sales commissions due to sales agent as cost to obtain a contract and recognizes the related commissions payable. The Company uses percentage of completion (POC) method in amortizing sales commissions consistent with the Company's revenue recognition policy.

The disclosures related to the Company's revenue recognition are included in Note 3 to the consolidated financial statements.

### *Audit Response*

We obtained an understanding of the Company's real estate revenue and cost recognition process.

For the buyer's equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales cancellations from buyers with accumulated payments above the collection threshold. We traced the analysis to supporting documents such as notice of sales cancellation.



For the determination of the transaction price of real estate sale, we obtained an understanding of the Company's process in assessing whether a contract contains a financing component and whether that financing component is significant to the contract. We selected sample contracts from the sales contract database and identified their payment terms. We traced these selected contracts to the financing component calculation prepared by management, which covers the calculation on whether the financing component of the Company's contract with customers is significant. For these selected contracts, we traced the underlying data and assumptions used in the financing component calculation such as transaction price, cash discount, payment scheme, payment amortization table, and percentage of completion to the contract provision and projected percentage of completion schedule. We evaluated the Company's application of portfolio approach in the financing component calculation by understanding the rationale and basis of the parameters used (i.e., grouping of performance obligation based on percentage of completion, grouping of contracts based on payment scheme). We test computed the financing component of each portfolio as prepared by management.

For the application of the output method in determining revenue from sale of real estate, we obtained an understanding of the Company's processes for determining the POC and performed tests of the relevant controls. We inspected the certified POC reports prepared by the third-party project managers and assessed their competence, capabilities and objectivity by reference to their qualifications, experience and reporting responsibilities. For selected projects, we conducted ocular inspections, made relevant inquiries and inspected the supporting details of POC reports showing the completion of the major activities of the project construction.

For the cost of real estate sold, we obtained an understanding of the Company's cost accumulation process. For selected projects, we traced costs accumulated, including those incurred but not yet billed costs, to supporting documents such as contractors billing invoices, certificates of progress acceptance, official receipts and accomplishment reports, among others.

For the recognition of cost to obtain a contract, we obtained an understanding of the sales commissions process. For selected contracts, we agreed the basis for calculating the sales commissions capitalized and portion recognized in profit or loss, particularly (a) the percentage of commissions due against contracts with sales agents, (b) the total commissionable amount (e.g., net contract price) against the related contract to sell, and, (c) the POC against the POC used in recognizing the related revenue from sale of real estate.

### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.



## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

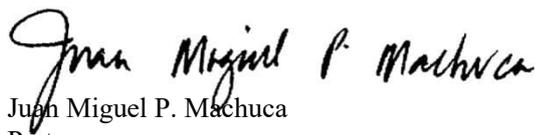
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Juan Miguel P. Machuca.

SYCIP GORRES VELAYO & CO.



Juan Miguel P. Machuca  
Partner

CPA Certificate No. 116998

Tax Identification No. 226-074-253

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

BIR Accreditation No. 08-001998-140-2021, April 27, 2021, valid until April 26, 2024

PTR No. 10079963, January 6, 2024, Makati City

February 19, 2024



**SM PRIME HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Amounts in Thousands)

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 6, 19, 26 and 27)	<b>₱31,816,802</b>	₱42,060,082
Receivables and contract assets (Notes 7, 14, 19, 26 and 27)	<b>76,952,202</b>	82,560,354
Real estate inventories (Note 8)	<b>77,886,781</b>	70,500,025
Equity instruments at fair value through other comprehensive income (FVOCI) (Notes 9, 26 and 27)	<b>747,840</b>	534,865
Derivative assets (Notes 26 and 27)	<b>2,247,073</b>	585,576
Prepaid expenses and other current assets (Note 10)	<b>27,804,930</b>	25,767,334
Total Current Assets	<b>217,455,628</b>	222,008,236
<b>Noncurrent Assets</b>		
Equity instruments at FVOCI - net of current portion (Notes 9, 19, 26 and 27)	<b>19,570,212</b>	17,077,198
Investment properties (Notes 12, 17, 25 and 27)	<b>545,074,746</b>	489,266,042
Investments in associates and joint ventures (Note 13)	<b>32,431,195</b>	30,578,320
Property and equipment (Notes 11 and 25)	<b>1,554,990</b>	1,399,840
Deferred tax assets - net (Note 24)	<b>1,492,359</b>	931,366
Derivative assets - net of current portion (Notes 26 and 27)	<b>3,276,971</b>	6,752,744
Other noncurrent assets (Notes 7, 14, 19, 23, 26 and 27)	<b>122,471,474</b>	106,200,906
Total Noncurrent Assets	<b>725,871,947</b>	652,206,416
	<b>₱943,327,575</b>	₱874,214,652
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Loans payable (Notes 15, 26 and 27)	<b>₱4,288,964</b>	₱5,422,524
Accounts payable and other current liabilities (Notes 16, 19, 26 and 27)	<b>99,077,428</b>	88,122,597
Current portion of long-term debt (Notes 17, 19, 26 and 27)	<b>67,746,351</b>	50,839,776
Derivative liabilities (Notes 26 and 27)	<b>7,423</b>	19,496
Income tax payable	<b>1,295,842</b>	765,909
Total Current Liabilities	<b>172,416,008</b>	145,170,302
<b>Noncurrent Liabilities</b>		
Long-term debt - net of current portion (Notes 17, 19, 26 and 27)	<b>294,622,256</b>	296,134,836
Tenants' and customers' deposits - net of current portion (Notes 16, 25, 26 and 27)	<b>25,301,504</b>	23,799,162
Liability for purchased land - net of current portion (Notes 16, 26 and 27)	<b>539,959</b>	1,129,719
Deferred tax liabilities - net (Note 24)	<b>12,458,096</b>	11,140,040
Derivative liabilities - net of current portion (Notes 26 and 27)	<b>265,013</b>	294,403
Other noncurrent liabilities (Notes 16, 23, 26 and 27)	<b>38,837,703</b>	31,394,584
Total Noncurrent Liabilities	<b>372,024,531</b>	363,892,744
Total Liabilities	<b>544,440,539</b>	509,063,046



	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<b>Equity Attributable to Equity Holders of the Parent</b>		
Capital stock (Notes 18 and 28)	<b>₱33,166,300</b>	₱33,166,300
Additional paid-in capital - net (Notes 5 and 18)	<b>38,159,900</b>	38,124,193
Cumulative translation adjustment	<b>2,556,139</b>	3,435,171
Net fair value changes of equity instruments at FVOCI (Note 9)	<b>16,938,503</b>	14,232,514
Net fair value changes on cash flow hedges (Note 27)	<b>1,079,094</b>	2,984,605
Remeasurement loss on defined benefit obligation (Note 23)	<b>(1,062,437)</b>	(928,882)
Retained earnings (Note 18):		
Appropriated	<b>42,200,000</b>	42,200,000
Unappropriated	<b>266,143,815</b>	232,972,284
Treasury stock (Notes 18 and 28)	<b>(2,984,695)</b>	(2,984,695)
Total Equity Attributable to Equity Holders of the Parent	<b>396,196,619</b>	363,201,490
<b>Non-controlling Interests</b>	<b>2,690,417</b>	1,950,116
Total Equity	<b>398,887,036</b>	365,151,606
	<b>₱943,327,575</b>	₱874,214,652

*See accompanying Notes to Consolidated Financial Statements.*



**SM PRIME HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Amounts in Thousands, Except Per Share Data)

	Years Ended December 31		
	2023	2022	2021
<b>REVENUE</b>			
Rent (Notes 12, 19 and 25)	P72,113,957	P58,243,913	P34,694,185
Real estate sales	42,040,409	39,046,514	45,116,120
Others (Notes 19 and 20)	13,943,175	8,495,208	2,505,179
	<b>128,097,541</b>	105,785,635	82,315,484
<b>COSTS AND EXPENSES</b> (Notes 19, 21 and 23)	<b>66,818,300</b>	56,542,322	49,900,933
<b>INCOME FROM OPERATIONS</b>	<b>61,279,241</b>	49,243,313	32,414,551
<b>OTHER INCOME (CHARGES)</b>			
Interest expense (Notes 7, 15, 17, 19, 22, 26 and 27)	(13,963,271)	(11,465,787)	(9,357,616)
Interest and dividend income (Notes 6, 7, 9, 14, 19 and 22)	2,185,156	1,775,740	1,025,066
Others - net (Notes 12, 13, 16, 17 and 27)	338,693	(839,262)	3,651,524
	<b>(11,439,422)</b>	(10,529,309)	(4,681,026)
<b>INCOME BEFORE INCOME TAX</b>	<b>49,839,819</b>	38,714,004	27,733,525
<b>PROVISION FOR INCOME TAX</b> (Note 24)			
Current	8,211,259	6,783,913	2,816,720
Deferred	764,715	1,186,962	3,005,402
	<b>8,975,974</b>	7,970,875	5,822,122
<b>NET INCOME</b>	<b>P40,863,845</b>	P30,743,129	P21,911,403
<b>Attributable to:</b>			
Equity holders of the Parent (Notes 18 and 28)	P40,010,501	P30,099,799	P21,786,516
Non-controlling interests (Note 18)	853,344	643,330	124,887
	<b>P40,863,845</b>	P30,743,129	P21,911,403
Basic/Diluted earnings per share (Note 28)	<b>P1.387</b>	P1.043	P0.755
Dividend per share (Note 18)	<b>P0.237</b>	P0.097	P0.082

*See accompanying Notes to Consolidated Financial Statements.*



**SM PRIME HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Amounts in Thousands)

	Years Ended December 31		
	2023	2022	2021
<b>NET INCOME</b>	<b>₱40,863,845</b>	₱30,743,129	₱21,911,403
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Items that will not be reclassified to profit or loss in subsequent periods:			
Unrealized gain (loss) due to changes in fair value of financial assets at fair value through other comprehensive income (Note 9)	2,705,989	(475,854)	1,247,699
Remeasurement gain (loss) on defined benefit obligation (Note 23)	(134,611)	(383,448)	38,020
	<b>2,571,378</b>	<b>(859,302)</b>	<b>1,285,719</b>
Items that may be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustment	(879,032)	351,987	1,558,745
Net fair value changes on cash flow hedges (Note 27)	(1,905,511)	3,417,488	1,336,147
	<b>(213,165)</b>	<b>2,910,173</b>	<b>4,180,611</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱40,650,680</b>	<b>₱33,653,302</b>	<b>₱26,092,014</b>
<b>Attributable to:</b>			
Equity holders of the Parent (Note 18)	₱39,798,392	₱33,013,181	₱25,968,260
Non-controlling interests	852,288	640,121	123,754
	<b>₱40,650,680</b>	<b>₱33,653,302</b>	<b>₱26,092,014</b>

*See accompanying Notes to Consolidated Financial Statements.*



**SM PRIME HOLDINGS, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021**

**(Amounts in Thousands)**

	Equity Attributable to Equity Holders of the Parent											
	Capital Stock (Notes 18 and 28)	Additional Paid-in Capital - Net (Notes 5 and 18)	Cumulative Translation Adjustment	Net fair value changes of equity instruments at fair value through other comprehensive income (FVOCI) (Note 9)	Net Fair Value Changes on Cash Flow Hedges (Note 27)	Remeasurement Loss on Defined Benefit Obligation (Note 23)	Retained Earnings (Note 18)		Treasury Stock (Notes 18 and 28)	Non-controlling Interests (Note 18)		Total Equity
						Appropriated	Unappropriated		Total			
At January 1, 2023	₱33,166,300	₱38,124,193	₱3,435,171	₱14,232,514	₱2,984,605	(₱928,882)	₱42,200,000	₱232,972,284	(₱2,984,695)	₱363,201,490	₱1,950,116	₱365,151,606
Net income for the year	–	–	–	–	–	–	–	40,010,501	–	40,010,501	853,344	40,863,845
Other comprehensive income (loss)	–	–	(879,032)	2,705,989	(1,905,511)	(133,555)	–	–	–	(212,109)	(1,056)	(213,165)
Total comprehensive income (loss) for the year	–	–	(879,032)	2,705,989	(1,905,511)	(133,555)	–	40,010,501	–	39,798,392	852,288	40,650,680
Cash dividends (Note 18)	–	–	–	–	–	–	–	(6,844,378)	–	(6,844,378)	–	(6,844,378)
Cash dividends received by a subsidiary (Note 18)	–	–	–	–	–	–	–	5,408	–	5,408	–	5,408
Cash dividends received by non-controlling interests	–	–	–	–	–	–	–	–	–	–	(324,450)	(324,450)
Additional investment of non-controlling interest (Note 2)	–	–	–	–	–	–	–	–	–	–	201,000	201,000
Sale of non-controlling interest (Note 2)	–	35,707	–	–	–	–	–	–	–	35,707	11,463	47,170
At December 31, 2023	₱33,166,300	₱38,159,900	₱2,556,139	₱16,938,503	₱1,079,094	(₱1,062,437)	₱42,200,000	₱266,143,815	(₱2,984,695)	₱396,196,619	₱2,690,417	₱398,887,036
At January 1, 2022, as previously presented	₱33,166,300	₱38,056,016	₱3,083,184	₱14,708,368	(₱432,883)	(₱548,643)	₱42,200,000	₱205,671,557	(₱2,984,695)	₱332,919,204	₱1,441,569	₱334,360,773
Effect of common control business combination (Note 5)	–	44,330	–	–	–	–	–	–	–	44,330	3,277	47,607
At January 1, 2022, as adjusted	33,166,300	38,100,346	3,083,184	14,708,368	(432,883)	(548,643)	42,200,000	205,671,557	(2,984,695)	332,963,534	1,444,846	334,408,380
Net income for the year	–	–	–	–	–	–	–	30,099,799	–	30,099,799	643,330	30,743,129
Other comprehensive income (loss)	–	–	351,987	(475,854)	3,417,488	(380,239)	–	–	–	2,913,382	(3,209)	2,910,173
Total comprehensive income (loss) for the year	–	–	351,987	(475,854)	3,417,488	(380,239)	–	30,099,799	–	33,013,181	640,121	33,653,302
Cash dividends (Note 18)	–	–	–	–	–	–	–	(2,801,286)	–	(2,801,286)	–	(2,801,286)
Cash dividends received by a subsidiary (Note 18)	–	–	–	–	–	–	–	2,214	–	2,214	–	2,214
Cash dividends received by non-controlling interests	–	–	–	–	–	–	–	–	–	–	(144,050)	(144,050)
Sale of non-controlling interest (Note 2)	–	23,847	–	–	–	–	–	–	–	23,847	9,199	33,046
At December 31, 2022	₱33,166,300	₱38,124,193	₱3,435,171	₱14,232,514	₱2,984,605	(₱928,882)	₱42,200,000	₱232,972,284	(₱2,984,695)	₱363,201,490	₱1,950,116	₱365,151,606



	Equity Attributable to Equity Holders of the Parent											
	Capital Stock (Notes 18 and 28)	Additional Paid-in Capital - Net (Notes 5 and 18)	Cumulative Translation Adjustment	Net fair value changes of equity instruments at FVOCI (Note 9)	Net Fair Value Changes on Cash Flow Hedges (Note 27)	Remeasurement Gain (Loss) on Defined Benefit Obligation (Note 23)	Retained Earnings (Note 18)		Treasury Stock (Notes 18 and 28)	Total	Non-controlling Interests (Note 18)	Total Equity
						Appropriated	Unappropriated					
At January 1, 2021	₱33,166,300	₱38,022,913	₱1,524,439	₱13,460,669	(₱1,769,030)	(₱587,796)	₱42,200,000	₱186,251,267	(₱2,984,695)	₱309,284,067	₱1,433,561	₱310,717,628
Net income for the year	-	-	-	-	-	-	-	21,786,516	-	21,786,516	124,887	21,911,403
Other comprehensive income (loss)	-	-	1,558,745	1,247,699	1,336,147	39,153	-	-	-	4,181,744	(1,133)	4,180,611
Total comprehensive income for the year	-	-	1,558,745	1,247,699	1,336,147	39,153	-	21,786,516	-	25,968,260	123,754	26,092,014
Cash dividends (Note 18)	-	-	-	-	-	-	-	(2,368,097)	-	(2,368,097)	-	(2,368,097)
Cash dividends received by a subsidiary	-	-	-	-	-	-	-	1,871	-	1,871	-	1,871
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	(129,050)	(129,050)
Sale of non-controlling interest (Note 2)	-	33,103	-	-	-	-	-	-	-	33,103	13,304	46,407
At December 31, 2021	₱33,166,300	₱38,056,016	₱3,083,184	₱14,708,368	(₱432,883)	(₱548,643)	₱42,200,000	₱205,671,557	(₱2,984,695)	₱332,919,204	₱1,441,569	₱334,360,773

See accompanying Notes to Consolidated Financial Statements.



**SM PRIME HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in Thousands)

	Years Ended December 31		
	2023	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	₱49,839,819	₱38,714,004	₱27,733,525
Adjustments for:			
Depreciation and amortization (Notes 11, 12, 21 and 25)	13,656,773	12,487,763	10,816,869
Interest expense (Notes 7, 15, 17, 19 and 22)	13,963,271	11,465,787	9,357,616
Interest and dividend income (Notes 6, 7, 9, 14, 19 and 22)	(2,185,156)	(1,775,740)	(1,025,066)
Equity in net earnings of associates and joint ventures (Note 13)	(2,162,611)	(1,720,116)	(1,187,419)
Loss (gain) on:			
Disposal of property and equipment and investment properties (Notes 11 and 12)	148,140	105,701	(551,974)
Unrealized foreign exchange and fair value changes on derivatives - net	76,370	826,854	(623,782)
Operating income before working capital changes	73,336,606	60,104,253	44,519,769
Increase in:			
Receivables and contract assets	(16,337,056)	(8,760,236)	(16,304,309)
Real estate inventories	(5,437,721)	(12,462,748)	(4,696,521)
Prepaid expenses and other current assets	(2,068,144)	(762,618)	(1,639,817)
Increase (decrease) in:			
Accounts payable and other liabilities	18,539,236	1,070,155	12,048,707
Tenants' and customers' deposits	1,573,478	2,328,183	(28,558)
Cash generated from operations	69,606,399	41,516,989	33,899,271
Income tax paid	(7,665,012)	(6,583,777)	(3,232,110)
Net cash provided by operating activities	61,941,387	34,933,212	30,667,161
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	1,922,233	1,197,311	648,143
Dividends received	724,446	596,672	292,898
Proceeds from disposal of property and equipment and investment properties (Notes 11 and 12)	90,067	85,767	453,298
Additions to:			
Investment properties (Note 12)	(63,772,055)	(38,766,369)	(39,294,964)
Property and equipment (Note 11)	(341,106)	(198,012)	(168,077)
Increase in other noncurrent assets	(5,338,058)	(15,159,670)	(6,044,976)
Net cash used in investing activities	(66,714,473)	(52,244,301)	(44,113,678)

(Forward)



	<b>Years Ended December 31</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Availments of bank loans and long-term debt (Notes 15 and 17)	<b>₱111,562,913</b>	₱94,325,945	₱86,849,381
Payments of:			
Long-term debt (Note 17)	<b>(66,701,374)</b>	(43,863,022)	(35,336,466)
Bank loans (Note 15)	<b>(29,563,823)</b>	(19,994,859)	(15,959,528)
Interest	<b>(13,782,271)</b>	(11,029,498)	(9,837,833)
Dividends (Note 18)	<b>(7,163,420)</b>	(2,943,122)	(2,675,277)
Lease liabilities (Notes 16 and 25)	<b>(160,058)</b>	(84,292)	(47,933)
Proceeds from (payments of) matured derivatives - net	<b>294,800</b>	3,274,591	(368,799)
Net cash provided by (used in) financing activities	<b>(5,513,233)</b>	19,685,743	22,623,545
<b>EFFECT OF EXCHANGE RATE CHANGES</b>			
<b>ON CASH AND CASH EQUIVALENTS</b>	<b>43,039</b>	(90,424)	(62,790)
<b>NET INCREASE (DECREASE) IN CASH</b> <b>AND CASH EQUIVALENTS</b>	<b>(10,243,280)</b>	2,284,230	9,114,238
<b>CASH AND CASH EQUIVALENTS</b> <b>AT BEGINNING OF YEAR</b>	<b>42,060,082</b>	39,775,852	30,661,614
<b>CASH AND CASH EQUIVALENTS</b> <b>AT END OF YEAR</b>	<b>₱31,816,802</b>	₱42,060,082	₱39,775,852

*See accompanying Notes to Consolidated Financial Statements.*



# **SM PRIME HOLDINGS, INC. AND SUBSIDIARIES**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **1. Corporate Information**

SM Prime Holdings, Inc. (SMPH or the Parent Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on January 6, 1994. SMPH and its subsidiaries (collectively known as the “Company”) are incorporated to acquire by purchase, exchange, assignment, gift or otherwise, and to own, use, improve, subdivide, operate, enjoy, sell, assign, transfer, exchange, lease, let, develop, mortgage, pledge, traffic, deal in and hold for investment or otherwise, including but not limited to real estate and the right to receive, collect and dispose of, any and all rentals, dividends, interest and income derived therefrom; the right to vote on any proprietary or other interest on any shares of stock, and upon any bonds, debentures, or other securities; and the right to develop, conduct, operate and maintain modernized commercial shopping centers and all the businesses appurtenant thereto, such as but not limited to the conduct, operation and maintenance of shopping center spaces for rent, amusement centers, movie or cinema theatres within the compound or premises of the shopping centers, to construct, erect, manage and administer buildings such as condominium, apartments, hotels, restaurants, stores or other structures for mixed use purposes.

SMPH’s shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

The Company’s ultimate parent company is SM Investments Corporation (SMIC). SMIC is a Philippine corporation whose common shares is listed with the PSE in 2005. SMIC and all its subsidiaries are herein referred to as the “SM Group”.

The registered office and principal place of business of the Parent Company is at 7/F MOA Square, Seashell Lane cor. Coral Way, Mall of Asia Complex, Brgy. 76 Zone 10, CBP 1-A, Pasay City, Metro Manila, Philippines.

The accompanying consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on February 19, 2024.

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### **2. Basis of Preparation**

The accompanying consolidated financial statements of the Company have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) and derivative financial instruments which have been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Parent Company’s functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest thousand peso, except when otherwise indicated.

The accompanying consolidated financial statements have been prepared under the going concern assumption.



Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with PFRS.

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries:

Company	Country of Incorporation	Percentage of Ownership	
		2023	2022
<b><i>Mall</i></b>			
A. Canicosa Holdings, Inc.	Philippines	100.0	100.0
AD Canicosa Properties, Inc.	- do -	100.0	100.0
Associated Development Corporation	- do -	100.0	100.0
Britannia Trading Corp. and Subsidiaries (BTC)	- do -	100.0	100.0
CHAS Realty and Development Corporation and Subsidiaries	- do -	100.0	100.0
Cherry Realty Development Corporation	- do -	100.0	100.0
Consolidated Prime Dev. Corp.	- do -	100.0	100.0
Magenta Legacy, Inc.	- do -	100.0	100.0
Premier Central, Inc. and Subsidiary	- do -	100.0	100.0
Premier Southern Corp.	- do -	100.0	100.0
Prime Metroestate, Inc. and Subsidiary	- do -	100.0	100.0
Prime Commercial Property Management Corp. and Subsidiaries	- do -	100.0	100.0
Rushmore Holdings, Inc.	- do -	100.0	100.0
San Lazaro Holdings Corporation	- do -	100.0	100.0
Simply Prestige Limited and Subsidiaries	- do -	100.0	100.0
SM Arena Complex Corporation	- do -	100.0	100.0
SM Land (China) Limited and Subsidiaries	Hong Kong	100.0	100.0
Southernpoint Properties Corp.	Philippines	100.0	100.0
Springfield Global Enterprises Limited	- do -	100.0	100.0
Supermalls Transport Services, Inc.	- do -	100.0	100.0
First Asia Realty Development Corporation	- do -	74.2	74.2
Mindpro, Incorporated*	- do -	70.0	70.0
First Leisure Ventures Group Inc. (FLVGI)	- do -	50.0	50.0
<b><i>Residential</i></b>			
SM Development Corporation and Subsidiaries (SMDC)	- do -	100.0	100.0
Costa del Hamilo, Inc. and Subsidiary	- do -	100.0	100.0
Highlands Prime Inc. and Subsidiary	- do -	100.0	100.0
<b><i>Commercial</i></b>			
MOA Esplanade Port, Inc.	- do -	100.0	100.0
Premier Clark Complex, Inc.	- do -	100.0	100.0
SM Smart City Infrastructure and Development Corporation	- do -	100.0	100.0
Tagaytay Resort Development Corporation	- do -	100.0	100.0
<b><i>Hotels and Convention Centers</i></b>			
SM Hotels and Conventions Corp. and Subsidiaries	- do -	100.0	100.0

*\*In 2023, the Parent Company and non-controlling interest infused additional investments without change in their ownership interest.*

FLVGI is accounted for as a subsidiary by virtue of control, as evidenced by the majority members of the BOD representing the Parent Company.



Non-controlling interests represent the portion of profit or loss and net assets not held by the Company and are presented separately in the consolidated statements of income and within equity section in the consolidated balance sheets, separately from equity attributable to equity holders of the parent.

#### Material Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. Uncertainty about these estimates and assumptions could result in outcomes that require an adjustment to the carrying amount of the affected asset or liability in the future period.

#### Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most material effect on the amounts recognized in the consolidated financial statements.

*Existence of a Contract.* The Company's primary document for a contract with a customer is a signed contract to sell or the combination of its other signed documentation such as reservation agreement, official receipts, quotation sheets and other documents, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Company before revenue recognition is to assess the probability that the Company will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the buyer's initial payments in relation to the total contract price.

*Revenue Recognition Method and Measure of Progress.* The Company concluded that revenue from sale of real estate is to be recognized over time because (a) the Company's performance does not create an asset with an alternative use and; (b) the Company has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Company's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. The cost to obtain a contract (e.g., commission) is determined using the percentage of completion.

The Company has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Company's performance in transferring control of real estate development, which include customized uninstalled materials, to the customers. The Company determined that in the case of customized materials, the Company is not just providing a simple procurement service to the customer as it is significantly involved in the design and details of the manufacture of the materials.

*Determining Transaction Price of Sale of Real Estate.* The Company determines whether a contract contains a significant financing component using portfolio approach by considering (1) the difference, if any, between the amount of promised considerations and the cash selling price of the promised goods or services; and (2) the effect of the expected length of time between when the entity transfers the promised goods or service to the customer and when the customer pays for those goods



or services and the prevailing effective interest rate (EIR). The Company applied practical expedient by not adjusting the effect of financing component when the period when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. The Company determined that its transaction price on sale of real estate recognized over time do not include a significant financing component.

*Operating Lease Commitments - as Lessor.* The Company has entered into commercial property leases in its investment property portfolio. Management has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of the properties and thus accounts for the contracts as operating leases. The ownership of the asset is not transferred to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable, and, the lease term is not for the major part of the asset's economic life.

*Lease Modification - as Lessor.* Throughout the government-imposed community quarantine, the Company waived rentals and other charges amounting to nil, ₱6,247 million and ₱20,781 million for the years ended December 31, 2023, 2022 and 2021, respectively. Such waivers are not accounted as a lease modification under PFRS 16 since COVID-19 is a force majeure under the general law.

*Determining the Lease Term of Contract.* The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate its lease contracts with extension and/or termination options. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. The Company typically exercises its option to renew its leases of various parcels of land since its lease term periods are generally covered by an automatic renewal option. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

*Determining Taxable Profit, Tax Bases, Unused Tax Losses, Unused Tax Credits and Tax Rates.* The Company applies significant judgment in identifying uncertainties over its income tax treatments. The Company determined based on its assessment, in consultation with its tax counsel, that it is probable that its income tax treatments, including for its subsidiaries, will be accepted by the taxation authorities.

#### Estimates and Assumptions

The key estimates and assumptions that may have significant risks of causing material adjustments to the carrying amounts of revenues, expenses, assets and liabilities within the next financial period are discussed below.

*Measure of Progress.* The Company's revenue recognition policy requires management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Company's revenue from real estate sales recognized based on the percentage of completion are measured principally on the basis of physical completion of the real estate projects.

Revenue from sale of real estate amounted to ₱42,040 million, ₱39,047 million and ₱45,116 million for the years ended December 31, 2023, 2022, and 2021, respectively, while the cost of real estate sold amounted to ₱16,661 million, ₱16,899 million and ₱18,687 million for the years ended December 31, 2023, 2022 and 2021, respectively (see Note 21).

*Provision for Expected Credit Losses (ECL) of Receivables and Contract Assets (or referred also in the consolidated financial statements as "Unbilled revenue from sale of real estate").* The Company maintains an allowance for ECL at a level considered adequate to provide for potential uncollectible receivables. The Company uses a provision matrix for rent and other receivables and vintage



approach for receivable from sale of real estate (billed and unbilled) to calculate ECLs. The Company performs a regular review of the age and status of these accounts, designed to identify accounts for impairment. The assessment of the correlation between historical observed default rates, forecasted economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

The allowance for ECLs amounted to ₱777 million and ₱721 million as at December 31, 2023 and 2022, respectively (see Note 7).

*Net Realizable Value of Real Estate Inventories.* The net realizable value of real estate inventories is assessed with reference to market price at the balance sheet date for similar completed property, less estimate cost to complete the construction and estimated cost to sell. The Company reviews the carrying value regularly for any decline in value due to changes in market price or other causes.

The carrying values of real estate inventories amounted to ₱77,887 million and ₱70,500 million as at December 31, 2023 and 2022, respectively (see Note 8).

*Estimated Useful Lives of Property and Equipment and Investment Properties (except for Right-of-use Asset (ROUA)).* The useful life of each of the Company's property and equipment and investment properties, excluding ROUA, is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of the asset. It is possible, however, that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any property and equipment and investment properties, excluding ROUA, would increase the recorded costs and expenses and decrease noncurrent assets.

The aggregate carrying values of property and equipment and investment properties, excluding ROUA, amounted to ₱516,479 million and ₱465,030 million as at December 31, 2023 and 2022, respectively (see Notes 11 and 12).

*Realizability of Deferred Tax Assets.* The Company's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and net operating loss carryover (NOLCO) is based on the projected taxable income in future periods.

Deferred tax assets recognized in the consolidated balance sheets amounted to ₱5,329 million and ₱3,864 million as at December 31, 2023 and 2022, respectively (see Note 24). Unrecognized deferred tax assets pertain to NOLCO, amounted to ₱205 million and ₱133 million as at December 31, 2023 and 2022, respectively.

*Fair Value of Assets and Liabilities.* The Company carries and discloses certain assets and liabilities at fair value, which requires extensive use of accounting judgments and estimates. The significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates and volatility rates). The amount of changes in fair value would differ if the Company utilized different valuation methodologies and assumptions. Any changes in the fair value of these assets and liabilities that are carried in the consolidated financial statements would directly affect consolidated statements of income and consolidated other comprehensive income.



The fair value of assets and liabilities are discussed in Note 27.

*Contingencies.* The Company is currently involved in various legal and administrative proceedings. The estimate of the probable costs for the resolution of these proceedings has been developed in consultation with in-house as well as outside legal counsel handling defense in these matters and is based upon an analysis of potential results. The Company currently does not believe that these proceedings will have a material adverse effect on its consolidated financial position and performance and no provisions were made in relation to these proceedings. It is possible, however, that future consolidated financial performance could be affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings.

*Estimating Incremental Borrowing Rate (IBR) for Leases.* The Company uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain the asset of similar value in a similar economic environment. The Company estimates the IBR using the available market interest rates adjusted with the Company's credit rating.

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### 3. Summary of Material Accounting Policy Information

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2023. Adoption of these pronouncements did not have any material impact on the Company's financial position or performance unless otherwise indicated.

- Amendments to Philippine Accounting Standards (PAS) 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*

The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development, including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023. The Company is yet to apply the temporary exception because the Company's entities are operating in jurisdictions which Pillar Two legislation has not yet been enacted or substantially enacted.



- Amendments to PAS 8, *Definition of Accounting Estimates*, introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*, provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:
  - Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies; and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to the Practice Statement provide non-mandatory guidance. The amendments have had an impact on the Company’s disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company’s financial statements

#### Future Changes in Accounting Policies and Disclosures

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Company intends to adopt the following pronouncements when they become effective.

#### *Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*, clarify:
  - That only covenants with which an entity must comply on or before reporting date will affect a liability’s classification as current or non-current.
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments must be applied retrospectively.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*, specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

The amendments must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.



- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

*Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *Lack of exchangeability*

*Deferred Effectivity*

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

#### Determination of Fair Value

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period and recognizes transfers as at the date of the event or change in circumstances that caused the transfer.



The Company determines the policies and procedures for both recurring and non-recurring fair value measurements. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

### Financial Instruments - Initial Recognition and Subsequent Measurement

#### *Financial Assets*

*Initial recognition and measurement.* Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through profit or loss (FVTPL), and FVOCI.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

As at December 31, 2023 and 2022, the Company has no debt instruments classified as financial assets at FVOCI.

*Subsequent measurement.* For purposes of subsequent measurement, financial assets are classified in four categories:

- *Financial assets at amortized cost (debt instruments):* The Company measures financial assets at amortized cost if both of the following conditions are met:
  - The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
  - The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes cash and cash equivalents, receivables and escrow and time deposits (included under "Other noncurrent assets" account). Other than those financial assets at amortized cost whose carrying values are reasonable approximation of fair values, the aggregate carrying values of financial assets under this category amounted to ₱3,656 million and ₱5,105 million as at December 31, 2023 and 2022, respectively (see Note 27).



- *Financial assets at FVTPL.* Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the consolidated balance sheet at fair value with net changes in fair value recognized in the consolidated statement of income.

This category includes derivative instruments. The carrying values of financial assets classified under this category amounted to ₱5,524 million and ₱7,338 million as at December 31, 2023 and 2022, respectively (see Note 27).

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVTPL. Embedded derivatives are measured at fair value with changes in FVTPL. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVTPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVTPL.

- *Financial assets at FVOCI (equity instruments).* Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation*, and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized in the consolidated statements of income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income (OCI). Equity instruments at FVOCI are not subject to impairment assessment.

The Company elected to classify irrevocably its investments in equity instruments under this category.

Classified under this category are the investments in shares of stocks of certain companies. The carrying values of financial assets classified under this category amounted to ₱20,318 million and ₱17,612 million as at December 31, 2023 and 2022, respectively (see Note 27).



*Derecognition.* A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized (i.e., removed from the Company's consolidated balance sheet) when:

- The rights to receive cash flows from the asset have expired, or,
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Company evaluates if, and to what extent, it has retained the risks and rewards of ownership. The Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognized an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

*Impairment of financial assets.* The Company recognizes an allowance for ECLs for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The Company uses a provision matrix for rent and other receivables, vintage approach for receivables from sale of real estate (billed and unbilled) and general approach for treasury assets to calculate ECLs.

The Company applies provision matrix and has calculated ECLs based on lifetime ECLs. The Company recognizes a loss allowance based on lifetime ECLs at each reporting date, adjusted for forward-looking factors specific to the debtors and the economic environment.

Vintage approach accounts for expected credit losses by calculating the cumulative loss rates of a given real estate receivable pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the probability model. It allows the evaluation of the loan activity from its origination period until the end of the contract period. In addition to life of loan loss data, primary drivers like macroeconomic indicators of qualitative factors such as, but not limited to, forward-looking data on inflation rate was added to the expected loss calculation to reach a forecast supported by both quantitative and qualitative data points. The probability of default is applied to the estimate of the loss arising on default which is based on the difference between the contractual cash flows due and those that the Company would expect to receive, including from the repossession of the subject real estate property, net of cash outflows. For purposes of calculating loss given default, accounts are segmented based on the type of unit. In calculating the recovery rates, the Company considered collections of cash and/or cash from resale of real estate properties after foreclosure, net of direct costs of obtaining and selling the real estate properties after the default event such as commission, refurbishment, payment required under Maceda law, cost to complete (for incomplete units). As these are future cash flows, these are discounted back to the time of default using the appropriate EIR, usually being the original EIR or an approximation thereof.



The Company considers a financial asset in default generally when contractual payments are 120 days past due or when the sales are cancelled supported by a notarized cancellation letter executed by the Company and unit buyer. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### *Financial Liabilities*

*Initial recognition and measurement.* Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings and payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

*Subsequent measurement.* The Company classifies its financial liabilities in the following categories:

- *Financial liabilities at FVTPL.* Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Derivatives, including any separated derivatives, are also classified under liabilities at FVTPL, unless these are designated as hedging instruments in an effective hedge or financial guarantee contracts. Gains or losses on liabilities held for trading are recognized in the consolidated statement of income under “Others - net” account. Classified as financial liabilities at FVTPL are the Company’s derivative liabilities amounting to ₱272 million and ₱314 million as at December 31, 2023 and 2022, respectively (see Note 27).

- *Loans and borrowings.* This category pertains to financial liabilities that are not held for trading or not designated as at FVTPL upon the inception of the liability. These include liabilities arising from operations or borrowings. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statement of income when the loans and borrowings are derecognized, as well as through the amortization process. Loans and borrowings are included under current liabilities if settlement is within twelve months from reporting period. Otherwise, these are classified as noncurrent liabilities.

Classified under this category are loans payable, accounts payable and other current liabilities, long-term debt, tenants’ deposits, liability for purchased land and other noncurrent liabilities (except for taxes payables and other payables covered by other accounting standards). Other than those other financial liabilities whose carrying values are reasonable approximation of fair values, the aggregate carrying values of financial liabilities under this category amounted to ₱330,771 million and ₱327,175 million as at December 31, 2023 and 2022, respectively (see Note 27).

*Derecognition.* A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially



modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

#### Debt Issue Costs

Debt issue costs are presented as reduction in long-term debt and are amortized over the terms of the related borrowings using the effective interest method.

#### Derivative Financial Instruments

*Initial recognition and subsequent measurement.* The Company uses derivative financial instruments, such as foreign exchange swap, cross currency swaps, interest rate swaps, principal only swaps and non-deliverable forwards contracts to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The Company's derivative financial instruments are accounted for as either cash flow hedges or transactions not designated as hedges (see Note 27). These hedge the exposures to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge effectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

*Cash flow hedges.* The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the net fair value changes on cash flow hedges, while any ineffective portion is recognized immediately in the consolidated statement of income. The net fair value changes on cash flow hedges is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.



The Company designates only the elements of the foreign exchange swap, cross currency swaps, interest rate swaps, principal only swaps and non-deliverable forwards contracts as hedging instruments to achieve its risk management objective. These elements, including changes in fair value, are recognized in OCI and accumulated in a separate component of equity under net fair value changes on cash flow hedges.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

*Other Derivative Instruments Not Accounted for as Hedges.* Certain freestanding derivative instruments that provide economic hedges under the Company's policies either do not qualify for hedge accounting or are not designated as accounting hedges. Changes in the fair values of derivative instruments not designated as hedges are recognized immediately under "Others - net" account in the consolidated statements of income (see Note 27). Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

#### Real Estate Inventories

Real estate inventories are stated at the lower of cost and net realizable value. Net realizable value is the selling price in the ordinary course of business, less costs to complete and the estimated cost to make the sale. Real estate inventories include properties being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation.

Cost incurred for the development and improvement of the properties includes the following:

- Land cost;
- Amounts paid to contractors for construction and development; and
- Planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

#### Prepaid Expenses and Other Current Assets

Other current assets consist of advances to suppliers and contractors, advances for project development, input tax, creditable withholding taxes, deposits, prepayments, supplies and inventories and others. Advances to suppliers and contractors, advances for project development and deposits are carried at cost. These represent advance payments and deposits to contractors for the construction and development of the projects. These are recouped upon every progress billing payment depending on the percentage of accomplishment. Prepaid taxes and other prepayments are carried at cost less amortized portion. These include prepayments for taxes and licenses, rent, advertising and promotions and insurance.



