



SM PRIME HOLDINGS, INC.

(A corporation duly organized and existing under Philippine laws)

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 ₱15,000,000,000 Fixed Rate Bonds
with an Over-Subscription Option of up to ₱5,000,000,000¹

consisting of

4.8643% p.a. Series K Bonds due 2025
5.0583% p.a. Series L Bonds due 2027

at an Offer Price of 100% of Face Value

to be listed and traded through
The Philippine Dealing and 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.

Prospectus dated 28 February 2020

¹

The stated offer size represent the maximum size to be offered by the Issuer to the public. The final terms and conditions of the offer which includes the final offer size will be determined at the end of the bookbuilding period and announced on the Interest Rate Setting Date.

SM PRIME HOLDINGS, INC.

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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") of Debt Securities with an aggregate principal amount of up to ₱100,000,000,000.00 by SM Prime Holdings, Inc. (the "Issuer" or "SM Prime" 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 5-year Series K Bonds due in 2025 and 7-year Series L Bonds due 2027 in the aggregate principal amount of ₱15,000,000,000, with an Over-subscription Option of up to ₱5,000,000,000 (the "Bonds" or the "Offer"). Assuming the Over-subscription Option is fully exercised, up to ₱20,000,000,000.00 of the Debt Securities will be issued by the Company pursuant to the Offer.

The Series K Bonds shall have a term of five (5) years from the Issue Date, with a fixed interest rate equivalent to 4.8643% p.a. The Series L Bonds shall have a term of seven (7) years from the Issue Date, with a fixed interest rate equivalent to 5.0583% p.a. Interest on the Series K Bonds and Series L Bonds shall be payable semi-annually in arrears on 25 September and 25 March of each year for each Interest Payment Date at which the Bonds are outstanding, or the subsequent Business Day without adjustment if such Interest Payment Date is not a Business Day. The Maturity Dates of the Series K Bonds and Series L Bonds shall be on 25 March 2025 and 25 March 2027, 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 found on page 62 of this Prospectus.

The Series K Bonds and Series L Bonds have been rated PRS Aaa by Philippine Rating Services Corporation ("PhilRatings"). Obligations rated PRS Aaa are of the highest quality with minimal credit risk. The Issuer's repayment capacity is extremely strong. A rating of PRS Aaa is the highest credit rating on PhilRatings' long-term credit rating scale. 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 K and Series L Bonds, SM Prime expects to raise gross proceeds amounting to at least ₱15,000,000,000, and up to a maximum of ₱20,000,000,000 assuming full exercise of the Over-subscription Option. Without such Over-subscription Option being exercised, the net proceeds are estimated to be at least ₱14,793.95 million after deducting fees, commissions and expenses relating to the issuance of the Offer. Assuming the Over-subscription Option is fully exercised, total net proceeds of the Offer is expected to amount to approximately ₱19,731.20 million. In the event that the Over-subscription Option is not fully exercised, the unexercised portion shall be placed under shelf registration to be issued within the period prescribed by relevant regulations. Proceeds of the Offer shall be used to finance the capital expenditures for the expansion of the Issuer's mall operations (see Use of Proceeds). The Joint Lead Underwriters shall receive a 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. The use of proceeds for each 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 4 December 2019, SM Prime filed a Registration Statement with the Philippine Securities and Exchange Commission ("SEC"), in connection with the offer and sale to the public of debt securities with an aggregate principal amount of up to ₱100,000,000,000 constituting the Debt Securities. 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 ₱86,460 million representing accumulated equity in net earnings of subsidiaries, associates and joint ventures as at 30 September 2019. 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" found on page 26 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 on page 26 of 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 10th floor, Mall of Asia Arena Annex Building, Coral Way corner J. W. Diokno Boulevard, Mall of Asia Complex, CBP-1A, Pasay City 1300, Philippines, with telephone number +632 8831 1000 and fax number +632 8833 8991.

**ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION
CONTAINED HEREIN IS TRUE AND CORRECT.**

SM Prime Holdings, Inc.

By:

JEFFREY C. LIM
President

SUBSCRIBED AND SWORN to before me this _____ day of _____ 2020, affiant
exhibiting to me his Philippine Passport no. P2130699A issued on 5 March 2017 at DFA Manila.

Doc. No. _____
Book No. _____
Page No. _____
Series of 2020.

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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.

AFS	Available-for-sale assets
ASEAN	The Association of Southeast Asian Nations
BDG	SM Prime's Business Development Group
BDO Insurance	BDO Insurance Brokers, Inc.
BDO	BDO Unibank, Inc.
BDO Capital	BDO Capital & Investment Corporation
BIR	the Bureau of Internal Revenue of the Philippines
Board or Board of Directors	The board of directors of SM Prime
B. P. 220	<i>Batas Pambansa Blg. 220</i>
BSP	Bangko Sentral ng Pilipinas, the Philippine Central Bank
Bond Agreements	the 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
Bondholder	a person or entity whose name appears, at any time, as a holder of the Bonds in the Register of Bondholders
Bonds or Offer	Refers collectively to the Series K Bonds due 2025 and Series L Bonds due 2027 in the aggregate principal amount of ₱15,000,000,000, with an over-subscription option of up to ₱5,000,000,000, to be issued by SM Prime
BPI Capital	BPI Capital Corporation
Business Day	means a day, other than Saturday, Sunday and public holidays, on which facilities of the Philippine banking system are open and available for clearing and banks are generally open for the transaction of business in the cities of Pasay and Makati
By-laws	the By-laws of SM Prime
China Bank Capital	China Bank Capital Corporation
Company or Issuer or SM Prime	SM Prime Holdings, Inc.
DAR	The Philippine Department of Agrarian Reform
Debt Securities	Include 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.
Debt Securities Program	The Company's debt securities program registered with the

	Securities and Exchange Commission with an aggregate amount of ₱100,000,000,000.00
DENR	The Philippine Department of Environment and Natural Resources
DOT	The Philippine Department of Tourism
DOTr	The Philippine Department of Transportation and Communications
Directors	Members of the Board of Directors of SM Prime
EBITDA	Earnings before interest expense, income taxes, depreciation and amortization
EastWest Bank	East West Banking Corporation
Financial Statements	SM Prime's audited consolidated financial statements and related notes as at 31 December 2017 and 2018, for each of the years ended 31 December 2016, 2017, and 2018, and unaudited interim condensed consolidated financial statements and related notes as at 30 September 2019 and for the nine-month periods ended 30 September 2018 and 2019
First Metro	First Metro Investment Corporation
GFA	gross floor area
Government	the Government of the Philippines
GSIS	Government Service Insurance System
HLURB	Housing and Land Use Regulatory Board
HPI	Highlands Prime, Inc.
Joint Lead Underwriters and Bookrunners	BDO Capital, BPI Capital, China Bank Capital, EastWest Bank, First Metro, RCBC Capital and SB Capital
Joint Issue Managers	BDO Capital and China Bank Capital
LGU	Local government unit
Maceda Law	Republic Act No. 6552

Malls	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
Management Companies	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
Majority Bondholders	holders of the series of the Bonds holding not less than 51% of the outstanding relevant Bond series
Master Certificate of Indebtedness	the certificate to be issued by the Issuer to the Trustee evidencing and covering such amount corresponding to the Bonds
Material Subsidiary	<p>SM Development Corporation, SM China Companies, 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 amount which equals the amount included in the consolidated gross assets of the Issuer and its Subsidiaries</p>

	<p>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"> (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; (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; (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 (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 <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 forthwith upon such transfer cease to be a Material Subsidiary and the Subsidiary to which the assets are so transferred shall cease to 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 would continue to be a Material Subsidiary on</p>
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	the basis of such accounts by virtue of the provisions of (a), (b) or (c) above.
Metro Manila	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"
Mezza	Mezza Residences
MOA	Mall of Asia
PAS	Philippine Accounting Standards
Paying Agent	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 K and Series L Bonds
Payment Date	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 K and Series L Bonds
PCD	PCD Nominee Corporation
P.D. 957	Presidential Decree No. 957, as amended, also known as the Subdivision and Condominium Buyers' Protective Decree
PDEX	Philippine Dealing & Exchange Corp.
PDTC	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
PDTC Rules	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
Person	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
Pesos or ₱	the lawful currency of the Philippines
PEZA	The Philippine Economic Zone Authority
PFRS	Philippine Financial Reporting Standards which includes statements named PFRS and Philippine Accounting Standards (PAS) issued by the Financial Reporting Standards Council and Philippine Interpretations from International Financial

	Reporting Interpretations Committee (IFRIC)
Philippines	the Republic of the Philippines
PRC	People's Republic of China
PSE	The Philippine Stock Exchange, Inc.
Public Debt	means 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
R.A. 4726	Republic Act No. 4726, as amended, also known as the Condominium Act
RCBC Capital	RCBC Capital Corporation
Register of Bondholders	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
Registrar	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
RTC	Regional Trial Court
SB Capital	SB Capital Investment Corporation
SEC	the Securities and Exchange Commission of the Philippines
SEC Permit	the Permit to Sell Securities issued by the SEC in connection with each Offer
Securities Agreements	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
Shares	common shares of the Issuer, which have a par value of ₱1 per share
SM China Companies	SM Shopping Center (Chengdu) Co. Ltd. ("SM Chengdu"), Xiamen SM City Co. Ltd. ("SM Xiamen"), SM International Square Jinjiang City Fujian ("SM Jinjiang"), SM Shopping Center (Suzhou) Co. Ltd. ("SM Suzhou"), SM Shopping Center (Chongqing) Co. Ltd. ("SM Chongqing"), SM Shopping Center (Zibo) Company Ltd ("SM Zibo") and SM Shopping Center (Tianjin) Co. Ltd. ("SM Tianjin")
The SM Stores	the retail department stores operated by the Group under the "SM" name which presently include SM Makati, SM Cubao, SM North EDSA, SM Sta. Mesa, SM Megamall, SM Cebu, SM Southmall, SM Bacoar, SM Fairview, SM Iloilo, SM Manila, SM Pampanga, SM Davao, SM Cagayan de Oro, SM Bicutan, SM Lucena, SM Baguio, SM Marilao, SM Dasmariñas, SM Batangas,