### Common Control Business Combinations

Business combinations involving entities or businesses under common control are business combinations in which all of the entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Business combinations under common control are accounted for similar to pooling of interests method. Under the pooling of interests method:

- The assets, liabilities and equity of the acquired companies for the reporting period in which the common control business combinations occur and for the comparative periods presented, are included in the consolidated financial statements at their carrying amounts as if the consolidation had occurred from the beginning of the earliest period presented in the financial statements, regardless of the actual date of the acquisition;
- No adjustments are made to reflect the fair values, or recognize any new assets or liabilities at the date of the combination. The only adjustments would be to harmonize accounting policies between the combining entities;
- No 'new' goodwill is recognized as a result of the business combination;
- The excess of the cost of business combinations over the net carrying amounts of the identifiable assets and liabilities of the acquired companies is considered as equity adjustment from business combinations, included under "Additional paid-in capital - net" account in the equity section of the consolidated balance sheet; and
- The consolidated statement of income in the year of acquisition reflects the results of the combining entities for the full year, irrespective of when the combination took place.

### Property and Equipment

The Company's property and equipment consist of land, building, equipment and ROUA. Property and equipment, except land and construction in progress, is stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment at the time that cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs necessary in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation and interest incurred during the construction period on funds borrowed to finance the construction of the projects.

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the assets:

Buildings, land and leasehold improvements	5-25 years	or term of the lease, whichever is shorter
Furniture, fixtures and other equipment	5-10 years	
ROUA - Office spaces	10-25 years	or term of the lease, whichever is shorter

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is credited or charged to current operations.



An item of property and equipment is derecognized when either it has been disposed or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gains or losses arising on the retirement and disposal of an item of property and equipment are recognized in the consolidated statements of income in the period of retirement or disposal under "Others - net" account.

Investment Properties

These consist of commercial spaces/properties held for rental and/or capital appreciation, ROUA and land held for future development. These accounts are measured initially at cost. The cost of a purchased investment property comprises of its purchase price and any directly attributable costs. Subsequently, these accounts, except land and construction in progress, are measured at cost, less accumulated depreciation and amortization and accumulated impairment in value, if any. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

Property under construction or development for future use as an investment property is classified as investment property.

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the assets:

Land, building and leasehold improvements	5-40 years or term of the lease, whichever is shorter
Building equipment, furniture and others	3-15 years or term of the lease, whichever is shorter
ROUA - Land	Remaining lease term

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction, machineries and equipment, and other direct costs. Cost also includes interest on borrowed funds incurred during the construction period. Construction in progress is not depreciated until such time that the relevant assets are completed and are ready for use.

Investment property is derecognized when either it has been disposed or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the period of retirement or disposal under "Others - net" account.

Transfers are made from investment property to inventories when, and only when, there is a change in use, as evidenced by an approved plan to construct and develop condominium and residential units for sale. Transfers are made from inventories to investment property when, and only when, there is change in use, as evidenced by commencement of an operating lease to a third party or change in the originally approved plan. The cost of property for subsequent accounting is its carrying value at the date of change in use.

For a transfer from investment property to owner-occupied property, the cost of property for subsequent accounting is its carrying value at the date of change in use. If the property occupied by the Company as an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.



#### Investments in Associates and Joint Ventures

The Company's investments in shares of stocks of associates and joint ventures are accounted for under the equity method of accounting. The consolidated statements of income reflect the share in the result of operations of the associate or joint venture under "Others-net" account. On acquisition of the investment, any difference between the cost of the investment and the investor's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for as follows:

- Goodwill relating to an associate or joint venture is included in the carrying amount of the investment. However, amortization of that goodwill is not permitted and is therefore not included in the determination of the Company's share in the associate's or joint venture's profits or losses.
- Any excess of the Company's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the investor's share in the associate's or joint venture's profit or loss in the period in which the investment is acquired.

Also, appropriate adjustments to the Company's share of the associate's or joint venture's profit or loss after acquisition are made to account for the depreciation of the depreciable assets based on their fair values at the acquisition date and for impairment losses recognized by the associate or joint venture.

The Company discontinues the use of equity method from the date when it ceases to have significant influence or joint control over an associate or joint venture and accounts for the investment in accordance with PFRS 9, from that date, provided the associate or joint venture does not become a subsidiary. When the Company's interest in an investment in associate or joint venture is reduced to zero, additional losses are provided only to the extent that the Company has incurred obligations or made payments on behalf of the associate or joint venture to satisfy obligations of the investee that the Company has guaranteed or otherwise committed. If the associate or joint venture subsequently reports profits, the Company resumes recognizing its share of the profits if it equals the share of net losses not recognized.

#### Other Noncurrent Assets

Other noncurrent assets consist of bonds and deposits, receivables from sale of real estate - net of current portion, land use rights, escrow and time deposits, deferred input tax and others. Other noncurrent assets are carried at cost.

#### Impairment of Nonfinancial Assets

The carrying values of investments in associates and joint ventures, property and equipment, investment properties and other noncurrent assets (excluding escrow and time deposits) are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell or value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's-length transaction between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.



An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income. After such a reversal, the depreciation or amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### Customers' Deposits

Customers' deposits mainly represent reservation fees and advance payments. These deposits will be recognized as revenue in the consolidated statement of income as the related obligations to the real estate buyers are fulfilled.

#### Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as "Additional paid-in capital - net" account.

#### Retained Earnings

Retained earnings represent accumulated net profits, net of dividend distributions and other capital adjustments.

#### Treasury Stock

Own equity instruments which are acquired (treasury shares) are deducted from equity and accounted for at cost. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issuance or cancellation of own equity instruments.

#### Dividends

Dividends on common shares are recognized as liability and deducted from equity when declared and approved by the BOD. Dividends for the year that are approved after balance sheet date are dealt with as an event after the reporting period.

#### Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or as an agent. The Company has concluded that it is acting as principal in majority of its revenue arrangements. The disclosures of material accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 2. The following specific recognition criteria, other than those disclosed in Note 2 to the consolidated financial statements, must also be met before revenue is recognized:

*Rent.* Revenue is recognized on a straight-line basis over the lease term or based on the terms of the lease as applicable.



*Sale of Amusement Tickets and Merchandise.* Revenue is recognized upon receipt of cash from the customer which coincides with the rendering of services or the delivery of merchandise. Revenue from sale of amusement tickets and merchandise are included in the “Revenue - Others” account in the consolidated statement of income.

*Dividend.* Revenue is recognized when the Company’s right as a shareholder to receive the payment is established. These are included in the “Interest and dividend income” account in the consolidated statement of income.

*Management and Service Fees.* Revenue is recognized when earned in accordance with the terms of the agreements.

*Interest.* Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

*Room Rentals, Food and Beverage, and Others.* Revenue from room rentals is recognized on actual occupancy, food and beverage sales when orders are served, and other operated departments when the services are rendered. Revenue from other operated departments include, among others, business center, laundry service, and telephone service. Revenue from food and beverage sales and other hotel revenue are included under the “Revenue - Others” account in the consolidated statement of income.

*Revenue and Cost from Sale of Real Estate.* The Company derives its real estate revenue from sale of lots, house and lot and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Company’s performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Company uses output method. The Company recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date/milestones reached/time elapsed. This is based on the monthly project accomplishment report prepared by the third-party project managers as approved by the construction managers which integrates the surveys of performance to date of the construction activities.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as receivables from sale of real estate, under trade receivables, is accounted for as unbilled revenue from sale of real estate.

Any excess of collections over the total of recognized installment real estate receivables is included in the contract liabilities (or referred also in the consolidated financial statements as “Unearned revenue from sale of real estate”).

*Information about the Company’s performance obligation.* The Company entered into contracts to sell with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under a financing scheme entered with the customer. The financing scheme would include payment of certain percentage of the contract price spread over a certain period (e.g. one to five years) at a



fixed monthly payment with the remaining balance payable in full at the end of the period either through cash or external financing. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction.

The Company has a quality assurance warranty which is not treated as a separate performance obligation.

*Cost of Real Estate Sold.* The Company recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land and connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation and permits and licenses. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of real estate sold while the portion allocable to the unsold area being recognized as part of real estate inventories. In addition, the Company recognizes as an asset only costs that give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered.

#### *Contract Balances*

*Receivables.* A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

*Contract assets.* These pertain to unbilled revenue from sale of real estate. This is the right to consideration that is conditional in exchange for goods or services transferred to the customer. This is reclassified as trade receivable from sale of real estate when the monthly amortization of the customer is already due for collection.

*Contract liabilities.* These pertain to unearned revenue from sale of real estate. This is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. These also include customers' deposits related to sale of real estate. These are recognized as revenue when the Company performs its obligation under the contract.

*Costs to obtain contract.* The incremental costs of obtaining a contract with a customer are recognized as an asset if the Company expects to recover them. The Company has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Costs and expenses" account in the consolidated statement of income. Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

*Contract fulfillment assets.* Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Company firstly considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15.

If other standards are not applicable to contract fulfillment costs, the Company applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of this criteria requires the application of judgment, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.



The Company's contract fulfillment assets mainly pertain to land acquisition costs (included under real estate inventories).

*Amortization, derecognition and impairment of contract fulfillment assets and capitalized costs to obtain a contract.* The Company amortizes contract fulfillment assets and capitalized costs to obtain a contract to cost of sales over the expected construction period using POC following the pattern of real estate revenue recognition. The amortization is included within cost of real estate sold.

A contract fulfillment asset or capitalized costs to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Company determines whether there is an indication that contract fulfillment asset or cost to obtain a contract maybe impaired. If such indication exists, the Company makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Company expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Company uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs are demonstrating indicators of impairment, judgment is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets.

#### Pension Benefits

The Company is a participant in the SM Corporate and Management Companies Multi-Employer Retirement Plan.

*Retirement Plan.* The plan is a funded, noncontributory defined benefit retirement plan administered by a Board of Trustees covering all regular full-time employees. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees' projected salaries. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, if any, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit pension costs comprise the following:

- Service cost;
- Net interest on the net defined benefit obligation or asset; and
- Remeasurements of net defined benefit obligation or asset

Service cost which includes current service costs, past service costs and gains or losses on non-routine settlements are recognized as part of "Costs and expenses" under "Administrative" account in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit obligation or asset is the change during the period in the net defined benefit obligation or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit obligation or asset is recognized as part of "Costs and expenses" under "Administrative" account in the consolidated statement of income.



Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit obligation) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

#### Foreign Currency-denominated Transactions

The consolidated financial statements are presented in Philippine peso, which is SMPH's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency rate of exchange at reporting period. Nonmonetary items denominated in foreign currency are translated using the exchange rates as at the date of initial recognition. All differences are taken to the consolidated statements of income.

#### Foreign Currency Translation

The assets and liabilities of foreign operations are translated into Philippine peso at the rate of exchange ruling at reporting period and their respective statements of income are translated at the weighted average rates for the year. The exchange differences arising on the translation are included in the consolidated statements of comprehensive income and are presented within the "Cumulative translation adjustment" account in the consolidated statements of changes in equity. On disposal of a foreign entity, the deferred cumulative amount of exchange differences recognized in equity relating to that particular foreign operation is recognized in the profit or loss.

#### Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

*Company as Lessor.* Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases are recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

*Lease Modification.* Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).

A lessor shall account for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. If a change in lease payments does not meet the



definition of a lease modification, that change would generally be accounted for as a negative variable lease payment. In the case of an operating lease, a lessor recognizes the effect of the rent concession by recognizing lower income from leases.

*Company as Lessee.* The Company applies a single recognition and measurement approach for all the leases except for low-value assets and short-term leases. The Company recognizes lease liabilities to make lease payments and ROUA representing the right to use the underlying asset.

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments which includes in substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the IBR at the lease commencement date. After the commencement date, the amount of lease liabilities is adjusted to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Company also recognized ROUA in property and equipment (office spaces) and investment properties (land lease and land use rights) at the commencement date of the lease (i.e., the date the underlying asset is available for use). The initial cost of ROUA includes the amount of lease liabilities recognized less any lease payments made at or before the commencement date.

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of bridgeway, machineries and equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

The Company recognizes deferred tax asset and liability based from the lease liability and ROUA, respectively, on a gross basis, as of balance sheet date.

#### Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain.

#### Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset as part of the cost of that asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use or sale.



Borrowing costs are capitalized when it is probable that they will result in future economic benefits to the Company.

The interest capitalized is calculated using the Company's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross interest incurred on those borrowings less any investment income arising on the temporary investment of those borrowings. Interest is capitalized from the commencement of the development work until the date of practical completion, i.e., when substantially all of the development work is completed.

Borrowing costs include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest cost. The Company limits exchange losses taken as amount of borrowing costs to the extent that the total borrowing costs capitalized do not exceed the amount of borrowing costs that would be incurred on functional currency equivalent borrowings. The amount of foreign exchange differences eligible for capitalization is determined for each period separately. Foreign exchange losses that did not meet the criteria for capitalization in previous years are not capitalized in subsequent years. All other borrowing costs are expensed as incurred.

#### Taxes

*Current Tax.* Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at reporting period.

Current income tax relating to item recognized directly in equity is recognized in equity and not in the profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred Tax.* Deferred tax is provided, using the balance sheet liability method, on temporary differences at reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of excess MCIT and NOLCO, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefits of excess MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and



- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at reporting period.

Income tax relating to items recognized directly in the consolidated statement of comprehensive income is recognized in the consolidated statement of comprehensive income and not in the consolidated statement of income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

*Value Added Tax (VAT)*. Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as part of "Accounts payable and other current liabilities" account in the consolidated balance sheets. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as part of "Prepaid expenses and other current assets" account in the consolidated balance sheets to the extent of the recoverable amount.

#### Business Segments

The Company is organized and managed separately according to the nature of business. The four operating business segments are mall, residential, commercial and hotels and convention centers. These operating businesses are the basis upon which the Company reports its segment information presented in Note 4 to the consolidated financial statements.

#### Basic/Diluted Earnings Per Common Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to owners of the Parent by the weighted-average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

For the purpose of computing diluted EPS, the net income for the period attributable to owners of the Parent and the weighted-average number of issued and outstanding common shares are adjusted for the effects of all dilutive potential ordinary shares, if any.



#### Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

#### Events after the Reporting Period

Post year-end events that provide additional information about the Company's financial position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

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#### 4. **Segment Information**

For management purposes, the Company is organized into business units based on their products and services, and has four reportable operating segments as follows: mall, residential, commercial and hotels and convention centers.

Mall segment develops, conducts, operates and maintains the business of modern commercial shopping centers and all businesses related thereto such as the conduct, operation and maintenance of shopping center spaces for rent, amusement centers, or cinema theaters within the compound of the shopping centers.

Residential and commercial segments are involved in the development and transformation of major residential, commercial, entertainment and tourism districts through sustained capital investments in buildings and infrastructure.

Hotels and convention centers segment engages in and carry on the business of hotel and convention centers and operates and maintains any and all services and facilities incident thereto.

Management, through the Executive Committee, monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with the operating profit or loss in the consolidated financial statements.

The amount of segment assets and liabilities and segment profit or loss are based on measurement principles that are similar to those used in measuring the assets and liabilities and profit or loss in the consolidated financial statements, which is in accordance with PFRS.

#### Inter-segment Transactions

Transfer prices between business segments are set on an arm's length basis similar to transactions with nonrelated parties. Such transfers are eliminated in the consolidated financial statements.



## Business Segment Data

2023						
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
<i>(In Thousands)</i>						
Revenue:						
External customers	₱71,946,036	₱43,100,208	₱6,781,687	₱6,269,610	₱-	₱128,097,541
Inter-segment	176,623	-	115,067	18,108	(309,798)	-
	₱72,122,659	₱43,100,208	₱6,896,754	₱6,287,718	(₱309,798)	₱128,097,541
Segment results:						
Income before income tax	₱30,123,686	₱13,980,341	₱4,440,189	₱1,510,564	(₱214,961)	₱49,839,819
Provision for income tax	(5,690,732)	(2,292,182)	(715,095)	(277,965)	-	(8,975,974)
Net income	₱24,432,954	₱11,688,159	₱3,725,094	₱1,232,599	(₱214,961)	₱40,863,845
Net income attributable to:						
Equity holders of the Parent	₱23,593,802	₱11,673,967	₱3,725,094	₱1,232,599	(₱214,961)	₱40,010,501
Non-controlling interests	839,152	14,192	-	-	-	853,344
Segment assets	₱473,704,969	₱344,557,303	₱109,171,158	₱17,711,201	(₱1,817,056)	₱943,327,575
Segment liabilities	₱323,926,223	₱195,426,558	₱25,596,386	₱1,308,428	(₱1,817,056)	₱544,440,539
Other information:						
Capital expenditures	₱37,253,756	₱25,436,310	₱23,733,455	₱1,752,397	₱-	₱88,175,918
Depreciation and amortization	11,371,327	131,347	1,536,430	617,669	-	13,656,773
2022						
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
<i>(In Thousands)</i>						
Revenue:						
External customers	₱55,379,678	₱40,077,157	₱5,996,483	₱4,332,317	₱-	₱105,785,635
Inter-segment	160,890	5,417	126,801	11,631	(304,739)	-
	₱55,540,568	₱40,082,574	₱6,123,284	₱4,343,948	(₱304,739)	₱105,785,635
Segment results:						
Income before income tax	₱24,291,544	₱10,905,230	₱3,969,174	₱402,171	(₱854,115)	₱38,714,004
Provision for income tax	(4,857,306)	(2,000,690)	(1,013,584)	(99,295)	-	(7,970,875)
Net income	₱19,434,238	₱8,904,540	₱2,955,590	₱302,876	(₱854,115)	₱30,743,129
Net income attributable to:						
Equity holders of the Parent	₱18,800,574	₱8,894,874	₱2,955,590	₱302,876	(₱854,115)	₱30,099,799
Non-controlling interests	633,664	9,666	-	-	-	643,330
Segment assets	₱461,547,075	₱317,089,509	₱81,047,183	₱16,296,204	(₱1,765,319)	₱874,214,652
Segment liabilities	₱320,311,592	₱180,624,978	₱8,524,126	₱1,367,669	(₱1,765,319)	₱509,063,046
Other information:						
Capital expenditures	₱25,786,080	₱36,345,071	₱12,194,451	₱1,093,268	₱-	₱75,418,870
Depreciation and amortization	10,373,095	138,188	1,347,108	629,371	-	12,487,762
2021						
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
<i>(In Thousands)</i>						
Revenue:						
External customers	₱29,919,619	₱45,895,228	₱4,920,521	₱1,580,116	₱-	₱82,315,484
Inter-segment	159,270	1,799	89,389	7,364	(257,822)	-
	₱30,078,889	₱45,897,027	₱5,009,910	₱1,587,480	(₱257,822)	₱82,315,484
Segment results:						
Income (loss) before income tax	₱6,649,817	₱19,175,121	₱3,244,353	(₱924,580)	(₱411,186)	₱27,733,525
Provision for income tax	(1,122,152)	(3,948,973)	(750,997)	-	-	(5,822,122)
Net income (loss)	₱5,527,665	₱15,226,148	₱2,493,356	(₱924,580)	(₱411,186)	₱21,911,403



	2021					
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
Net income (loss) attributable to:						
Equity holders of the Parent	₱5,406,970	₱15,221,956	₱2,493,356	(₱924,580)	(₱411,186)	₱21,786,516
Non-controlling interests	120,695	4,192	–	–	–	124,887
Segment assets	₱429,925,281	₱291,750,749	₱69,761,727	₱14,930,876	(₱1,965,353)	₱804,403,280
Segment liabilities	₱297,139,809	₱166,632,085	₱7,395,124	₱840,842	(₱1,965,353)	₱470,042,507
Other information:						
Capital expenditures	₱26,005,686	₱33,710,404	₱3,659,529	₱1,542,416	₱–	₱64,918,035
Depreciation and amortization	9,006,617	120,416	1,046,814	643,022	–	10,816,869

For the years ended December 31, 2023, 2022 and 2021, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers. The main revenues of the Company are substantially earned from the Philippines.

The Company disaggregates its revenue information in the same manner as it reports its segment information.

#### Seasonality

There were no other trends, events or uncertainties that have had or that are reasonably expected to have a material impact on net sales or revenues or income from continuing operations.

## 5. Business Combination

In January 2022, the Parent Company acquired 100% of the outstanding shares of BTC. BTC is under common control by the Sy Family. Thus, the acquisition was accounted for using pooling of interest method. Assets acquired and liabilities assumed in January 2022 is ₱1,593 million and ₱1,612 million, respectively. The acquisition resulted to equity reserve adjustment amounting to ₱44 million included under Additional Paid-in Capital - Net account in the equity section of the balance sheet (see Note 18).

## 6. Cash and Cash Equivalents

This account consists of:

	2023	2022
	<i>(In Thousands)</i>	
Cash on hand and in banks (see Note 19)	<b>₱10,239,900</b>	₱8,595,584
Temporary investments (see Note 19)	<b>21,576,902</b>	33,464,498
	<b>₱31,816,802</b>	₱42,060,082

Cash in banks earn interest at the respective bank deposit rates. Temporary investments are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn interest at the respective temporary investment rates.



Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

Interest income earned from cash in banks and temporary investments amounted to ₱1,450 million, ₱1,070 million and ₱627 million for the years ended December 31, 2023, 2022 and 2021, respectively (see Note 22).

## 7. Receivables and Contract Assets

This account consists of:

	2023	2022
	<i>(In Thousands)</i>	
Trade (billed and unbilled):		
Sale of real estate*	<b>₱132,177,723</b>	₱114,005,269
Rent:		
Third parties	<b>9,352,668</b>	10,217,117
Related parties (see Note 19)	<b>3,471,144</b>	3,427,264
Accrued interest (see Note 19)	<b>265,371</b>	442,377
Nontrade and others (see Note 19)	<b>3,062,977</b>	4,119,332
	<b>148,329,883</b>	132,211,359
Less allowance for ECLs	<b>777,378</b>	721,482
	<b>147,552,505</b>	131,489,877
Less noncurrent portion of trade receivables from sale of real estate (see Note 14)	<b>70,600,303</b>	48,929,523
	<b>₱76,952,202</b>	₱82,560,354

\*Includes unbilled revenue from sale of real estate amounting to ₱114,898 million and ₱100,157 million as at December 31, 2023 and 2022, respectively.

The terms and conditions of the above receivables are as follows:

- Trade receivables from tenants are non-interest bearing and are normally collectible on a 30 to 90 days' term. Trade receivables from sale of real estate pertain to sold real estate inventories at various terms of payments, which are interest bearing and non-interest bearing.

The Company assigned billed and unbilled receivables from sale of real estate on a without recourse basis to local banks amounting to ₱4,131 million and nil for the years ended December 31, 2023 and 2022, respectively (see Note 19).

The Company also has assigned billed and unbilled receivables from real estate on a with recourse basis to local banks with outstanding balance of ₱217 million and ₱1,182 million as at December 31, 2023 and 2022, respectively. The related liability from assigned receivables, which is of equal amount with the assigned receivables, bear interest rates of 5.00% to 6.50% in 2023 and 3.75% to 5.00% in 2022. The fair value of the assigned receivables and liability from assigned receivables approximates their costs.

The total cost of related financing recorded under interest expense amounted to ₱717 million and ₱18 million and ₱33 million for the years ended December 31, 2023, 2022 and 2021, respectively (see Note 22).



- Accrued interest and other receivables are normally collected throughout the next financial period.

Interest income earned from receivables totaled ₱232 million, ₱149 million and ₱86 million for the years ended December 31, 2023, 2022 and 2021, respectively (see Note 22).

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.

There is no allowance for ECLs on unbilled revenue from sale of real estate as of December 31, 2023 and 2022. The movements in the allowance for ECLs related to receivables from rent are as follows:

	2023	2022
	<i>(In Thousands)</i>	
At beginning of year	₱721,482	₱723,319
Provisions (reversals) - net (see Note 21)	55,896	(1,837)
<b>At end of year</b>	<b>₱777,378</b>	<b>₱721,482</b>

The aging analysis of receivables and unbilled revenue from sale of real estate as at December 31 are as follows:

	2023	2022
	<i>(In Thousands)</i>	
Neither past due nor impaired	₱128,027,966	₱115,020,835
Past due:		
Less than 30 days	4,805,072	4,906,282
31-90 days	6,044,097	3,211,588
91-120 days	2,142,720	2,411,591
Over 120 days	6,532,650	5,939,581
Impaired	777,378	721,482
	<b>₱148,329,883</b>	<b>₱132,211,359</b>

Receivables, except for those that are impaired, are assessed by the Company's management as not impaired, good and collectible.

The transaction price allocated to the remaining performance obligations totaling ₱38,087 million and ₱25,392 million as at December 31, 2023 and 2022, respectively are expected to be recognized over the construction period ranging from one to five years.



## 8. Real Estate Inventories

The movements in this account are as follows:

	Land and Development	Condominium, Residential Units and Subdivision Lots for Sale	Total
<i>(In Thousands)</i>			
Balance as at December 31, 2021	₱37,229,526	₱19,345,521	₱56,575,047
Development cost incurred	27,956,439	–	27,956,439
Cost of real estate sold (see Note 21)	(11,153,550)	(5,745,018)	(16,898,568)
Transfers	(12,643,521)	12,643,521	–
Reclassifications from investment properties (see Note 12)	2,204,897	–	2,204,897
Translation adjustment and others	187,070	475,140	662,210
Balance as at December 31, 2022	43,780,861	26,719,164	70,500,025
Development cost incurred	22,141,007	–	22,141,007
Cost of real estate sold (see Note 21)	(13,166,920)	(3,493,990)	(16,660,910)
Transfers	(1,902,929)	1,902,929	–
Reclassifications from investment properties (see Note 12)	1,807,712	–	1,807,712
Translation adjustment and others	98,606	341	98,947
Balance as at December 31, 2023	<b>₱52,758,337</b>	<b>₱25,128,444</b>	<b>₱77,886,781</b>

Land and development pertains to the Company's on-going residential units and condominium projects. Estimated cost to complete the projects amounted to ₱103,578 million and ₱106,894 million as at December 31, 2023 and 2022, respectively.

Condominium and residential units for sale pertain to completed projects. These are stated at cost as at December 31, 2023 and 2022.

Contract fulfillment assets, included under land and development, mainly pertain to unamortized portion of land cost totaling ₱1,777 million and ₱959 million as at December 31, 2023 and 2022, respectively.

## 9. Equity Instruments at FVOCI

This account consists of investments in:

	2023	2022
<i>(In Thousands)</i>		
Shares of stock:		
Listed (see Note 19)	<b>₱20,312,735</b>	₱17,606,746
Unlisted	<b>5,317</b>	5,317
	<b>20,318,052</b>	17,612,063
Less noncurrent portion	<b>19,570,212</b>	17,077,198
	<b>₱747,840</b>	<b>₱534,865</b>

- Listed shares of stock pertain to investments in publicly listed companies.
- Unlisted shares of stock pertain to stocks of private corporations.

Dividend income from investments at FVOCI amounted to ₱440 million, ₱456 million and ₱186 million for the years ended December 31, 2023, 2022 and 2021, respectively (see Note 19).



The movements in the “Net fair value changes of equity instruments at FVOCI” account are as follows:

	<b>2023</b>	2022
	<i>(In Thousands)</i>	
At beginning of the year	<b>₱14,232,514</b>	₱14,708,368
Unrealized gain (loss) due to changes in fair value	<b>2,705,989</b>	(475,854)
At end of the year	<b>₱16,938,503</b>	₱14,232,514

#### 10. Prepaid Expenses and Other Current Assets

This account consists of:

	<b>2023</b>	2022
	<i>(In Thousands)</i>	
Input and creditable withholding taxes	<b>₱12,030,388</b>	₱11,386,654
Advances and deposits	<b>8,724,322</b>	8,925,364
Prepaid taxes and other prepayments	<b>6,409,923</b>	4,788,282
Supplies and inventories	<b>420,623</b>	424,361
Others	<b>219,674</b>	242,673
	<b>₱27,804,930</b>	₱25,767,334

- Input tax represents VAT paid to suppliers that can be claimed as credit against the future output VAT liabilities without prescription. Creditable withholding tax is the tax withheld by the withholding agents from payments to the Company which can be applied against the income tax payable.
- Advances and deposits pertain to downpayments made to suppliers or contractors to cover preliminary expenses of the contractors in construction projects. The amounts are non-interest bearing and are recouped upon every progress billing payment depending on the percentage of accomplishment. This account also includes construction bonds, rental deposits and deposits for utilities and advertisements.
- Prepaid taxes and other prepayments consist of prepayments for insurance, real property taxes, rent, and other expenses which are normally utilized within the next financial period.



## 11. Property and Equipment

The movements in this account are as follows:

	Buildings, Land and Leasehold Improvements	Furniture, Fixtures and Other Equipment	ROUA - Office Spaces	Total
<i>(In Thousands)</i>				
<b>Cost</b>				
Balance at December 31, 2021	₱2,316,525	₱1,307,981	₱7,454	₱3,631,960
Additions	110,481	87,587	–	198,068
Disposals	–	(5,443)	–	(5,443)
Balance at December 31, 2022	2,427,006	1,390,125	7,454	3,824,585
Additions	185,262	155,844	–	341,106
Disposals	(16,472)	(2,878)	(7,454)	(26,804)
Balance at December 31, 2023	₱2,595,796	₱1,543,091	₱–	₱4,138,887
<b>Accumulated Depreciation and Amortization</b>				
Balance at December 31, 2021	₱1,160,671	₱1,093,624	₱5,389	₱2,259,684
Depreciation and amortization (see Note 21)	90,178	78,205	2,065	170,448
Disposals	–	(5,387)	–	(5,387)
Balance at December 31, 2022	1,250,849	1,166,442	7,454	2,424,745
Depreciation and amortization (see Note 21)	78,545	90,940	–	169,485
Disposals	–	(2,879)	(7,454)	(10,333)
Balance at December 31, 2023	₱1,329,394	₱1,254,503	₱–	₱2,583,897
<b>Net Book Value</b>				
As at December 31, 2022	₱1,176,157	₱223,683	₱–	₱1,399,840
<b>As at December 31, 2023</b>	<b>₱1,266,402</b>	<b>₱288,588</b>	<b>₱–</b>	<b>₱1,554,990</b>

The company disposed certain properties and equipment in 2023 and 2022. The loss on disposal is recognized in the consolidated statements of income under “Others - net” account



## 12. Investment Properties

The movements in this account are as follows:

	Land, Building and Leasehold Improvements	Building Equipment, Furniture and Others	ROUA - Land	Construction in Progress	Total
<b>Cost</b>					
Balance as at December 31, 2021	₱423,907,337	₱49,094,257	₱28,203,524	₱74,517,670	₱575,722,788
Additions	7,654,606	2,626,045	1,138,124	23,705,364	35,124,139
Effect of common control business combination (see Note 5)	189,431	430,872	–	363,091	983,394
Reclassifications (see Note 8)	26,545,451	4,103,090	(1,280,292)	(31,573,146)	(2,204,897)
Translation adjustment	358,622	27,723	106,771	84,967	578,083
Disposals	(369,967)	(46,618)	–	–	(416,585)
Balance as at December 31, 2022	458,285,480	56,235,369	28,168,127	67,097,946	609,786,922
Additions	18,207,086	3,108,856	5,719,181	46,548,285	73,583,408
Reclassifications (see Note 8)	26,994,487	2,449,872	–	(31,252,071)	(1,807,712)
Translation adjustment	(1,818,843)	(170,288)	(460,661)	(391,352)	(2,841,144)
Disposals	(425,770)	(530,451)	(10,558)	–	(966,779)
Balance as at December 31, 2023	₱501,242,440	₱61,093,358	₱33,416,089	₱82,002,808	₱677,754,695
<b>Accumulated Depreciation and Amortization</b>					
Balance as at December 31, 2021	₱74,597,796	₱32,020,231	₱1,712,773	₱–	₱108,330,800
Depreciation and amortization (see Note 21)	8,107,549	3,393,248	816,518	–	12,317,315
Translation adjustment	79,345	15,935	2,602	–	97,882
Disposals	(184,792)	(40,325)	–	–	(225,117)
Balance as at December 31, 2022	82,599,898	35,389,089	2,531,893	–	120,520,880
Depreciation and amortization (see Note 21)	8,748,034	3,979,841	759,413	–	13,487,288
Translation adjustment	(474,488)	(86,870)	(23,937)	–	(585,295)
Disposals	(366,969)	(373,808)	(2,147)	–	(742,924)
Balance as at December 31, 2023	₱90,506,475	₱38,908,252	₱3,265,222	₱–	₱132,679,949
<b>Net Book Value</b>					
As at December 31, 2022	₱375,685,582	₱20,846,280	₱25,636,234	₱67,097,946	₱489,266,042
As at December 31, 2023	₱410,735,965	₱22,185,106	₱30,150,867	₱82,002,808	₱545,074,746



The company disposed certain investment properties in 2023 and 2022. The loss on disposal is recognized in the consolidated statements of income under “Others - net” account.

Portions of investment properties located in China with total carrying value of ₱1,455 million and ₱1,624 million as at December 31, 2023 and 2022, respectively are mortgaged as collaterals to secure domestic borrowings (see Note 17).

Consolidated rent income from investment properties amounted to ₱72,114 million, ₱58,244 million and ₱34,694 million for the years ended December 31, 2023, 2022 and 2021, respectively.

Consolidated costs and expenses from investment properties, which generate income, amounted to ₱40,120 million, ₱30,598 million and ₱23,665 million for the years ended December 31, 2023, 2022 and 2021, respectively (see Note 21).

Construction in progress amounting to ₱82,003 million and ₱67,098 million as at December 31, 2023 and 2022, respectively includes shopping mall complex under construction, land and commercial building constructions.

The outstanding contracts with various contractors related to the construction of on-going projects are valued at ₱78,353 million and ₱79,532 million as at December 31, 2023 and 2022, respectively, inclusive of overhead, cost of labor and materials and all other costs necessary for the proper execution of works.

Interest capitalized to the construction of investment properties amounted to ₱5,791 million, ₱4,814 million and ₱4,005 million for the years ended December 31, 2023, 2022 and 2021, respectively. Capitalization rates used range from 2.27% to 5.38%, from 2.35% to 5.22%, and from 2.35% to 4.58% for the years ended December 31, 2023, 2022 and 2021, respectively.

The most recent fair value of investment properties is determined by an independent appraiser who holds a recognized and relevant professional qualification. The valuation of investment properties was based on market values using income approach and market value approach. The fair value represents the amount at which the assets can be exchanged between a knowledgeable, willing seller and a knowledgeable, willing buyer in an arm’s length transaction at the date of valuation, in accordance with International Valuation Standards as set out by the International Valuation Standards Committee.

Other than those investment properties held as collateral, the Company has no restriction on the realizability of its investment properties.

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### 13. Investments in Associates and Joint Ventures

The ownership interests in associates and joint ventures accounted for under the equity method mainly consist of the following:

Company	Country of Incorporation	Percentage of Ownership	
		2023	2022
<i>Associates</i>			
Feihua Real Estate (Chongqing) Company Ltd. (FHREC)	People's Republic of China	<b>50.00</b>	50.00
Ortigas Land Corporation (OLC)	Philippines	<b>39.96</b>	39.96



Company	Country of Incorporation	Percentage of Ownership	
		2023	2022
<b>Joint Ventures</b>			
Winsome Development Corporation*	Philippines	<b>51.00</b>	51.00
Willin Sales, Inc.*	- do -	<b>51.00</b>	51.00
Willimson, Inc. *	- do -	<b>51.00</b>	51.00
Waltermart Ventures, Inc. *	- do -	<b>51.00</b>	51.00
WM Development, Inc. *	- do -	<b>51.00</b>	51.00
WM Shopping Center Management Inc.*	- do -	<b>51.00</b>	51.00
Metro Rapid Transit Service Inc.	- do -	<b>51.00</b>	51.00
ST 6747 Resources Corporation (STRC)	- do -	<b>50.00</b>	50.00

\*collectively, Waltermart

The movements in this account are as follows:

	Associates	Joint Ventures	Total
		(In Thousands)	
Balance as at December 31, 2021	₱19,940,320	₱9,247,115	₱29,187,435
Equity in net earnings	1,082,911	637,205	1,720,116
Dividends	(142,933)	(196,859)	(339,792)
Translation	10,561	—	10,561
Balance as at December 31, 2022	20,890,859	9,687,461	30,578,320
Equity in net earnings	1,273,549	889,062	2,162,611
Dividends	(130,928)	(128,774)	(259,702)
Translation	(50,034)	—	(50,034)
<b>Balance as at December 31, 2023</b>	<b>₱21,983,446</b>	<b>₱10,447,749</b>	<b>₱32,431,195</b>

The carrying value of investment in OLC amounted to ₱20,615 million and ₱19,473 million as at December 31, 2023 and 2022, respectively, which consists of its proportionate share in the net assets of OLC and fair value adjustments. The share in profit, net of dividend received of OLC amounted to ₱1,142 million, ₱940 million and ₱698 million for the years ended December 31, 2023, 2022 and 2021, respectively.

The carrying value of investment in FHREC amounted to ₱1,368 million and ₱1,418 million as at December 31, 2023 and 2022, respectively, with cumulative equity in net earnings amounting to ₱1,070 million and ₱1,109 million as at December 31, 2023 and 2022, respectively.

The carrying values of investments in Waltermart amounted to ₱8,152 million and ₱7,639 million as at December 31, 2023 and 2022, respectively. The aggregate share in profit and total comprehensive income, net of dividends received amounted to ₱513 million, ₱283 million and ₱216 million for the years ended December 31, 2023, 2022 and 2021, respectively.

The carrying value of investment in STRC amounted to ₱2,296 million and ₱2,048 million as at December 31, 2023 and 2022, respectively. The aggregate share in profit and total comprehensive income amounted to ₱248 million, ₱172 million and ₱198 million for the years ended December 31, 2023, 2022 and 2021, respectively.

The Company has no outstanding contingent liabilities or capital commitments related to its investments in associates and joint ventures as at December 31, 2023 and 2022.



#### 14. Other Noncurrent Assets

This account consists of:

	2023	2022
	<i>(In Thousands)</i>	
Receivables from sale of real estate - net of current portion* (see Note 7)	<b>₱70,600,303</b>	₱48,929,523
Bonds and deposits	<b>46,894,238</b>	50,541,286
Escrow and time deposits (see Note 19)	<b>3,656,453</b>	5,105,361
Deferred input tax	<b>779,864</b>	1,069,739
Others (see Note 23)	<b>540,616</b>	554,997
	<b>₱122,471,474</b>	₱106,200,906

\*Pertains to noncurrent portion of unbilled revenue from sale of real estate (see Note 7).

- Bonds and deposits consist of deposits to contractors and suppliers to be applied throughout construction and advances, deposits paid for leased properties to be applied at the last term of the lease and advance payments for land acquisitions which will be applied against the purchase price of the properties upon fulfillment by both parties of certain undertakings and conditions.
- Cash in escrow amounting to ₱711 million and ₱489 million as at December 31, 2023 and 2022, respectively, pertains to the amounts deposited in the account of an escrow agent as required by the Department of Human Settlements and Urban Development in connection with the incentive compliance provisions of the Urban Development and Housing Act. Interest income earned from the cash in escrow amounted to ₱25 million, ₱6 million and ₱1 million for the years ended December 31, 2023, 2022 and 2021 respectively (see Note 22).
- Time deposits amounting to ₱2,945 million and ₱4,616 million as at December 31, 2023 and 2022, respectively, were used as collateral for use of credit lines obtained by the Company. Interest income earned amounted to ₱38 million, ₱94 million and ₱125 million for the years ended December 31, 2023, 2022 and 2021, respectively (see Note 22).

#### 15. Loans Payable

This account consists of unsecured Philippine peso and China yuan renminbi denominated loans obtained from local and foreign banks amounting to ₱4,289 million and ₱5,423 million as at December 31, 2023 and 2022, respectively, with due dates of less than one year. These loans bear weighted average interest rates of 3.56% and China loan prime rate (LPR) in 2023 and 2022.

Interest expense incurred from loans payable amounted to ₱258 million, ₱160 million and ₱177 million for the years ended December 31, 2023, 2022 and 2021, respectively (see Note 22).