	SM Delgado, SM San Lazaro, SM Valenzuela, SM Molino, SM Sucat, SM Sta. Rosa, SM Clark, SM Mall of Asia, SM Lipa, SM Bacolod, SM Taytay, SM Marikina, SM Baliwag, SM Naga, SM Rosales, SM Rosario, SM Tarlac, SM San Pablo, SM Calamba, SM Novaliches, SM Masinag, SM Olongapo, SM Consolacion, SM Lanang, SM General Santos City, SM San Fernando, SM Aura, SM BF Parañaque, SM Cauayan, SM Megacenter Cabanatuan, SM San Mateo, SM Cabanatuan, SM Seaside Cebu, SM San Jose Del Monte, SM Trece Martires, SM East Ortigas, SM CDO Downtown Premier, SM Puerto Princesa, SM City Telebastagan, SM City Urdaneta Central, SM City Legazpi, SM Olongapo Central
Series or Tranche	Issuance of Debt Securities pursuant to the Debt Securities Program under the terms and conditions as contained herein and in the relevant Offer Supplement
SMDC	SM Development Corporation
SM Group	The group of companies owned by SMIC
SM Hotels	SM Hotels and Conventions Corp. (formerly SM Hotels and Entertainment Corp.)
SMIC	SM Investments Corporation, the parent company of SM Prime
SM Land	SM Land, Inc. (formerly Shoemart, Inc.) which was merged with SM Prime in October 2013
SM Malls in China	SM Xiamen and Xiamen/Lifestyle Center, SM City Jinjiang, SM City Chengdu, SM City Zibo, SM City Chongqing, SM City Suzhou and SM City Tianjin
sq. m.	square meter
SRC	Republic Act No. 8799, The Securities Regulation Code of the Philippines
Subsidiary	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
Sy Family	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
Tax Code	the amended Philippine National Internal Revenue Code of 1997 and its implementing rules and regulations
TFG	SM Prime's Treasury Finance Group

Trustee	shall refer to Philippine National Bank Trust Banking Group and to the trustee that may be engaged by SM Prime for a Tranche
Underwriters	shall refer to Joint Lead Underwriters and Bookrunners and the underwriters that may be engaged by the Issuer for a Tranche
VAT	Value-added tax

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 Holdings, Inc. 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 mall, residential, commercial, and hotels and convention centers.

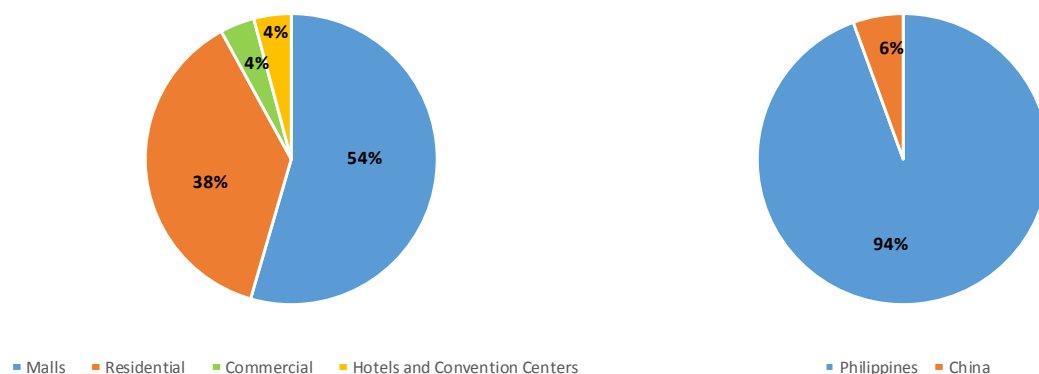
As at 30 September 2019, SM Prime's consolidated total assets stood at ₱656.8 billion, consolidated total liabilities were at ₱365.0 billion, with net debt-to-equity ratio (being the ratio of aggregate consolidated interest-bearing indebtedness net of cash and cash equivalent over equity) of 40%.

The Company has four 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 2016, 2017, and 2018 and the nine months ended 30 September 2018 and 2019.

	For the years ended 31 December			For the nine months ended 30 September	
	Audited			Unaudited ²	
(in ₱ million)	2016	2017	2018	2018	2019
Malls	48,600	53,196	59,277	43,258	46,426
Residential	25,419	30,039	36,519	25,265	31,925
Commercial	2,737	3,060	3,578	2,582	3,300
Hotels and Convention Centers	3,218	4,797	4,868	3,586	3,530
Eliminations	(158)	(171)	(162)	(130)	(148)
Consolidated Total	79,816	90,921	104,080	74,561	85,033

² The interim consolidated balance sheet as at 30 September 2019 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for nine-month periods ended September 30, 2019 and 2018 have been reviewed by the Independent Auditors of the Issuer.

The charts below display the composition of SM Prime's combined revenue by segment and geographical region as of and for the nine months ended 30 September 2019.



SM Prime is listed on the PSE and as at 30 September 2019 was 49.70% directly owned by SMIC. SM Prime had a market capitalization of ₱1,074.3 billion as of 30 September 2019.

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

- 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, natural disasters and outbreaks of infectious diseases 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

Please refer to the section entitled “Risk Factors” found on page 26 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.