## 16. Accounts Payable and Other Current Liabilities

This account consists of:

	2023	2022
	<i>(In Thousands)</i>	
Trade:		
Third parties	<b>₱51,450,265</b>	₱41,044,372
Related parties (see Note 19)	<b>205,653</b>	166,076
Tenants' and customers' deposits* (see Note 25)	<b>39,678,216</b>	37,056,004
Accrued operating expenses	<b>15,834,744</b>	15,171,483
Deferred output VAT	<b>14,411,482</b>	10,920,582
Lease liabilities	<b>13,313,112</b>	13,473,170
Retention payable	<b>8,834,072</b>	7,206,273
Liability for purchased land	<b>5,042,435</b>	5,678,474
Accrued interest (see Note 19)	<b>2,827,101</b>	2,646,101
Payable to government agencies	<b>854,877</b>	1,606,431
Nontrade	<b>437,049</b>	354,153
Liability from assigned receivables and others (see Note 7)	<b>2,822,122</b>	3,808,517
	<b>155,711,128</b>	139,131,636
Less noncurrent portion	<b>56,633,700</b>	51,009,039
	<b>₱99,077,428</b>	₱88,122,597

\* Includes unearned revenue from sale of real estate amounting to ₱7,018 million and ₱5,452 million as at December 31, 2023 and 2022, respectively, out of which ₱2,129 million and ₱4,343 million were recognized as revenue in 2023 and 2022, respectively.

The terms and conditions of the above liabilities follow:

- Trade payables primarily consist of liabilities to suppliers and contractors, which are non-interest bearing and are normally settled within a 30-day term.
- Accrued operating expenses pertain to accrued selling, general and administrative expenses which are normally settled throughout the financial period. Accrued operating expenses consist of:

	2023	2022
	<i>(In Thousands)</i>	
Payable to contractors	<b>₱9,400,962</b>	₱9,133,293
Utilities	<b>2,468,876</b>	2,385,215
Marketing and advertising and others	<b>3,964,906</b>	3,652,975
	<b>₱15,834,744</b>	₱15,171,483

- Deferred output VAT represents output VAT on unpaid portion of recognized receivable from sale of real estate. This amount is reported as output VAT upon collection of the receivables.
- Lease liabilities included in "Other noncurrent liabilities" amounted to ₱13,181 million and ₱13,342 million as at December 31, 2023 and 2022, respectively. Interest on lease liabilities included under "Others - net" in the consolidated statements of income amounted to ₱366 million, ₱437 million and ₱404 million for the years ended December 31, 2023, 2022 and 2021, respectively.



- Retention payable pertains to the amount withheld by the Company from the contractors' progress billings which will be released after the guarantee period. The retention serves as a security from the contractor should there be defects in the project.
- Liability for purchased land, payable to government agencies, accrued interest and other payables are normally settled throughout the financial period.



## 17. Long-term Debt

This account consists of:

	Availment Date	Maturity Date	Weighted Average Interest Rate	Outstanding Balance	
				2023	2022
				<i>(In Thousands)</i>	
Philippine peso-denominated loans	June 3, 2013 - December 28, 2023	March 1, 2023 - April 2, 2032	Floating BVAL + margin; Fixed - 5.26%	<b>₱269,313,740</b>	₱248,359,200
U.S. dollar-denominated loans*	July 30, 2018 - June 30, 2022	June 14, 2023 - June 9, 2027	LIBOR + spread; semi-annual/quarterly in 2022; SOFR + spread; quarterly in 2023	<b>84,350,144</b>	91,062,847
China yuan renminbi-denominated loans**	May 6, 2021 - December 19, 2023	April 20, 2026 - June 24, 2037	China LPR; annually; Fixed - 3.65%	<b>10,590,461</b>	9,665,493
				<b>364,254,345</b>	349,087,540
Less debt issue cost				<b>1,885,738</b>	2,112,928
				<b>362,368,607</b>	346,974,612
Less current portion				<b>67,746,351</b>	50,839,776
				<b>₱294,622,256</b>	₱296,134,836

*LIBOR – London Interbank Offered Rate*

*BVAL – Bloomberg Valuation Service*

*SOFR – Secured Overnight Financing Rate*

*\*Hedged against foreign exchange and interest rate risks using derivative instruments*

*\*\*Secured by portions of investment properties located in China (see Note 12)*



Debt Issue Cost

The movements in unamortized debt issue cost of the Company follow:

	2023	2022
	<i>(In Thousands)</i>	
Balance at beginning of the year	<b>₱2,112,928</b>	₱1,966,100
Additions	<b>645,502</b>	884,484
Amortization	<b>(872,692)</b>	(737,656)
Balance at end of the year	<b>₱1,885,738</b>	₱2,112,928

Amortization of debt issuance costs is recognized in the consolidated statements of income under “Others - net” account.

Repayment and Debt Issue Cost Schedule

The repayments of long-term debt are scheduled as follows:

	Gross	Debt Issue Cost	Net
	<i>(In Thousands)</i>		
Within 1 year	₱68,491,059	(₱744,708)	₱67,746,351
More than 1 year to 5 years	263,585,992	(1,094,991)	262,491,001
More than 5 years	32,177,294	(46,039)	32,131,255
	<b>₱364,254,345</b>	<b>(₱1,885,738)</b>	<b>₱362,368,607</b>

The loan agreements of the Company provide certain restrictions and requirements principally with respect to maintenance of required financial ratios and material change in ownership or control. As at December 31, 2023 and 2022, the Company is in compliance with the terms of its loan covenants.

Interest expense from long-term debt charged to profit or loss amounted to ₱12,989 million, ₱11,288 million and ₱9,148 million for the years ended December 31, 2023, 2022 and 2021, respectively (see Note 22).

## 18. Equity

Capital Stock

As at December 31, 2023 and 2022, the Company has an authorized capital stock of 40,000 million with a par value of ₱1 a share, of which 33,166 million shares were issued. The Company has 28,856 million outstanding shares as at December 31, 2023 and 2022.

The following summarizes the information on SMPH's registration of securities under the Securities Regulation Code:

Date of SEC Approval/ Notification to SEC	Authorized Shares	No. of Shares Issued	Issue/Offer Price
March 15, 1994	10,000,000,000	–	₱–
April 22, 1994	–	6,369,378,049	5.35
May 29, 2007	10,000,000,000	–	–
May 20, 2008	–	912,897,212	11.86
October 14, 2010	–	569,608,700	11.50
October 10, 2013	20,000,000,000	15,773,765,315	19.50



SMPH declared stock dividends in 2012, 2007, 1996 and 1995. The total number of shareholders is 2,330 as at December 31, 2023.

Additional Paid-in Capital - Net

Following represents the nature of the consolidated “Additional paid-in capital - net”:

	2023	2022
	<i>(In Thousands)</i>	
Paid-in subscriptions in excess of par value	<b>₱33,549,808</b>	₱33,549,808
Net equity adjustments from common control business combinations	<b>9,354,060</b>	9,354,060
Arising from net sale (acquisition) of non-controlling interests (see Note 2)	<b>(4,743,968)</b>	(4,779,675)
<u>As presented in the consolidated balance sheets</u>	<u><b>₱38,159,900</b></u>	<u>₱38,124,193</u>

Retained Earnings

In 2023, the BOD approved the declaration of cash dividend of ₱0.237 per share or ₱6,844 million to stockholders of record as of May 10, 2023, ₱5 million of which was received by SMDC. This was paid on May 24, 2023. In 2022, the BOD approved the declaration of cash dividend of ₱0.097 per share or ₱2,801 million to stockholders of record as of May 11, 2022, ₱2 million of which was received by SMDC. This was paid on May 24, 2022. In 2021, the BOD approved the declaration of cash dividend of ₱0.082 per share or ₱2,368 million to stockholders of record as of May 5, 2021, ₱2 million of which was received by SMDC. This was paid on May 19, 2021.

As at December 31, 2023 and 2022, the amount of retained earnings appropriated for the corporate and mall expansions amounted to ₱42,200 million. This represents appropriation for land banking activities and planned construction projects for the next two to three years. The appropriation is being fully utilized to cover part of the annual capital expenditure requirement of the Company. Approval of malls expansions and new projects is delegated by the BOD to the Executive Committee of the Company.

For the year 2024, the Company is looking at ₱100,000 million for its capital expenditure program.

The unappropriated retained earnings account is restricted for the payment of dividends to the extent of the accumulated equity in net earnings of subsidiaries, associates and joint ventures and the balance of treasury stock until such time that the Parent Company receives the dividends from its subsidiaries, associates and joint ventures. The retained earnings available for dividend declaration amounted to ₱115,550 million and ₱96,642 million as at December 31, 2023 and 2022, respectively.

Treasury Stock

As at December 31, 2023 and 2022, this includes 4,310 million reacquired capital stock and shares held by a subsidiary stated at acquisition cost of ₱2,985 million.



## 19. Related Party Transactions

Parties are considered to be related if one party has the ability, directly and indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

### Terms and Conditions of Transactions with Related Parties

There have been no guarantees/collaterals provided or received for any related party receivables or payables. For the years ended December 31, 2023 and 2022, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial period through examining the financial position of the related party and the market in which the related party operates. Settlement of the outstanding balances normally occur in cash. The Company has approval process and established limits when entering into material related party transactions.

The significant transactions entered into by the Company with its related parties and the amounts included in the accompanying consolidated financial statements with respect to these transactions follow:

	Amount of Transactions			Outstanding Amount [Asset (Liability)]		Terms	Conditions
	2023	2022	2021	2023	2022		
<i>(In Thousands)</i>							
<b>Ultimate Parent</b>							
Rent income	<b>₱69,449</b>	₱64,092	₱59,175	<b>₱-</b>	₱-		
Rent receivable	-	-	-	<b>7,899</b>	7,396	Non-interest bearing	Unsecured; not impaired
Other revenue	<b>36,414</b>	35,017	41,600	-	-		
Other receivable	-	-	-	<b>2,912</b>	2,912	Non-interest bearing	Unsecured; not impaired
Rent expense	<b>86,787</b>	69,755	25,298	-	-		
Trade payable	-	-	-	<b>(34,882)</b>	(30,068)	Non-interest bearing	Unsecured
Dividend income	<b>1,096</b>	913	621	-	-		
Equity instruments at FVOCI	-	-	-	<b>127,403</b>	131,494		
<b>Banking and Retail Entities</b>							
Cash and cash equivalents	<b>123,293,354</b>	122,886,066	127,864,300	<b>23,451,912</b>	34,031,170	Interest bearing based on prevailing rates	Unsecured; not impaired
Rent income	<b>17,707,839</b>	15,391,640	10,107,826	-	-		
Rent receivable	-	-	-	<b>3,388,569</b>	3,359,255	Non-interest bearing	Unsecured; not impaired
Other revenue	<b>90</b>	419	159	-	-		
Other receivable	-	-	-	<b>9,355</b>	8,941	Non-interest bearing	Unsecured; not impaired
Interest income	<b>1,231,347</b>	664,264	213,906	-	-		
Accrued interest receivable	-	-	-	<b>197,130</b>	119,002	Non-interest bearing	Unsecured; not impaired
Receivable financed	<b>4,130,907</b>	-	358,861	-	-	Without recourse	Unsecured
Dividend income	<b>324,088</b>	203,455	108,029	-	-		
Equity instruments at FVOCI	-	-	-	<b>14,097,820</b>	11,418,694		
Escrow and time deposits	<b>373,065</b>	196,272	161,034	<b>1,277,880</b>	1,046,262	Interest bearing and based on prevailing rates	Unsecured; not impaired
Long-term debt	<b>4,496,888</b>	12,521,075	1,700,000	<b>(20,746,834)</b>	(20,730,765)	Interest bearing	Unsecured
Interest expense	<b>1,716,133</b>	668,384	503,515	-	-		
Accrued interest payable	-	-	-	<b>(176,640)</b>	(157,668)	Non-interest bearing	Unsecured
Other expense	<b>220,182</b>	195,876	159,418	-	-		
Trade payable	-	-	-	<b>(159,999)</b>	(115,922)	Non-interest bearing	Unsecured



	Amount of Transactions			Outstanding Amount [Asset (Liability)]		Terms	Conditions
	2023	2022	2021	2023	2022		
	<i>(In Thousands)</i>						
<b>Other Related Parties</b>							
Rent income	<b>₱392,116</b>	₱314,324	₱120,962	<b>₱-</b>	₱-		
Rent receivable	-	-	-	<b>74,676</b>	60,613	Non-interest bearing	Unsecured; not impaired
Other revenue	<b>90,652</b>	121,004	155,683	-	-		
Other receivable	-	-	-	<b>17,148</b>	25,058	Non-interest bearing	Unsecured; not impaired
Rent expense	<b>663</b>	410	376	-	-		
Trade payable	-	-	-	<b>(10,772)</b>	(20,086)	Non-interest bearing	Unsecured

Affiliate refers to an entity that is neither a parent, subsidiary, nor an associate, with stockholders common to the SM Group or under common control.

Below are the nature of the Company's transactions with the related parties:

#### Rent

The Company has existing lease agreements for office and commercial spaces with related companies (retail and banking group and other related parties).

#### Other Revenue

The Company provides management, manpower and other related services.

#### Dividend Income

The Company's equity instruments at FVOCI of certain affiliates earn income upon the declaration of dividends by the investees.

#### Cash Placements and Loans

The Company has certain bank accounts and cash placements that are maintained with the banking group. Such accounts earn interest based on prevailing market interest rates (see Note 6).

The Company also availed of bank loans and long-term debt from the banking group and pays interest based on prevailing market interest rates (see Notes 15 and 17).

The Company also entered into financing arrangements with the banking group. There were no assigned receivables on a with recourse basis to the banking group in 2023 and 2022 (see Note 7).

#### Others

The Company, in the normal course of business, has outstanding receivables from and payables to related companies as at reporting period which are unsecured and normally settled in cash.

#### Compensation of Key Management Personnel

The aggregate compensation and benefits related to key management personnel for the years ended December 31, 2023, 2022 and 2021 consist of short-term employee benefits amounting to ₱1,495 million, ₱1,130 million and ₱1,059 million, respectively, and post-employment benefits (pension benefits) amounting to ₱298 million, ₱243 million and ₱229 million, respectively.



## 20. Other Revenue

Details of other revenue follows:

	2023	2022	2021
	<i>(In Thousands)</i>		
Cinema and event ticket sales	<b>₱4,020,155</b>	₱2,689,404	₱56,868
Merchandise sales	<b>3,263,194</b>	564,978	193,278
Food and beverages	<b>2,339,039</b>	1,786,358	611,751
Amusement income	<b>1,337,200</b>	1,093,416	226,423
Bowling and ice skating fees	<b>407,118</b>	335,452	29,301
Advertising income	<b>190,557</b>	99,912	87,155
Others (see Note 19)	<b>2,385,912</b>	1,925,688	1,300,403
	<b>₱13,943,175</b>	₱8,495,208	₱2,505,179

Others include service fees, parking terminal, sponsorships, commissions, and membership revenue.

## 21. Costs and Expenses

This account consists of:

	2023	2022	2021
	<i>(In Thousands)</i>		
Administrative (see Notes 19 and 23)	<b>₱17,450,432</b>	₱12,423,180	₱7,967,372
Cost of real estate sold (see Note 8)	<b>16,660,910</b>	16,898,568	18,686,708
Depreciation and amortization (see Notes 11 and 12)	<b>13,656,773</b>	12,487,763	10,816,869
Marketing and selling	<b>7,056,076</b>	5,438,162	5,445,482
Business taxes and licenses	<b>5,303,596</b>	4,658,425	5,141,919
Film rentals	<b>2,036,632</b>	1,399,271	20,539
Rent (see Notes 19 and 25)	<b>1,324,430</b>	1,130,559	581,803
Insurance	<b>634,148</b>	541,200	497,387
Others	<b>2,695,303</b>	1,565,194	742,854
	<b>₱66,818,300</b>	₱56,542,322	₱49,900,933

Administrative expenses include utilities, security, janitorial and other outsourced services. Rent expense pertain to variable payments for various lease agreements. Others include bank charges, donations, dues and subscriptions, services fees and transportation and travel.

## 22. Interest Income and Interest Expense

The details of the sources of interest income and interest expense follow:

	2023	2022	2021
	<i>(In Thousands)</i>		
Interest income on:			
Cash and cash equivalents (see Note 6)	<b>₱1,450,318</b>	₱1,070,051	₱627,033
Escrow and time deposits (see Note 14)	<b>62,574</b>	100,034	125,458
Others (see Note 7)	<b>232,335</b>	149,253	86,776
	<b>₱1,745,227</b>	₱1,319,338	₱839,267



	2023	2022	2021
	<i>(In Thousands)</i>		
Interest expense on:			
Long-term debt (see Note 17)	<b>₱12,988,734</b>	₱11,288,049	₱9,147,532
Loans payable (see Note 15)	<b>257,559</b>	159,904	176,792
Others (see Note 7)	<b>716,978</b>	17,834	33,292
	<b>₱13,963,271</b>	₱11,465,787	₱9,357,616

### 23. Pension Benefits

The Company has funded defined benefit pension plans covering all regular and permanent employees. The benefits are based on employees' projected salaries and number of years of service. The latest actuarial valuation report is as at December 31, 2023.

The following tables summarize the components of the pension plan as at December 31:

#### Net Pension Cost (included under "Costs and expenses" account under "Administrative")

	2023	2022	2021
	<i>(In Thousands)</i>		
Current service cost	<b>₱427,647</b>	₱377,990	₱376,779
Past service cost	<b>8,897</b>	-	-
Interest - net and others	<b>59,301</b>	28,911	8,348
	<b>₱495,845</b>	₱406,901	₱385,127

#### Net Pension Asset (included under "Other noncurrent assets" account)

	2023	2022
	<i>(In Thousands)</i>	
Fair value of plan assets	<b>₱173,807</b>	₱821,454
Defined benefit obligation	<b>(87,475)</b>	(725,095)
Effect of asset ceiling limit	<b>(19,166)</b>	(30,264)
Net pension asset	<b>₱67,166</b>	₱66,095

#### Net Pension Liability (included under "Other noncurrent liabilities" account)

	2023	2022
	<i>(In Thousands)</i>	
Defined benefit obligation	<b>₱4,672,036</b>	₱3,382,257
Fair value of plan assets	<b>(3,461,552)</b>	(2,250,763)
Net pension liability	<b>₱1,210,484</b>	₱1,131,494



The changes in the present value of the defined benefit obligation are as follows:

	2023	2022
	<i>(In Thousands)</i>	
Balance at beginning of the year	<b>₱4,107,352</b>	₱3,405,858
Interest cost and others	<b>290,807</b>	467,022
Current service cost	<b>427,647</b>	377,990
Past service cost	<b>8,897</b>	-
Actuarial loss (gain) on:		
Experience adjustments	<b>125,692</b>	(30,723)
Changes in demographic assumptions	<b>8,277</b>	(34,416)
Changes in financial assumptions	<b>(44,553)</b>	219,213
Benefits paid	<b>(183,908)</b>	(310,269)
Transfers	<b>19,300</b>	12,677
<b>Balance at end of the year</b>	<b>₱4,759,511</b>	<b>₱4,107,352</b>

The changes in the fair value of plan assets are as follows:

	2023	2022
	<i>(In Thousands)</i>	
Balance at beginning of year	<b>₱3,072,217</b>	₱2,984,973
Contributions	<b>570,379</b>	336,366
Interest income and others	<b>233,738</b>	308,480
Transfers	<b>19,300</b>	12,677
Benefits paid from assets	<b>(183,908)</b>	(310,269)
Remeasurement loss	<b>(76,367)</b>	(260,010)
<b>Balance at end of year</b>	<b>₱3,635,359</b>	<b>₱3,072,217</b>

The changes in the effect of asset ceiling limit are as follows:

	2023	2022
	<i>(In Thousands)</i>	
Balance at beginning of year	<b>₱30,264</b>	₱25,477
Interest cost	<b>2,232</b>	1,202
Remeasurement gain (loss)	<b>(13,330)</b>	3,585
<b>Balance at end of year</b>	<b>₱19,166</b>	<b>₱30,264</b>

The carrying amounts of the plan assets below equal to its fair values as at December 31, 2023 and 2022.

	2023	2022
	<i>(In Thousands)</i>	
Cash and cash equivalents	<b>₱17,789</b>	₱26,290
Investments in:		
Government securities	<b>1,948,988</b>	1,347,626
Common trust funds	<b>1,267,811</b>	1,143,227
Debt and other securities	<b>373,905</b>	528,448
Equity securities	-	11,496
Other financial assets	<b>26,866</b>	15,130
	<b>₱3,635,359</b>	<b>₱3,072,217</b>



- Cash and cash equivalents include regular savings and time deposits;
- Investments in government securities consist of retail treasury bonds which earn interest based on the prevailing market rates and have maturities ranging from 2024 to 2033;
- Investments in common trust funds pertain to unit investment trust fund;
- Investments in debt and other securities consist of short-term and long-term corporate loans, notes and bonds which earn interest based on the prevailing market rates and have maturities ranging from 2024 to 2029;
- Investments in equity securities consist of listed and unlisted equity securities; and
- Other financial assets include accrued interest income on cash deposits held by the Retirement Plan.

Debt and other securities, equity securities and government securities have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse instruments and do not have any concentration of risk.

The following table summarizes the outstanding balances and transactions of the pension plan as at and for the years ended December 31:

	<b>2023</b>	2022
	<i>(In Thousands)</i>	
Cash and cash equivalents	<b>₱17,789</b>	₱26,290
Interest income from cash and cash equivalents	<b>2,278</b>	137
Investments in common trust funds	<b>1,267,811</b>	1,143,227
Gain (loss) from investments in common trust funds	<b>73,208</b>	(131,927)

The principal assumptions used in determining pension obligations for the Company's plan are shown below:

	<b>2023</b>	2022
Discount rate	<b>6.0%–6.4%</b>	6.8%–7.3%
Future salary increases	<b>3.0%–10.0%</b>	3.0%–10.0%

Remeasurement effects recognized in OCI at December 31 follow:

	<b>2023</b>	2022	2021
	<i>(In Thousands)</i>		
Actuarial loss (gain)	<b>₱165,783</b>	₱414,084	(₱108,575)
Remeasurement loss (gain) - excluding amounts recognized in net interest cost	<b>(13,330)</b>	3,585	14,437
	<b>₱152,453</b>	₱417,669	(₱94,138)



The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2023 and 2022, respectively, assuming all other assumptions were held constant:

	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation
<b>2023</b>		<i>(In Thousands)</i>
<b>Discount rates</b>	<b>50</b>	<b>(₱340,764)</b>
	<b>(50)</b>	<b>392,738</b>
<b>Future salary increases</b>	<b>100</b>	<b>383,921</b>
	<b>(100)</b>	<b>(340,136)</b>
<b>2022</b>		
Discount rates	50	(₱307,539)
	(50)	355,952
Future salary increases	100	344,704
	(100)	(304,331)

The Company and the pension plan has no specific matching strategies between the pension plan assets and the defined benefit obligation under the pension plan.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2023 and 2022, respectively:

<b>Year 2023</b>	<b>Amount</b>
	<i>(In Thousands)</i>
<b>2024</b>	<b>₱1,100,326</b>
<b>2025</b>	<b>422,482</b>
<b>2026–2027</b>	<b>886,111</b>
<b>2028–2033</b>	<b>3,518,907</b>
<b>Year 2022</b>	<b>Amount</b>
	<i>(In Thousands)</i>
2023	₱938,840
2024	337,030
2025–2026	815,147
2027–2032	3,173,913

The Company expects to contribute about ₱733 million to its defined benefit pension plan in 2024.

The weighted average duration of the defined benefit obligation is 7.9 years as of December 31, 2023 and 2022.



## 24. Income Tax

The current provision for income tax presented in the consolidated statements of income represents RCIT and MCIT.

The details of the Company's deferred tax assets and liabilities are as follows:

	2023	2022
	<i>(In Thousands)</i>	
Deferred tax assets:		
Lease liabilities	<b>₱2,118,078</b>	₱2,145,193
NOLCO	<b>1,352,600</b>	335,693
Excess of fair value over cost of investment properties and others	<b>523,436</b>	252,069
Unrealized foreign exchange losses	<b>408,343</b>	408,426
Excess MCIT over RCIT	<b>276,526</b>	102,702
Unamortized past service cost	<b>43,969</b>	33,127
Provision for ECLs on receivables	<b>21,624</b>	21,626
Others	<b>584,606</b>	565,136
	<b>5,329,182</b>	3,863,972
Deferred tax liabilities:		
Unrealized gross profit on sale of real estate	<b>(11,190,690)</b>	(8,896,471)
Undepreciated capitalized interest, unrealized foreign exchange gains and others	<b>(3,276,002)</b>	(3,308,502)
ROUA	<b>(1,633,055)</b>	(1,693,636)
Pension asset	<b>(23,770)</b>	(22,543)
Others	<b>(171,402)</b>	(151,494)
	<b>(16,294,919)</b>	(14,072,646)
Net deferred tax liabilities	<b>(₱10,965,737)</b>	(₱10,208,674)

The net deferred tax assets and liabilities are presented in the consolidated balance sheets as follows:

	2023	2022
	<i>(In Thousands)</i>	
Deferred tax assets - net	<b>₱1,492,359</b>	₱931,366
Deferred tax liabilities - net	<b>(12,458,096)</b>	(11,140,040)
	<b>(₱10,965,737)</b>	(₱10,208,674)

### Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On March 26, 2021, President Rodrigo Duterte signed into law the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.



The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25%. For entities with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- MCIT rate reduced from 2% to 1% of gross income for 3 years or until June 30, 2023.
- Imposition of improperly accumulated earnings tax is repealed.

Applying the provisions of the CREATE Act, the Company have been subjected to the lower tax rate of 15% (optional standard deduction (OSD) to 25% (itemized deduction) of taxable income and 1% MCIT of gross income for 3 years or until June 30, 2023.

The Company recognized one-time impact of CREATE in the consolidated statement of comprehensive income for the period ended December 31, 2021 amounting to ₱293 million and ₱39 million for provision for income tax (current and deferred) and remeasurement loss on defined benefit obligation, respectively. Deferred tax liabilities - net also decreased by ₱218 million.

The reconciliation between the statutory tax rates and the effective tax rates on income before income tax as shown in the consolidated statements of income follows:

	<b>2023</b>	2022	2021
Statutory tax rate	<b>25.00%</b>	25.00%	25.00%
Income tax effects of:			
Equity in net earnings of associates and joint ventures	<b>(1.08)</b>	(1.11)	(1.07)
Interest income subjected to final tax and dividend income exempt from income tax	<b>(0.84)</b>	(0.73)	(0.33)
Others - net	<b>(5.07)</b>	(2.57)	(2.61)
<b>Effective tax rates</b>	<b>18.01%</b>	20.59%	20.99%

The Company's certain real estate sales are registered with the Philippine Board of Investments as a new developer of low-cost mass housing projects. Under such registration, the Company is entitled to a three to four-year income tax holiday incentive for certain projects.

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## 25. Lease Agreements

### Company as Lessor

The Company's lease agreements with its mall and commercial property tenants are generally granted for a term of one year, with the exception of some of the larger tenants operating nationally, which are granted initial lease terms of 5 years for mall tenants and 2 to 20 years for commercial property tenants, renewable on an annual basis thereafter. At the inception of the lease agreement, tenants are required to pay certain amounts of deposits. At the termination of the lease contracts, the deposits received by the Company are returned to tenants, reduced by unpaid rental fees, penalties and/or deductions from repairs of damaged leased properties, if any. Tenants likewise pay either a fixed monthly rent, which is calculated by reference to a fixed sum per square meter of area leased, or pay rent on a percentage rental basis, which comprises of a basic monthly amount and a percentage of gross sales or a minimum set amount, whichever is higher.



The Company's future minimum rent receivables for the noncancellable portions of the operating leases follow:

	2023	2022
	<i>(In Millions)</i>	
Within one year	<b>₱6,312</b>	₱7,261
After one year but not more than five years	<b>10,975</b>	11,807
After more than five years	<b>6,718</b>	6,878
	<b>₱24,005</b>	₱25,946

Consolidated rent income amounted to ₱72,114 million, ₱58,244 million and ₱34,694 million for the years ended December 31, 2023, 2022 and 2021, respectively.

#### Company as Lessee

The Company leases certain parcels of land where some of its malls are situated or constructed. The terms of the lease are for periods ranging from 5 to 65 years, renewable for the same period under the same terms and conditions. Rental payments are generally computed based on a certain percentage of the gross rental income or a certain fixed amount, whichever is higher. The Company also has various operating lease commitments with third party and related parties with noncancellable periods ranging from 2 to 30 years, mostly containing renewal options. Several lease contracts provide for the payment of additional rental based on certain percentage of sales of the tenants.

Amounts recognized in the consolidated statements of income follow:

	2023	2022	2021
	<i>(In Millions)</i>		
Rent expense (see Note 21)	<b>₱1,324</b>	₱1,131	₱582
Depreciation on ROUA (see Notes 11, 12 and 21)	<b>759</b>	819	633
Interest expense on lease liabilities (see Note 16)	<b>366</b>	437	404
	<b>₱2,449</b>	₱2,387	₱1,619

The maturity analysis of the undiscounted lease payments as at December 31, 2023 and 2022, respectively, are presented in Note 26 to the consolidated financial statements.

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

The Company's principal financial instruments, other than derivatives, comprise of cash and cash equivalents, accrued interest and other receivables, equity instruments at FVOCI and bank loans. The main purpose of these financial instruments is to finance the Company's operations. The Company has other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Company also enters into derivative transactions, principally, cross currency swaps, principal only swaps, interest rate swaps, foreign exchange forward swaps and non-deliverable forwards. The purpose is to manage the interest rate and foreign currency risks arising from the Company's operations and its sources of finance (see Note 27).



The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and equity price risk. The Company's BOD and management review and agree on the policies for managing each of these risks and they are summarized in the following tables.

Interest Rate Risk

The Company's policy is to manage its interest cost using a mix of fixed and floating rate debts. To manage this mix in a cost-efficient manner, it enters into interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to economically hedge underlying debt obligations. As at December 31, 2023 and 2022, after considering the effect of interest rate swaps, approximately 78% of its long-term borrowings, are at a fixed rate of interest (see Note 27).



The following tables set out the carrying amount, by maturity, of the Company's long-term financial liabilities that are exposed to interest rate risk as at December 31, 2023 and 2022:

		2023					
	Interest Rate	1-<2 Years	2-<3 Years	3-<4 Years	4-<5 Years	=>5 Years	Total
Philippine peso-denominated loans	BVAL+margin%	₱101,250	₱5,740,000	₱11,635,000	₱14,123,750	₱18,557,500	₱50,157,500
U.S. dollar-denominated loans	LIBOR + spread	-	\$100,000	\$200,000	\$100,000	-	22,148,006
China yuan renminbi-denominated loans	LPR	¥168,491	¥277,650	¥366,851	¥156,564	¥212,838	9,221,027
							81,526,533
Less debt issue cost							475,556
							<b>₱81,050,977</b>
		2022					
	Interest Rate	1-<2 Years	2-<3 Years	3-<4 Years	4-<5 Years	=>5 Years	Total
Philippine peso-denominated loans	BVAL+margin%	₱14,730,000	₱101,250	₱5,740,000	₱11,635,000	₱14,281,250	₱46,487,500
U.S. dollar-denominated loans	LIBOR + spread	-	-	\$100,000	\$200,000	\$100,000	22,301,978
China yuan renminbi-denominated loans	LPR	¥69,803	¥168,491	¥277,631	¥365,355	¥214,382	8,857,113
							77,646,591
Less debt issue cost							493,338
							<b>₱77,153,253</b>



*Interest Rate Risk Sensitivity Analysis.* The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant of the Company's income before income tax.

	Increase (Decrease) in Basis Points	Effect on Income Before Income Tax
<i>(In Thousands)</i>		
<b>2023</b>	<b>100</b>	<b>(₱66,447)</b>
	<b>50</b>	<b>(33,223)</b>
	<b>(100)</b>	<b>66,447</b>
	<b>(50)</b>	<b>33,223</b>
2022	100	(₱34,942)
	50	(17,471)
	(100)	34,942
	(50)	17,471

Fixed rate debts, although subject to fair value interest rate risk, are not included in the sensitivity analysis as these are carried at amortized costs. The assumed movement in basis points for interest rate sensitivity analysis is based on currently observable market environment, showing a significantly higher volatility as in prior years.

#### Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's policy is to manage its foreign currency risk mainly from its debt issuances which are denominated in U.S. dollars by entering into foreign currency swap contracts, cross currency swaps, principal only swaps and non-deliverable forwards aimed at reducing and/or managing the adverse impact of changes in foreign exchange rates on financial performance and cash flow.

The Company's foreign currency-denominated monetary net assets amounted to US\$18 million (₱1,003 million) as at December 31, 2023 and US\$19 million (₱1,034 million) as at December 31, 2022.

In translating the foreign currency-denominated monetary assets and liabilities to peso amounts, the exchange rates used were ₱55.37 to US\$1.00 and ₱55.76 to US\$1.00, the Philippine peso to U.S. dollar exchange rate as at December 31, 2023 and 2022, respectively.

*Foreign Currency Risk Sensitivity Analysis.* The following table demonstrates the sensitivity to a reasonably possible change in U.S. dollar to Philippine peso exchange rate with all other variables held constant, of the Company's income before income tax (due to changes in the fair value of monetary assets, including the impact of derivative instruments). There is no impact on the Company's equity.

	Appreciation (Depreciation) of \$	Effect on Income Before Tax
<i>(In Thousands)</i>		
<b>2023</b>	<b>1.50</b>	<b>₱27,173</b>
	<b>1.00</b>	<b>18,115</b>
	<b>(1.50)</b>	<b>(₱27,173)</b>
	<b>(1.00)</b>	<b>(18,115)</b>



	Appreciation (Depreciation) of \$	Effect on Income Before Tax
		<i>(In Thousands)</i>
2022	1.50	₱27,826
	1.00	18,550
	(1.50)	(₱27,826)
	(1.00)	(18,550)

### Liquidity Risk

Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments or that a market for derivatives may not exist in some circumstance.

The Company seeks to manage its liquidity profile to be able to finance capital expenditures and service maturing debts. To cover its financing requirements, the Company intends to use internally generated funds and proceeds from debt and equity issues.

As part of its liquidity risk management program, the Company regularly evaluates its projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives. These initiatives may include bank loans and debt capital and equity market issues.

The Company's financial assets, which have maturities of less than 12 months and used to meet its short-term liquidity needs, include cash and cash equivalents and equity instruments at FVOCI amounting to ₱31,817 million and ₱748 million, respectively, as at December 31, 2023 and ₱42,060 million and ₱535 million, respectively, as at December 31, 2022 (see Notes 6 and 9). The Company also has readily available credit facility with banks and affiliates to meet its long-term financial liabilities.

The tables below summarize the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments as at December 31:

	2023			Total
	Within 1 Year	More than 1 Year to 5 Years	More than 5 Years	
	<i>(In Thousands)</i>			
Loans payable	₱4,384,368	₱-	₱-	₱4,384,368
Accounts payable and other current liabilities*	83,479,886	-	-	83,479,886
Long-term debt (including current portion and interest)	109,537,322	301,795,119	34,890,709	446,223,150
Derivative liabilities	7,423	265,013	-	272,436
Liability for purchased land - net of current portion	-	539,959	-	539,959
Tenants' deposits - net of current portion**	-	24,736,578	269,391	25,005,969
Lease liabilities	874,205	3,539,853	27,505,845	31,919,903
Other noncurrent liabilities***	-	8,499,486	2,103,661	10,603,147
	<b>₱198,283,204</b>	<b>₱339,376,008</b>	<b>₱64,769,606</b>	<b>₱602,428,818</b>



	2022			Total
	Within 1 Year	More than 1 Year to 5 Years	More than 5 Years	
	(In Thousands)			
Loans payable	₱5,493,870	₱–	₱–	₱5,493,870
Accounts payable and other current liabilities*	72,841,522	–	–	72,841,522
Long-term debt (including current portion and interest)	66,498,851	300,418,234	38,218,018	405,135,103
Derivative liabilities	19,496	294,403	–	313,899
Liability for purchased land - net of current portion	–	1,129,719	–	1,129,719
Tenants' deposits - net of current portion**	–	2,017,519	21,543,716	23,561,235
Lease liabilities	900,370	3,734,664	31,127,968	35,763,002
Other noncurrent liabilities***	–	1,744,519	4,604,226	6,348,745
	₱145,754,109	₱309,339,058	₱95,493,928	₱550,587,095

\* Excluding nonfinancial liabilities and lease liabilities amounting to ₱15,598 million and ₱15,281 million as at December 31, 2023 and 2022, respectively.

\*\* Excluding residential customers' deposits amounting to ₱296 million and ₱238 million as at December 31, 2023 and 2022, respectively.

\*\*\* Excluding nonfinancial liabilities and lease liabilities amounting to ₱28,235 million and ₱25,046 million as at December 31, 2023 and 2022, respectively.

### Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments (see Notes 6, 7, 9, 10 and 14).

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The fair values of these financial assets are disclosed in Note 27. For receivables from real estate sale, the title of the real estate property is only transferred to the customer if the consideration had been fully paid. In case of default, after enforcement activities, the Company has the right to cancel the sale and enter into another contract to sell to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed. Given this, based on the experience of the Company, the maximum exposure to credit risk at the reporting date is nil considering that fair value less cost to repossess of the real estate projects is higher than the exposure at default. The Company evaluates the concentration of risk with respect to trade receivables and unbilled revenue from sale of real estate as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

As at December 31, 2023 and 2022, the financial assets, except for certain receivables, are generally viewed by management as good and collectible considering the credit history of the counterparties (see Note 7). Past due or impaired financial assets are very minimal in relation to the Company's consolidated total financial assets.

*Credit Quality of Financial Assets.* The credit quality of financial assets is managed by the Company using high quality and standard quality as internal credit ratings.

*High Quality.* Pertains to counterparty who is not expected by the Company to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions, companies and government agencies.

*Standard Quality.* Other financial assets not belonging to high quality financial assets are included in this category.



As at December 31, 2023 and 2022, the credit quality of the Company's financial assets is as follows:

	2023			Total
	Neither Past Due nor Impaired High Quality	Standard Quality	Past Due	
	<i>(In Thousands)</i>			
<b>Financial assets at amortized cost</b>				
Cash and cash equivalents*	₱31,691,014	₱-	₱-	₱31,691,014
Receivables**	201,498	12,928,120	19,524,538	32,654,156
Escrow and time deposits (included under "Other noncurrent assets")	3,656,453	-	-	3,656,453
<b>Financial assets at FVTPL</b>				
Derivative assets	5,524,044	-	-	5,524,044
<b>Financial assets at FVOCI</b>				
Equity instruments	20,312,735	5,317	-	20,318,052
	<b>₱61,385,744</b>	<b>₱12,933,437</b>	<b>₱19,524,538</b>	<b>₱93,843,719</b>

\* Excluding cash on hand amounting to ₱126 million

\*\* Excluding nonfinancial assets amounting to ₱44,298 million

	2022			Total
	Neither Past Due nor Impaired High Quality	Standard Quality	Past Due but not Impaired	
	<i>(In Thousands)</i>			
<b>Financial assets at amortized cost</b>				
Cash and cash equivalents*	₱41,977,231	₱-	₱-	₱41,977,231
Receivables**	167,795	14,696,502	16,469,042	31,333,339
Cash in escrow (included under "Prepaid expenses and other current assets")	5,105,361	-	-	5,105,361
<b>Financial assets at FVTPL</b>				
Derivative assets	7,338,320	-	-	7,338,320
<b>Financial assets at FVOCI</b>				
Equity instruments	17,606,746	5,317	-	17,612,063
	<b>₱72,195,453</b>	<b>₱14,701,819</b>	<b>₱16,469,042</b>	<b>₱103,366,314</b>

\* Excluding cash on hand amounting to ₱83 million

\*\* Excluding nonfinancial assets amounting to ₱51,227 million

### Equity Price Risk

Equity price risk arises from the changes in the levels of equity indices and the value of individual stocks traded in the stock exchange.

As a policy, management monitors its equity price risk pertaining to its investments in quoted equity securities which are classified as equity instruments designated at FVOCI in the consolidated balance sheets based on market expectations. Material equity investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by management.



The effect on equity after income tax (as a result of change in fair value of equity instruments at FVOCI as at December 31, 2023 and 2022) due to a possible change in equity indices, based on historical trend of PSE index, with all other variables held constant is as follows:

	<b>2023</b>	
	<b>Change in Equity Price</b>	<b>Effect on Equity</b> <i>(In Millions)</i>
Equity instruments at FVOCI	<b>+1.63%</b>	<b>₱298</b>
	<b>-1.63%</b>	<b>(298)</b>
	<b>2022</b>	
	<b>Change in Equity Price</b>	<b>Effect on Equity</b> <i>(In Millions)</i>
Equity instruments at FVOCI	<b>+2.43%</b>	<b>₱397</b>
	<b>-2.43%</b>	<b>(397)</b>

#### Capital Management

Capital includes equity attributable to the owners of the Parent.

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Company monitors capital using the gearing ratio below as at December 31:

#### Net Interest-bearing Debt to Total Capital plus Net Interest-bearing Debt

	<b>2023</b>	<b>2022</b>
	<i>(In Thousands)</i>	
Loans payable	<b>₱4,288,964</b>	₱5,422,524
Current portion of long-term debt	<b>67,746,351</b>	50,839,776
Long-term debt - net of current portion	<b>294,622,256</b>	296,134,836
Less cash and cash equivalents	<b>(31,816,802)</b>	(42,060,082)
Total net interest-bearing debt (a)	<b>334,840,769</b>	310,337,054
Total equity attributable to equity holders of the parent	<b>396,196,619</b>	363,201,490
Total net interest-bearing debt and equity attributable to equity holders of the parent (b)	<b>₱731,037,388</b>	₱673,538,544
Gearing ratio (a/b)	<b>46%</b>	46%



## 27. Financial Instruments

### Fair Values

The following table sets forth the carrying values and estimated fair values of financial assets and liabilities and nonfinancial assets, by category and by class, other than those whose carrying values are reasonable approximations of fair values, as at December 31:

	December 31, 2023				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
	<i>(In Thousands)</i>				
<b>Financial Assets</b>					
Financial assets at FVTPL:					
Derivative assets	₱5,524,044	₱5,524,044	₱-	₱5,524,044	₱-
Financial assets at amortized cost:					
Escrow and time deposits (included under "Other noncurrent assets")	3,656,453	3,694,879	-	3,694,879	-
Financial assets at FVOCI:					
Equity instruments	20,318,052	20,318,052	20,312,735	-	5,317
<b>Nonfinancial Assets*</b> (see Note 12)	<b>545,074,746</b>	<b>2,091,266,866</b>	<b>-</b>	<b>-</b>	<b>2,091,266,866</b>
	<b>₱574,573,295</b>	<b>₱2,120,803,841</b>	<b>₱20,312,735</b>	<b>₱9,218,923</b>	<b>₱2,091,272,183</b>
<b>Financial Liabilities</b>					
Financial liabilities at FVTPL:					
Derivative liabilities	₱272,436	₱272,436	₱-	₱272,436	₱-
Loans and borrowings:					
Liability for purchased land - net of current portion	539,959	514,635	-	-	514,635
Long-term debt - net of current portion	294,622,256	283,353,643	-	-	283,353,643
Tenants' deposits - net of current portion**	25,005,969	24,585,217	-	-	24,585,217
Other noncurrent liabilities***	10,603,148	10,482,842	-	-	10,482,842
	<b>₱331,043,768</b>	<b>₱319,208,773</b>	<b>₱-</b>	<b>₱272,436</b>	<b>₱318,936,337</b>

\*Consists of investment properties

\*\* Excluding residential customers' deposits amounting to ₱296 million as at December 31, 2023.

\*\*\*Excluding lease liabilities and nonfinancial liabilities amounting to ₱28,235 million as at December 31, 2023.

	December 31, 2022				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
	<i>(In Thousands)</i>				
<b>Financial Assets</b>					
Financial assets at FVTPL:					
Derivative assets	₱7,338,320	₱7,338,320	₱-	₱7,338,320	₱-
Financial assets at amortized cost:					
Time deposits (included under "Other noncurrent assets")	5,105,361	5,118,038	-	5,118,038	-
Financial assets at FVOCI:					
Equity instruments	17,612,063	17,612,063	17,606,746	-	5,317
<b>Nonfinancial Assets*</b> (see Note 12)	<b>489,266,042</b>	<b>2,022,778,236</b>	<b>-</b>	<b>-</b>	<b>2,022,778,236</b>
	<b>₱519,321,786</b>	<b>₱2,052,846,657</b>	<b>₱17,606,746</b>	<b>₱12,456,358</b>	<b>₱2,022,783,553</b>
<b>Financial Liabilities</b>					
Financial liabilities at FVTPL:					
Derivative liabilities	₱313,899	₱313,899	₱-	₱313,899	₱-
Loans and borrowings:					
Liability for purchased land - net of current portion	1,129,719	1,063,631	-	-	1,063,631
Long-term debt - net of current portion	296,134,836	279,936,370	-	-	279,936,370
Tenants' deposits - net of current portion**	23,561,234	22,780,505	-	-	22,780,505
Other noncurrent liabilities***	6,348,745	6,117,632	-	-	6,117,632
	<b>₱327,488,433</b>	<b>₱310,212,037</b>	<b>₱-</b>	<b>₱313,899</b>	<b>₱309,898,138</b>

\*Consists of investment properties

\*\* Excluding residential customers' deposits amounting to ₱238 million as at December 31, 2022.

\*\*\* Excluding lease liabilities nonfinancial liabilities amounting to ₱25,046 million as at December 31, 2022.



Fair Value Hierarchy

The Company uses the fair value hierarchy discussed in Note 3 for determining and disclosing the fair value of financial instruments.

During the years ended December 31, 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

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:

*Derivative Instruments.* The fair values are based on quotes obtained from counterparties.

*Escrow and Time Deposits* The fair values are based on the discounted value of future cash flows using the prevailing market rates.

*Equity Instruments at FVOCI.* The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business.

*Long-term Debt.* Fair value is based on the following:

<u>Debt Type</u>	<u>Fair Value Assumptions</u>
Fixed Rate Loans	Estimated fair value is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discount rates used is based on the prevailing market rate as at December 31, 2023 and 2022.
Variable Rate Loans	For variable rate loans that re-price every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates. For variable rate loans that re-price every six months, the fair value is determined by discounting the principal amount plus the next interest payment amount using the prevailing market rate as at December 31, 2023 and 2022 up to the next repricing date. Discount rates used is based on the prevailing market rate.

*Tenants' Deposits, Liability for Purchased Land and Other Noncurrent Liabilities.* The estimated fair value is based on the discounted value of future cash flows using the applicable rates. The discount rates used range from 2.08% to 6.91% and 2.74% to 6.94% as at December 31, 2023 and 2022, respectively.

The Company assessed that the carrying values of cash and cash equivalents, receivables, bank loans and accounts payable and other current liabilities approximate their fair values due to the short-term nature and maturities of these financial instruments.

There were no financial instruments subject to an enforceable master netting arrangement that were not set-off in the consolidated balance sheets.



*Nonfinancial Assets.* The significant assumptions used in the most recent valuation as at December 31, 2021 are discount rates of 8.00% to 9.00% and average growth rate of 5.00%, respectively. Fair values based on market approach were assessed using sales comparison of similar asset. As at December 31, 2023 and 2022, management believes that the fair values from the most recent valuation did not change significantly and the carrying values of additions to investment properties subsequent to the most recent valuation date would approximate their fair values.

Derivative Instruments Accounted for as Cash Flow Hedges

As at December 31, 2023, details of outstanding arrangements to hedge both foreign currency and interest rate exposure on its foreign currency denominated debts as follow:

	December 31, 2023					
	Notional Amount	Agreed Equivalent	Fair Value	Swap Rate	Interest Rate	Maturity
	<i>(In Thousands)</i>					
Cross Currency Swaps	\$150,000	₱7,276,500	₱1,096,049	₱48.50-₱48.52	3.64%- 3.70%	2024
Cross Currency Swaps	\$286,000	¥1,919,208	962,344	¥6.69- ¥6.72	3.86%- 3.97%	2024
Principal Only Swaps	\$270,000	¥1,753,285	281,166	¥6.38-¥6.68	–	2026-2027
Foreign Exchange Forward Swaps	\$800,000	₱44,725,405	108,802	₱53.94-₱60.39	–	2024-2026
Interest Rate Swaps	\$670,000	–	2,803,247	–	2.28%- 2.63%	2025-2026
			<b>₱5,251,608</b>			
	December 31, 2022					
	Notional Amount	Agreed Equivalent	Fair Value	Swap Rate	Interest Rate	Maturity
	<i>(In Thousands)</i>					
Cross Currency Swaps	\$260,000	₱13,142,200	₱1,644,111	₱48.50-₱53.33	3.64%-6.39%	2023-2024
Cross Currency Swaps	\$286,000	¥1,919,208	568,337	¥6.69-¥6.72	3.86%-3.97%	2024
Principal Only Swaps	\$270,000	¥1,753,285	(220,140)	¥6.38-¥6.68	–	2026-2027
Foreign Exchange Forward Swaps	\$715,000	₱39,820,155	1,148,261	₱53.94-₱60.39	–	2023-2026
Interest Rate Swaps	\$670,000	–	3,883,852	–	2.28%-2.63%	2025-2026
			<b>₱7,024,421</b>			

As the term of the swaps have been negotiated to match the terms of the hedged loans, the hedges were assessed to be effective.

The net movements in fair value of all derivative instruments are as follows:

	December 31, 2023	December 31, 2022
	<i>(In Thousands)</i>	
Balance at beginning of period	₱7,024,421	(₱286,377)
Net changes in fair value during the period*	(1,206,733)	7,728,937
Fair value of settled derivatives	(566,080)	(418,139)
Balance at end of year	<b>₱5,251,608</b>	<b>₱7,024,421</b>

\*Includes fair value changes recognized in the consolidated statement of income under "Others – net".



## 28. EPS Computation

Basic/diluted EPS is computed as follows:

	2023	2022	2021
	<i>(In Thousands, Except Per Share Data)</i>		
Net income attributable to equity holders of the parent (a)	<b>₱40,010,501</b>	₱30,099,799	₱21,786,516
Common shares issued (see Note 18)	<b>33,166,300</b>	33,166,300	33,166,300
Less weighted average number treasury stock (see Note 18)	<b>4,309,888</b>	4,309,888	4,309,888
Weighted average number of common shares outstanding (b)	<b>28,856,412</b>	28,856,412	28,856,412
Earnings per share (a/b)	<b>₱1.387</b>	₱1.043	₱0.755

## 29. Change in Liabilities Arising from Financing Activities

Movements in loans payable, long-term debt and lease liabilities accounts are as follows (see Notes 15, 16 and 17):

	2023			2022		
	Loans Payable	Long-term Debt	Lease Liabilities	Loans Payable	Long-term Debt	Lease Liabilities
	<i>(In Thousands)</i>					
Balance at beginning of year	<b>₱5,422,524</b>	<b>₱346,974,612</b>	<b>₱13,473,170</b>	₱6,487,427	₱307,230,817	₱12,419,338
Availments/Additions	<b>28,516,941</b>	<b>83,045,972</b>	-	18,924,421	75,401,524	1,138,124
Payments	<b>(29,563,823)</b>	<b>(66,701,374)</b>	<b>(160,058)</b>	(19,994,859)	(43,863,022)	(84,292)
Cumulative translation adjustment	<b>(86,678)</b>	<b>(1,470,678)</b>	-	5,535	283,079	-
Foreign exchange movement	-	<b>520,075</b>	-	-	7,922,214	-
Balance at end of year	<b>₱4,288,964</b>	<b>₱362,368,607</b>	<b>₱13,313,112</b>	₱5,422,524	₱346,974,612	₱13,473,170

There are no non-cash changes in accrued interest and dividends payable.

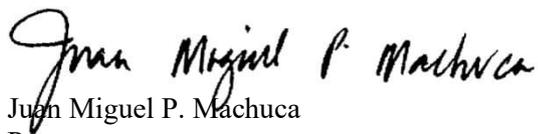


## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
SM Prime Holdings, Inc.  
7/F MOA Square  
Seashell Lane cor. Coral Way  
Mall of Asia Complex  
Brgy. 76 Zone 10, CBP 1-A, Pasay City  
Metro Manila, Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SM Prime Holdings, Inc. and Subsidiaries (the Company) as at December 31, 2023, and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated February 19, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Juan Miguel P. Machuca  
Partner

CPA Certificate No. 116998

Tax Identification No. 226-074-253

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

BIR Accreditation No. 08-001998-140-2021, April 27, 2021, valid until April 26, 2024

PTR No. 10079963, January 6, 2024, Makati City

February 19, 2024



## **SM Prime Holdings, Inc. and Subsidiaries**

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### **INDEX TO THE SUPPLEMENTARY SCHEDULES**

Annex A: Reconciliation of Retained Earnings Available for Dividend Declaration

Annex B: Supplementary Schedules Required by Annex 68-J

- Schedule A. Financial Assets
- Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
- Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements
- Schedule D. Long-term Debt
- Schedule E. Indebtedness to Related Parties
- Schedule F. Guarantees of Securities of Other Issuers
- Schedule G. Capital Stock

Annex C: Map Showing the Relationships Between and Among the Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries, Associates, Wherever Located or Registered

**ANNEX A**

**SM Prime Holdings, Inc.**

7/F MOA Square, Seashell Lane cor. Coral Way,  
Mall of Asia Complex, Brgy. 76 Zone 10, CBP 1-A, Pasay City 1300  
*(Amounts in Thousands)*

<b>Unappropriated retained earnings as at January 1, 2023</b>	<b>₱96,641,743</b>
<b>Less: <u>Category B</u>: Items that are directly debited to Unappropriated Retained Earnings</b>	
Dividend declaration during the reporting period	<u>(6,844,378)</u>
<b>Unappropriated Retained Earnings, as adjusted</b>	<b>89,797,365</b>
<b>Add: Net Income for the current year</b>	<b>38,948,382</b>
<b>Less: <u>Category C.1</u>: Unrealized income recognized in the profit or loss during the reporting period (net of tax)</b>	
Equity in net income of subsidiaries, associate and joint venture, net of dividend declared	(13,213,806)
<b>Add: <u>Category F</u>: Other items that should be excluded from the determination of the amount of available for dividends distribution</b>	
Net movement of deferred tax asset	<u>17,968</u>
Subtotal	<u>(13,195,838)</u>
<b>Total Retained Earnings as at December 31, 2023 available for dividend declaration</b>	<b><u>₱115,549,909</u></b>

**SM Prime Holdings, Inc.**  
**7/F MOA Square, Seashell Lane cor. Coral Way,**  
**Mall of Asia Complex, Brgy. 76 Zone 10, CBP 1-A, Pasay City 1300**

**Supplementary Schedules As Required by SRC Rule 68, Annex 68-J**  
**December 31, 2023**

**Schedule A: Financial Assets**

Name of issuing Entity and association of each issue	Number of shares or principal bonds and notes	Amounts shown in the balance sheet	Income received and accrued
<b>Financial Assets at Amortized Cost*</b>			
Temporary investments:			
BDO Unibank, Inc. (BDO)	₱19,021,201	₱19,021,201	
China Banking Corporation (CHIB)	₱2,243,197	2,243,197	
Industrial and Commercial Bank of China (ICBC)	¥400	3,119	
China Industrial Bank	¥33,000	257,354	
Others	₱52,031	52,031	
Escrow and time deposits on hold (under Other Noncurrent Assets)			
ICBC	¥305,000	2,378,573	
BDO	₱551,324	551,324	
CHIB	₱726,556	726,556	
		₱25,233,355	₱1,496,896
<b>Financial Assets at Fair Value through Profit or Loss</b>			
Derivative assets	₱5,524,044	₱5,524,044	₱-
<b>Financial Assets at Fair Value through Other Comprehensive Income</b>			
BDO Unibank, Inc.	108,029,274 shares	₱14,097,820	
Ayala Corporation	7,690,430 shares	5,237,183	
Shang Properties, Inc.	189,550,548 shares	695,651	
SM Investments Corporation	146,104 shares	127,403	
ACEN Corporation	23,071,290 shares	101,052	
Republic Glass Holdings Corporation	14,230,000 shares	42,690	
Picop Resources, Inc.	40,000,00 shares	8,200	
Prime Media Holdings, Inc.	500,000 shares	1,435	
Benguet Corporation	266,757 shares	1,299	
Philippine National Bank	112 shares	2	
Others	8,082,270 shares	5,317	
		₱20,318,052	₱439,929

\*excluding cash on hand and in banks

**ANNEX B**

**Schedule B. Amounts Receivables from Directors, Officers, Employees, and Principal Stockholders  
(Other than Related Parties) - Not Applicable**

## Schedule C: Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

*(Amounts in Thousands)*

Name and Designation of Debtor	Balance at	Net movement	Amounts Written Off	Current		Balance at End of Period
	Beginning of Period			Current	Not Current	
SM Land (China) Limited and Subsidiaries	₱2,285,125	₱1,578,419	₱-	₱3,863,544	₱-	₱3,863,544
San Lazaro Holdings Corporation	2,064,543	(699,681)	-	1,364,862	-	1,364,862
Costa del Hamilo, Inc. and Subsidiary	777,271	(8,469)	-	768,802	-	768,802
SM Development Corporation and Subsidiaries	691,778	42,015	-	733,793	-	733,793
Mindpro Incorporated	477,445	3,554	-	480,999	-	480,999
SM Prime Holdings, Inc.	349,854	(63,429)	-	286,425	-	286,425
Prime Commercial Property Management Corp. and Subsidiaries	275,854	724	-	276,578	-	276,578
Premier Clark Complex, Inc	134,141	36,159	-	170,300	-	170,300
Premier Central, Inc. and Subsidiary	183,096	(104,883)	-	78,213	-	78,213
SM Hotels and Conventions Corp. and Subsidiaries	14,822	42,657	-	57,479	-	57,479
SM Arena Complex Corporation	56,993	(6,448)	-	50,545	-	50,545
Associated Development Corporation	54,306	(5,996)	-	48,310	-	48,310
Southernpoint Properties Corp.	9,369	32,816	-	42,185	-	42,185
Tagaytay Resort and Development Corporation	36,603	-	-	36,603	-	36,603
First Asia Realty Development Corporation	58,542	(25,422)	-	33,120	-	33,120
Premier Southern Corp.	34,976	(6,038)	-	28,938	-	28,938
Consolidated Prime Dev Corp.	12,552	1,191	-	13,743	-	13,743
Highlands Prime, Inc.	1,119	12,136	-	13,255	-	13,255
MOA Esplanade Port Inc.	7,242	(1,161)	-	6,081	-	6,081
Prime Metroestate, Inc.	596	3,676	-	4,272	-	4,272
First Leisure Ventures Group Inc.	16,352	(12,631)	-	3,721	-	3,721
CHAS Realty and Development Corporation and Subsidiaries	364	3,354	-	3,718	-	3,718
SM Smart City Infrastructure and Development Corporation	9,091,202	(9,091,202)	-	-	-	-
	<b>₱16,634,145</b>	<b>(₱8,268,659)</b>	<b>₱-</b>	<b>₱8,365,486</b>	<b>₱-</b>	<b>₱8,365,486</b>

**Schedule D. Long Term Debt**

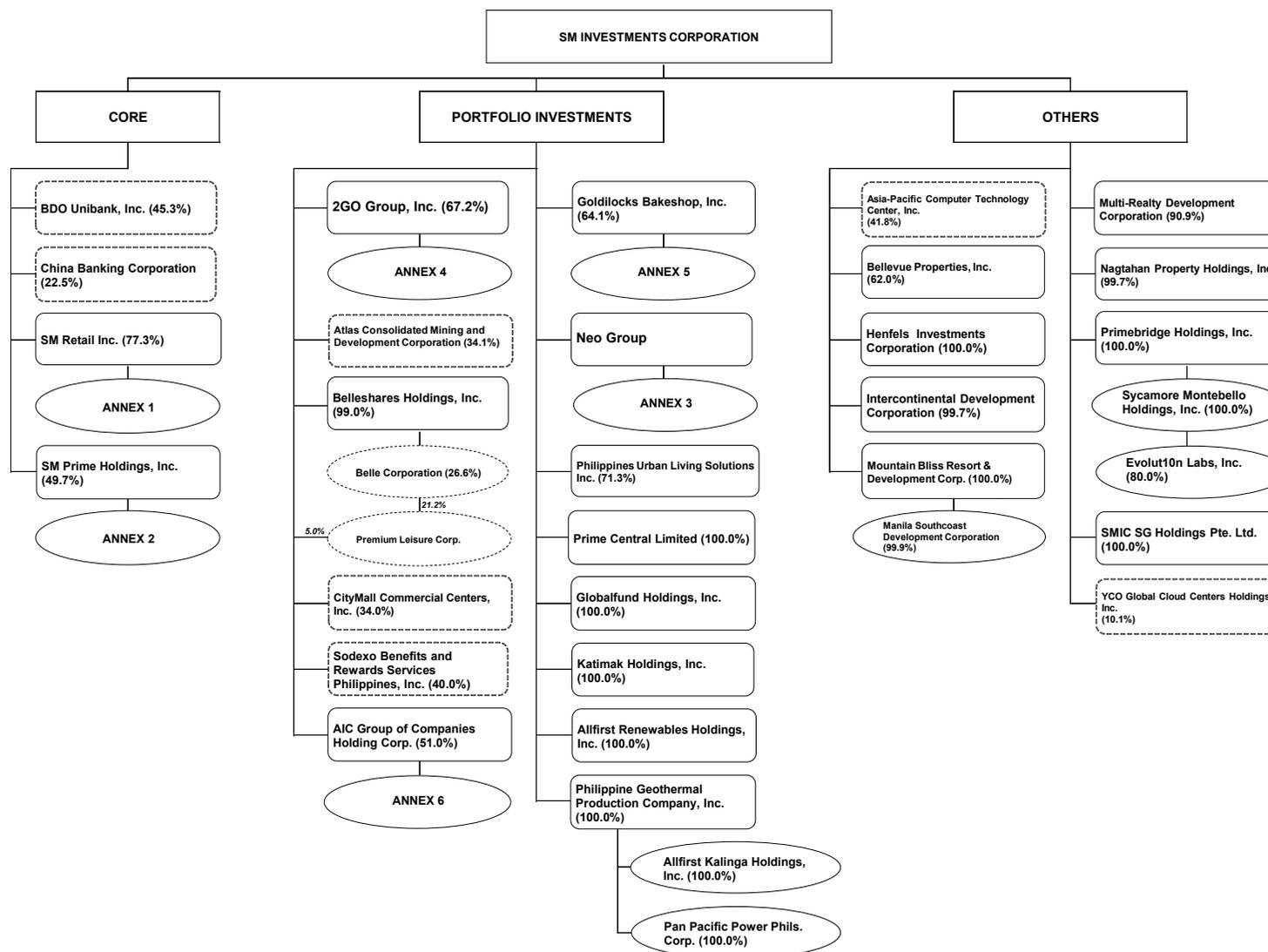
<b>Title of the Issue and Type of Obligation</b>	<b>Amount Authorized by Indenture</b>	<b>Availment Date</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Number of Periodic Installment</b>	<b>Current Portion of Long-term Debt</b>	<b>Long-term Debt - net of Current Portion</b>
	<i>(In Thousands)</i>					<i>(In Thousands)</i>	
Philippine peso-denominated loans	₱323,255,000	June 3, 2013 - December 28, 2023	March 1, 2023 - April 22, 2032	Floating BVAL + margin; Fixed 2.93 - 6.54	Quarterly/ Annual/ Upon maturity	₱41,882,550	₱227,431,190
U.S. Dollar denominated loans	\$1,606,000	July 30, 2018 - June 30, 2022	June 14, 2023 - June 9, 2027	LIBOR + spread; semi-annual/quarterly; SOFR + spread; quarterly	Upon maturity	25,104,228	59,245,916
China yuan renminbi-denominated loans	¥2,922,100	May 6, 2021 - December 19, 2023	April 20, 2026 - June 24, 2037	LPR; annually; Fixed - 3.65%	Semi-annual	1,504,281	9,086,180
						68,491,059	295,763,286
Less debt issue cost						744,708	1,141,030
						<b>₱67,746,351</b>	<b>₱294,622,256</b>

**Schedule E. Indebtedness to Related Parties***Not Applicable***Schedule F. Guarantees of Securities of Other Issuers***Not Applicable*

**Schedule G. Capital Stock**  
*(Shares in Thousand)*

<b>Title of Issue</b>	<b>Number of Shares Authorized</b>	<b>Number of Shares Issued as Shown Under Related Balance Sheet Caption</b>	<b>Number of Shares Outstanding as Shown Under Related Balance Sheet Caption</b>	<b>Number of Shares Held by Related Parties</b>	<b>Directors, Officers and Employees</b>	<b>Others</b>
Common	40,000,000	33,166,300	28,856,411	15,838,582	2,976,102	10,041,727

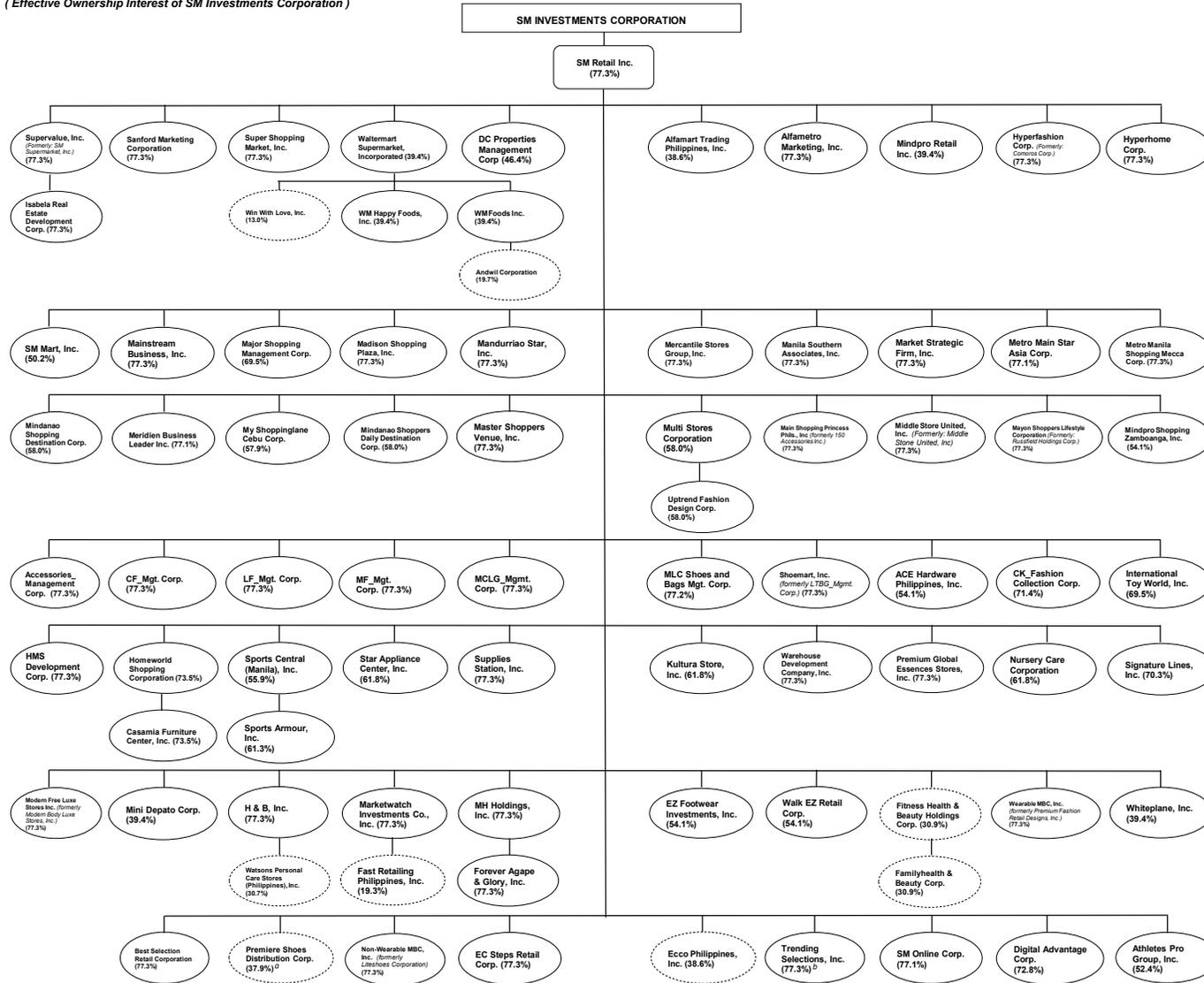
SM INVESTMENTS CORPORATION AND SUBSIDIARIES  
 CONGLOMERATE MAP  
 AS AT DECEMBER 31, 2023  
 ( Effective Ownership Interest of SM Investments Corporation )



Legend:



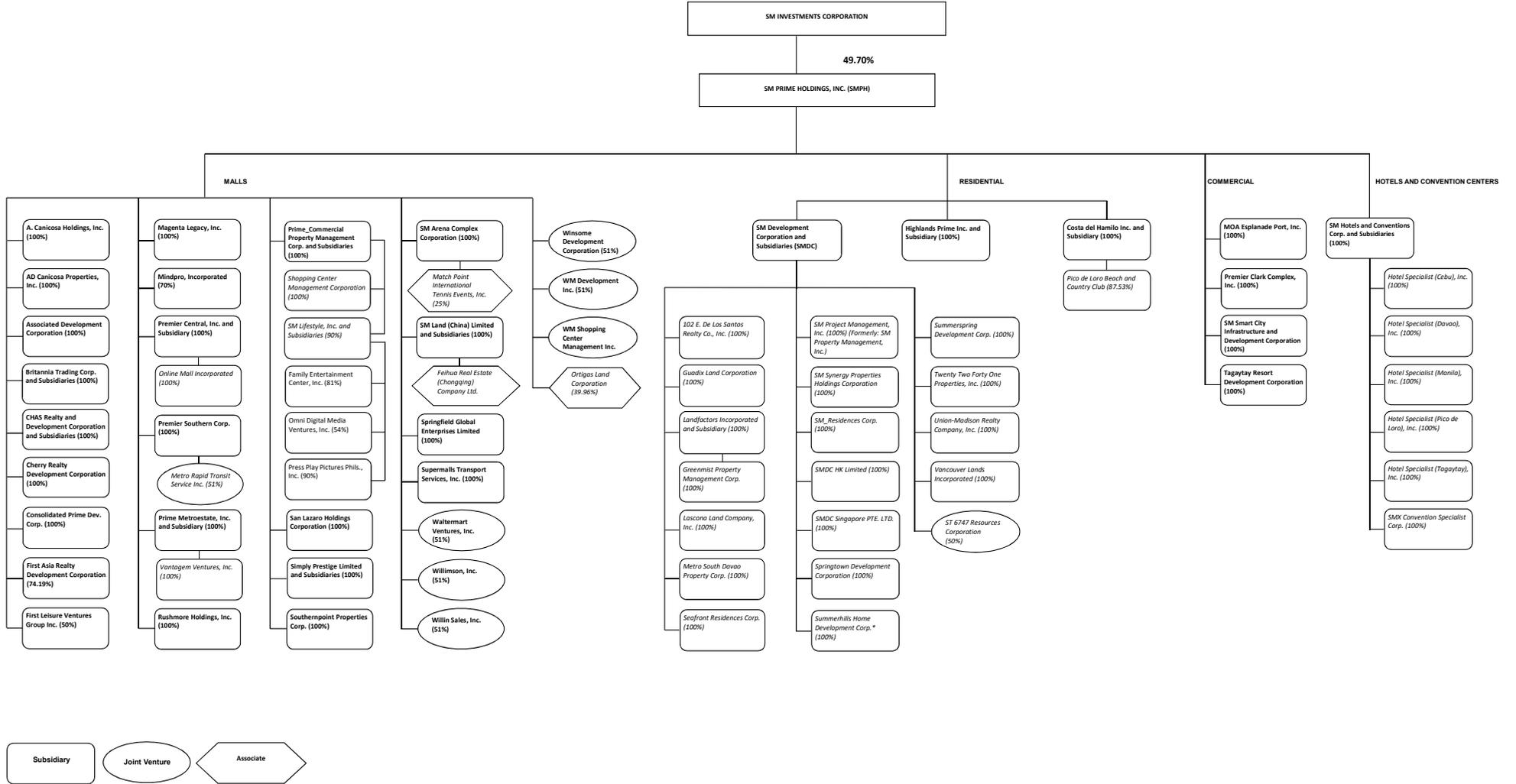
**SM INVESTMENTS CORPORATION AND SUBSIDIARIES  
CONGLOMERATE MAP  
AS AT DECEMBER 31, 2023  
( Effective Ownership Interest of SM Investments Corporation )**



<sup>a</sup> Corporate life ended effective November 30, 2023

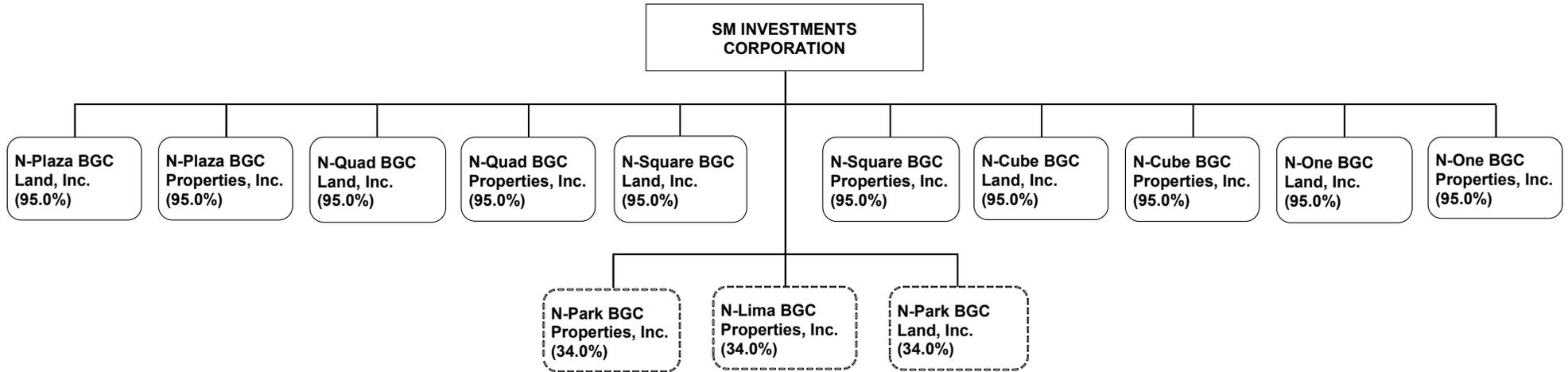
<sup>b</sup> Corporate life ended effective October 31, 2023

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES  
 MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP  
 As of December 31, 2023  
 ( Effective Ownership Interest of SM Prime Holdings, Inc. )

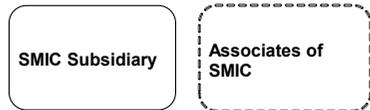


\* Summerhills Home Development Corp. is 79.6% owned by SMDC and 20.4% owned by SMPH

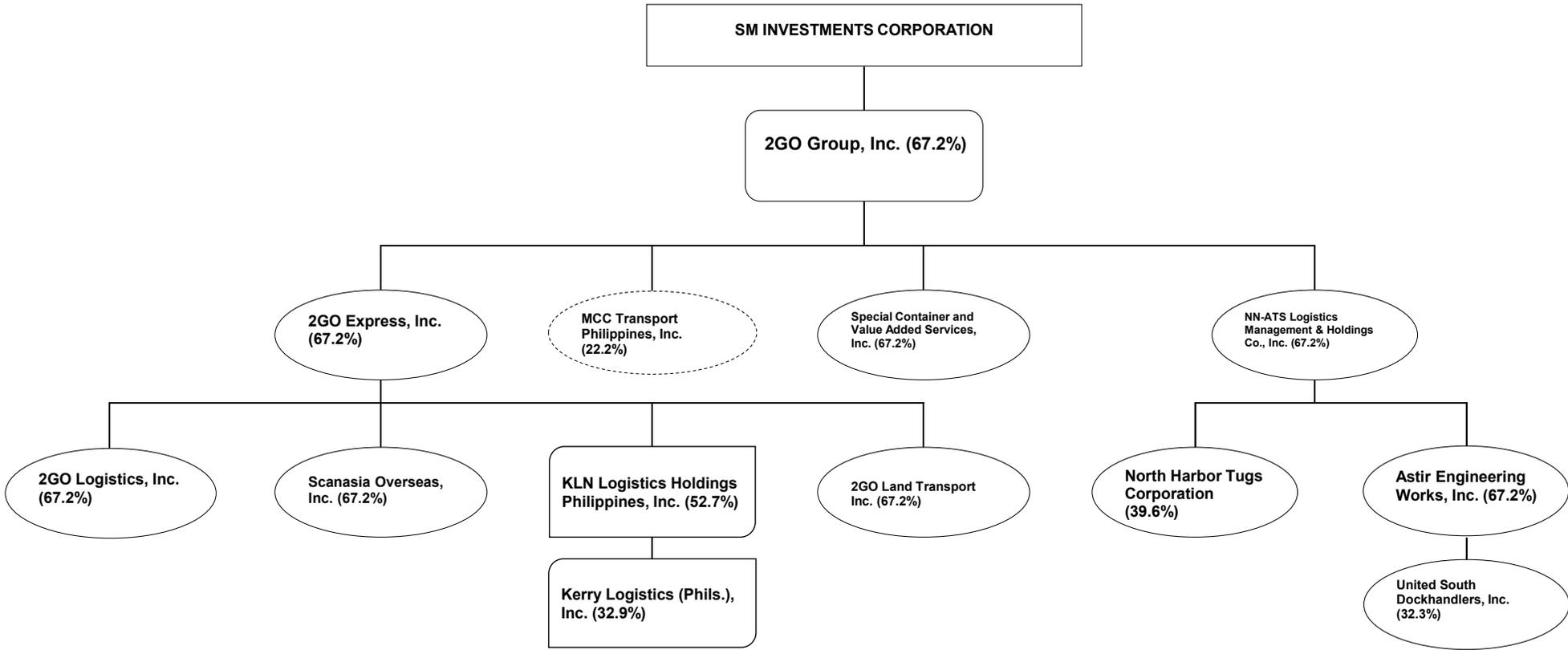
**SM INVESTMENTS CORPORATION AND SUBSIDIARIES  
CONGLOMERATE MAP  
AS AT DECEMBER 31, 2023  
( Effective Ownership Interest of SM Investments Corporation )**