COMPETITIVE STRENGTHS OF THE COMPANY

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 developer in Southeast Asia by market capitalization as of 30 September 2019, and the largest listed real estate developer on the PSE by market capitalization and net income as of 30 September 2019. 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 30 September 2019, SM Prime was the largest mall operator in the Philippines, with 73 malls across 55 cities in the Philippines and an additional 7 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 Supermarkets, SM Hypermarkets, Jollibee and National Bookstore 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 18,716 tenants in the Philippines and 1,960 tenants in the PRC across multiple segments as of 30 September 2019. These tenants include well-known Philippine brands such as Jollibee and National Bookstore as well as international brands such as Uniqlo, Forever 21, H&M, Starbucks, KFC, McDonalds.

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 and H&M have chosen SM Malls 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 34 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 for seven consecutive years.

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 30 September 2019, SM Prime possessed a land bank of 17,481,304 sq. m. including around the MOA complex, South Road Properties in Cebu, Clark in Pampanga, North EDSA 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 PSE-listed company, SM Prime has access to the Philippines and international capital markets for potential issuance 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 30 September 2019, SM Prime had consolidated total assets of ₱656.8 billion and a total equity attributable to equity holders of the Parent of ₱290.1 billion. As of 30 September 2019, SM Prime's consolidated net debt to equity ratio was 40%, 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. In the nine months ended 30 September 2019, 58% 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 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 20 years.

SM Prime adheres to strong corporate governance practices, with three out of the eight members of its Board of Directors being independent directors. SM Prime has been recognized by the ASEAN Corporate Governance as Top 3 in ASEAN Corporate Governance in the Philippines, PLCs Category for 2018. SM Prime has been recognized by the Asset Corporate Awards as a Platinum Awardee for Excellence in Governance, Corporate Social Responsibility and Investor Relations for 2016-2017.

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. The MOA complex had a total estimated land value of ₱85.3 billion according to CBRE as of December 31, 2015. 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 approximately 430,000 sq. m. It consists of a four-storey complex featuring a Cineplex, IMAX Theater, bowling center and ice skating rink. 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 five to seven 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 per year for the near term, in each case subject to market conditions. SM Prime is targeting to increase its overall mall GFA by 5-7% per year to approximately 8.5 million sq. m. in the Philippines and approximately 1.3 million sq. m. in China by 2019. 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 City Davao, SM City Clark, SM City Iloilo, SM City North EDSA and SM Mall of Asia. SM Prime believes that SM Megamall, SM City North EDSA, and SM Seaside City 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 30 September 2019, SM Prime has 23 completed residential projects and 25 ongoing residential projects.

SM Prime plans to accelerate residential project launches in areas near existing SM Prime developments. As of 30 September 2019, SM Prime has already launched 14,500 units to the market. For full year 2019, SM Prime is targeting to launch between 15,000 to 20,000 residential units that includes high-rise buildings, mid-rise buildings and single detached house and lot projects. These projects will be located in Metro Manila and other key cities in the provinces.

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.

Capital expenditure for 2020 is approximately ₱80.0 billion, with 36% for mall, 44% for residential, 13% for commercial and 7% for hotels and convention centers. Capital expenditure for 2021 is approximately ₱80.0 billion, with 34% for mall, 47% for residential, 12% for commercial and 7% for hotels and convention centers. 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.

SUMMARY 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 2016, 2017, and 2018 and for the years ended 31 December 2016, 2017 and 2018, and the selected unaudited financial information as at 30 September 2019 and for the first nine months ended 30 September 2019 and 2018 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.

The Group adopted PFRS 16, Leases, using modified retrospective approach with the initial date of application of January 1, 2019. Amounts presented in the consolidated balance sheets, consolidated statements of income and consolidated statements of comprehensive income as at and for the years ended December 31, 2018, 2017 and 2016 and interim consolidated statement of income and interim consolidated statement of comprehensive income for the nine months ended September 30, 2018 are based on PAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases, and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The comparative financial information for accounts affected by the adoption of PFRS 16 may not be comparable to the information presented as of and for the nine months ended September 30, 2019. Please refer to Note 3 of the Group's unaudited interim condensed consolidated financial statements, which are included elsewhere in the Prospectus, for the effect of the adoption of PFRS 16.

The Group adopted PFRS 9, Financial Instruments, and PFRS 15, Revenue from Contracts with Customers, using modified retrospective approach of adoption with the initial date of application of January 1, 2018. Amounts presented in the consolidated balance sheets, consolidated statements of income and consolidated statements of comprehensive income as at and for the years ended December 31, 2017 and 2016 are based on PAS 39, Financial Instruments: Recognition and Measurement (superseded by PFRS 9) and PAS 18, Revenue, PAS 11, Construction Contracts and related Interpretations (superseded by PFRS 15). The comparative financial information for accounts affected by the adoption of PFRS 9 and 15 may not be comparable to the information presented for 2018. Please refer to Note 3 of the Group's audited consolidated financial statements, which are included as an Annex to this Offer Supplement, for the effect of the adoption of PFRS 9 and PFRS 15.