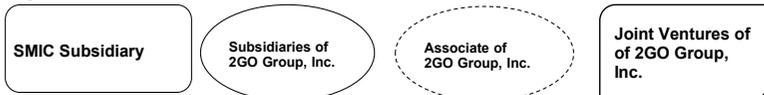
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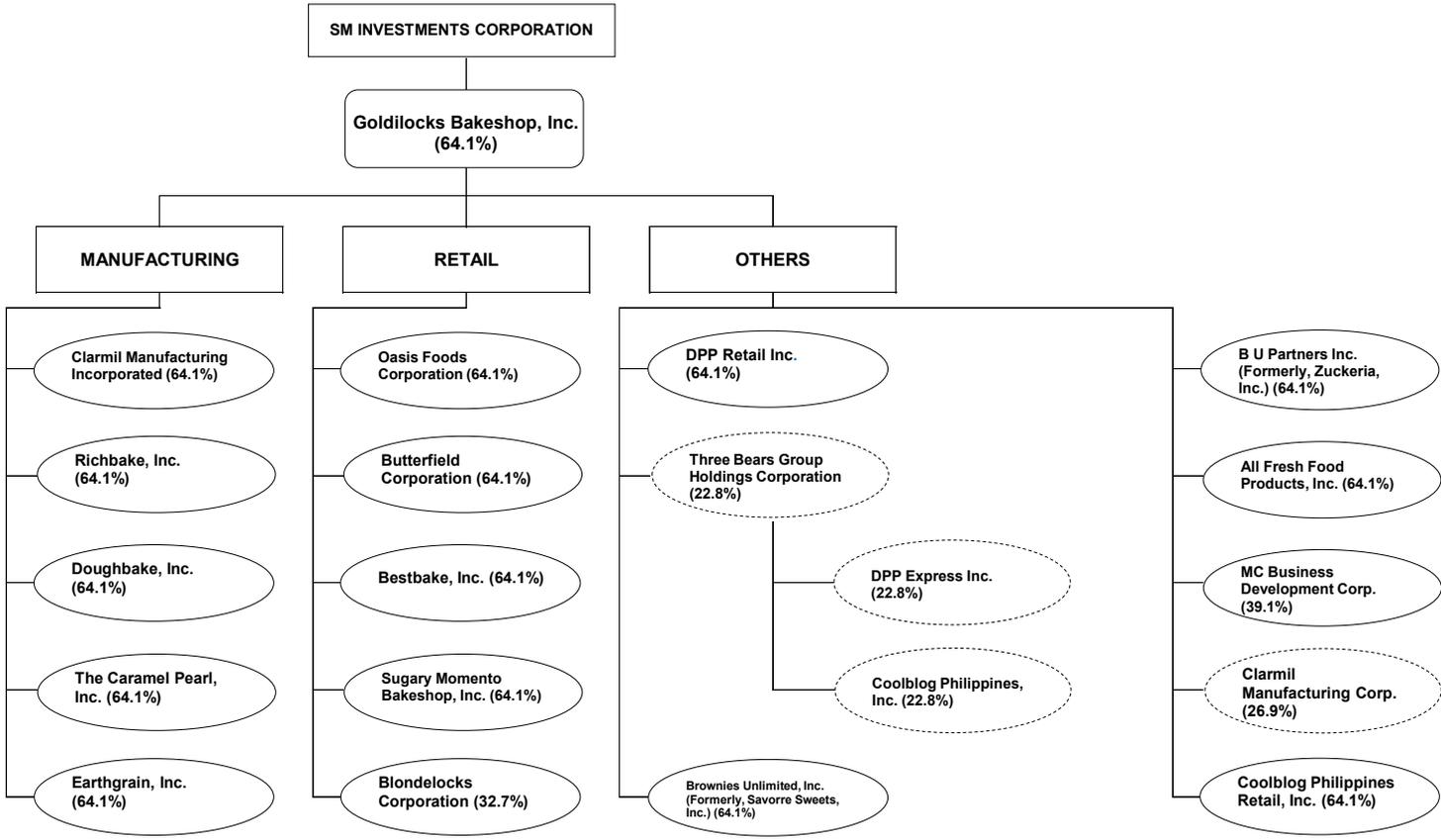
**SM INVESTMENTS CORPORATION AND SUBSIDIARIES**  
**CONGLOMERATE MAP**  
**AS AT DECEMBER 31, 2023**  
*( Effective Ownership Interest of SM Investments Corporation )*



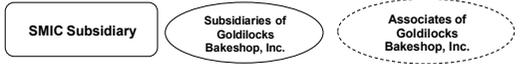
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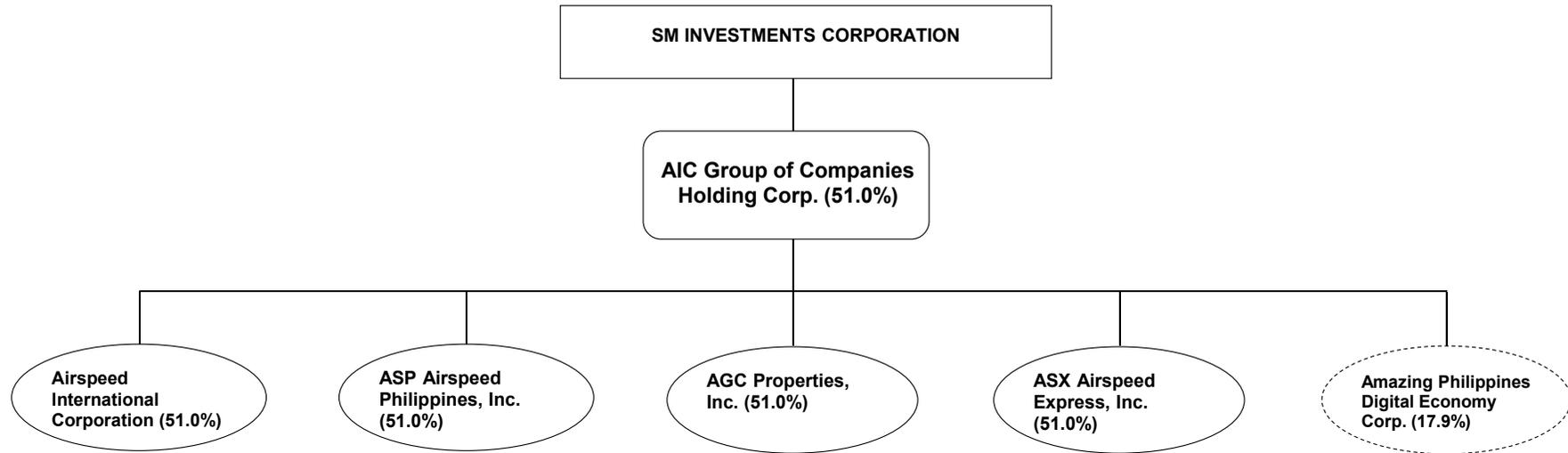
**SM INVESTMENTS CORPORATION AND SUBSIDIARIES  
CONGLOMERATE MAP  
AS AT DECEMBER 31, 2023  
( Effective Ownership Interest of SM Investments Corporation )**



Legend:



**SM INVESTMENTS CORPORATION AND SUBSIDIARIES  
CONGLOMERATE MAP  
AS AT DECEMBER 31, 2023  
( Effective Ownership Interest of SM Investments Corporation )**



Legend:





**SM PRIME HOLDINGS, INC.**  
10/F Mall of Asia Arena Annex Building,  
Coral Way corner J.W. Diokno Boulevard,  
Mall of Asia Complex, Pasay City 1300, Philippines

## Statement of Management's Responsibility for Financial Statements

The management of SM Prime Holdings, Inc. and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of SM Prime Holdings, Inc. and Subsidiaries in accordance with the Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

A large, stylized handwritten signature in black ink, appearing to be 'Henry T. Sy, Jr.', written over a horizontal line.

Henry T. Sy, Jr.  
Chairman

A handwritten signature in black ink, appearing to be 'Jeffrey C. Lim', written over a horizontal line.

Jeffrey C. Lim  
President

A handwritten signature in black ink, appearing to be 'John Nai Peng C. Ong', written over a horizontal line.

John Nai Peng C. Ong  
Chief Finance Officer

Signed this 20<sup>th</sup> of February, 2023

SUBSCRIBED AND SWORN to before me this FEB 20 2023 at PASAY CITY,  
affiants exhibiting to me their Philippine passports, as follows:

NAME	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
HENRY T. SY, JR.	[REDACTED]	January 16, 2020	[REDACTED]
JEFFREY C. LIM	[REDACTED]	November 23, 2021	[REDACTED]
JOHN NAI PENG C. ONG	[REDACTED]	September 13, 2018	[REDACTED]

Doc. No. 106 :  
Page No. 23 :  
Book No. III :  
Series of 2025

  
**ATTY. HELENE D. GO**

Notary Public for Pasay City  
Untl 31 December 2023; Commission No. 22-03  
IBP OR No. 262125 MD 2023 Roll No. 55874  
PTR OR No. PC 8067132 1/04/23 TIN# 284-270-554  
MCLE Compliance No. VII-0017244 valid until April 14, 2025

## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors  
SM Prime Holdings, Inc.  
10th Floor, Mall of Asia Arena Annex Building  
Coral Way cor. J.W. Diokno Blvd.  
Mall of Asia Complex  
Brgy. 76, Zone 10, CBP-1A, Pasay City, Philippines

### Opinion

We have audited the consolidated financial statements of SM Prime Holdings, Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as at December 31, 2022 and 2021, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



### *Real Estate Revenue and Cost Recognition*

The Company's real estate revenue recognition process, policies and procedures are significant to our audit because these involve application of significant judgment and estimation in the following areas: (1) assessment of the probability that the entity will collect the consideration from the buyer; (2) determination of the transaction price; (3) application of the output method as the measure of progress in determining revenue from sale of real estate; (4) determination of the actual costs incurred as cost of real estate sold; and (5) recognition of cost to obtain a contract.

In evaluating whether collectability of the amount of consideration is probable, the Company considers the significance of the buyer's initial payments in relation to the total contract price (or buyer's equity). Collectability is also assessed by considering factors such as past history with the buyer, age of the outstanding receivables and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs, after considering the impact of coronavirus pandemic, if it would still support its current threshold of buyer's equity before commencing revenue recognition.

In determining the transaction price, the Company considers whether the selling price of the real estate property includes significant financing component.

In measuring the progress of its performance obligation over time, the Company uses the output method. This method measures progress of work based on physical proportion of work done, including the impact of customized uninstalled materials, on the real estate project which requires technical determination by the Company's project engineers. This is based on the monthly project accomplishment report prepared by the third-party project managers as approved by the construction managers.

In determining the actual costs incurred to be recognized as cost of real estate sold, the Company estimates costs incurred on materials, labor and overhead which have not yet been billed by the contractor.

The Company identifies sales commissions after contract inception as cost of obtaining a contract. For contracts which qualified for revenue recognition, the Company capitalizes the total sales commissions due to sales agent as cost to obtain a contract and recognizes the related commissions payable. The Company uses percentage of completion (POC) method in amortizing sales commissions consistent with the Company's revenue recognition policy.

The disclosures related to the Company's revenue recognition are included in Note 3 to the consolidated financial statements.

### *Audit Response*

We obtained an understanding of the Company's real estate revenue and cost recognition process.

For the buyer's equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales cancellations from buyers with accumulated payments above the collection threshold. We also considered the impact of the coronavirus pandemic to the level of cancellations during the year. We traced the analysis to supporting documents such as notice of sales cancellation.



For the determination of the transaction price, we obtained an understanding of the Company's process in the determination of the population of contracts with customers related to real estate sale and election of available practical expedient. We selected sample contracts from the sales contract database and identified their payment terms. We traced these selected contracts to the financing component calculation prepared by management, which covers the calculation on whether the financing component of the Company's contract with customers is significant. For selected contracts, we traced the underlying data and assumptions used in the financing component calculation such as transaction price, cash discount, payment scheme, payment amortization table, percentage of completion to the contract provision and projected percentage of completion schedule. We evaluated the Company's application of portfolio approach in the financing component calculation by understanding the rationale and basis of the parameters used (i.e., grouping of performance obligation based on percentage of completion, grouping of contracts based on payment scheme). We test computed the financing component of each portfolio as prepared by management.

For the application of the output method, in determining revenue from sale of real estate, we obtained an understanding of the Company's processes for determining the POC and performed tests of the relevant controls. We obtained the certified POC reports prepared by the third-party project managers and assessed their competence and objectivity by reference to their qualifications, experience and reporting responsibilities. For selected projects, we conducted ocular inspections, made relevant inquiries, including inquiries on how the coronavirus pandemic affected the POC during the period, and obtained the supporting details of POC reports showing the completion of the major activities of the project construction.

For the cost of real estate sold, we obtained an understanding of the Company's cost accumulation process and performed tests of the relevant controls. For selected projects, we traced costs accumulated, including those incurred but not yet billed costs, to supporting documents such as contractors billing invoices, certificates of progress acceptance, official receipts and accomplishment reports, among others.

For the recognition of cost to obtain a contract, we obtained an understanding of the sales commissions process. For selected contracts, we agreed the basis for calculating the sales commissions capitalized and portion recognized in profit or loss, particularly (a) the percentage of commissions due against contracts with sales agents, (b) the total commissionable amount (e.g., net contract price) against the related contract to sell, and, (c) the POC against the POC used in recognizing the related revenue from sale of real estate.

### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.



## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Belinda T. Beng Hui.

SYCIP GORRES VELAYO & CO.



Belinda T. Beng Hui  
Partner

CPA Certificate No. 88823

Tax Identification No. 153-978-243

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 88823-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-078-2020, December 3, 2020, valid until December 2, 2023

PTR No. 9369781, January 3, 2023, Makati City

February 20, 2023



**SM PRIME HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Amounts in Thousands)

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 6, 19, 26 and 27)	<b>₱42,060,082</b>	₱39,775,852
Receivables and contract assets (Notes 7, 14, 19, 26 and 27)	<b>82,560,354</b>	73,019,966
Real estate inventories (Note 8)	<b>70,500,025</b>	56,575,047
Equity instruments at fair value through other comprehensive income (FVOCI) (Notes 9, 19, 26 and 27)	<b>534,865</b>	547,041
Derivative assets (Notes 26 and 27)	<b>585,576</b>	753,506
Prepaid expenses and other current assets (Notes 10 and 19)	<b>25,767,334</b>	24,993,357
Total Current Assets	<b>222,008,236</b>	195,664,769
<b>Noncurrent Assets</b>		
Equity instruments at FVOCI - net of current portion (Notes 9, 19, 26 and 27)	<b>17,077,198</b>	17,400,372
Investment properties (Notes 12, 17, 25 and 27)	<b>489,266,042</b>	467,391,988
Investments in associates and joint ventures (Note 13)	<b>30,578,320</b>	29,187,435
Property and equipment (Notes 11 and 25)	<b>1,399,840</b>	1,372,276
Deferred tax assets - net (Note 24)	<b>931,366</b>	734,975
Derivative assets - net of current portion (Notes 26 and 27)	<b>6,752,744</b>	1,043,670
Other noncurrent assets (Notes 14, 19, 23, 26 and 27)	<b>106,200,906</b>	91,607,795
Total Noncurrent Assets	<b>652,206,416</b>	608,738,511
	<b>₱874,214,652</b>	₱804,403,280
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Loans payable (Notes 15, 26 and 27)	<b>₱5,422,524</b>	₱6,487,427
Accounts payable and other current liabilities (Notes 16, 19, 26 and 27)	<b>88,122,597</b>	91,377,717
Current portion of long-term debt (Notes 17, 19, 26 and 27)	<b>50,839,776</b>	42,261,601
Derivative liabilities (Notes 26 and 27)	<b>19,496</b>	335,367
Income tax payable	<b>765,909</b>	563,387
Total Current Liabilities	<b>145,170,302</b>	141,025,499
<b>Noncurrent Liabilities</b>		
Long-term debt - net of current portion (Notes 17, 19, 26 and 27)	<b>296,134,836</b>	264,969,216
Tenants' and customers' deposits - net of current portion (Notes 16, 25, 26 and 27)	<b>23,799,162</b>	21,458,281
Liability for purchased land - net of current portion (Notes 16, 26 and 27)	<b>1,129,719</b>	2,540,050
Deferred tax liabilities - net (Note 24)	<b>11,140,040</b>	9,688,555
Derivative liabilities - net of current portion (Notes 26 and 27)	<b>294,403</b>	1,748,186
Other noncurrent liabilities (Notes 16, 23, 26 and 27)	<b>31,394,584</b>	28,612,720
Total Noncurrent Liabilities	<b>363,892,744</b>	329,017,008
Total Liabilities (Carried Forward)	<b>509,063,046</b>	470,042,507



	<b>December 31</b>	
	<b>2022</b>	2021
Total Liabilities ( <i>Brought Forward</i> )	<b>₱509,063,046</b>	₱470,042,507
<b>Equity Attributable to Equity Holders of the Parent</b>		
Capital stock (Notes 18 and 28)	33,166,300	33,166,300
Additional paid-in capital - net (Notes 5 and 18)	38,124,193	38,056,016
Cumulative translation adjustment	3,435,171	3,083,184
Net fair value changes of equity instruments at FVOCI (Note 9)	14,232,514	14,708,368
Net fair value changes on cash flow hedges (Note 27)	2,984,605	(432,883)
Remeasurement loss on defined benefit obligation (Note 23)	(928,882)	(548,643)
Retained earnings (Note 18):		
Appropriated	42,200,000	42,200,000
Unappropriated	232,972,284	205,671,557
Treasury stock (Notes 18 and 28)	(2,984,695)	(2,984,695)
Total Equity Attributable to Equity Holders of the Parent	<b>363,201,490</b>	332,919,204
<b>Non-controlling Interests</b> (Note 18)	<b>1,950,116</b>	1,441,569
Total Equity	<b>365,151,606</b>	334,360,773
	<b>₱874,214,652</b>	₱804,403,280

*See accompanying Notes to Consolidated Financial Statements.*



**SM PRIME HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Amounts in Thousands, Except Per Share Data)

	Years Ended December 31		
	2022	2021	2020
<b>REVENUE</b>			
Rent (Notes 12, 19 and 25)	₱58,243,913	₱34,694,185	₱32,013,024
Real estate sales	39,046,514	45,116,120	46,973,399
Others (Notes 19 and 20)	8,495,208	2,505,179	2,912,875
	<b>105,785,635</b>	82,315,484	81,899,298
<b>COSTS AND EXPENSES</b> (Notes 19, 21 and 23)	<b>56,542,322</b>	49,900,933	52,825,112
<b>INCOME FROM OPERATIONS</b>	<b>49,243,313</b>	32,414,551	29,074,186
<b>OTHER INCOME (CHARGES)</b>			
Interest expense (Notes 15, 17, 19, 22, 26 and 27)	(11,465,787)	(9,357,616)	(8,596,750)
Interest and dividend income (Notes 6, 7, 9, 14, 19 and 22)	1,775,740	1,025,066	1,207,227
Others - net (Notes 12, 13, 16, 17, 19 and 27)	(839,262)	3,651,524	779,078
	<b>(10,529,309)</b>	(4,681,026)	(6,610,445)
<b>INCOME BEFORE INCOME TAX</b>	<b>38,714,004</b>	27,733,525	22,463,741
<b>PROVISION FOR INCOME TAX</b> (Note 24)			
Current	6,783,913	2,816,720	1,761,051
Deferred	1,186,962	3,005,402	2,562,953
	<b>7,970,875</b>	5,822,122	4,324,004
<b>NET INCOME</b>	<b>₱30,743,129</b>	₱21,911,403	₱18,139,737
<b>Attributable to:</b>			
Equity holders of the Parent (Notes 18 and 28)	₱30,099,799	₱21,786,516	₱18,006,512
Non-controlling interests (Note 18)	643,330	124,887	133,225
	<b>₱30,743,129</b>	₱21,911,403	₱18,139,737
<b>Basic/Diluted earnings per share</b> (Note 28)	<b>₱1.043</b>	₱0.755	₱0.624
<b>Dividend per share</b> (Note 18)	<b>₱0.097</b>	₱0.082	₱0.185

*See accompanying Notes to Consolidated Financial Statements.*



**SM PRIME HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Amounts in Thousands)

	Years Ended December 31		
	2022	2021	2020
<b>NET INCOME</b>	<b>₱30,743,129</b>	₱21,911,403	₱18,139,737
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Items that will not be reclassified to profit or loss in subsequent periods:			
Unrealized gain (loss) due to changes in fair value of financial assets at fair value through other comprehensive income (Note 9)	(475,854)	1,247,699	(4,380,321)
Remeasurement gain (loss) on defined benefit obligation (Note 23)	(383,448)	38,020	329,172
	<b>(859,302)</b>	1,285,719	(4,051,149)
Items that may be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustment	351,987	1,558,745	180,165
Net fair value changes on cash flow hedges (Note 27)	3,417,488	1,336,147	(440,863)
	<b>2,910,173</b>	4,180,611	(4,311,847)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱33,653,302</b>	₱26,092,014	₱13,827,890
<b>Attributable to:</b>			
Equity holders of the Parent (Note 18)	₱33,013,181	₱25,968,260	₱13,688,396
Non-controlling interests (Note 5)	640,121	123,754	139,494
	<b>₱33,653,302</b>	₱26,092,014	₱13,827,890

*See accompanying Notes to Consolidated Financial Statements.*



**SM PRIME HOLDINGS, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**

**(Amounts in Thousands)**

	Equity Attributable to Equity Holders of the Parent											
	Capital Stock (Notes 18 and 28)	Additional Paid-in Capital - Net (Notes 5 and 18)	Cumulative Translation Adjustment	Net fair value changes of equity instruments at fair value through other comprehensive income (Note 9)	Net Fair Value Changes on Cash Flow Hedges (Note 27)	Remeasurement Loss on Defined Benefit Obligation (Note 23)	Retained Earnings (Note 18)		Treasury Stock (Notes 18 and 28)	Non-controlling Interests (Note 18)	Total Equity	
						Appropriated	Unappropriated		Total			
At January 1, 2022, as previously reported	₱33,166,300	₱38,056,016	₱3,083,184	₱14,708,368	(₱432,883)	(₱548,643)	₱42,200,000	₱205,671,557	(₱2,984,695)	₱332,919,204	₱1,441,569	₱334,360,773
Effect of common control business combination (Note 5)	–	44,330	–	–	–	–	–	–	–	44,330	3,277	47,607
At January 1, 2022, as adjusted	₱33,166,300	₱38,100,346	₱3,083,184	₱14,708,368	(₱432,883)	(₱548,643)	₱42,200,000	₱205,671,557	(₱2,984,695)	₱332,963,534	₱1,444,846	₱334,408,380
Net income for the year	–	–	–	–	–	–	–	30,099,799	–	30,099,799	643,330	30,743,129
Other comprehensive income (loss)	–	–	351,987	(475,854)	3,417,488	(380,239)	–	–	–	2,913,382	(3,209)	2,910,173
Total comprehensive income (loss) for the year	–	–	351,987	(475,854)	3,417,488	(380,239)	–	30,099,799	–	33,013,181	640,121	33,653,302
Cash dividends (Note 18)	–	–	–	–	–	–	–	(2,801,286)	–	(2,801,286)	–	(2,801,286)
Cash dividends received by a subsidiary	–	–	–	–	–	–	–	2,214	–	2,214	–	2,214
Cash dividends received by non-controlling interests	–	–	–	–	–	–	–	–	–	–	(144,050)	(144,050)
Sale of non-controlling interest (see Note 2)	–	23,847	–	–	–	–	–	–	–	23,847	9,199	33,046
At December 31, 2022	₱33,166,300	₱38,124,193	₱3,435,171	₱14,232,514	₱2,984,605	(₱928,882)	₱42,200,000	₱232,972,284	(₱2,984,695)	₱363,201,490	₱1,950,116	₱365,151,606
At January 1, 2021	₱33,166,300	₱38,022,913	₱1,524,439	₱13,460,669	(₱1,769,030)	(₱587,796)	₱42,200,000	₱186,251,267	(₱2,984,695)	₱309,284,067	₱1,433,561	₱310,717,628
Net income for the year	–	–	–	–	–	–	–	21,786,516	–	21,786,516	124,887	21,911,403
Other comprehensive income (loss)	–	–	1,558,745	1,247,699	1,336,147	39,153	–	–	–	4,181,744	(1,133)	4,180,611
Total comprehensive income (loss) for the year	–	–	1,558,745	1,247,699	1,336,147	39,153	–	21,786,516	–	25,968,260	123,754	26,092,014
Cash dividends (Note 18)	–	–	–	–	–	–	–	(2,368,097)	–	(2,368,097)	–	(2,368,097)
Cash dividends received by a subsidiary	–	–	–	–	–	–	–	1,871	–	1,871	–	1,871
Cash dividends received by non-controlling interests	–	–	–	–	–	–	–	–	–	–	(129,050)	(129,050)
Sale of non-controlling interest (Note 2)	–	33,103	–	–	–	–	–	–	–	33,103	13,304	46,407
At December 31, 2021	₱33,166,300	₱38,056,016	₱3,083,184	₱14,708,368	(₱432,883)	(₱548,643)	₱42,200,000	₱205,671,557	(₱2,984,695)	₱332,919,204	₱1,441,569	₱334,360,773



Equity Attributable to Equity Holders of the Parent

	Capital Stock (Notes 18 and 28)	Additional Paid-in Capital - Net (Notes 5 and 18)	Cumulative Translation Adjustment	Net fair value changes of equity instruments at fair value through other comprehensive income (Note 9)	Net Fair Value Changes on Cash Flow Hedges (Note 27)	Remeasurement Gain (Loss) on Defined Benefit Obligation (Note 23)	Retained Earnings (Note 18)		Treasury Stock (Notes 18 and 28)	Total	Non-controlling Interests (Note 18)	Total Equity
							Appropriated	Unappropriated				
At January 1, 2020	₱33,166,300	₱38,007,668	₱1,344,274	₱17,840,990	(₱1,328,167)	(₱913,390)	₱42,200,000	₱173,583,191	(₱2,984,695)	₱300,916,171	₱1,600,103	₱302,516,274
Net income for the year	-	-	-	-	-	-	-	18,006,512	-	18,006,512	133,225	18,139,737
Other comprehensive income (loss)	-	-	180,165	(4,380,321)	(440,863)	322,903	-	-	-	(4,318,116)	6,269	(4,311,847)
Total comprehensive income (loss) for the year	-	-	180,165	(4,380,321)	(440,863)	322,903	-	18,006,512	-	13,688,396	139,494	13,827,890
Cash dividends (Note 18)	-	-	-	-	-	-	-	(5,342,658)	-	(5,342,658)	-	(5,342,658)
Cash dividends received by a subsidiary	-	-	-	-	-	-	-	4,222	-	4,222	-	4,222
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	(288,100)	(288,100)
Acquisition of non-controlling interest - net (Notes 2 and 5)	-	15,245	-	-	-	2,691	-	-	-	17,936	(17,936)	-
At December 31, 2020	₱33,166,300	₱38,022,913	₱1,524,439	₱13,460,669	(₱1,769,030)	(₱587,796)	₱42,200,000	₱186,251,267	(₱2,984,695)	₱309,284,067	₱1,433,561	₱310,717,628

See accompanying Notes to Consolidated Financial Statements.



**SM PRIME HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in Thousands)

	<b>Years Ended December 31</b>		
	<b>2022</b>	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>₱38,714,004</b>	₱27,733,525	₱22,463,741
Adjustments for:			
Depreciation and amortization (Notes 11, 12, 21 and 25)	<b>12,487,762</b>	10,816,869	10,341,611
Interest expense (Notes 15, 17 and 22)	<b>11,465,787</b>	9,357,616	8,596,750
Interest and dividend income (Notes 6, 7, 9, 14, 19 and 22)	<b>(1,775,740)</b>	(1,025,066)	(1,207,227)
Equity in net earnings of associates and joint ventures (Note 13)	<b>(1,720,116)</b>	(1,187,419)	(694,473)
Loss (gain) on:			
Retirement and sale of investment properties (see Note 12)	<b>105,701</b>	(551,974)	–
Unrealized foreign exchange and fair value changes on derivatives – net	<b>826,855</b>	(623,782)	(45,610)
Operating income before working capital changes	<b>60,104,253</b>	44,519,769	39,454,792
Decrease (increase) in:			
Receivables and contract assets	<b>(8,760,236)</b>	(16,304,309)	(27,104,505)
Real estate inventories	<b>(12,462,748)</b>	(4,696,521)	2,409,763
Prepaid expenses and other current assets	<b>(762,618)</b>	(1,639,817)	(3,702,091)
Increase (decrease) in:			
Accounts payable and other liabilities	<b>1,070,155</b>	12,048,707	8,783,131
Tenants' and customers' deposits	<b>2,328,183</b>	(28,558)	(334,662)
Cash generated from operations	<b>41,516,989</b>	33,899,271	19,506,428
Income tax paid	<b>(6,583,777)</b>	(3,232,110)	(2,316,144)
Net cash provided by operating activities	<b>34,933,212</b>	30,667,161	17,190,284
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	<b>1,197,311</b>	648,143	1,009,478
Dividends received	<b>596,672</b>	292,898	385,916
Proceeds from sale of investment properties (Note 12)	<b>85,767</b>	453,298	–
Additions to:			
Investment properties (Note 12)	<b>(38,766,369)</b>	(39,294,964)	(37,559,444)
Property and equipment (Note 11)	<b>(198,012)</b>	(168,077)	(113,073)
Increase in bonds and deposits and other noncurrent assets (Note 14)	<b>(15,159,670)</b>	(6,044,976)	(7,666,858)
Net cash used in investing activities	<b>(52,244,301)</b>	(44,113,678)	(43,943,981)

(Forward)



	<b>Years Ended December 31</b>		
	<b>2022</b>	2021	2020
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Availments of bank loans and long-term debt (Notes 15 and 17)	<b>₱94,325,945</b>	₱86,849,381	₱91,403,912
Payments of:			
Long-term debt (Note 17)	<b>(43,863,022)</b>	(35,336,466)	(28,993,349)
Bank loans (Note 15)	<b>(19,994,859)</b>	(15,959,528)	(25,700,000)
Interest	<b>(11,029,498)</b>	(9,837,833)	(8,469,609)
Dividends (Note 18)	<b>(2,943,122)</b>	(2,675,277)	(5,338,436)
Lease liabilities (Notes 16 and 25)	<b>(84,292)</b>	(47,933)	(85,013)
Proceeds from (payments of) matured derivatives	<b>3,274,591</b>	(368,799)	-
Net cash provided by financing activities	<b>19,685,743</b>	22,623,545	22,817,505
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
	<b>(90,424)</b>	(62,790)	(2,153)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,284,230</b>	9,114,238	(3,938,345)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>39,775,852</b>	30,661,614	34,599,959
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>₱42,060,082</b>	₱39,775,852	₱30,661,614

*See accompanying Notes to Consolidated Financial Statements.*



# **SM PRIME HOLDINGS, INC. AND SUBSIDIARIES**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **1. Corporate Information**

SM Prime Holdings, Inc. (SMPH or the Parent Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on January 6, 1994. SMPH and its subsidiaries (collectively known as the “Company”) are incorporated to acquire by purchase, exchange, assignment, gift or otherwise, and to own, use, improve, subdivide, operate, enjoy, sell, assign, transfer, exchange, lease, let, develop, mortgage, pledge, traffic, deal in and hold for investment or otherwise, including but not limited to real estate and the right to receive, collect and dispose of, any and all rentals, dividends, interest and income derived therefrom; the right to vote on any proprietary or other interest on any shares of stock, and upon any bonds, debentures, or other securities; and the right to develop, conduct, operate and maintain modernized commercial shopping centers and all the businesses appurtenant thereto, such as but not limited to the conduct, operation and maintenance of shopping center spaces for rent, amusement centers, movie or cinema theatres within the compound or premises of the shopping centers, to construct, erect, manage and administer buildings such as condominium, apartments, hotels, restaurants, stores or other structures for mixed use purposes.

SMPH’s shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

The Company’s ultimate parent company is SM Investments Corporation (SMIC). SMIC is a Philippine corporation whose common shares is listed with the PSE in 2005. SMIC and all its subsidiaries are herein referred to as the “SM Group”.

The registered office and principal place of business of the Parent Company is at 10th Floor, Mall of Asia Arena Annex Building, Coral Way cor. J.W. Diokno Blvd., Mall of Asia Complex, Brgy. 76, Zone 10, CBP-1A, Pasay City, Philippines.

The accompanying consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on February 20, 2023.

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### **2. Basis of Preparation**

The accompanying consolidated financial statements of the Company have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) and derivative financial instruments which have been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Parent Company’s functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest thousand peso, except when otherwise indicated.

The accompanying consolidated financial statements have been prepared under the going concern assumption.



Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with PFRS.

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries:

Company	Country of Incorporation	Percentage of Ownership	
		2022	2021
<b><i>Mall</i></b>			
First Asia Realty Development Corporation	Philippines	74.2	74.2
Premier Central, Inc. and Subsidiary	- do -	100.0	100.0
Consolidated Prime Dev. Corp.	- do -	100.0	100.0
Premier Southern Corp.	- do -	100.0	100.0
San Lazaro Holdings Corporation	- do -	100.0	100.0
Southernpoint Properties Corp.	- do -	100.0	100.0
First Leisure Ventures Group Inc. (FLVGI)	- do -	50.0	50.0
CHAS Realty and Development Corporation and Subsidiaries	- do -	100.0	100.0
Springfield Global Enterprises Limited	- do -	100.0	100.0
Simply Prestige Limited and Subsidiaries	- do -	100.0	100.0
SM Land (China) Limited and Subsidiaries (SM Land China)	Hong Kong	100.0	100.0
Rushmore Holdings, Inc.	Philippines	100.0	100.0
Prime Commercial Property Management Corp. and Subsidiaries	- do -	100.0	100.0
Magenta Legacy, Inc.	- do -	100.0	100.0
Associated Development Corporation	- do -	100.0	100.0
Prime Metroestate, Inc. and Subsidiary	- do -	100.0	100.0
SM Arena Complex Corporation	- do -	100.0	100.0
Mindpro Incorporated	- do -	70.0	70.0
A. Canicosa Holdings, Inc.	- do -	100.0	100.0
AD Canicosa Properties, Inc.	- do -	100.0	100.0
Cherry Realty Development Corporation	- do -	100.0	100.0
Supermalls Transport Services, Inc.	- do -	100.0	100.0
Britannia Trading Corp. and Subsidiaries (BTC)	- do -	100.0	-
<b><i>Residential</i></b>			
SM Development Corporation and Subsidiaries (SMDC)	- do -	100.0	100.0
Highlands Prime Inc. and Subsidiary	- do -	100.0	100.0
Costa del Hamilo, Inc. and Subsidiary	- do -	100.0	100.0
<b><i>Commercial</i></b>			
Tagaytay Resort Development Corporation	- do -	100.0	100.0
MOA Esplanade Port, Inc.	- do -	100.0	100.0
Premier Clark Complex, Inc.	- do -	100.0	100.0
SM Smart City Infrastructure and Development Corporation	- do -	100.0	100.0
<b><i>Hotels and Convention Centers</i></b>			
SM Hotels and Conventions Corp. and Subsidiaries	- do -	100.0	100.0

FLVGI is accounted for as a subsidiary by virtue of control, as evidenced by the majority members of the BOD representing the Parent Company.



The individual financial statements of the Parent Company and its subsidiaries, which are prepared for the same reporting period using their own set of accounting policies, are adjusted to the accounting policies of the Company when the consolidated financial statements are prepared. All intracompany balances and transactions – assets, liabilities, revenues, expenses and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and when the Company has the ability to affect those returns through its power over the investee. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- 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; and
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Company and are presented separately in the consolidated statements of income and within equity section in the consolidated balance sheets, separately from equity attributable to equity holders of the parent.

#### Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. Uncertainty about these estimates and assumptions could result in outcomes that require an adjustment to the carrying amount of the affected asset or liability in the future period.

#### Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

*Existence of a Contract.* The Company's primary document for a contract with a customer is a signed contract to sell or the combination of its other signed documentation such as reservation agreement, official receipts, quotation sheets and other documents, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Company before revenue recognition is to assess the probability that the Company will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the buyer's initial payments in relation to the total contract price.



*Measure of Progress.* The Company has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Company's performance in transferring control of real estate development, which include customized uninstalled materials, to the customers. The Company determined that in the case of customized materials, the Company is not just providing a simple procurement service to the customer as it is significantly involved in the design and details of the manufacture of the materials.

*Determining Transaction Price of Sale of Real Estate.* The Company determines whether a contract contains a significant financing component using portfolio approach by considering (1) the difference, if any, between the amount of promised considerations and the cash selling price of the promised goods or services; and (2) the effect of the expected length of time between when the entity transfers the promised goods or service to the customer and when the customer pays for those goods or services and the prevailing effective interest rate (EIR). The Company applied practical expedient by not adjusting the effect of financing component when the period when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. The Company determined that its transaction price on sale of real estate recognized over time do not include a significant financing component.

*Operating Lease Commitments - as Lessor.* The Company has entered into commercial property leases in its investment property portfolio. Management has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of the properties and thus accounts for the contracts as operating leases. The ownership of the asset is not transferred to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable and the lease term is not for the major part of the asset's economic life.

Rent income amounted to ₱58,244 million, ₱34,694 million and ₱32,013 million for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 25).

*Lease Modification - as Lessor.* Throughout the government-imposed community quarantine, the Company waived rentals and other charges amounting to ₱6,247 million and ₱20,781 million for the years ended December 31, 2022 and 2021, respectively, which reduced rental income. Such rental waivers are not accounted as a lease modification under PFRS 16 since COVID-19 is a force majeure under the general law.

*Determining the Lease Term of Contract.* The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate its lease contracts with extension and/or termination options. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. The Company typically exercises its option to renew its leases of various parcels of land since its lease term periods are generally covered by an automatic renewal option. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

*Determining Taxable Profit, Tax Bases, Unused Tax Losses, Unused Tax Credits and Tax Rates.* The Company applies significant judgment in identifying uncertainties over its income tax treatments. The Company determined based on its assessment, in consultation with its tax counsel, that it is probable that its income tax treatments, including for its subsidiaries, will be accepted by the taxation authorities.



### Estimates and Assumptions

The key estimates and assumptions that may have significant risks of causing material adjustments to the carrying amounts of revenues, expenses, assets and liabilities within the next financial period are discussed below.

*Revenue Recognition Method.* The Company concluded that revenue from sale of real estate is to be recognized over time because (a) the Company's performance does not create an asset with an alternative use and; (b) the Company has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Company's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. The cost to obtain a contract (e.g., commission) is determined using the percentage of completion.

Revenue from sale of real estate amounted to ₱39,047 million, ₱45,116 million and ₱46,973 million for the years ended December 31, 2022, 2021, and 2020, respectively, while the cost of real estate sold amounted to ₱16,899 million, ₱18,687 million and ₱20,578 million for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 21).

*Provision for Expected Credit Losses (ECL) of Receivables and Contract Assets (or referred also in the consolidated financial statements as "Unbilled revenue from sale of real estate").* The Company maintains an allowance for expected credit loss at a level considered adequate to provide for potential uncollectible receivables. The Company uses a provision matrix for rent and other receivables and vintage approach for receivable from sale of real estate (billed and unbilled) to calculate ECLs. The Company performs a regular review of the age and status of these accounts, designed to identify accounts for impairment. The assessment of the correlation between historical observed default rates, forecasted economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

The allowance for ECLs amounted to ₱721 million and ₱723 million as at December 31, 2022 and 2021, respectively (see Note 7).

*Net Realizable Value of Real Estate Inventories.* The net realizable value of real estate inventories is assessed with reference to market price at the balance sheet date for similar completed property, less estimate cost to complete the construction and estimated cost to sell. The Company reviews the carrying value regularly for any decline in value due to changes in market price or other causes.

The carrying values of real estate inventories amounted to ₱70,500 million and ₱56,575 million as at December 31, 2022 and 2021, respectively (see Note 8).

*Estimated Useful Lives of Property and Equipment and Investment Properties (except for Right-of-use Asset).* The useful life of each of the Company's property and equipment and investment properties, excluding right-of-use asset (ROUA), is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of the asset. It is possible, however, that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any property and



equipment and investment properties, excluding ROUA, would increase the recorded costs and expenses and decrease noncurrent assets.

The aggregate carrying values of property and equipment and investment properties, excluding ROUA, amounted to ₱465,030 million and ₱442,271 million as at December 31, 2022 and 2021, respectively (see Notes 11 and 12).

*Impairment of Other Nonfinancial Assets.* The Company assesses at each reporting date whether there is an indication that an item of investments in associates and joint ventures, property and equipment, investment properties and other noncurrent assets (excluding escrow and time deposits) may be impaired. Determining the value in use of the assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Company to conclude that these assets are impaired. Any resulting impairment loss could have an impact on the consolidated financial position and performance.

The preparation of the estimated future cash flows involves judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may affect the assessment of recoverable values and may lead to future impairment charges.

There was no impairment on other nonfinancial assets for each of the three years in the period ended December 31, 2022. The aggregate carrying values of investments in associates and joint ventures, property and equipment, investment properties and other noncurrent assets (excluding escrow and time deposits) amounted to ₱622,340 million and ₱585,654 million as at December 31, 2022 and 2021, respectively (see Notes 11, 12, 13 and 14).

*Realizability of Deferred Tax Assets.* The Company's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and net operating loss carryover (NOLCO) is based on the projected taxable income in future periods.

Deferred tax assets recognized in the consolidated balance sheets amounted to ₱3,864 million and ₱3,901 million as at December 31, 2022 and 2021, respectively (see Note 24). Unrecognized deferred tax assets pertain to NOLCO, amounted to ₱133 million and ₱196 million as at December 31, 2022 and 2021, respectively.

*Fair Value of Assets and Liabilities.* The Company carries and discloses certain assets and liabilities at fair value, which requires extensive use of accounting judgments and estimates. The significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates and volatility rates). The amount of changes in fair value would differ if the Company utilized different valuation methodologies and assumptions. Any changes in the fair value of these assets and liabilities that are carried in the consolidated financial statements would directly affect consolidated statements of income and consolidated other comprehensive income.

The fair value of assets and liabilities are discussed in Note 27.

*Contingencies.* The Company is currently involved in various legal and administrative proceedings. The estimate of the probable costs for the resolution of these proceedings has been developed in consultation with in-house as well as outside legal counsel handling defense in these matters and is



based upon an analysis of potential results. The Company currently does not believe that these proceedings will have a material adverse effect on its consolidated financial position and performance and no provisions were made in relation to these proceedings. It is possible, however, that future consolidated financial performance could be affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings.

*Estimating Incremental Borrowing Rate (IBR) for Leases.* The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain the asset of similar value in a similar economic environment. The Company estimates the IBR using the available market interest rates adjusted with the Company's credit rating.

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### 3. Summary of Significant Accounting and Financial Reporting Policies

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2022. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*, intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of Philippine Accounting Standards (PAS) 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRS Interpretations Committee (IFRIC) 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*, prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*, specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.



- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements* removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

#### *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*, permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.
- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*, clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

#### Future Changes in Accounting Policies and Disclosures

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Company intends to adopt the following pronouncements when they become effective.

#### *Effective beginning on or after January 1, 2023*

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented.

- Amendments to PAS 8, *Definition of Accounting Estimates*, introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.



- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*, provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:
  - Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies; and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to the Practice Statement provide non-mandatory guidance. Early application is permitted but should be disclosed.

*Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*, clarify:
  - That only covenants with which an entity must comply on or before reporting date will affect a liability’s classification as current or non-current.
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments must be applied retrospectively.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*, specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

The amendments must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

*Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 requires comparative figures. Early application is permitted.



### *Deferred Effectivity*

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

### Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from acquisition date and are subject to an insignificant risk of change in value.

### Determination of Fair Value

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by



re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period and recognizes transfers as at the date of the event or change in circumstances that caused the transfer.

The Company determines the policies and procedures for both recurring and non-recurring fair value measurements. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

*“Day 1” Difference.* Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset or liability. In cases where unobservable data is used, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the “Day 1” difference amount.

#### Financial Instruments - Initial Recognition and Subsequent Measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### *Financial Assets*

*Initial recognition and measurement.* Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through profit or loss (FVTPL), and FVOCI.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Company’s business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.



*Subsequent measurement.* For purposes of subsequent measurement, financial assets are classified in four categories:

- *Financial assets at amortized cost (debt instruments):* The Company measures financial assets at amortized cost if both of the following conditions are met:
  - The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
  - The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes cash and cash equivalents, receivables and escrow and time deposits (included under "Other noncurrent assets" account). Other than those financial assets at amortized cost whose carrying values are reasonable approximation of fair values, the aggregate carrying values of financial assets under this category amounted to ₱5,105 million and ₱3,906 million as at December 31, 2022 and 2021, respectively (see Note 27).

- *Financial assets at FVOCI (debt instruments):* The Company measures debt instruments at FVOCI if both of the following conditions are met:
  - The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
  - Selling and the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

As at December 31, 2022 and 2021, the Company has no debt instruments classified as financial assets at FVOCI.

- *Financial assets at FVTPL.* Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the consolidated balance sheet at fair value with net changes in fair value recognized in the consolidated statement of income.

This category includes derivative instruments. The carrying values of financial assets classified under this category amounted to ₱7,338 million and ₱1,797 million as at December 31, 2022 and 2021, respectively (see Note 27).



A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVTPL. Embedded derivatives are measured at fair value with changes in FVTPL. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVTPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVTPL.

- *Financial assets at FVOCI (equity instruments).* Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation*, and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized in the consolidated statements of income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income (OCI). Equity instruments at FVOCI are not subject to impairment assessment.

The Company elected to classify irrevocably its investments in equity instruments under this category.

Classified under this category are the investments in shares of stocks of certain companies. The carrying values of financial assets classified under this category amounted to ₱17,612 million and ₱17,947 million as at December 31, 2022 and 2021, respectively (see Note 27).

*Modification of financial assets.* The Company derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded. The Company considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

*Derecognition.* A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized (i.e., removed from the Company's consolidated balance sheet) when:

- The rights to receive cash flows from the asset have expired, or,
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a



'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognized an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

*Impairment of financial assets.* The Company recognizes an allowance for ECLs for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The Company uses a provision matrix for rent and other receivables, vintage approach for receivables from sale of real estate (billed and unbilled) and general approach for treasury assets to calculate ECLs.

The Company applies provision matrix and has calculated ECLs based on lifetime ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date, adjusted for forward-looking factors specific to the debtors and the economic environment.

Vintage approach accounts for expected credit losses by calculating the cumulative loss rates of a given real estate receivable pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the probability model. It allows the evaluation of the loan activity from its origination period until the end of the contract period. In addition to life of loan loss data, primary drivers like macroeconomic indicators of qualitative factors such as, but not limited to, forward-looking data on inflation rate was added to the expected loss calculation to reach a forecast supported by both quantitative and qualitative data points. The probability of default is applied to the estimate of the loss arising on default which is based on the difference between the contractual cash flows due and those that the Company would expect to receive, including from the repossession of the subject real estate property, net of cash outflows. For purposes of calculating loss given default, accounts are segmented based on the type of unit. In calculating the recovery rates, the Company considered collections of cash and/or cash from resale of real estate properties after foreclosure, net of direct costs of obtaining and selling the real estate properties after the default event such as commission, refurbishment, payment required under Maceda law, cost to complete (for incomplete units). As these are future cash flows, these are discounted back to the time of default using the appropriate EIR, usually being the original EIR or an approximation thereof.

The Company considers a financial asset in default generally when contractual payments are 120 days past due or when the sales are cancelled supported by a notarized cancellation letter executed by the Company and unit buyer. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to



receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### *Financial Liabilities*

*Initial recognition and measurement.* Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings and payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

*Subsequent measurement.* The Company classifies its financial liabilities in the following categories:

- *Financial liabilities at FVTPL.* Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Derivatives, including any separated derivatives, are also classified under liabilities at FVTPL, unless these are designated as hedging instruments in an effective hedge or financial guarantee contracts. Gains or losses on liabilities held for trading are recognized in the consolidated statement of income under “Others - net” account. Classified as financial liabilities at FVTPL are the Company’s derivative liabilities amounting to ₱314 million and ₱2,084 million as at December 31, 2022 and 2021, respectively (see Note 27).

- *Loans and borrowings.* This category pertains to financial liabilities that are not held for trading or not designated as at FVTPL upon the inception of the liability. These include liabilities arising from operations or borrowings. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statement of income when the loans and borrowings are derecognized, as well as through the amortization process. Loans and borrowings are included under current liabilities if settlement is within twelve months from reporting period. Otherwise, these are classified as noncurrent liabilities.

Classified under this category are loans payable, accounts payable and other current liabilities, long-term debt, tenants’ deposits, liability for purchased land and other noncurrent liabilities (except for taxes payables and other payables covered by other accounting standards). Other than those other financial liabilities whose carrying values are reasonable approximation of fair values, the aggregate carrying values of financial liabilities under this category amounted to ₱327,175 million and ₱294,523 million as at December 31, 2022 and 2021 respectively (see Note 27).

*Derecognition.* A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.



#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross in the consolidated balance sheet.

#### Classification of Financial Instruments Between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

#### Debt Issue Costs

Debt issue costs are presented as reduction in long-term debt and are amortized over the terms of the related borrowings using the effective interest method.

#### Derivative Financial Instruments

*Initial recognition and subsequent measurement.* The Company uses derivative financial instruments, such as foreign exchange swap, cross currency swaps, interest rate swaps, principal only swaps and non-deliverable forwards contracts to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The Company's derivative financial instruments are accounted for as either cash flow hedges or transactions not designated as hedges (see Note 27). These hedge the exposures to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.



The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge effectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is ‘an economic relationship’ between the hedged item and the hedging instrument.
- The effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

*Cash flow hedges.* The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the net fair value changes on cash flow hedges, while any ineffective portion is recognized immediately in the consolidated statement of income. The net fair value changes on cash flow hedges is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Company designates only the elements of the foreign exchange swap, cross currency swaps, interest rate swaps, principal only swaps and non-deliverable forwards contracts as hedging instruments to achieve its risk management objective. These elements, including changes in fair value, are recognized in OCI and accumulated in a separate component of equity under net fair value changes on cash flow hedges.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

*Other Derivative Instruments Not Accounted for as Hedges.* Certain freestanding derivative instruments that provide economic hedges under the Company’s policies either do not qualify for hedge accounting or are not designated as accounting hedges. Changes in the fair values of derivative instruments not designated as hedges are recognized immediately under “Others - net” account in the consolidated statements of income (see Note 27). Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.



### Real Estate Inventories

Real estate inventories are stated at the lower of cost and net realizable value. Net realizable value is the selling price in the ordinary course of business, less costs to complete and the estimated cost to make the sale. Real estate inventories include properties being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation.

Cost incurred for the development and improvement of the properties includes the following:

- Land cost;
- Amounts paid to contractors for construction and development; and
- Planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

### Prepaid Expenses and Other Current Assets

Other current assets consist of advances to suppliers and contractors, advances for project development, input tax, creditable withholding taxes, deposits, prepayments, supplies and inventories and others. Advances to suppliers and contractors are carried at cost. These represent advance payments to contractors for the construction and development of the projects. These are recouped upon every progress billing payment depending on the percentage of accomplishment. Prepaid taxes and other prepayments are carried at cost less amortized portion. These include prepayments for taxes and licenses, rent, advertising and promotions and insurance.

### Property Acquisitions and Business Combinations

When property is acquired, through corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business.

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. Otherwise, the acquisition is accounted for as a business combination.

Business combinations are accounted for using the acquisition method. Applying the acquisition method requires the (a) determination whether the Company will be identified as the acquirer, (b) determination of the acquisition date, (c) recognition and measurement of the identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquiree and (d) recognition and measurement of goodwill or a gain from a bargain purchase.

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 non-controlling interest in the acquiree. For each business combination, the Company measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in the costs and expenses.

When the Company 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.

If the business combination is achieved in stages, the acquisition date fair value of the Company's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.



Any contingent consideration to be transferred by the Company is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognized in accordance with PFRS 9 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled and final difference is recognized within equity.

#### Common Control Business Combinations

Business combinations involving entities or businesses under common control are business combinations in which all of the entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Business combinations under common control are accounted for similar to pooling of interests method. Under the pooling of interests method:

- The assets, liabilities and equity of the acquired companies for the reporting period in which the common control business combinations occur and for the comparative periods presented, are included in the consolidated financial statements at their carrying amounts as if the consolidation had occurred from the beginning of the earliest period presented in the financial statements, regardless of the actual date of the acquisition;
- No adjustments are made to reflect the fair values, or recognize any new assets or liabilities at the date of the combination. The only adjustments would be to harmonize accounting policies between the combining entities;
- No 'new' goodwill is recognized as a result of the business combination;
- The excess of the cost of business combinations over the net carrying amounts of the identifiable assets and liabilities of the acquired companies is considered as equity adjustment from business combinations, included under "Additional paid-in capital - net" account in the equity section of the consolidated balance sheet; and
- The consolidated statement of income in the year of acquisition reflects the results of the combining entities for the full year, irrespective of when the combination took place.

#### Acquisition of Non-controlling Interests

Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e., transactions with owners in their capacity as owners). In such circumstances, the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid shall be recognized directly in equity and included under "Additional paid-in capital - net" account in the equity section of the consolidated balance sheet.

#### Property and Equipment

The Company's property and equipment consist of land, building, equipment and ROUA. Property and equipment, except land and construction in progress, is stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment at the time that cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs necessary in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation and interest incurred during the construction period on funds borrowed to finance the construction of the projects. When each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. Expenditures



incurred after the item has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have improved the condition of the asset beyond the originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the assets:

Land improvements	5 years	
Buildings	10–25 years	
Leasehold improvements	5–10 years	or term of the lease, whichever is shorter
Data processing equipment	5–8 years	
Transportation equipment	5–6 years	
Furniture, fixtures and equipment	5–10 years	
ROUA – Office spaces	10–25 years	or term of the lease, whichever is shorter

The residual values, useful lives and method of depreciation and amortization of the assets are reviewed and adjusted, if appropriate, at each reporting period.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is credited or charged to current operations.

An item of property and equipment is derecognized when either it has been disposed or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gains or losses arising on the retirement and disposal of an item of property and equipment are recognized in the consolidated statements of income in the period of retirement or disposal.

#### Investment Properties

These consist of commercial spaces/properties held for rental and/or capital appreciation, ROUA and land held for future development. These accounts are measured initially at cost. The cost of a purchased investment property comprises of its purchase price and any directly attributable costs. Subsequently, these accounts, except land and construction in progress, are measured at cost, less accumulated depreciation and amortization and accumulated impairment in value, if any. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

Property under construction or development for future use as an investment property is classified as investment property.



Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the assets:

Leasehold improvements	5 years	or term of the lease, whichever is shorter
Land improvements	5 years	
Buildings and improvements	20–40 years	
Building equipment, furniture and others	3-15 years	or term of the lease, whichever is shorter
ROUA – land		Remaining lease term

The residual values, useful lives and method of depreciation and amortization of the assets are reviewed and adjusted, if appropriate, at each reporting period.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction, machineries and equipment, and other direct costs. Cost also includes interest on borrowed funds incurred during the construction period. Construction in progress is not depreciated until such time that the relevant assets are completed and are ready for use.

Investment property is derecognized when either it has been disposed or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the period of retirement or disposal.

Transfers are made from investment property to inventories when, and only when, there is a change in use, as evidenced by an approved plan to construct and develop condominium and residential units for sale. Transfers are made from inventories to investment property when, and only when, there is change in use, as evidenced by commencement of an operating lease to a third party or change in the originally approved plan. The cost of property for subsequent accounting is its carrying value at the date of change in use.

For a transfer from investment property to owner-occupied property, the cost of property for subsequent accounting is its carrying value at the date of change in use. If the property occupied by the Company as an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

#### Investments in Associates and Joint Ventures

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Company's investments in shares of stocks of associates and joint ventures are accounted for under the equity method of accounting.



Under the equity method, investment in an associate or a joint venture is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Company's share in the net asset of the associate or joint venture. The consolidated statements of income reflect the share in the result of operations of the associate or joint venture under "Others-net" account. Where there has been a change recognized directly in the equity of the associate or joint venture, the Company recognizes its share in any changes and discloses this, when applicable, in the consolidated statement of income. Profit and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture. After application of the equity method, the Company determines whether it is necessary to recognize any additional impairment loss with respect to the Company's net investment in the associate or joint venture. An investment in associate or joint venture is accounted for using the equity method from the date when it becomes an associate or joint venture. On acquisition of the investment, any difference between the cost of the investment and the investor's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for as follows:

- Goodwill relating to an associate or joint venture is included in the carrying amount of the investment. However, amortization of that goodwill is not permitted and is therefore not included in the determination of the Company's share in the associate's or joint venture's profits or losses.
- Any excess of the Company's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the investor's share in the associate's or joint venture's profit or loss in the period in which the investment is acquired.

Also, appropriate adjustments to the Company's share of the associate's or joint venture's profit or loss after acquisition are made to account for the depreciation of the depreciable assets based on their fair values at the acquisition date and for impairment losses recognized by the associate or joint venture.

The Company discontinues the use of equity method from the date when it ceases to have significant influence or joint control over an associate or joint venture and accounts for the investment in accordance with PFRS 9, from that date, provided the associate or joint venture does not become a subsidiary. Upon loss of significant influence or joint control over the associate or joint venture, the Company measures and recognizes any remaining investment at its fair value. Any difference in the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the remaining investment and proceeds from disposal is recognized in the consolidated statement of income. When the Company's interest in an investment in associate or joint venture is reduced to zero, additional losses are provided only to the extent that the Company has incurred obligations or made payments on behalf of the associate or joint venture to satisfy obligations of the investee that the Company has guaranteed or otherwise committed. If the associate or joint venture subsequently reports profits, the Company resumes recognizing its share of the profits if it equals the share of net losses not recognized.

The financial statements of the associates and joint ventures are prepared for the same reporting period as the Company. The accounting policies of the associates and joint ventures conform to those used by the Company for like transactions and events in similar circumstances.

#### Other Noncurrent Assets

Other noncurrent assets consist of bonds and deposits, receivables from sale of real estate - net of current portion, land use rights, escrow and time deposits, deferred input tax and others. Other noncurrent assets are carried at cost.



#### Impairment of Nonfinancial Assets

The carrying values of investments in associates and joint ventures, property and equipment, investment properties and other noncurrent assets (excluding escrow and time deposits) are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell or value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's-length transaction between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income. After such a reversal, the depreciation or amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### Customers' Deposits

Customers' deposits mainly represent reservation fees and advance payments. These deposits will be recognized as revenue in the consolidated statement of income as the related obligations to the real estate buyers are fulfilled.

#### Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as "Additional paid-in capital - net" account.

#### Retained Earnings

Retained earnings represent accumulated net profits, net of dividend distributions and other capital adjustments.

#### Treasury Stock

Own equity instruments which are acquired (treasury shares) are deducted from equity and accounted for at cost. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issuance or cancellation of own equity instruments.

#### Dividends

Dividends on common shares are recognized as liability and deducted from equity when declared and approved by the BOD. Dividends for the year that are approved after balance sheet date are dealt with as an event after the reporting period.



### Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or as an agent. The Company has concluded that it is acting as principal in majority of its revenue arrangements. The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 2. The following specific recognition criteria, other than those disclosed in Note 2 to the consolidated financial statements, must also be met before revenue is recognized:

*Rent.* Revenue is recognized on a straight-line basis over the lease term or based on the terms of the lease as applicable.

*Sale of Amusement Tickets and Merchandise.* Revenue is recognized upon receipt of cash from the customer which coincides with the rendering of services or the delivery of merchandise. Revenue from sale of amusement tickets and merchandise are included in the “Revenue - Others” account in the consolidated statement of income.

*Dividend.* Revenue is recognized when the Company’s right as a shareholder to receive the payment is established. These are included in the “Interest and dividend income” account in the consolidated statement of income.

*Management and Service Fees.* Revenue is recognized when earned in accordance with the terms of the agreements.

*Interest.* Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

*Room Rentals, Food and Beverage, and Others.* Revenue from room rentals is recognized on actual occupancy, food and beverage sales when orders are served, and other operated departments when the services are rendered. Revenue from other operated departments include, among others, business center, laundry service, and telephone service. Revenue from food and beverage sales and other hotel revenue are included under the “Revenue - Others” account in the consolidated statement of income.

*Revenue and Cost from Sale of Real Estate.* The Company derives its real estate revenue from sale of lots, house and lot and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Company’s performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Company uses output method. The Company recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date/milestones reached/time elapsed. This is based on the monthly project accomplishment report prepared by the third-party project managers as approved by the construction managers which integrates the surveys of performance to date of the construction activities.



Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as receivables from sale of real estate, under trade receivables, is accounted for as unbilled revenue from sale of real estate.

Any excess of collections over the total of recognized installment real estate receivables is included in the contract liabilities (or referred also in the consolidated financial statements as “Unearned revenue from sale of real estate”).

*Information about the Company’s performance obligation.* The Company entered into contracts to sell with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under a financing scheme entered with the customer. The financing scheme would include payment of certain percentage of the contract price spread over a certain period (e.g. one to three years) at a fixed monthly payment with the remaining balance payable in full at the end of the period either through cash or external financing. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction.

The Company has a quality assurance warranty which is not treated as a separate performance obligation.

*Cost of Real Estate Sold.* The Company recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land and connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation and permits and licenses. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of real estate sold while the portion allocable to the unsold area being recognized as part of real estate inventories. In addition, the Company recognizes as an asset only costs that give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered.

#### *Contract Balances*

*Receivables.* A receivable represents the Company’s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

*Contract assets.* These pertain to unbilled revenue from sale of real estate. This is the right to consideration that is conditional in exchange for goods or services transferred to the customer. This is reclassified as trade receivable from sale of real estate when the monthly amortization of the customer is already due for collection.

*Contract liabilities.* These pertain to unearned revenue from sale of real estate. This is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. These also include customers’ deposits related to sale of real estate. These are recognized as revenue when the Company performs its obligation under the contract.

*Costs to obtain contract.* The incremental costs of obtaining a contract with a customer are recognized as an asset if the Company expects to recover them. The Company has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the



related revenue is recognized as earned. Commission expense is included in the “Costs and expenses” account in the consolidated statement of income. Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

*Contract fulfillment assets.* Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Company firstly considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15.

If other standards are not applicable to contract fulfillment costs, the Company applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of this criteria requires the application of judgment, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

The Company’s contract fulfillment assets mainly pertain to land acquisition costs (included under real estate inventories).

*Amortization, derecognition and impairment of contract fulfillment assets and capitalized costs to obtain a contract.* The Company amortizes contract fulfillment assets and capitalized costs to obtain a contract to cost of sales over the expected construction period using POC following the pattern of real estate revenue recognition. The amortization is included within cost of real estate sold.

A contract fulfillment asset or capitalized costs to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Company determines whether there is an indication that contract fulfillment asset or cost to obtain a contract maybe impaired. If such indication exists, the Company makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Company expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Company uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs are demonstrating indicators of impairment, judgment is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets.

#### Management Fees

Management fees are recognized as expense in accordance with the terms of the agreements.

#### General, Administrative and Other Expenses

Costs and expenses are recognized as incurred.

#### Pension Benefits

The Company is a participant in the SM Corporate and Management Companies Multi-Employer Retirement Plan.

*Retirement Plan.* The plan is a funded, noncontributory defined benefit retirement plan administered by a Board of Trustees covering all regular full-time employees. The cost of providing benefits under



the defined benefit plan is determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees' projected salaries. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, if any, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit pension costs comprise the following:

- Service cost;
- Net interest on the net defined benefit obligation or asset; and
- Remeasurements of net defined benefit obligation or asset

Service cost which includes current service costs, past service costs and gains or losses on non-routine settlements are recognized as part of "Costs and expenses" under "Administrative" account in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit obligation or asset is the change during the period in the net defined benefit obligation or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit obligation or asset is recognized as part of "Costs and expenses" under "Administrative" account in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit obligation) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

#### Foreign Currency-denominated Transactions

The consolidated financial statements are presented in Philippine peso, which is SMPH's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency rate of exchange at reporting period. Nonmonetary items denominated in foreign currency are translated using the exchange rates as at the date of initial recognition. All differences are taken to the consolidated statements of income.



### Foreign Currency Translation

The assets and liabilities of foreign operations are translated into Philippine peso at the rate of exchange ruling at reporting period and their respective statements of income are translated at the weighted average rates for the year. The exchange differences arising on the translation are included in the consolidated statements of comprehensive income and are presented within the “Cumulative translation adjustment” account in the consolidated statements of changes in equity. On disposal of a foreign entity, the deferred cumulative amount of exchange differences recognized in equity relating to that particular foreign operation is recognized in the profit or loss.

### Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

*Company as Lessor.* Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases are recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

*Lease Modification.* Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).

A lessor shall account for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. If a change in lease payments does not meet the definition of a lease modification, that change would generally be accounted for as a negative variable lease payment. In the case of an operating lease, a lessor recognizes the effect of the rent concession by recognizing lower income from leases.

*Company as Lessee.* The Company applies a single recognition and measurement approach for all the leases except for low-value assets and short-term leases. The Company recognizes lease liabilities to make lease payments and ROUA representing the right to use the underlying asset.

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments which includes in substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the IBR at the lease commencement date. After the commencement date, the amount of lease liabilities is adjusted to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.



The Company also recognized ROUA in property and equipment (office spaces) and investment properties (land lease and land use rights) at the commencement date of the lease (i.e., the date the underlying asset is available for use). The initial cost of ROUA includes the amount of lease liabilities recognized less any lease payments made at or before the commencement date.

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of bridgeway, machineries and equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

The Company recognizes deferred tax asset and liability based from the lease liability and ROUA, respectively, on a gross basis, as of balance sheet date.

#### Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain.

#### Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset as part of the cost of that asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use or sale. Borrowing costs are capitalized when it is probable that they will result in future economic benefits to the Company.

The interest capitalized is calculated using the Company's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross interest incurred on those borrowings less any investment income arising on the temporary investment of those borrowings. Interest is capitalized from the commencement of the development work until the date of practical completion, i.e., when substantially all of the development work is completed.

Borrowing costs include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest cost. The Company limits exchange losses taken as amount of borrowing costs to the extent that the total borrowing costs capitalized do not exceed the amount of borrowing costs that would be incurred on functional currency equivalent borrowings. The amount of foreign exchange differences eligible for capitalization is determined for each period separately. Foreign exchange losses that did not meet the criteria for capitalization in previous years are not capitalized in subsequent years. All other borrowing costs are expensed as incurred.



## Taxes

*Current Tax.* Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at reporting period.

Current income tax relating to item recognized directly in equity is recognized in equity and not in the profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred Tax.* Deferred tax is provided, using the balance sheet liability method, on temporary differences at reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of excess MCIT and NOLCO, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefits of excess MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at reporting period.

Income tax relating to items recognized directly in the consolidated statement of comprehensive income is recognized in the consolidated statement of comprehensive income and not in the consolidated statement of income.



Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

*Value Added Tax (VAT)*. Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as part of “Accounts payable and other current liabilities” account in the consolidated balance sheets. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as part of “Prepaid expenses and other current assets” account in the consolidated balance sheets to the extent of the recoverable amount.

#### Business Segments

The Company is organized and managed separately according to the nature of business. The four operating business segments are mall, residential, commercial and hotels and convention centers. These operating businesses are the basis upon which the Company reports its segment information presented in Note 4 to the consolidated financial statements.

#### Basic/Diluted Earnings Per Common Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to owners of the Parent by the weighted-average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

For the purpose of computing diluted EPS, the net income for the period attributable to owners of the Parent and the weighted-average number of issued and outstanding common shares are adjusted for the effects of all dilutive potential ordinary shares, if any.

#### Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

#### Events after the Reporting Period

Post year-end events that provide additional information about the Company’s financial position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

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## 4. Segment Information

For management purposes, the Company is organized into business units based on their products and services, and has four reportable operating segments as follows: mall, residential, commercial and hotels and convention centers.



Mall segment develops, conducts, operates and maintains the business of modern commercial shopping centers and all businesses related thereto such as the conduct, operation and maintenance of shopping center spaces for rent, amusement centers, or cinema theaters within the compound of the shopping centers.

Residential and commercial segments are involved in the development and transformation of major residential, commercial, entertainment and tourism districts through sustained capital investments in buildings and infrastructure.

Hotels and convention centers segment engages in and carry on the business of hotel and convention centers and operates and maintains any and all services and facilities incident thereto.

Management, through the Executive Committee, monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with the operating profit or loss in the consolidated financial statements.

The amount of segment assets and liabilities and segment profit or loss are based on measurement principles that are similar to those used in measuring the assets and liabilities and profit or loss in the consolidated financial statements, which is in accordance with PFRS.

#### Inter-segment Transactions

Transfer prices between business segments are set on an arm's length basis similar to transactions with nonrelated parties. Such transfers are eliminated in the consolidated financial statements.

#### Business Segment Data

	2022					
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
	<i>(In Thousands)</i>					
Revenue:						
External customers	₱55,379,678	₱40,077,157	₱5,996,483	₱4,332,317	₱-	₱105,785,635
Inter-segment	160,890	5,417	126,801	11,631	(304,739)	-
	<b>₱55,540,568</b>	<b>₱40,082,574</b>	<b>₱6,123,284</b>	<b>₱4,343,948</b>	<b>(₱304,739)</b>	<b>₱105,785,635</b>
Segment results:						
Income before income tax	₱24,291,544	₱10,905,230	₱3,969,174	₱402,171	(₱854,115)	₱38,714,004
Provision for income tax	(4,857,306)	(2,000,690)	(1,013,584)	(99,295)	-	(7,970,875)
Net income	<b>₱19,434,238</b>	<b>₱8,904,540</b>	<b>₱2,955,590</b>	<b>₱302,876</b>	<b>(₱854,115)</b>	<b>₱30,743,129</b>
Net income attributable to:						
Equity holders of the Parent	₱18,800,574	₱8,894,874	₱2,955,590	₱302,876	(₱854,115)	₱30,099,799
Non-controlling interests	633,664	9,666	-	-	-	643,330
Segment assets	<b>₱461,547,075</b>	<b>₱317,089,509</b>	<b>₱81,047,183</b>	<b>₱16,296,204</b>	<b>(₱1,765,319)</b>	<b>₱874,214,652</b>
Segment liabilities	<b>₱320,311,592</b>	<b>₱180,624,978</b>	<b>₱8,524,126</b>	<b>₱1,367,669</b>	<b>(₱1,765,319)</b>	<b>₱509,063,046</b>
Other information:						
Capital expenditures	₱25,786,080	₱36,345,071	₱12,194,451	₱1,093,268	₱-	₱75,418,870
Depreciation and amortization	10,373,095	138,188	1,347,108	629,371	-	12,487,762



2021						
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
<i>(In Thousands)</i>						
Revenue:						
External customers	₱29,919,619	₱45,895,228	₱4,920,521	₱1,580,116	₱-	₱82,315,484
Inter-segment	159,270	1,799	89,389	7,364	(257,822)	-
	₱30,078,889	₱45,897,027	₱5,009,910	₱1,587,480	(257,822)	₱82,315,484
Segment results:						
Income (loss) before income tax	₱6,649,817	₱19,175,121	₱3,244,353	(₱924,580)	(₱411,186)	₱27,733,525
Provision for income tax	(1,122,152)	(3,948,973)	(750,997)	-	-	(5,822,122)
Net income (loss)	₱5,527,665	₱15,226,148	₱2,493,356	(₱924,580)	(₱411,186)	₱21,911,403
Net income (loss) attributable to:						
Equity holders of the Parent	₱5,406,970	₱15,221,956	₱2,493,356	(₱924,580)	(₱411,186)	₱21,786,516
Non-controlling interests	120,695	4,192	-	-	-	124,887
Segment assets	₱429,925,281	₱291,750,749	₱69,761,727	₱14,930,876	(₱1,965,353)	₱804,403,280
Segment liabilities	₱297,139,809	₱166,632,085	₱7,395,124	₱840,842	(₱1,965,353)	₱470,042,507
Other information:						
Capital expenditures	₱26,005,686	₱33,710,404	₱3,659,529	₱1,542,416	₱-	₱64,918,035
Depreciation and amortization	9,006,617	120,416	1,046,814	643,022	-	10,816,869
2020						
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
<i>(In Thousands)</i>						
Revenue:						
External customers	₱28,167,017	₱47,476,884	₱4,677,139	₱1,578,258	₱-	₱81,899,298
Inter-segment	129,575	-	69,958	2,672	(202,205)	-
	₱28,296,592	₱47,476,884	₱4,747,097	₱1,580,930	(₱202,205)	₱81,899,298
Segment results:						
Income before income tax	₱3,920,670	₱16,910,196	₱3,104,126	(₱1,017,072)	(₱454,179)	₱22,463,741
Provision for income tax	(1,053,610)	(3,089,875)	(180,519)	-	-	(4,324,004)
Net income	₱2,867,060	₱13,820,321	₱2,923,607	(₱1,017,072)	(₱454,179)	₱18,139,737
Net income attributable to:						
Equity holders of the Parent	₱2,733,043	₱13,821,113	₱2,923,607	(₱1,017,072)	(₱454,179)	₱18,006,512
Non-controlling interests	134,017	(792)	-	-	-	133,225
Segment assets	₱380,986,657	₱254,869,649	₱73,994,647	₱14,065,747	(₱1,557,775)	₱722,358,925
Segment liabilities	₱258,190,621	₱147,833,429	₱6,258,717	₱916,305	(₱1,557,775)	₱411,641,297
Other information:						
Capital expenditures	₱26,033,777	₱24,823,848	₱7,393,535	₱1,337,054	₱-	₱59,588,214
Depreciation and amortization	8,659,470	149,450	893,658	639,033	-	10,341,611

For the years ended December 31, 2022, 2021 and 2020, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers. The main revenues of the Company are substantially earned from the Philippines.

The Company disaggregates its revenue information in the same manner as it reports its segment information.

#### Seasonality

There were no other trends, events or uncertainties that have had or that are reasonably expected to have a material impact on net sales or revenues or income from continuing operations.



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## 5. Acquisition of Non-controlling Interest and Business Combinations

### Business Combination

In January 2022, the Parent Company acquired 100% of the outstanding shares of BTC. BTC is under common control by the Sy Family. Thus, the acquisition was accounted for using pooling of interest method. No restatement of prior period was made due to immateriality. Assets acquired and liabilities assumed in January 2022 is ₱1,593 million and ₱1,612 million, respectively. The acquisition resulted to equity reserve adjustment amounting to ₱44 million included under Additional Paid-in Capital - Net account in the equity section of the balance sheet (see Note 18).

In December 2020, the Parent Company entered into a Share Purchase Agreement with its wholly owned subsidiary, SM Land China, and transferred its 100% interest in Affluent Capital Enterprises Limited and Subsidiaries and Mega Make Enterprises Limited and Subsidiaries in exchange for SM Land China's 1,000 ordinary shares and 1 ordinary share, respectively. The Company recorded the additional investment in SM Land China at the carrying value of the asset given up and treated the transaction as common control business combination.

### Acquisition of Non-controlling Interest

In December 2020, the Company (through Landfactors Incorporated, a wholly owned subsidiary of SMDC) purchased additional 12,500 common shares of Greenmist Property Management Corporation for a total consideration of ₱2 million increasing its ownership from 91.67% to 100%. The transaction was accounted for as an equity transaction since there was no change in control.

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## 6. Cash and Cash Equivalents

This account consists of:

	2022	2021
	<i>(In Thousands)</i>	
Cash on hand and in banks (see Note 19)	<b>₱8,595,584</b>	₱15,297,181
Temporary investments (see Note 19)	<b>33,464,498</b>	24,478,671
	<b>₱42,060,082</b>	₱39,775,852

Cash in banks earn interest at the respective bank deposit rates. Temporary investments are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn interest at the respective temporary investment rates.

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

Interest income earned from cash in banks and temporary investments amounted to ₱1,070 million, ₱627 million and ₱900 million for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 22).



## 7. Receivables and Contract Assets

This account consists of:

	2022	2021
	<i>(In Thousands)</i>	
Trade (billed and unbilled):		
Sale of real estate*	<b>₱114,005,269</b>	₱110,916,242
Rent:		
Third parties	<b>10,217,117</b>	6,517,038
Related parties (see Note 19)	<b>3,427,264</b>	2,466,874
Accrued interest (see Note 19)	<b>442,377</b>	320,350
Nontrade and others (see Note 19)	<b>4,119,332</b>	3,041,759
	<b>132,211,359</b>	123,262,263
Less allowance for ECLs	<b>721,482</b>	723,319
	<b>131,489,877</b>	122,538,944
Less noncurrent portion of trade receivables from sale of real estate (see Note 14)	<b>48,929,523</b>	49,518,978
	<b>₱82,560,354</b>	₱73,019,966

\*Includes unbilled revenue from sale of real estate amounting to ₱100,157 million and ₱98,589 million as at December 31, 2022 and 2021, respectively.

The terms and conditions of the above receivables are as follows:

- Trade receivables from tenants are non-interest bearing and are normally collectible on a 30 to 90 days' term. Trade receivables from sale of real estate pertain to sold real estate inventories at various terms of payments, which are non-interest bearing.

The Company assigned billed and unbilled receivables from sale of real estate on a without recourse basis to local banks amounting to nil and ₱359 million for the years ended December 31, 2022 and 2021, respectively (see Note 19).

The Company also has assigned billed and unbilled receivables from real estate on a with recourse basis to local banks with outstanding balance of ₱1,182 million and ₱324 million as at December 31, 2022 and 2021, respectively. The related liability from assigned receivables, which is of equal amount with the assigned receivables, bear interest rates of 3.75% to 5.00% in 2022 and 4.50% in 2021. The fair value of the assigned receivables and liability from assigned receivables approximates their costs.

- Accrued interest and other receivables are normally collected throughout the financial period.

Interest income earned from receivables totaled ₱149 million, ₱86 million and ₱65 million for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 22).

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.



There is no allowance for ECLs on unbilled revenue from sale of real estate as of December 31, 2022. The movements in the allowance for ECLs related to receivables from sale of real estate and other receivables are as follows:

	2022	2021
	<i>(In Thousands)</i>	
At beginning of year	₱723,319	₱1,066,130
Reversals - net	(1,837)	(342,811)
At end of year	<b>₱721,482</b>	<b>₱723,319</b>

The aging analysis of receivables and unbilled revenue from sale of real estate as at December 31 are as follows:

	2022	2021
	<i>(In Thousands)</i>	
Neither past due nor impaired	<b>₱115,020,835</b>	₱107,898,754
Past due but not impaired:		
Less than 30 days	<b>4,906,282</b>	2,541,228
31–90 days	<b>3,211,588</b>	2,943,344
91–120 days	<b>2,411,591</b>	1,289,381
Over 120 days	<b>5,939,581</b>	7,866,237
Impaired	<b>721,482</b>	723,319
	<b>₱132,211,359</b>	<b>₱123,262,263</b>

Receivables, except for those that are impaired, are assessed by the Company's management as not impaired, good and collectible.

The transaction price allocated to the remaining performance obligations totaling ₱25,392 million and ₱34,308 million as at December 31, 2022 and 2021, respectively are expected to be recognized over the construction period ranging from one to five years.

## 8. Real Estate Inventories

The movements in this account are as follows:

	Land and Development	Condominium, Residential Units and Subdivision Lots for Sale	Total
	<i>(In Thousands)</i>		
Balance as at December 31, 2020	₱34,928,317	₱8,763,560	₱43,691,877
Development cost incurred	25,415,208	–	25,415,208
Cost of real estate sold (see Note 21)	(16,867,821)	(1,818,887)	(18,686,708)
Transfers	(12,318,838)	12,318,838	–
Reclassifications from investment properties (see Note 12)	5,448,333	–	5,448,333
Translation adjustment and others	624,327	82,010	706,337
Balance as at December 31, 2021	37,229,526	19,345,521	56,575,047
Development cost incurred	27,956,439	–	27,956,439
Cost of real estate sold (see Note 21)	(11,153,550)	(5,745,018)	(16,898,568)
Transfers	(12,643,521)	12,643,521	–
Reclassifications from investment properties (see Note 12)	2,204,897	–	2,204,897
Translation adjustment and others	187,070	475,140	662,210
Balance as at December 31, 2022	<b>₱43,780,861</b>	<b>₱26,719,164</b>	<b>₱70,500,025</b>



Land and development pertains to the Company's on-going residential units and condominium projects. Estimated cost to complete the projects amounted to ₱106,894 million and ₱111,500 million as at December 31, 2022 and 2021, respectively.

Condominium and residential units for sale pertain to completed projects. These are stated at cost as at December 31, 2022 and 2021.