CONSOLIDATED BALANCE SHEETS

	As at 31 December			As at 30 September ³
(in ₪ thousands)	2016 Audited	2017 Audited	2018 Audited	2019 Unaudited
ASSETS				
Current Assets				
Cash and cash equivalents	25,200,982	44,371,534	38,766,467	41,970,265
Financial assets at fair value through other comprehensive income	918,702	731,076	-	-
Receivables and contract assets	32,833,330	33,990,678	35,229,450	42,471,300
Condominium and residential units for sale	7,787,549	8,733,299	8,088,139	-
Land and development	24,646,487	22,518,138	29,486,964	-
Real estate inventories	-	-	-	40,132,192
Equity instruments at fair value through other comprehensive income	664,606	641,300	639,316	670,928

³ The interim consolidated balance sheet as at 30 September 2019 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for nine-month periods ended 30 September 2019 and 2018 have been reviewed by the Independent Auditors of the Issuer.

Derivative assets	-	-	432,898	-
Prepaid expenses and other current assets	11,898,900	14,590,015	15,147,029	18,576,684
Total Current Asset	103,950,556	125,576,040	127,790,263	143,821,369
Noncurrent Assets				
Equity instruments at fair value through other comprehensive income – net of current portion	20,548,119	30,464,845	22,892,937	19,821,497
Property and equipment – net	1,619,601	1,493,427	1,419,111	-
Investment properties – net	251,499,064	273,084,146	293,574,616	380,531,637
Land and development – net of current portion	19,472,641	36,148,036	49,844,246	-
Derivative assets – net of current portion	5,102,735	3,546,694	420,035	1,468,286
Deferred tax assets – net	1,137,729	1,114,291	1,083,670	1,048,061
Investments in associates and joint ventures	22,833,079	24,566,239	26,199,380	26,842,763
Other noncurrent assets	39,396,608	42,423,880	80,910,060	83,257,014
Total Noncurrent Assets	361,609,576	412,841,558	476,344,055	512,969,258
Total Assets	465,560,132	538,417,598	604,134,318	656,790,627

	As at 31 December			As at 30 September⁴
<i>(in ₦ thousands)</i>	2016 Audited	2017 Audited	2018 Audited	2019 Unaudited
Loans payable	840,000	744,400	39,400	480,000
Accounts payable and other current liabilities	40,324,504	51,084,082	61,767,086	75,915,158
Current portion of long-term debt	7,154,151	25,344,035	25,089,624	28,417,673
Income tax payable	1,102,621	1,035,215	1,383,742	1,363,543
Total Current Liabilities	49,421,276	78,207,732	88,279,852	106,176,374
Noncurrent Liabilities				
Long-term debt – net of current portion	156,383,534	167,509,484	197,682,262	206,067,861
Tenants' and customers' deposits – net of current portion	14,812,280	16,376,024	18,676,022	20,625,865
Liability for purchased land – net of current portion	1,211,658	2,170,998	6,044,220	4,285,574
Deferred tax liabilities – net	2,552,812	2,877,971	3,527,501	4,865,325
Derivative liabilities	-	777,408	335,008	563,017
Other noncurrent liabilities	5,815,028	7,624,067	10,511,491	22,450,293
Total Noncurrent Liabilities	180,775,312	197,335,952	236,776,504	258,857,935
Total Liabilities	230,196,588	275,543,684	325,056,356	365,034,309
Equity Attributable to Equity Holders of the Parent				
Capital stock	33,166,300	33,166,300	33,166,300	33,166,300
Additional paid-in capital – net	39,545,625	39,662,168	39,953,218	38,007,668
Cumulative translation adjustment	1,400,373	2,110,745	1,955,999	1,272,553
Net fair value changes of equity instruments at fair value through other comprehensive income	17,502,410	25,489,705	19,084,597	17,251,754

⁴ The interim consolidated balance sheet as at 30 September 2019 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for nine-month periods ended 30 September 2019 and 2018 have been reviewed by the Independent Auditors of the Issuer.

Net fair value changes on cash flow hedges	811,625	(311,429)	(842,098)	(1,544,494)
Remeasurement gain (loss) on defined benefit obligation	39,687	(199,126)	(348,480)	(348,480)
Retained earnings:				
Appropriated	42,200,000	42,200,000	42,200,000	42,200,000
Unappropriated	100,170,486	120,125,945	143,118,153	163,092,635
Treasury stock	(3,355,474)	(3,287,087)	(2,984,695)	(2,984,695)
Total Equity Attributable to Equity Holders of the Parent	231,481,032	258,957,221	275,302,994	290,113,241
Non-controlling Interests	3,882,512	3,916,693	3,774,968	1,643,077
Total Equity	235,363,544	262,873,914	279,077,962	291,756,318
Total Liabilities and Equity	465,560,132	538,417,598	604,134,318	656,790,627