Contract fulfillment assets, included under land and development, mainly pertain to unamortized portion of land cost totaling ₱959 million and ₱1,840 million as at December 31, 2022 and 2021, respectively.

## 9. Equity Instruments at FVOCI

This account consists of investments in:

	2022	2021
	<i>(In Thousands)</i>	
Shares of stock:		
Listed (see Note 19)	<b>₱17,606,746</b>	₱17,942,096
Unlisted	<b>5,317</b>	5,317
	<b>17,612,063</b>	17,947,413
Less noncurrent portion	<b>17,077,198</b>	17,400,372
	<b>₱534,865</b>	₱547,041

- Listed shares of stock pertain to investments in publicly-listed companies.
- Unlisted shares of stock pertain to stocks of private corporations.

Dividend income from investments at FVOCI amounted to ₱456 million, ₱186 million and ₱197 million for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 19).

The movements in the "Net fair value changes of equity instruments at FVOCI" account are as follows:

	2022	2021
	<i>(In Thousands)</i>	
At beginning of the year	<b>₱14,708,368</b>	₱13,460,669
Unrealized gain (loss) due to changes in fair value	<b>(475,854)</b>	1,247,699
At end of the year	<b>₱14,232,514</b>	₱14,708,368



## 10. Prepaid Expenses and Other Current Assets

This account consists of:

	2022	2021
	<i>(In Thousands)</i>	
Input and creditable withholding taxes	<b>₱11,386,654</b>	₱10,703,951
Advances and deposits	<b>8,925,364</b>	8,595,612
Prepaid taxes and other prepayments	<b>4,788,282</b>	4,813,602
Supplies and inventories	<b>424,361</b>	358,957
Others (see Note 19)	<b>242,673</b>	521,235
	<b>₱25,767,334</b>	₱24,993,357

- Input tax represents VAT paid to suppliers that can be claimed as credit against the future output VAT liabilities without prescription. Creditable withholding tax is the tax withheld by the withholding agents from payments to the Company which can be applied against the income tax payable.
- Advances and deposits pertain to downpayments made to suppliers or contractors to cover preliminary expenses of the contractors in construction projects. The amounts are non-interest bearing and are recouped upon every progress billing payment depending on the percentage of accomplishment. This account also includes construction bonds, rental deposits and deposits for utilities and advertisements.
- Prepaid taxes and other prepayments consist of prepayments for insurance, real property taxes, rent, and other expenses which are normally utilized within the next financial period.

## 11. Property and Equipment

The movements in this account are as follows:

	Land and Improvements	Buildings and Leasehold Improvements	Data Processing Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	ROUA- Office spaces	Construction in Progress	Total
	<i>(In Thousands)</i>							
<b>Cost</b>								
Balance at December 31, 2020	₱272,856	₱1,905,957	₱378,295	₱101,897	₱743,324	₱10,290	₱1,901	₱3,414,520
Additions	17,596	60,640	57,408	5,497	26,203	1,746	1,010	170,100
Reclassifications (see Note 12)	-	58,780	-	-	-	-	(2,215)	56,565
Disposals/retirements	-	-	(3,639)	(1,004)	-	(4,582)	-	(9,225)
Balance at December 31, 2021	290,452	2,025,377	432,064	106,390	769,527	7,454	696	3,631,960
Additions	30,641	79,840	55,908	8,129	23,550	-	-	198,068
Reclassifications	-	342	-	-	-	-	(342)	-
Disposals/retirements	-	-	-	(3,977)	(1,466)	-	-	(5,443)
Balance at December 31, 2022	₱321,093	₱2,105,559	₱487,972	₱110,542	₱791,611	₱7,454	₱354	₱3,824,585
<b>Accumulated Depreciation and Amortization</b>								
Balance at December 31, 2020	₱14,978	₱1,063,648	₱304,114	₱83,800	₱630,954	₱5,818	₱-	₱2,103,312
Depreciation and amortization (see Note 21)	5,430	76,615	35,781	6,316	37,302	2,128	-	163,572
Disposals/retirements	-	-	(3,639)	(1,004)	-	(2,557)	-	(7,200)
Balance at December 31, 2021	20,408	1,140,263	336,256	89,112	668,256	5,389	-	2,259,684
Depreciation and amortization (see Note 21)	8,138	82,040	37,403	6,911	33,891	2,065	-	170,448
Disposals/retirements	-	-	-	(3,977)	(1,410)	-	-	(5,387)
Balance at December 31, 2022	₱28,546	₱1,222,303	₱373,659	₱92,046	₱700,737	₱7,454	₱-	₱2,424,745
<b>Net Book Value</b>								
As at December 31, 2021	₱270,044	₱885,114	₱95,808	₱17,278	₱101,271	₱2,065	₱696	₱1,372,276
As at December 31, 2022	₱292,547	₱883,256	₱114,313	₱18,496	₱90,874	₱-	₱354	₱1,399,840



## 12. Investment Properties

The movements in this account are as follows:

	Land Held for Development, Land and Leasehold Improvements	Buildings and Improvements	Building Equipment, Furniture and Others	ROUA - Land	Construction in Progress	Total
<i>(In Thousands)</i>						
<b>Cost</b>						
Balance as at December 31, 2020	₱144,610,476	₱247,649,748	₱44,844,780	₱25,591,440	₱70,277,889	₱532,974,333
Additions	16,591,380	1,646,033	1,864,888	1,629,863	21,353,889	43,086,053
Reclassifications (see Notes 8 and 11)	(3,143,507)	12,966,489	2,403,259	–	(17,731,139)	(5,504,898)
Translation adjustment	151,173	3,718,179	292,203	1,173,704	617,031	5,952,290
Disposals/retirement	(282,398)	(236)	(310,873)	(191,483)	–	(784,990)
Balance as at December 31, 2021	157,927,124	265,980,213	49,094,257	28,203,524	74,517,670	575,722,788
Additions	5,543,610	2,110,996	2,626,045	1,138,124	23,705,364	35,124,139
Effect of common control business combination (see Note 5)	168,664	20,767	430,872	–	363,091	983,394
Reclassifications (see Note 8)	670,252	25,875,199	4,103,090	(1,280,292)	(31,573,146)	(2,204,897)
Translation adjustment	14,239	344,383	27,723	106,771	84,967	578,083
Disposals/retirements	(316,735)	(53,232)	(46,618)	–	–	(416,585)
Balance as at December 31, 2022	₱164,007,154	₱294,278,326	₱56,235,369	₱28,168,127	₱67,097,946	₱609,786,922
<b>Accumulated Depreciation and Amortization</b>						
Balance as at December 31, 2020	₱2,492,639	₱63,783,918	₱29,442,511	₱1,096,184	₱–	₱96,815,252
Depreciation and amortization (see Note 21)	266,523	7,185,824	2,570,102	630,848	–	10,653,297
Translation adjustment	90,772	837,982	183,511	34,083	–	1,146,348
Disposals/retirements	(59,694)	(168)	(175,893)	(48,342)	–	(284,097)
Balance as at December 31, 2021	2,790,240	71,807,556	32,020,231	1,712,773	–	108,330,800
Depreciation and amortization (see Note 21)	279,773	7,827,776	3,393,248	816,518	–	12,317,315
Translation adjustment	7,652	71,693	15,935	2,602	–	97,882
Disposals/retirements	(161,310)	(23,482)	(40,325)	–	–	(225,117)
Balance as at December 31, 2022	₱2,916,355	₱79,683,543	₱35,389,089	₱2,531,893	₱–	₱120,520,880
<b>Net Book Value</b>						
As at December 31, 2021	₱155,136,884	₱194,172,657	₱17,074,026	₱26,490,751	₱74,517,670	₱467,391,988
<b>As at December 31, 2022</b>	<b>₱161,090,799</b>	<b>₱214,594,783</b>	<b>₱20,846,280</b>	<b>₱25,636,234</b>	<b>₱67,097,946</b>	<b>₱489,266,042</b>



Portions of investment properties located in China with total carrying value of ₱1,624 million and ₱1,872 million as at December 31, 2022 and 2021, respectively are mortgaged as collaterals to secure domestic borrowings (see Note 17).

Consolidated rent income from investment properties amounted to ₱58,244 million, ₱34,694 million and ₱32,013 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Consolidated costs and expenses from investment properties, which generate income, amounted to ₱30,598 million, ₱23,665 million and ₱24,667 million for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 21).

Construction in progress amounting to ₱67,098 million and ₱74,518 million as at December 31, 2022 and 2021, respectively includes shopping mall complex under construction, land and commercial building constructions.

The outstanding contracts with various contractors related to the construction of on-going projects are valued at ₱18,486 million and ₱18,731 million as at December 31, 2022 and 2021, respectively, inclusive of overhead, cost of labor and materials and all other costs necessary for the proper execution of works.

Interest capitalized to the construction of investment properties amounted to ₱4,814 million, ₱4,005 million and ₱3,540 million for the years ended December 31, 2022, 2021 and 2020, respectively. Capitalization rates used range from 2.35% to 5.22%, from 2.35% to 4.58%, and from 2.35% to 4.70% for the years ended December 31, 2022, 2021 and 2020, respectively.

The most recent fair value of investment properties is determined by an independent appraiser who holds a recognized and relevant professional qualification. The valuation of investment properties was based on market values using income approach and market value approach. The fair value represents the amount at which the assets can be exchanged between a knowledgeable, willing seller and a knowledgeable, willing buyer in an arm's length transaction at the date of valuation, in accordance with International Valuation Standards as set out by the International Valuation Standards Committee.

The Company has no restriction on the realizability of its investment properties.

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### 13. Investments in Associates and Joint Ventures

The ownership interests in associates and joint ventures accounted for under the equity method mainly consist of the following:

Company	Country of Incorporation	Percentage of Ownership	
		December 31, 2022	December 31, 2021
<b>Associates</b>			
Feihua Real Estate (Chongqing) Company Ltd. (FHREC)	People's Republic of China	<b>50.00</b>	50.00
Ortigas Land Corporation (OLC) (formerly OCLP Holdings, Inc.)	Philippines	<b>39.96</b>	39.96



Company	Country of Incorporation	Percentage of Ownership	
		December 31, 2022	December 31, 2021
<b>Joint Ventures</b>			
Winsome Development Corporation*	Philippines	51.00	51.00
Willin Sales, Inc.*	- do -	51.00	51.00
Willimson, Inc. *	- do -	51.00	51.00
Waltermart Ventures, Inc. *	- do -	51.00	51.00
WM Development, Inc. *	- do -	51.00	51.00
WM Shopping Center Management Inc.*	- do -	51.00	51.00
Metro Rapid Transit Service Inc.	- do -	51.00	51.00
ST 6747 Resources Corporation (STRC)	- do -	50.00	50.00

\*collectively, Waltermart

The movements in this account are as follows:

	Associates	Joint Ventures	Total
<i>(In Thousands)</i>			
Balance as at December 31, 2020	₱19,125,446	₱8,609,793	₱27,735,239
Additions		255,000	255,000
Equity in net earnings	697,998	489,421	1,187,419
Dividends	-	(107,099)	(107,099)
Translation	116,876	-	116,876
Balance as at December 31, 2021	19,940,320	9,247,115	29,187,435
Equity in net earnings	1,082,911	637,205	1,720,116
Dividends	(142,933)	(196,859)	(339,792)
Translation	10,561	-	10,561
<b>Balance as at December 31, 2022</b>	<b>₱20,890,859</b>	<b>₱9,687,461</b>	<b>₱30,578,320</b>

The carrying value of investment in OLC amounted to ₱19,473 million and ₱18,533 million as at December 31, 2022 and 2021, respectively, which consists of its proportionate share in the net assets of OLC and fair value adjustments. The share in profit, net of dividend received of OLC amounted to ₱940 million, ₱698 million and ₱196 million for the years ended December 31, 2022, 2021 and 2020, respectively.

The carrying value of investment in FHREC amounted to ₱1,418 million and ₱1,408 million as at December 31, 2022 and 2021, respectively, with cumulative equity in net earnings amounting to ₱1,109 million and ₱1,101 million as at December 31, 2022 and 2021, respectively.

The carrying values of investments in Waltermart amounted to ₱7,639 million and ₱7,356 million as at December 31, 2022 and 2021, respectively. The aggregate share in profit and total comprehensive income, net of dividends received amounted to ₱283 million, ₱216 million and ₱164 million for the years ended December 31, 2022, 2021 and 2020, respectively.

In 2021, the Company's investment in Waltermart increased by ₱255 million through application of the Company's deposits to Waltermart for its proportionate subscription in Waltermart's increased authorized capital stock. In 2021, the Company also received stock dividends from Waltermart.

The carrying value of investment in STRC amounted to ₱2,048 million and ₱1,876 million as at December 31, 2022 and December 31, 2021, respectively. The aggregate share in profit and total comprehensive income amounted to ₱172 million, ₱198 million and ₱178 million for the years ended December 31, 2022, 2021 and 2020, respectively.



The Company has no outstanding contingent liabilities or capital commitments related to its investments in associates and joint ventures as at December 31, 2022 and 2021.

#### 14. Other Noncurrent Assets

This account consists of:

	2022	2021
	<i>(In Thousands)</i>	
Bonds and deposits	<b>₱50,541,286</b>	₱36,456,554
Receivables from sale of real estate - net of current portion* (see Note 7)	<b>48,929,523</b>	49,518,978
Escrow and time deposits (see Notes 19 and 27)	<b>5,105,361</b>	3,905,618
Deferred input tax	<b>1,069,739</b>	1,185,323
Others (see Note 23)	<b>554,997</b>	541,323
	<b>₱106,200,906</b>	₱91,607,796

\*Pertains to noncurrent portion of unbilled revenue from sale of real estate (see Note 7).

- Bonds and deposits consist of deposits to contractors and suppliers to be applied throughout construction and advances, deposits paid for leased properties to be applied at the last term of the lease and advance payments for land acquisitions which will be applied against the purchase price of the properties upon fulfillment by both parties of certain undertakings and conditions.
- Time deposits amounting to ₱4,616 million and ₱3,906 million as at December 31, 2022 and 2021, respectively, were used as collateral for use of credit lines obtained by the Company. Interest income earned amounted to ₱94 million, ₱125 million and ₱43 million for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 22).
- Cash in escrow pertains to the amounts deposited in the account of an escrow agent as required by the Department of Human Settlements and Urban Development in connection with the incentive compliance provisions of the Urban Development and Housing Act. Interest income earned from the cash in escrow amounted to ₱6 million, ₱1 million and ₱2 million for the years ended December 31, 2022, 2021 and 2020 respectively (see Note 22).

#### 15. Loans Payable

This account consists of unsecured Philippine peso and China yuan renminbi denominated loans obtained from local and foreign banks amounting to ₱5,423 million and ₱6,487 million as at December 31, 2022 and 2021, respectively, with due dates of less than one year. These loans bear weighted average interest rates of 3.56% and China loan prime rate (LPR) in 2022 and 2.97% and China LPR in 2021.

Interest expense incurred from loans payable amounted to ₱160 million, ₱177 million and ₱189 million for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 22).



## 16. Accounts Payable and Other Current Liabilities

This account consists of:

	2022	2021
	<i>(In Thousands)</i>	
Trade:		
Third parties	<b>₱46,085,127</b>	₱42,780,505
Related parties (see Note 19)	<b>166,076</b>	297,600
Tenants' and customers' deposits* (see Note 25)	<b>37,056,004</b>	39,881,582
Accrued operating expenses	<b>15,171,483</b>	13,556,961
Lease liabilities	<b>13,473,170</b>	12,419,338
Deferred output VAT	<b>10,920,582</b>	10,377,783
Liability for purchased land	<b>5,678,474</b>	10,458,828
Accrued interest (see Note 19)	<b>2,646,101</b>	2,209,812
Payable to government agencies	<b>1,606,431</b>	2,134,117
Nontrade	<b>354,153</b>	396,827
Liability from assigned receivables and others (see Note 7)	<b>3,808,517</b>	3,026,171
	<b>136,966,118</b>	137,539,524
Less noncurrent portion	<b>48,843,521</b>	46,161,807
	<b>₱88,122,597</b>	₱91,377,717

\* Includes unearned revenue from sale of real estate amounting to ₱5,452 million and ₱6,102 million as at December 31, 2022 and 2021, respectively, out of which ₱4,343 million and ₱1,491 million were recognized as revenue in 2022 and 2021, respectively.

The terms and conditions of the above liabilities follow:

- Trade payables primarily consist of liabilities to suppliers and contractors, which are non-interest bearing and are normally settled within a 30-day term.
- Accrued operating expenses pertain to accrued selling, general and administrative expenses which are normally settled throughout the financial period. Accrued operating expenses consist of:

	2022	2021
	<i>(In Thousands)</i>	
Payable to contractors	<b>₱9,133,293</b>	₱7,153,158
Utilities	<b>2,385,215</b>	2,363,348
Marketing and advertising and others	<b>3,652,975</b>	4,040,455
	<b>₱15,171,483</b>	₱13,556,961

- Deferred output VAT represents output VAT on unpaid portion of recognized receivable from sale of real estate. This amount is reported as output VAT upon collection of the receivables.



- Liability for purchased land, payable to government agencies, accrued interest and other payables are normally settled throughout the financial period.
- Lease liabilities included in "Other noncurrent liabilities" amounted to ₱13,342 million and ₱12,284 million as at December 31, 2022 and 2021, respectively. Interest on lease liabilities included under "Others - net" in the consolidated statements of income amounted to ₱437 million, ₱404 million and ₱323 million for the years ended December 31, 2022, 2021 and 2020, respectively.



## 17. Long-term Debt

This account consists of:

	Availment Date	Maturity Date	Weighted Average Interest Rate	Outstanding Balance	
				2022	2021
				<i>(In Thousands)</i>	
Philippine peso-denominated loans					
Retail bonds	September 1, 2014 - April 22, 2022	May 17, 2022 - April 22, 2032	5.19%	<b>₱119,632,740</b>	₱99,632,740
Other bank loans	June 3, 2013 - November 14, 2022	April 11, 2022 - August 7, 2029	Floating BVAL + margin; Fixed - 4.63%	<b>128,726,460</b>	127,889,520
U.S. dollar-denominated loans*	May 8, 2017 - June 30, 2022	March 27, 2022 - June 9, 2027	LIBOR + spread; semi-annual/quarterly	<b>91,062,847</b>	73,177,366
			SOFR + spread; quarterly		
China yuan renminbi-denominated loans**	October 16, 2017 - December 19, 2022	October 16, 2022 - June 24, 2037	China LPR; annually; Fixed - 3.65%	<b>9,665,493</b>	8,497,291
				<b>349,087,540</b>	309,196,917
Less debt issue cost				<b>2,112,928</b>	1,966,100
				<b>346,974,612</b>	307,230,817
Less current portion				<b>50,839,776</b>	42,261,601
				<b>₱296,134,836</b>	₱264,969,216

*LIBOR – London Interbank Offered Rate*

*BVAL – Bloomberg Valuation Service*

*SOFR – Secured Overnight Financing Rate*

*\*Hedged against foreign exchange and interest rate risks using derivative instruments (see Note 27)*

*\*\*Secured by portions of investment properties located in China (see Note 12)*



Debt Issue Cost

The movements in unamortized debt issue cost of the Company follow:

	2022	2021
	<i>(In Thousands)</i>	
Balance at beginning of the year	<b>₱1,966,100</b>	₱1,249,386
Additions	<b>884,484</b>	1,261,530
Amortization	<b>(737,656)</b>	(544,816)
Balance at end of the year	<b>₱2,112,928</b>	₱1,966,100

Amortization of debt issuance costs is recognized in the consolidated statements of income under “Others - net” account.

Repayment and Debt Issue Cost Schedule

The repayments of long-term debt are scheduled as follows:

	Gross	Debt Issue Cost	Net
	<i>(In Thousands)</i>		
Within 1 year	₱51,541,407	(₱701,631)	₱50,839,776
More than 1 year to 5 years	263,086,205	(1,318,393)	261,767,812
More than 5 years	34,459,928	(92,904)	34,367,024
	<b>₱349,087,540</b>	<b>(₱2,112,928)</b>	<b>₱346,974,612</b>

The loan agreements of the Company provide certain restrictions and requirements principally with respect to maintenance of required financial ratios and material change in ownership or control. As at December 31, 2022 and 2021, the Company is in compliance with the terms of its loan covenants.

Interest expense from long-term debt charged to profit or loss amounted to ₱11,288 million, ₱9,148 million and ₱8,224 million for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 22).

## 18. Equity

Capital Stock

As at December 31, 2022 and 2021, the Company has an authorized capital stock of 40,000 million with a par value of ₱1 a share, of which 33,166 million shares were issued. The Company has 28,856 million outstanding shares as at December 31, 2022 and 2021.

The following summarizes the information on SMPH's registration of securities under the Securities Regulation Code:

Date of SEC Approval/ Notification to SEC	Authorized Shares	No. of Shares Issued	Issue/Offer Price
March 15, 1994	10,000,000,000	–	₱–
April 22, 1994	–	6,369,378,049	5.35
May 29, 2007	10,000,000,000	–	–
May 20, 2008	–	912,897,212	11.86
October 14, 2010	–	569,608,700	11.50
October 10, 2013	20,000,000,000	15,773,765,315	19.50



SMPH declared stock dividends in 2012, 2007, 1996 and 1995. The total number of shareholders is 2,346 as at December 31, 2022.

Additional Paid-in Capital - Net

Following represents the nature of the consolidated “Additional paid-in capital - net”:

	2022	2021
	<i>(In Thousands)</i>	
Paid-in subscriptions in excess of par value	<b>₱33,549,808</b>	₱33,549,808
Net equity adjustments from common control business combinations (see Note 5)	<b>9,354,060</b>	9,309,730
Arising from sale (acquisition) of non-controlling interests (see Note 5)	<b>(4,779,675)</b>	(4,803,522)
<u>As presented in the consolidated balance sheets</u>	<u><b>₱38,124,193</b></u>	<u>₱38,056,016</u>

Retained Earnings

In 2022, the BOD approved the declaration of cash dividend of ₱0.097 per share or ₱2,801 million to stockholders of record as of May 11, 2022, ₱2 million of which was received by SMDC. This was paid on May 24, 2022. In 2021, the BOD approved the declaration of cash dividend of ₱0.082 per share or ₱2,368 million to stockholders of record as of May 5, 2021, ₱2 million of which was received by SMDC. This was paid on May 19, 2021. In 2020, the BOD approved the declaration of cash dividend of ₱0.185 per share or ₱5,343 million to stockholders of record as of June 30, 2020, ₱4 million of which was received by SMDC. This was paid on July 14, 2020.

As at December 31, 2022 and 2021, the amount of retained earnings appropriated for the corporate and mall expansions amounted to ₱42,200 million. This represents appropriation for land banking activities and planned construction projects for the next two to three years. The appropriation is being fully utilized to cover part of the annual capital expenditure requirement of the Company. Approval of malls expansions and new projects is delegated by the BOD to the Executive Committee of the Company.

For the year 2023, the Company expects to incur capital expenditures of approximately ₱80,000 million.

The unappropriated retained earnings account is restricted for the payment of dividends to the extent of the accumulated equity in net earnings of subsidiaries, associates and joint ventures and the balance of treasury stock until such time that the Parent Company receives the dividends from its subsidiaries, associates and joint ventures. The unappropriated retained earnings available for dividend declaration amounted to ₱96,642 million and ₱77,728 million as at December 31, 2022 and 2021, respectively.

Treasury Stock

As at December 31, 2022 and 2021, this includes 4,310 million reacquired capital stock and shares held by a subsidiary stated at acquisition cost of ₱2,985 million.



## 19. Related Party Transactions

Parties are considered to be related if one party has the ability, directly and indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

### Terms and Conditions of Transactions with Related Parties

There have been no guarantees/collaterals provided or received for any related party receivables or payables. For the years ended December 31, 2022 and 2021, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial period through examining the financial position of the related party and the market in which the related party operates. Settlement of the outstanding balances normally occur in cash. The Company has approval process and established limits when entering into material related party transactions.

The significant transactions entered into by the Company with its related parties and the amounts included in the accompanying consolidated financial statements with respect to these transactions follow:

	Amount of Transactions			Outstanding Amount [Asset (Liability)]		Terms	Conditions
	2022	2021	2020	2022	2021		
	<i>(In Thousands)</i>						
<b>Ultimate Parent</b>							
Rent income	<b>₱64,092</b>	₱59,175	₱54,752	<b>₱-</b>	₱-		
Rent receivable	-	-	-	<b>7,396</b>	7,874	Non-interest bearing	Unsecured; not impaired
Other revenue	<b>35,017</b>	41,600	50,790	-	-		
Other receivable	-	-	-	<b>2,912</b>	5,097	Non-interest bearing	Unsecured; not impaired
Rent expense	<b>69,755</b>	25,298	38,360	-	-		
Trade payable	-	-	-	<b>(30,068)</b>	(25,952)	Non-interest bearing	Unsecured
Dividend income	<b>913</b>	621	621	-	-		
Equity instruments at FVOCI	-	-	-	<b>131,494</b>	137,776		
<b>Banking and Retail Entities</b>							
Cash and cash equivalents	<b>122,886,066</b>	127,864,300	118,698,095	<b>34,031,170</b>	23,561,195	Interest bearing based on prevailing rates	Unsecured; not impaired
Rent income	<b>15,391,640</b>	10,107,826	10,067,227	-	-		
Rent receivable	-	-	-	<b>3,359,255</b>	2,443,955	Non-interest bearing	Unsecured; not impaired
Other revenue	<b>419</b>	159	31,233	-	-		
Other receivable	-	-	-	<b>8,941</b>	10,083	Non-interest bearing	Unsecured; not impaired
Interest income	<b>664,264</b>	213,906	435,107	-	-		
Accrued interest receivable	-	-	-	<b>119,002</b>	14,650	Non-interest bearing	Unsecured; not impaired
Receivable financed	-	358,861	7,170,156	-	-	Without recourse	Unsecured
Dividend income	<b>203,455</b>	108,029	108,029	-	-		
Equity instruments at FVOCI	-	-	-	<b>11,418,694</b>	10,865,944		
Time deposits	-	-	-	<b>557,232</b>	856,650	Interest bearing	Unsecured
Cash in escrow	<b>196,272</b>	161,034	25,952	<b>489,030</b>	355,583	Interest bearing based on prevailing rates	Unsecured; not impaired
Long-term debt	<b>12,521,075</b>	1,700,000	2,500,412	<b>(20,730,765)</b>	(10,743,442)	Interest bearing	Unsecured
Interest expense	<b>668,384</b>	503,515	711,528	-	-		
Accrued interest payable	-	-	-	<b>(157,668)</b>	(36,598)	Non-interest bearing	Unsecured
Other expense	<b>195,876</b>	159,418	151,468	-	-		
Trade payable	-	-	-	<b>(115,922)</b>	(144,305)	Non-interest bearing	Unsecured



	Amount of Transactions			Outstanding Amount [Asset (Liability)]		Terms	Conditions
	2022	2021	2020	2022	2021		
	<i>(In Thousands)</i>						
<b>Other Related Parties</b>							
Rent income	<b>₱314,324</b>	₱120,962	₱153,434	<b>₱-</b>	₱-		
Rent receivable	-	-	-	<b>60,613</b>	15,045	Non-interest bearing	Unsecured; not impaired
Other revenue	<b>121,004</b>	155,683	88,442	-	-		
Other receivable	-	-	-	<b>25,058</b>	30,180	Non-interest bearing	Unsecured; not impaired
Rent expense	<b>410</b>	376	-	-	-		
Trade payable	-	-	-	<b>(20,086)</b>	(127,343)	Non-interest bearing	Unsecured

Affiliate refers to an entity that is neither a parent, subsidiary, nor an associate, with stockholders common to the SM Group or under common control.

Below are the nature of the Company's transactions with the related parties:

#### Rent

The Company has existing lease agreements for office and commercial spaces with related companies (retail and banking group and other related parties).

#### Other Revenues

The Company provides management, manpower and other related services.

#### Dividend Income

The Company's equity instruments at FVOCI of certain affiliates earn income upon the declaration of dividends by the investees.

#### Cash Placements and Loans

The Company has certain bank accounts and cash placements that are maintained with the banking group. Such accounts earn interest based on prevailing market interest rates (see Note 6).

The Company also availed of bank loans and long-term debt from the banking group and pays interest based on prevailing market interest rates (see Notes 15 and 17).

The Company also entered into financing arrangements with the banking group. There were no assigned receivables on a with recourse basis to the banking group in 2022 and 2021 (see Note 7).

#### Others

The Company, in the normal course of business, has outstanding receivables from and payables to related companies as at reporting period which are unsecured and normally settled in cash.

#### Compensation of Key Management Personnel

The aggregate compensation and benefits related to key management personnel for the years ended December 31, 2022, 2021 and 2020 consist of short-term employee benefits amounting to ₱1,130 million, ₱1,059 million and ₱1,126 million, respectively, and post-employment benefits (pension benefits) amounting to ₱243 million, ₱229 million and ₱274 million, respectively.



## 20. Other Revenue

Details of other revenue follows:

	2022	2021	2020
	<i>(In Thousands)</i>		
Cinema and event ticket sales	<b>₱2,689,404</b>	₱56,868	₱654,931
Food and beverages	<b>1,786,358</b>	611,751	438,755
Amusement and others	<b>1,093,416</b>	226,423	182,994
Merchandise sales	<b>564,978</b>	193,278	223,432
Bowling and ice skating fees	<b>335,452</b>	29,301	56,035
Advertising income	<b>99,912</b>	87,155	72,788
Others (see Note 19)	<b>1,925,688</b>	1,300,403	1,283,940
	<b>₱8,495,208</b>	₱2,505,179	₱2,912,875

Others include service fees, parking terminal, sponsorships, commissions, and membership revenue.

## 21. Costs and Expenses

This account consists of:

	2022	2021	2020
	<i>(In Thousands)</i>		
Cost of real estate sold (see Note 8)	<b>₱16,898,568</b>	₱18,686,708	₱20,578,406
Depreciation and amortization (see Notes 11 and 12)	<b>12,487,762</b>	10,816,869	10,341,611
Administrative (see Notes 19 and 23)	<b>12,423,180</b>	7,967,372	8,945,926
Marketing and selling	<b>5,438,162</b>	5,445,482	5,152,576
Business taxes and licenses	<b>4,658,425</b>	5,141,919	5,082,801
Film rentals	<b>1,399,271</b>	20,539	355,055
Rent (see Notes 19 and 25)	<b>1,130,559</b>	581,803	564,602
Insurance	<b>541,200</b>	497,387	611,317
Others	<b>1,565,195</b>	742,854	1,192,818
	<b>₱56,542,322</b>	₱49,900,933	₱52,825,112

Rent expense pertain to variable payments for various lease agreements. Others include bank charges, donations, dues and subscriptions, services fees and transportation and travel.



## 22. Interest Income and Interest Expense

The details of the sources of interest income and interest expense follow:

	2022	2021	2020
	<i>(In Thousands)</i>		
Interest income on:			
Cash and cash equivalents (see Note 6)	₱1,070,051	₱627,033	₱899,615
Escrow and time deposits (see Note 14)	100,034	125,458	45,258
Others (see Note 7)	149,253	86,776	65,088
	<b>₱1,319,338</b>	<b>₱839,267</b>	<b>₱1,009,961</b>
Interest expense on:			
Long-term debt (see Note 17)	₱11,288,049	₱9,147,532	₱8,223,671
Loans payable (see Note 15)	159,904	176,792	189,244
Others	17,834	33,292	183,835
	<b>₱11,465,787</b>	<b>₱9,357,616</b>	<b>₱8,596,750</b>

## 23. Pension Benefits

The Company has funded defined benefit pension plans covering all regular and permanent employees. The benefits are based on employees' projected salaries and number of years of service. The latest actuarial valuation report is as at December 31, 2022.

The following tables summarize the components of the pension plan as at December 31:

### Net Pension Cost (included under "Costs and expenses" account under "Administrative")

	2022	2021	2020
	<i>(In Thousands)</i>		
Current service cost	₱377,990	₱376,779	₱446,968
Interest - net and others	28,911	8,348	34,321
	<b>₱406,901</b>	<b>₱385,127</b>	<b>₱481,289</b>

### Net Pension Asset (included under "Other noncurrent assets" account)

	2022	2021
	<i>(In Thousands)</i>	
Fair value of plan assets	₱821,454	₱1,419,845
Defined benefit obligation	(725,095)	(1,246,137)
Effect of asset ceiling limit	(30,264)	(25,477)
Net pension asset	<b>₱66,095</b>	<b>₱148,231</b>

### Net Pension Liability (included under "Other noncurrent liabilities" account)

	2022	2021
	<i>(In Thousands)</i>	
Defined benefit obligation	₱3,382,257	₱2,159,721
Fair value of plan assets	(2,250,763)	(1,565,128)
Net pension liability	<b>₱1,131,494</b>	<b>₱594,593</b>



The changes in the present value of the defined benefit obligation are as follows:

	2022	2021
	<i>(In Thousands)</i>	
Balance at beginning of the year	<b>₱3,405,858</b>	₱3,235,926
Interest cost and others	<b>467,022</b>	116,924
Current service cost	<b>377,990</b>	376,779
Actuarial loss (gain) on:		
Changes in financial assumptions	<b>219,213</b>	(198,344)
Experience adjustments	<b>(30,723)</b>	177,952
Changes in demographic assumptions	<b>(34,416)</b>	(3,017)
Benefits paid	<b>(310,269)</b>	(259,521)
Transfers	<b>12,677</b>	(40,841)
<b>Balance at end of the year</b>	<b>₱4,107,352</b>	<b>₱3,405,858</b>

The changes in the fair value of plan assets are as follows:

	2022	2021
	<i>(In Thousands)</i>	
Balance at beginning of year	<b>₱2,984,973</b>	₱2,889,967
Contributions	<b>336,366</b>	201,277
Interest income and others	<b>308,480</b>	108,925
Transfers	<b>12,677</b>	(40,841)
Benefits paid from assets	<b>(310,269)</b>	(259,521)
Remeasurement gain (loss)	<b>(260,010)</b>	85,166
<b>Balance at end of year</b>	<b>₱3,072,217</b>	<b>₱2,984,973</b>

The changes in the effect of asset ceiling limit are as follows:

	2022	2021
	<i>(In Thousands)</i>	
Balance at beginning of year	<b>₱25,477</b>	₱10,691
Interest cost	<b>3,585</b>	349
Remeasurement gain	<b>1,202</b>	14,437
<b>Balance at end of year</b>	<b>₱30,264</b>	<b>₱25,477</b>

The carrying amounts of the plan assets below equal to its fair values as at December 31, 2022 and 2021.

	2022	2021
	<i>(In Thousands)</i>	
Cash and cash equivalents	<b>₱26,290</b>	₱42,810
Investments in:		
Government securities	<b>1,347,626</b>	1,343,150
Common trust funds	<b>1,143,227</b>	1,193,209
Debt and other securities	<b>528,448</b>	363,200
Equity securities	<b>11,496</b>	28,969
Other financial assets	<b>15,130</b>	13,635
<b>Total</b>	<b>₱3,072,217</b>	<b>₱2,984,973</b>

- Cash and cash equivalents includes regular savings and time deposits;



- Investments in common trust funds pertain to unit investment trust fund;
- Investments in government securities consist of retail treasury bonds which bear interest ranging from 2.06% to 11.88% and have maturities ranging from 2023 to 2028;
- Investments in debt and other securities consist of short-term and long-term corporate loans, notes and bonds which bear interest ranging from 2.87% to 8.01% and have maturities ranging from 2023 to 2029;
- Investments in equity securities consist of listed and unlisted equity securities; and
- Other financial assets include accrued interest income on cash deposits held by the Retirement Plan.

Debt and other securities, equity securities and government securities have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse instruments and do not have any concentration of risk.

The following table summarizes the outstanding balances and transactions of the pension plan as at and for the years ended December 31:

	<b>2022</b>	2021
	<i>(In Thousands)</i>	
Cash and cash equivalents	<b>₱26,290</b>	₱42,810
Interest income from cash and cash equivalents	<b>137</b>	40
Investments in common trust funds	<b>1,143,227</b>	1,193,209
Gain (loss) from investments in common trust funds	<b>(131,927)</b>	10,848

The principal assumptions used in determining pension obligations for the Company's plan are shown below:

	<b>2022</b>	2021
Discount rate	<b>6.8%–7.3%</b>	4.3%–5.1%
Future salary increases	<b>3.0%–10.0%</b>	3.0%–6.5%

Remeasurement effects recognized in other comprehensive income at December 31 follow:

	<b>2022</b>	2021	2020
	<i>(In Thousands)</i>		
Actuarial loss (gain)	<b>₱414,084</b>	(₱108,575)	(₱429,561)
Remeasurement loss (gain) - excluding amounts recognized in net interest cost	<b>3,585</b>	14,437	(1,123)
	<b>₱417,669</b>	(₱94,138)	(₱430,684)



The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2022 and 2021, respectively, assuming all other assumptions were held constant:

	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation
<b>2022</b>		<i>(In Thousands)</i>
<b>Discount rates</b>	<b>50</b>	<b>(₱307,539)</b>
	<b>(50)</b>	<b>355,952</b>
<b>Future salary increases</b>	<b>100</b>	<b>344,704</b>
	<b>(100)</b>	<b>(304,331)</b>
<b>2021</b>		
Discount rates	50	(₱243,017)
	(50)	281,371
Future salary increases	100	300,193
	(100)	(263,259)

The Company and the pension plan has no specific matching strategies between the pension plan assets and the defined benefit obligation under the pension plan.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2022 and 2021, respectively:

<b>Year 2022</b>	<b>Amount</b>
	<i>(In Thousands)</i>
<b>2023</b>	<b>₱938,840</b>
<b>2024</b>	<b>337,030</b>
<b>2025–2026</b>	<b>815,147</b>
<b>2027–2032</b>	<b>3,173,913</b>
<b>Year 2021</b>	<b>Amount</b>
	<i>(In Thousands)</i>
2022	₱770,505
2023	279,433
2024–2025	581,013
2026–2031	2,214,566

The Company expects to contribute about ₱521 million to its defined benefit pension plan in 2023.

The weighted average duration of the defined benefit obligation is 7.9 years and 7.8 years as of December 31, 2022 and 2021, respectively.

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## 24. Income Tax

The current provision for income tax presented in the consolidated statements of income represents RCIT and MCIT.



The details of the Company's deferred tax assets and liabilities are as follows:

	2022	2021
	<i>(In Thousands)</i>	
Deferred tax assets:		
Lease liabilities	<b>₱2,145,193</b>	₱1,878,505
Unrealized foreign exchange losses	<b>408,426</b>	408,356
NOLCO	<b>335,693</b>	606,912
Excess of fair value over cost of investment properties and others	<b>252,069</b>	263,934
Excess MCIT over RCIT	<b>102,702</b>	219,553
Unamortized past service cost	<b>33,127</b>	34,394
Provision for ECLs on receivables	<b>21,626</b>	21,632
Others	<b>565,136</b>	468,209
	<b>3,863,972</b>	3,901,495
Deferred tax liabilities:		
Unrealized gross profit on sale of real estate	<b>(8,896,471)</b>	(8,379,622)
Undepreciated capitalized interest, unrealized foreign exchange gains and others	<b>(3,308,502)</b>	(2,794,261)
ROUA	<b>(1,693,636)</b>	(1,498,651)
Pension asset	<b>(22,543)</b>	(21,332)
Others	<b>(151,494)</b>	(161,209)
	<b>(14,072,646)</b>	(12,855,075)
<b>Net deferred tax liabilities</b>	<b>(₱10,208,674)</b>	<b>(₱8,953,580)</b>

The net deferred tax assets and liabilities are presented in the consolidated balance sheets as follows:

	2022	2021
	<i>(In Thousands)</i>	
Deferred tax assets - net	<b>₱931,366</b>	₱734,975
Deferred tax liabilities - net	<b>(11,140,040)</b>	(9,688,555)
	<b>(₱10,208,674)</b>	<b>(₱8,953,580)</b>

On September 30, 2020, the Bureau of Internal Revenue issued Revenue Regulations No. 25-2020 implementing Section 4(bbb) of "Bayanihan to Recover As One Act ("Bayanihan Act")" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five consecutive taxable years immediately following the year of such loss. The Company has incurred NOLCO amounting to nil and ₱690 million in taxable years 2022 and 2021, respectively.

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On March 26, 2021, President Rodrigo Duterte signed into law the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.



The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25%. For entities with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020.
- Imposition of improperly accumulated earnings tax is repealed.

Applying the provisions of the CREATE Act, the Company have been subjected to the lower tax rate of 15% (optional standard deduction) to 25% (itemized deduction) of taxable income and 1% MCIT of gross income effective July 1, 2020.

The Company recognized one-time impact of CREATE in the consolidated statement of comprehensive income for the period ended December 31, 2021 amounting to ₱293 million and ₱39 million for provision for income tax (current and deferred) and remeasurement loss on defined benefit obligation, respectively. Deferred tax liabilities - net also decreased by ₱218 million.

The reconciliation between the statutory tax rates and the effective tax rates on income before income tax as shown in the consolidated statements of income follows:

	2022	2021	2020
Statutory tax rate	25.00%	25.00%	30.00%
Income tax effects of:			
Nondeductible expenses and others	(2.52)	(1.30)	(4.89)
Equity in net earnings of associates and joint ventures	(1.11)	(1.07)	(0.93)
Interest income subjected to final tax and dividend income exempt from income tax	(0.73)	(0.33)	(1.52)
Availment of income tax holiday	(0.05)	(0.25)	(3.41)
Adjustment of 2020 income tax provision due to CREATE	-	(1.06)	-
Effective tax rates	<b>20.59%</b>	20.99%	19.25%

The Company's certain real estate sales are registered with the Philippine Board of Investments as a new developer of low-cost mass housing projects. Under such registration, the Company is entitled to a three to four-year income tax holiday incentive for certain projects.

## 25. Lease Agreements

### Company as Lessor

The Company's lease agreements with its mall and commercial property tenants are generally granted for a term of one year, with the exception of some of the larger tenants operating nationally, which are granted initial lease terms of 5 years for mall tenants and 2 to 20 years for commercial property tenants, renewable on an annual basis thereafter. At the inception of the lease agreement, tenants are required to pay certain amounts of deposits. At the termination of the lease contracts, the deposits received by the Company are returned to tenants, reduced by unpaid rental fees, penalties and/or



deductions from repairs of damaged leased properties, if any. Tenants likewise pay either a fixed monthly rent, which is calculated by reference to a fixed sum per square meter of area leased, or pay rent on a percentage rental basis, which comprises of a basic monthly amount and a percentage of gross sales or a minimum set amount, whichever is higher.

The Company's future minimum rent receivables for the noncancellable portions of the operating commercial property leases follow:

	<b>2022</b>	2021
	<i>(In Millions)</i>	
Within one year	<b>₱7,261</b>	₱5,955
After one year but not more than five years	<b>11,807</b>	10,618
After more than five years	<b>6,878</b>	7,139
	<b>₱25,946</b>	₱23,712

Consolidated rent income amounted to ₱58,244 million, ₱34,694 million and ₱32,013 million for the years ended December 31, 2022, 2021 and 2020, respectively.

#### Company as Lessee

The Company leases certain parcels of land where some of their malls are situated or constructed. The terms of the lease are for periods ranging from 5 to 65 years, renewable for the same period under the same terms and conditions. Rental payments are generally computed based on a certain percentage of the gross rental income or a certain fixed amount, whichever is higher. The Company also has various operating lease commitments with third party and related parties with noncancellable periods ranging from 2 to 30 years, mostly containing renewal options. Several lease contracts provide for the payment of additional rental based on certain percentage of sales of the tenants.

Depreciation expense on ROUA, interest expense on lease liabilities and rent expense on other leases amounting to ₱819 million, ₱437 million and ₱1,131 million, respectively, and ₱633 million, ₱404 million and ₱582 million, respectively, are recognized in the consolidated statements of income for the years ended December 31, 2022 and 2021, respectively (see Notes 11, 12, 16 and 21).

The maturity analysis of the undiscounted lease payments as at December 31, 2022 and 2021, respectively, are presented in Note 26 to the consolidated financial statements.

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

The Company's principal financial instruments, other than derivatives, comprise of cash and cash equivalents, accrued interest and other receivables, equity instruments at FVOCI and bank loans. The main purpose of these financial instruments is to finance the Company's operations. The Company has other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Company also enters into derivative transactions, principally, cross currency swaps, principal only swaps, interest rate swaps, foreign exchange forward swaps and non-deliverable forwards. The purpose is to manage the interest rate and foreign currency risks arising from the Company's operations and its sources of finance (see Note 27).



The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and equity price risk. The Company's BOD and management review and agree on the policies for managing each of these risks and they are summarized in the following tables.

Interest Rate Risk

The Company's policy is to manage its interest cost using a mix of fixed and floating rate debts. To manage this mix in a cost-efficient manner, it enters into interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to economically hedge underlying debt obligations. As at December 31, 2022 and 2021, after taking into account the effect of interest rate swaps, approximately 78% and 86%, respectively, of its long-term borrowings, are at a fixed rate of interest (see Note 27).



Interest Rate Risk

The following tables set out the carrying amount, by maturity, of the Company's long-term financial liabilities that are exposed to interest rate risk as at December 31, 2022 and 2021:

		2022					
	Interest Rate	1-<2 Years	2-<3 Years	3-<4 Years	4-<5 Years	=>5 Years	Total
<b>Floating Rate</b>							
Philippine peso-denominated loans	BVAL+margin%	P14,730,000	P101,250	P5,740,000	P11,635,000	P14,281,250	P46,487,500
U.S. dollar-denominated loans	LIBOR + spread	-	-	\$100,000	\$200,000	\$100,000	22,301,978
China yuan renminbi-denominated loans	LPR	¥69,803	¥168,491	¥277,631	¥365,355	¥214,382	8,857,113
							77,646,591
Less debt issue cost							493,338
							<b>P77,153,253</b>
		2021					
	Interest Rate	1-<2 Years	2-<3 Years	3-<4 Years	4-<5 Years	=>5 Years	Total
<b>Floating Rate</b>							
Philippine peso-denominated loans	BVAL+margin%	P11,358,000	P19,247,500	P95,500	P5,674,000	P950,000	P37,325,000
China yuan renminbi-denominated loans	LPR	¥29,592	¥49,592	¥148,280	¥217,420	¥264,946	5,695,392
							43,020,392
Less debt issue cost							92,016
							<b>P42,928,376</b>



*Interest Rate Risk Sensitivity Analysis.* The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant of the Company's income before income tax.

	Increase (Decrease) in Basis Points	Effect on Income Before Income Tax
<i>(In Thousands)</i>		
<b>2022</b>	<b>100</b>	<b>(₱34,942)</b>
	<b>50</b>	<b>(17,471)</b>
	<b>(100)</b>	<b>34,942</b>
	<b>(50)</b>	<b>17,471</b>
2021	100	(₱18,314)
	50	(9,157)
	(100)	18,314
	(50)	9,157

Fixed rate debts, although subject to fair value interest rate risk, are not included in the sensitivity analysis as these are carried at amortized costs. The assumed movement in basis points for interest rate sensitivity analysis is based on currently observable market environment, showing a significantly higher volatility as in prior years.

#### Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's policy is to manage its foreign currency risk mainly from its debt issuances which are denominated in U.S. dollars by entering into foreign currency swap contracts, cross currency swaps, principal only swaps and non-deliverable forwards aimed at reducing and/or managing the adverse impact of changes in foreign exchange rates on financial performance and cash flow.

The Company's foreign currency-denominated monetary net assets amounted to US\$19 million (₱1,034 million) as at December 31, 2022 and US\$57 million (₱2,904 million) as at December 31, 2021.

In translating the foreign currency-denominated monetary assets and liabilities to peso amounts, the exchange rates used were ₱55.76 to US\$1.00 and ₱51.00 to US\$1.00, the Philippine peso to U.S. dollar exchange rate as at December 31, 2022 and 2021, respectively.

*Foreign Currency Risk Sensitivity Analysis.* The following table demonstrates the sensitivity to a reasonably possible change in U.S. dollar to Philippine peso exchange rate with all other variables held constant, of the Company's income before income tax (due to changes in the fair value of monetary assets, including the impact of derivative instruments). There is no impact on the Company's equity.

	Appreciation (Depreciation) of \$	Effect on Income Before Tax
<i>(In Thousands)</i>		
<b>2022</b>	<b>1.50</b>	<b>₱27,826</b>
	<b>1.00</b>	<b>18,550</b>
	<b>(1.50)</b>	<b>(₱27,826)</b>
	<b>(1.00)</b>	<b>(18,550)</b>



	Appreciation (Depreciation) of \$	Effect on Income Before Tax
		<i>(In Thousands)</i>
2021	1.50	₱85,412
	1.00	56,941
	(1.50)	(₱85,412)
	(1.00)	(56,941)

### Liquidity Risk

Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments or that a market for derivatives may not exist in some circumstance.

The Company seeks to manage its liquidity profile to be able to finance capital expenditures and service maturing debts. To cover its financing requirements, the Company intends to use internally generated funds and proceeds from debt and equity issues.

As part of its liquidity risk management program, the Company regularly evaluates its projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives. These initiatives may include bank loans and debt capital and equity market issues.

The Company's financial assets, which have maturities of less than 12 months and used to meet its short-term liquidity needs, include cash and cash equivalents and equity instruments at FVOCI amounting to ₱42,060 million and ₱535 million, respectively, as at December 31, 2022 and ₱39,776 million and ₱547 million, respectively, as at December 31, 2021 (see Notes 6 and 9). The Company also has readily available credit facility with banks and affiliates to meet its long-term financial liabilities.

The tables below summarize the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments as at December 31:

	2022			Total
	Within 1 Year	More than 1 Year to 5 Years	More than 5 Years	
	<i>(In Thousands)</i>			
Loans payable	₱5,493,870	₱-	₱-	₱5,493,870
Accounts payable and other current liabilities*	72,841,522	-	-	72,841,522
Long-term debt (including current portion)	66,498,851	300,418,234	38,218,018	405,135,103
Derivative liabilities	19,496	294,403	-	313,899
Liability for purchased land - net of current portion	-	1,129,719	-	1,129,719
Tenants' deposits - net of current portion**	-	2,017,519	21,543,716	23,561,235
Lease liabilities	900,370	3,734,664	31,127,968	35,763,002
Other noncurrent liabilities***	-	1,744,519	4,604,226	6,348,745
	<b>₱145,754,109</b>	<b>₱309,339,058</b>	<b>₱95,493,928</b>	<b>₱550,587,095</b>



	2021			Total
	Within 1 Year	More than 1 Year to 5 Years	More than 5 Years	
	<i>(In Thousands)</i>			
Loans payable	₱6,518,138	₱–	₱–	₱6,518,138
Accounts payable and other current liabilities*	69,941,596	–	–	69,941,596
Long-term debt (including current portion)	53,626,924	271,237,960	21,189,605	346,054,489
Derivative liabilities	335,367	1,748,186	–	2,083,553
Liability for purchased land - net of current portion	–	1,918,283	621,767	2,540,050
Tenants' deposits - net of current portion**	–	19,364,482	1,796,763	21,161,245
Lease liabilities	788,697	3,330,446	24,779,903	28,899,046
Other noncurrent liabilities***	–	4,232,633	1,619,598	5,852,231
	₱131,210,722	₱301,831,990	₱50,007,636	₱483,050,348

\* Excluding nonfinancial liabilities and lease liabilities amounting to ₱15,281 million and ₱21,436 million as at December 31, 2022 and 2021, respectively.

\*\* Excluding residential customers' deposits amounting to ₱238 million and ₱297 million as at December 31, 2022 and 2021, respectively.

\*\*\* Excluding nonfinancial liabilities and lease liabilities amounting to ₱25,046 million and ₱22,760 million as at December 31, 2022 and 2021, respectively.

### Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments (see Notes 6, 7, 9, 10 and 14).

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The fair values of these financial assets are disclosed in Note 27. For receivables from real estate sale, the title of the real estate property is only transferred to the customer if the consideration had been fully paid. In case of default, after enforcement activities, the Company has the right to cancel the sale and enter into another contract to sell to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed. Given this, based on the experience of the Company, the maximum exposure to credit risk at the reporting date is nil considering that fair value less cost to repossess of the real estate projects is higher than the exposure at default. The Company evaluates the concentration of risk with respect to trade receivables and unbilled revenue from sale of real estate as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

The changes in the gross carrying amount of receivables and unbilled revenue from sale of real estate during the year and impact of COVID-19 pandemic did not materially affect the allowance for ECLs.

As at December 31, 2022 and 2021, the financial assets, except for certain receivables, are generally viewed by management as good and collectible considering the credit history of the counterparties (see Note 7). Past due or impaired financial assets are very minimal in relation to the Company's consolidated total financial assets.

*Credit Quality of Financial Assets.* The credit quality of financial assets is managed by the Company using high quality and standard quality as internal credit ratings.

*High Quality.* Pertains to counterparty who is not expected by the Company to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions, companies and government agencies.

*Standard Quality.* Other financial assets not belonging to high quality financial assets are included in this category.



As at December 31, 2022 and 2021, the credit quality of the Company's financial assets is as follows:

	2022			Total
	Neither Past Due nor Impaired High Quality	Standard Quality	Past Due but not Impaired	
	<i>(In Thousands)</i>			
<b>Financial assets at amortized cost</b>				
Cash and cash equivalents*	₱41,977,231	₱-	₱-	₱41,977,231
Receivables**	167,795	14,696,502	16,469,042	31,333,339
Escrow and time deposits (included under "Other noncurrent assets")	5,105,361	-	-	5,105,361
<b>Financial assets at FVTPL</b>				
Derivative assets	7,338,320	-	-	7,338,320
<b>Financial assets at FVOCI</b>				
Equity instruments	17,606,746	5,317	-	17,612,063
	<b>₱72,195,453</b>	<b>₱14,701,819</b>	<b>₱16,469,042</b>	<b>₱103,366,314</b>

\* Excluding cash on hand amounting to ₱83 million

\*\* Excluding nonfinancial assets amounting to ₱51,227 million

	2021			Total
	Neither Past Due nor Impaired High Quality	Standard Quality	Past Due but not Impaired	
	<i>(In Thousands)</i>			
<b>Financial assets at amortized cost</b>				
Cash and cash equivalents*	₱39,707,135	₱-	₱-	₱39,707,135
Receivables**	63,578	5,618,748	14,640,189	20,322,515
Cash in escrow (included under "Prepaid expenses and other current assets")	335,583	-	-	335,583
Time deposits (included under "Other noncurrent assets")	3,905,618	-	-	3,905,618
<b>Financial assets at FVTPL</b>				
Derivative assets	1,797,176	-	-	1,797,176
<b>Financial assets at FVOCI</b>				
Equity instruments	17,942,096	5,317	-	17,947,413
	<b>₱63,751,186</b>	<b>₱5,624,065</b>	<b>₱14,640,189</b>	<b>₱84,015,440</b>

\* Excluding cash on hand amounting to ₱69 million

\*\* Excluding nonfinancial assets amounting to ₱52,697 million

### Equity Price Risk

Equity price risk arises from the changes in the levels of equity indices and the value of individual stocks traded in the stock exchange.

As a policy, management monitors its equity price risk pertaining to its investments in quoted equity securities which are classified as equity instruments designated at FVOCI in the consolidated balance sheets based on market expectations. Material equity investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by management.



The effect on equity after income tax (as a result of change in fair value of equity instruments at FVOCI as at December 31, 2022 and 2021) due to a possible change in equity indices, based on historical trend of PSE index, with all other variables held constant is as follows:

	<b>2022</b>	
	<b>Change in Equity Price</b>	<b>Effect on Equity</b>
		<i>(In Millions)</i>
Equity instruments at FVOCI	<b>+2.43%</b>	<b>₱397</b>
	<b>-2.43%</b>	<b>(397)</b>
	<b>2021</b>	
	<b>Change in Equity Price</b>	<b>Effect on Equity</b>
		<i>(In Millions)</i>
Equity instruments at FVOCI	<b>+0.81%</b>	<b>₱147</b>
	<b>-0.81%</b>	<b>(147)</b>

#### Capital Management

Capital includes equity attributable to the owners of the Parent.

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Company monitors capital using the following gearing ratios as at December 31:

#### Interest-bearing Debt to Total Capital plus Interest-bearing Debt

	<b>2022</b>	<b>2021</b>
	<i>(In Thousands)</i>	
Loans payable	<b>₱5,422,524</b>	₱6,487,427
Current portion of long-term debt	<b>50,839,776</b>	42,261,601
Long-term debt - net of current portion	<b>296,134,836</b>	264,969,216
Total interest-bearing debt (a)	<b>352,397,136</b>	313,718,244
Total equity attributable to equity holders of the parent	<b>363,201,490</b>	332,919,204
Total interest-bearing debt and equity attributable to equity holders of the parent (b)	<b>₱715,598,626</b>	₱646,637,448
Gearing ratio (a/b)	<b>49%</b>	49%



Net Interest-bearing Debt to Total Capital plus Net Interest-bearing Debt

	2022	2021
	<i>(In Thousands)</i>	
Loans payable	₱5,422,524	₱6,487,427
Current portion of long-term debt	50,839,776	42,261,601
Long-term debt - net of current portion	296,134,836	264,969,216
Less cash and cash equivalents	(42,060,082)	(39,775,852)
Total net interest-bearing debt (a)	310,337,054	273,942,392
Total equity attributable to equity holders of the parent	363,201,490	332,919,204
Total net interest-bearing debt and equity attributable to equity holders of the parent (b)	₱673,538,544	₱606,861,596
Gearing ratio (a/b)	46%	45%

**27. Financial Instruments**

Fair Values

The following table sets forth the carrying values and estimated fair values of financial assets and liabilities and nonfinancial assets, by category and by class, other than those whose carrying values are reasonable approximations of fair values, as at December 31:

	December 31, 2022				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
	<i>(In Thousands)</i>				
<b>Financial Assets</b>					
Financial assets at FVTPL:					
Derivative assets	₱7,338,320	₱7,338,320	₱-	₱7,338,320	₱-
Financial assets at amortized cost:					
Escrow and time deposits (included under "Other noncurrent assets")	5,105,361	5,118,038	-	5,118,038	-
Financial assets at FVOCI:					
Equity instruments	17,612,063	17,612,063	17,606,746	-	5,317
<b>Nonfinancial Assets*</b> (see Note 12)	489,266,042	2,022,778,236	-	-	2,022,778,236
	<b>₱519,321,786</b>	<b>₱2,052,846,657</b>	<b>₱17,606,746</b>	<b>₱12,456,358</b>	<b>₱2,022,783,553</b>
<b>Financial Liabilities</b>					
Financial liabilities at FVTPL:					
Derivative liabilities	₱313,899	₱313,899	₱-	₱313,899	₱-
Loans and borrowings:					
Liability for purchased land - net of current portion	1,129,719	1,063,631	-	-	1,063,631
Long-term debt - net of current portion	296,134,836	279,936,370	-	-	279,936,370
Tenants' deposits - net of current portion**	23,561,234	22,780,505	-	-	22,780,505
Other noncurrent liabilities***	6,348,745	6,117,632	-	-	6,117,632
	<b>₱327,488,433</b>	<b>₱310,212,037</b>	<b>₱-</b>	<b>₱313,899</b>	<b>₱309,898,138</b>

\*Consists of investment properties

\*\* Excluding residential customers' deposits amounting to ₱238 million as at December 31, 2022.

\*\*\*Excluding lease liabilities and nonfinancial liabilities amounting to ₱25,046 million as at December 31, 2022.



December 31, 2021					
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
<i>(In Thousands)</i>					
<b>Financial Assets</b>					
Financial assets at FVTPL:					
Derivative assets	₱1,797,176	₱1,797,176	₱-	₱1,797,176	₱-
Financial assets at amortized cost:					
Time deposits (included under "Other noncurrent assets")	3,905,618	3,930,229	-	3,930,229	-
Financial assets at FVOCI:					
Equity instruments	17,947,413	17,947,413	17,942,096	-	5,317
<b>Nonfinancial Assets*</b> (see Note 12)	467,391,988	2,001,790,734	-	-	2,001,790,734
	<b>₱491,042,195</b>	<b>₱2,025,465,552</b>	<b>₱17,942,096</b>	<b>₱5,727,405</b>	<b>₱2,001,796,051</b>
<b>Financial Liabilities</b>					
Financial liabilities at FVTPL:					
Derivative liabilities	₱2,083,553	₱2,083,553	₱-	₱2,083,553	₱-
Loans and borrowings:					
Liability for purchased land - net of current portion	2,540,050	2,386,784	-	-	2,386,784
Long-term debt - net of current portion	264,969,216	262,884,613	-	-	262,884,613
Tenants' deposits - net of current portion**	21,161,245	20,503,065	-	-	20,503,065
Other noncurrent liabilities***	5,852,230	5,716,525	-	-	5,716,525
	<b>₱296,606,294</b>	<b>₱293,574,540</b>	<b>₱-</b>	<b>₱2,083,553</b>	<b>₱291,490,987</b>

\*Consists of investment properties

\*\* Excluding residential customers' deposits amounting to ₱297 million as at December 31, 2021.

\*\* Excluding lease liabilities nonfinancial liabilities amounting to ₱22,760 million as at December 31, 2021.

### Fair Value Hierarchy

The Company uses the fair value hierarchy discussed in Note 3 for determining and disclosing the fair value of financial instruments.

During the years ended December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

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:

*Derivative Instruments.* The fair values are based on quotes obtained from counterparties.

*Equity Instruments at FVOCI.* The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business.

*Long-term Debt.* Fair value is based on the following:

Debt Type	Fair Value Assumptions
Fixed Rate Loans	Estimated fair value is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discount rates used range from 3.10% to 8.38% and from 1.13% to 6.24% as at December 31, 2022 and 2021, respectively.
Variable Rate Loans	For variable rate loans that re-price every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates. For variable rate loans that re-price every six months, the fair value is determined by discounting the principal amount plus the next interest payment amount using the prevailing market rate for the period



<u>Debt Type</u>	<u>Fair Value Assumptions</u>
	up to the next repricing date. Discount rates used was 7.40% to 8.46% and 4.73% to 5.24% as at December 31, 2022 and 2021, respectively.

*Tenants' Deposits, Liability for Purchased Land and Other Noncurrent Liabilities.* The estimated fair value is based on the discounted value of future cash flows using the applicable rates. The discount rates used range from 2.74% to 6.94% and 2.00% to 3.84% as at December 31, 2022 and 2021, respectively.

The Company assessed that the carrying values of cash and cash equivalents, receivables, bank loans and accounts payable and other current liabilities approximate their fair values due to the short-term nature and maturities of these financial instruments.

There were no financial instruments subject to an enforceable master netting arrangement that were not set-off in the consolidated balance sheets.

*Nonfinancial Assets.* The significant assumptions used in the most recent valuation as at December 31, 2021 are discount rates of 8.00% to 9.00% and average growth rate of 5.00%, respectively. Management believes that the carrying values of additions to investment properties subsequent to the most recent valuation date would approximate their fair values.



Derivative Instruments Accounted for as Cash Flow Hedges

As at December 31, 2022 and 2021, the Company has outstanding arrangements to hedge both foreign currency and interest rate exposure on its foreign currency denominated debts. Details as follow:

	December 31, 2022					
	Outstanding Notional Amount	Agreed Equivalent	Fair Value	Swap Rate	Fixed Interest Rate	Maturity
	<i>(In Thousands)</i>					
Cross Currency Swaps	\$260,000	₱13,142,200	₱1,644,111	₱48.5000 - ₱53.3300	3.6350% - 6.3900%	2023 - 2024
Cross Currency Swaps	\$286,000	¥1,919,208	568,337	¥6.6880 - ¥6.7188	3.8550% - 3.9700%	2024
Principal Only Swaps	\$270,000	¥1,753,285	(220,140)	¥6.3750 - ¥6.6804	-	2026 - 2027
Foreign Exchange Forward Swaps	\$715,000	₱39,820,155	1,148,261	₱53.9400 - ₱60.3870	-	2023 - 2026
Interest Rate Swaps	\$670,000	-	3,883,852	-	2.2800% - 2.6340%	2025 - 2026
			<b>₱7,024,421</b>			
	December 31, 2021					
	Outstanding Notional Amount	Agreed Equivalent	Fair Value	Swap Rate	Fixed Interest Rate	Maturity
	<i>(In Thousands)</i>					
Cross Currency Swaps	\$360,000	₱17,970,200	₱154,858	₱48.2800 - ₱53.3300	2.8800% - 6.3900%	2022 - 2024
Cross Currency Swaps	\$386,000	¥2,590,923	(1,253,137)	¥6.5463 - ¥6.8920	3.8600% - 5.4300%	2022 - 2024
Principal Only Swaps	\$170,000	¥1,100,515	(300,347)	¥6.4685 - ¥6.4845	-	2026
Foreign Exchange Forward Swaps	\$475,000	₱23,968,560	487,652	₱48.8000 - ₱51.1150	-	2022
Interest Rate Swaps	\$670,000	-	624,597	-	2.2800% - 2.6340%	2025 - 2026
			<b>(₱286,377)</b>			

As the terms of the swaps have been negotiated to match the terms of the hedged loans, the hedges were assessed to be effective.



The net movements in fair value of all derivative instruments are as follows:

	December 31, 2022	December 31, 2021
	<i>(In Thousands)</i>	
Balance at beginning of period	(P286,377)	(P2,800,650)
Net changes in fair value during the period*	7,728,937	2,844,482
Fair value of settled derivatives	(418,139)	(330,209)
<b>Balance at end of year</b>	<b>P7,024,421</b>	<b>(P286,377)</b>

\*Includes fair value changes in other comprehensive income.

## 28. EPS Computation

Basic/diluted EPS is computed as follows:

	2022	2021	2020
	<i>(In Thousands, Except Per Share Data)</i>		
Net income attributable to equity holders of the parent (a)	P30,099,799	P21,786,516	P18,006,512
Common shares issued	33,166,300	33,166,300	33,166,300
Less weighted average number treasury stock (see Note 18)	4,309,888	4,309,888	4,309,888
Weighted average number of common shares outstanding (b)	28,856,412	28,856,412	28,856,412
<b>Earnings per share (a/b)</b>	<b>P1.043</b>	<b>P0.755</b>	<b>P0.624</b>

## 29. Change in Liabilities Arising from Financing Activities

Movements in loans payable, long-term debt and lease liabilities accounts are as follows  
(see Notes 15, 16 and 17):

	2022			2021		
	Loans Payable	Long-term Debt	Lease Liabilities	Loans Payable	Long-term Debt	Lease Liabilities
	<i>(In Thousands)</i>					
Balance at beginning of year	P6,487,427	P307,230,817	P12,419,338	P10,900,000	P261,568,997	P11,076,316
Availments/Additions	18,924,421	75,401,524	1,138,124	8,769,596	78,079,785	1,390,955
Payments	(19,994,859)	(43,863,022)	(84,292)	(15,959,528)	(35,336,466)	(47,933)
Cumulative translation adjustment	5,535	283,079	-	187,596	3,250,295	-
Foreign exchange movement	-	7,922,214	-	-	781,913	-
Loan refinancing	-	-	-	415,000	(415,000)	-
Non-cash and others	-	-	-	2,174,763	(698,707)	-
<b>Balance at end of year</b>	<b>P5,422,524</b>	<b>P346,974,612</b>	<b>P13,473,170</b>	<b>P6,487,427</b>	<b>P307,230,817</b>	<b>P12,419,338</b>

There are no non-cash changes in dividends payable. Others include debt issue cost additions and amortization.



## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
SM Prime Holdings, Inc.  
10th Floor, Mall of Asia Arena Annex Building  
Coral Way cor. J.W. Diokno Blvd.  
Mall of Asia Complex  
Brgy. 76, Zone 10, CBP-1A, Pasay City, Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SM Prime Holdings, Inc. and its Subsidiaries (the "Company") as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and have issued our report thereon dated February 20, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Belinda T. Beng Hui

Partner

CPA Certificate No. 88823

Tax Identification No. 153-978-243

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 88823-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-078-2020, December 3, 2020, valid until December 2, 2023

PTR No. 9369781, January 3, 2023, Makati City

February 20, 2023



**SM PRIME HOLDINGS, INC. AND SUBSIDIARIES**  
**INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY SCHEDULES**  
**DECEMBER 31, 2022**

Annex I. Reconciliation of Retained Earnings Available for Dividend Declaration

Annex II. Supplementary Schedules Required by Revised SRC Rule 68, Part II, Annex 68-J.

Annex III. Map of the Relationships of the Companies Within the Group

**SM Prime Holdings, Inc.**  
**10<sup>th</sup> Floor Mall of Asia Arena Annex Building, Coral Way cor. J.W. Diokno Blvd.**  
**Mall of Asia Complex, Brgy. 76 Zone 10, CBP-1A, Pasay City 1300**

**Reconciliation of Retained Earnings Available for Dividend Declaration**  
**December 31, 2022**

Unappropriated retained earnings as at January 1, 2022		₱201,993,479,601
Adjustments for:		
Non-actual/unrealized income, net of applicable tax:		
Equity in net earnings of subsidiaries, associates and joint ventures	(₱119,434,631,439)	
Deferred tax assets	(2,217,399,964)	
Treasury stock	(2,613,650,429)	(124,265,681,832)
Unappropriated retained earnings as at January 1, 2022, available for dividend declaration		<u>77,727,797,769</u>
Net income closed to retained earnings in 2022	29,499,895,021	
Adjustments for:		
Non-actual/unrealized income, net of applicable tax:		
Movement in deferred assets	654,122,456	
Equity in net earnings of subsidiaries, associates and joint ventures	(8,438,787,332)	
Net income actually earned in 2022		<u>21,715,230,145</u>
Less: Cash dividends in 2022		<u>(2,801,285,469)</u>
<b>Retained earnings as at December 31, 2022 available for dividend declaration</b>		<b><u><u>₱96,641,742,445</u></u></b>

**SM Prime Holdings, Inc. and Subsidiaries**  
**Supplementary Schedules Required by Paragraph 7D, Part II**  
**Under Revised SRC Rule 68, Part II, Annex 68-J**  
**December 31, 2022**

**Schedule A. Financial Assets**

Name of issuing entity and association of each issue	Number of shares or principal bonds and notes	Amounts shown in the balance sheet	Income Received and Accrued
<i>(In thousands)</i>			
<b>Financial Assets at Amortized Cost*</b>			
Temporary investments:			
BDO Unibank, Inc. (BDO)	₱28,208,057	₱28,208,057	
China Banking Corporation (CHIB)	₱4,217,334	4,217,334	
China Merchants Bank	₱70,000	565,866	
Industrial and Commercial Bank of China	¥50,414	407,538	
China Industrial Bank	¥1,000	8,084	
Others	₱57,619	57,619	
Escrow and time deposits on hold:			
ICBC	¥315,000	2,546,397	
BDO	₱2,042,309	2,042,309	
CHIB	₱516,655	516,655	
		₱38,569,859	₱1,144,372
<b>Financial assets at fair value through profit or loss</b>			
Derivative Assets	₱7,338,320	₱7,338,320	₱-
<b>Financial assets at fair value through other comprehensive income</b>			
BDO Unibank, Inc.	108,029,274 Shares	₱11,418,694	
Ayala Corporation	7,690,430 Shares	5,344,849	
Shang Properties, Inc.	189,550,548 Shares	481,458	
ACEN Corporation	23,071,290 Shares	175,803	
SM Investments Corporation	146,104 Shares	131,494	
Republic Glass Holdings Corporation	14,230,000 Shares	44,113	
Picop Resources, Inc.	40,000,000 Shares	8,200	
Prime Media Holdings, Inc.	500,000 Shares	1,040	
Benguet Corporation	266,757 Shares	1,093	
Philippine National Bank	112 Shares	2	
Others	8,082,270 Shares	5,317	
		₱17,612,063	₱456,402
		₱63,520,242	₱1,600,773

\*Excluding cash on hand and in banks

**Schedule B. Amounts Receivables from Directors, Officers, Employees, and Principal Stockholders (Other than Related Parties) - Not Applicable**

**Schedule C: Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements**

Name and Designation of Debtor	Balance at Beginning of period	Additions	Amounts collected	Amounts Written Off	Current	Not Current	Balance at period end
<i>(Amounts in Thousands)</i>							
SM Smart City Infrastructure and Development Corporation	₱ –	₱9,094,422	(₱3,221)	₱–	₱9,091,201	₱–	₱9,091,201
SM Land (China) Limited and Subsidiaries	7,816,513	1,892,064	(7,423,453)	–	2,285,124	–	2,285,124
San Lazaro Holdings Corporation	1,364,394	701,838	(1,689)	–	2,064,543	–	2,064,543
Costa del Hamilo, Inc. and Subsidiary	800,069	24,513	(47,312)	–	777,270	–	777,270
SM Development Corporation and Subsidiaries	668,413	5,779,340	(5,755,975)	–	691,778	–	691,778
Mindpro Incorporated	475,920	3,759	(2,234)	–	477,445	–	477,445
SM Prime Holdings, Inc.	409,687	4,605,293	(4,665,126)	–	349,854	–	349,854
Premier Central, Inc. and Subsidiary	134,735	328,449	(145,947)	–	317,237	–	317,237
Prime Commercial Property Management Corp. and Subsidiaries	282,468	3,067	(9,681)	–	275,854	–	275,854
First Asia Realty Development Corporation	42,691	276,272	(260,420)	–	58,543	–	58,543
SM Arena Complex Corporation	3,574	57,719	(4,300)	–	56,993	–	56,993
Associated Development Corporation	54,750	6,000	(6,444)	–	54,306	–	54,306
Tagaytay Resort and Development Corporation	36,603	–	–	–	36,603	–	36,603
Premier Southern Corp.	16,009	150,000	(131,032)	–	34,977	–	34,977
First Leisure Ventures Group Inc.	9,185	26,905	(19,738)	–	16,352	–	16,352
SM Hotels and Conventions Corp. and Subsidiaries	7,833	7,885	(896)	–	14,822	–	14,822
Consolidated Prime Dev Corp.	7,115	104,810	(99,372)	–	12,553	–	12,553
Southernpoint Properties Corp.	10,259	67,680	(68,570)	–	9,369	–	9,369
MOA Esplanade Port Inc.	1,640	5,934	(332)	–	7,242	–	7,242
Highlands Prime, Inc.	299,544	2,922	(301,347)	–	1,119	–	1,119
Prime Metroestate, Inc.	953	8,746	(9,103)	–	596	–	596
CHAS Realty and Development Corporation and Subsidiaries	6,672	19,089	(25,397)	–	364	–	364
	<b>₱12,449,027</b>	<b>₱23,166,707</b>	<b>(₱18,981,589)</b>	<b>₱–</b>	<b>₱16,634,145</b>	<b>₱–</b>	<b>₱16,634,145</b>

**Schedule D. Long-term debt**

*This schedule has been omitted because the information required to be presented is included in the consolidated financial statements.*

**Schedule E. Indebtedness to Related Parties**

*Not applicable*

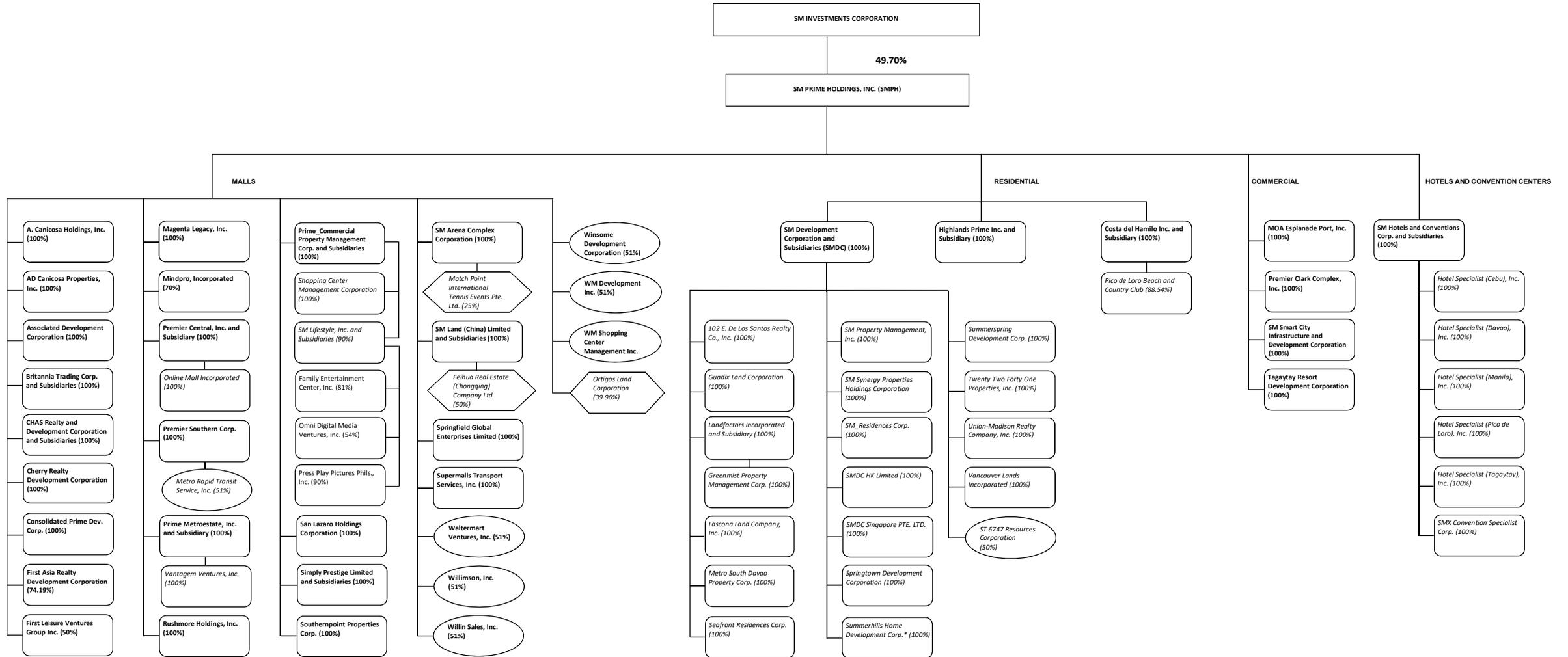
**Schedule F. Guarantees of Securities of Other Issuers**

*Not applicable*

**Schedule G. Capital Stock**

*(Shares In thousands)*

<b>Title of Issue</b>	<b>Number of Shares Authorized</b>	<b>Number of Shares Issued as Shown Under Related Balance Sheet Caption</b>	<b>Number of Shares Outstanding as Shown Under Related Balance Sheet Caption</b>	<b>Number of Shares Held by Related Parties</b>	<b>Directors, Officers and Employees</b>	<b>Others</b>
Common	40,000,000	33,166,300	28,856,411	15,838,582	3,060,811	9,957,018



\* Summerhills Home Development Corp. is 79.6% owned by SMDC and 20.4% owned by SMPH  
 Note: % Refers to Effective Ownership

## **PARTIES TO THE OFFER**

### **Issuer**

SM Prime Holdings, Inc.

### **Joint Issue Managers, Joint Lead Underwriters and Bookrunners**

BDO Capital & Investment Corporation  
China Bank Capital Corporation

### **Joint Lead Underwriters and Bookrunners**

BDO Capital & Investment Corporation  
China Bank Capital Corporation  
BPI Capital Corporation  
East West Banking Corporation  
First Metro Investment Corporation  
Land Bank of the Philippines  
SB Capital Investment Corporation

### **Trustee**

Philippine National Bank – Trust Banking Group

### **Registrar and Paying Agent**

Philippine Depository & Trust Corp.

### **Legal Counsel to the Issuer**

Issuer's Legal Affairs Division

### **Legal Counsel to the Joint Lead Underwriters and Bookrunners**

Angara Abello Concepcion Regala & Cruz

### **Independent Auditor**

SyCip Gorres Velayo & Co.