CONSOLIDATED STATEMENTS OF INCOME

	For the years ended 31 December			For the nine months ended 30 September ⁵	
(in ₦ thousands)	2016 Audited	2017 Audited	2018 Audited	2018 Unaudited	2019 Unaudited
Revenue					
Rent	45,693,269	51,406,294	57,162,796	41,719,270	44,910,701
Sales:					
Real estate	24,999,811	29,434,050	35,872,552	24,838,114	31,354,327
Cinema and event ticket	4,666,686	4,767,364	5,218,434	3,924,337	4,140,305
Others	4,456,465	5,314,142	5,826,783	4,078,369	4,627,784
	79,816,231	90,921,850	104,080,565	74,560,090	85,033,117
Costs and Expenses	44,551,175	50,293,058	55,753,334	39,650,634	44,032,584
Income from Operations	35,265,056	40,628,792	48,327,231	34,909,456	41,000,533
Other Income (Charges)					
Interest expense	(4,409,614)	(5,474,422)	(7,540,045)	(4,961,202)	(5,687,780)
Interest and dividend income	1,114,931	1,214,347	1,828,776	1,357,819	1,465,620
Others – net	(981,696)	(420,856)	(649,787)	(651,537)	(802,559)
	(4,276,379)	(4,680,931)	(6,361,056)	(4,254,920)	(5,024,719)
Income Before Income Tax	30,988,677	35,947,861	41,966,175	30,654,536	35,975,814
Provision for Income Tax					
Current	6,335,370	7,531,782	8,534,428	6,657,263	6,450,437
Deferred	285,683	291,616	520,618	34,019	1,408,819
	6,621,053	7,823,398	9,055,046	6,691,282	7,859,256
Net Income	24,367,624	28,124,463	32,911,129	23,963,254	28,116,558
Attributable to:					
Equity holders of the Parent	23,805,713	27,573,866	32,172,886	23,439,290	27,595,045
Non-controlling interests	561,911	550,597	738,243	523,964	521,513
	24,367,624	28,124,463	32,911,129	23,963,254	28,116,558
Basic/Diluted earnings per share	₦0.826	₦0.956	₦1.115	₦0.812	₦0.956

⁵

The interim consolidated balance sheet as at 30 September 2019 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for nine-month periods ended 30 September 2019 and 2018 have been reviewed by the Independent Auditors of the Issuer.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the years ended 31 December			For the nine months ended 30 September ⁶	
(in ₦ thousands)	2016 Audited	2017 Audited	2018 Audited	2018 Unaudited	2019 Unaudited
Net Income	24,367,624	28,124,463	32,911,129	23,963,254	28,116,558
Other Comprehensive Income (Loss)					
Other comprehensive income (loss) 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	880,863	7,987,295	(5,287,209)	(5,821,028)	1,046,339
Remeasurement gain (loss) on defined benefit obligation	82,202	(244,103)	(152,405)	-	-
	963,065	7,743,192	(5,439,614)	(5,821,028)	1,046,339
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:					
Net fair value changes on cash flow hedges	382,826	(1,123,054)	(530,669)	27,522	(702,396)
Cumulative translation adjustment	394,395	710,372	(154,746)	196,260	(683,446)
	1,740,286	7,330,510	(6,125,029)	223,782	(1,385,842)
Total Comprehensive Income	26,107,910	35,454,973	26,786,100	18,366,008	27,777,055
Attributable to:					
Equity holders of the Parent	25,542,289	34,906,622	26,050,908	17,842,044	27,255,542
Non-controlling interests	565,621	548,351	735,192	523,964	521,513
	26,107,910	35,454,973	26,786,100	18,366,008	27,777,055

⁶ The interim consolidated balance sheet as at 30 September 2019 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for nine-month periods ended 30 September 2019 and 2018 have been reviewed by the Independent Auditors of the Issuer.

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 up to One Hundred Billion Pesos (₱100,000,000,000.00) 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.

Issuer	SM Prime Holdings, Inc.
Issue	Debt Securities constituting the direct, unconditional, unsecured and unsubordinated obligations of SM Prime Holdings, Inc.
Use of Proceeds	The intended use of proceeds for each tranche of the Debt Securities being offered shall be set in the relevant Offer Supplement under "Use of Proceeds"
Facility	PHP100,000,000,000
Availability	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
Governing Law	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 Offer" 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 K and Series L Bonds is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Prospectus.

Issuer	SM Prime Holdings, Inc.
Issue	Fixed rate bonds constituting the direct, unconditional, unsecured and unsubordinated obligations of SM Prime Holdings, Inc.
Issue Size	₱15,000,000,000 with an over-subscription option of up to ₱5,000,000,000
The Offer	₱15,000,000,000 Series K Bonds and Series L Bonds
Over-subscription Option	The Issuer, in consultation with the Joint Issue Managers and Joint Lead Underwriters, shall have the option to increase the Offer Size by up to ₱5,000,000,000 in the event of oversubscription. In the event that the Over-subscription Option is not fully exercised, the unexercised portion shall be placed under shelf registration to be issued within the period prescribed by relevant regulations.
Manner of Distribution	Public offering
Use of Proceeds	To finance capital expenditures for the expansion of the Issuer's mall operations (see "Use of Proceeds")
Issue Price	At par (or 100% of face value)
Form and Denomination of the Bonds	The Bonds shall be issued in scripless form in minimum denominations of ₱20,000.00 each, and in multiples of ₱10,000.00 thereafter, and traded in denominations of ₱10,000.00 in the secondary market
Offer Period	The offer of the Series K Bonds and Series L Bonds shall commence at 9:00 a.m. on 2 March 2020 and end at 12:00 p.m. on 13 March 2020 The balance of ₱80,000,000,000 shall be placed under shelf registration and shall be offered over a period not exceeding three (3) years from the effective date of the registration statement of the Bonds
Issue Date of the Series K Bonds and Series L Bonds	25 March 2020

Maturity Date	Series K Bonds : Five (5) years from Issue Date Series L Bonds : Seven (7) years from Issue Date													
Interest Rate	Series K Bonds : 4.8643% per annum Series L Bonds : 5.0583% per annum													
Interest Computation & Payment	<p>Interest on the Series K Bonds and Series L Bonds shall be calculated on a 30E/360-day count basis and shall be paid semi-annually in arrears.</p> <p>Interest on the Series K Bonds and Series L Bonds shall commence on 25 September 2020 and on 25 March and 25 September 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.</p>													
Optional Redemption	<p>Prior to the Maturity Date of the Series K Bonds and Series L Bonds, the Issuer shall have a one-time option, but shall not be obligated, to redeem in whole, and not a part only, any series of the Bonds, in accordance with the following schedule:</p> <table><tr><th>Bonds</th><th>Optional Redemption Dates</th><th>Optional Redemption Price</th></tr><tr><td rowspan="2">Series K Bonds</td><td>Sixth (6th) and seventh (7th) Interest Payment Dates</td><td>101.0%</td></tr><tr><td>Eighth (8th) and ninth (9th) Interest Payment Dates</td><td>100.5%</td></tr><tr><td rowspan="2">Series L Bonds</td><td>Tenth (10th) and eleventh (11th) Interest Payment Dates</td><td>101.0%</td></tr><tr><td>Twelfth (12th) and thirteenth (13th) Interest Payment Dates</td><td>100.5%</td></tr></table> <p>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 series of the Bonds at the Interest Payment Date stated in such notice.</p> <p>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 the Bonds as of the relevant Optional Redemption Date.</p>	Bonds	Optional Redemption Dates	Optional Redemption Price	Series K Bonds	Sixth (6 th) and seventh (7 th) Interest Payment Dates	101.0%	Eighth (8 th) and ninth (9 th) Interest Payment Dates	100.5%	Series L Bonds	Tenth (10 th) and eleventh (11 th) Interest Payment Dates	101.0%	Twelfth (12 th) and thirteenth (13 th) Interest Payment Dates	100.5%
Bonds	Optional Redemption Dates	Optional Redemption Price												
Series K Bonds	Sixth (6 th) and seventh (7 th) Interest Payment Dates	101.0%												
	Eighth (8 th) and ninth (9 th) Interest Payment Dates	100.5%												
Series L Bonds	Tenth (10 th) and eleventh (11 th) Interest Payment Dates	101.0%												
	Twelfth (12 th) and thirteenth (13 th) Interest Payment Dates	100.5%												
Final Redemption	Unless otherwise earlier redeemed or previously purchased and cancelled, the Bonds will be redeemed at par or 100% of face value on the Maturity Date.													
Bond Rating	The Series K Bonds and Series L Bonds are rated PRS Aaa by the Philippine Rating Services Corporation													
Trustee	Philippine National Bank Trust Banking Group													

Registrar & Paying Agent	Philippine Depository & Trust Corp.
Taxation of Bond Interest	<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 30% 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>
Ranking	The Bonds shall constitute the direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will rank <i>pari passu</i> and rateably 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.
Listing	The Bonds are intended to be listed at the PDEX, or such other securities exchange licensed as such by the SEC on which the trading of debt securities in significant volume occurs.
Governing Law	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. 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

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 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 Overseas Filipino Workers ("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.

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 ₱85.3 billion according to CBRE as of December 31, 2015. The MOA complex is estimated to comprise 6% of the total assets of SM Prime and 7% of its total land value. The MOA complex houses the SM Mall of Asia, the Mall of Asia Arena, the MOA Arena Annex Building (that houses additional parking spaces and office levels), and the SMX Convention Center Manila, among other commercial, business and entertainment establishments. The MOA complex is also the site of the E-Com Centers, a series of modern and iconic office buildings mostly targeting technology based industries, BPO and shipping companies. The various business segments located within the MOA complex contributed an aggregate estimated ₱5,831 million or 7% of the revenues of SM Prime in 2016, ₱7,534 million or 8% of the revenues of SM Prime in 2017 and ₱8,188 million or 8% of the revenues of SM Prime in 2018 and approximately ₱2,565 million or 7%, ₱3,358 million or 8% and ₱3,688 million or 8%, in operating income, for the same period. The MOA Complex also houses some of SM Prime's residential developments such as the Sea Residences, Shell Residences and Shore 1 to 3 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. SM Prime acquired the property in good faith and for value and expects title to the property to be transferred in its name in due course. The mall in SM Seaside City is the city's largest mall, with a GFA of approximately 430,000 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 given that the MOA complex comprises less than 10% of its total assets.

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 twelve 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 experiences 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 (the "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 currently holds voting power over 21.90% of the outstanding share capital of SM Prime. 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 21 to the audited consolidated financial statements and Note 18 to the unaudited interim condensed consolidated financial statements included elsewhere in this Prospectus.

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" found on page 157 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, projects that are to be located on agricultural land, must get clearance from the DAR so that the land can be reclassified as non-agricultural land 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 Housing and Land Use Regulatory Board ("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 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 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 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 has the power to acquire any land in the Philippines if such acquisition is for public benefit or utility or any other public 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.

The owner of such real property that has been compulsorily acquired may be compensated in accordance with the laws of the respective jurisdictions, which compensation may be less than its market value. 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 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 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 years of installments are granted a grace period of one month for every year of paid installments to cure any payment default. A buyer is given such a right only once every five 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 years of installments and who default on installment payments are given a 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 benefit 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 January 1, 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 ₱2,000,000, 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 fast growing Business Process Outsourcing sector which is vulnerable to global economic changes.

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 has one of the fastest growing emerging economies, registering Gross Domestic Product growth rates of 6.9% in 2016, 6.7% in 2017 and 6.2% in 2018 and the growth in the property sector is largely supported by infrastructure investments from both the public and private sectors and strong macroeconomic fundamentals.

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;
- re-emergence of SARS, avian influenza (commonly known as bird flu), including the H1N1 and H7N9 strains of the disease, or the emergence of another similar disease in the Philippines or in other countries in Southeast Asia;
- 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, social and economic instability.

On 9 May 2016, the Philippines held its sixteenth national elections for president, vice president, members of the Senate and local government officials. On June 30, 2016, Rodrigo Roa Duterte was sworn in as the 16th president of the Republic of the Philippines, succeeding Benigno Aquino III. There can be no assurance that President Duterte will continue to implement the economic, development and regulatory policies of President Aquino, including those policies that have a direct effect on the Group's assets and operations.

On 11 May 2018, the Supreme Court of the Philippines rendered a decision to grant the Petition for Quo Warrato and found Maria Lourdes P.A. Sereno, then the Chief Justice of the Supreme Court of the Philippines, disqualified from and adjudged guilty of unlawfully holding and exercising the office of the Chief Justice. On 19 June 2018, the Supreme Court issued a resolution denying the motion for reconsideration filed by Maria Lourdes P.A. Sereno with finality. In June 2018, former President Benigno Aquino III was indicted for usurpation of legislative powers concerning the Disbursement Acceleration Program during his term. Moreover, several individuals who were high-ranking officers under the administration of President Aquino have also been indicted for graft and corruption charges and drug trafficking among other offenses. In addition, since the commencement of the current administration, more than 1,000 alleged drug dealers and users have been killed in police operations, and more than 1,300 drug dealers and drug users have been killed by supposed vigilantes.

A new version of the Bangsamoro Basic Law ("BBL") was crafted under the Duterte administration,

which was finally signed into law by President Rodrigo Duterte on July 26, 2018. The Bangsamoro Organic Law ("BOL") abolished the Autonomous Region in Muslim Mindanao, and created the Bangsamoro Autonomous Region in Muslim Mindanao ("BARMM"). The BARMM will be parliamentary-democratic in form, and will be headed by a chief minister, who will preside over an 80-member parliament. The BOL, however, still has to be cleared by a plebiscite and overcome possible legal challenges.

The Duterte administration has been pushing for a shift to a federal form of government. For this purpose, the President created a consultative committee to review the 1987 Constitution and draft a federal constitution.

In May 2019, the Philippine legislative and local elections were held. Majority of the senatorial candidates endorsed by the administration won the 2019 elections. The senators elected in the 2019 elections will join the senators elected in the 2016 elections. There are allegations of fraud and voter disenfranchisement in the conduct of the 2019 elections.

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, natural disasters and outbreaks of infectious diseases 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 over the years, including typhoons, droughts, floods, volcanic eruptions and earthquakes that may materially disrupt and adversely affect the Company's business operations. A number of climate experts believe that climate change is affecting the intensity and severity of these natural calamities. The potential future effects of global climate change may include longer periods of drought in some regions and an increase in the number, duration and intensity of tropical storms in the country. Authorities may not be prepared or equipped to respond to such disasters. On 26 September 2009, Typhoon Ketsana (Ondoy) resulted in 341.3 millimeters of rainfall in six hours, causing massive flooding that submerged several areas of Metro Manila and adjacent provinces. The typhoon caused 464 deaths and approximately ₱86 billion in property damage. On 6 August 2012, a monsoon hit Metro Manila and other nearby provinces which also caused severe flooding and landslides.

Other regions of the Philippines have also experienced severe natural disasters. In December 2011, Typhoon Washi (Sendong) caused massive flooding in the southern Philippine city of Cagayan de Oro, claiming thousands of lives and displacing tens of thousands of residents. On 3 December 2012, Typhoon Bopha struck the southern island of Mindanao as a category five typhoon, triggering widespread flash flooding and landslides throughout the region. Typhoon Bopha killed over 1,000 people and caused an estimated ₱42 billion in property damage.

In October 2013, an earthquake occurred in Central Visayas, Philippines. The magnitude of the earthquake was recorded at Mw 7.2 at the epicenter, which was located six kilometers southwest of Sagbayan town, at a depth of 12 kilometers. The seismic event affected the whole Central Visayas region, particularly Bohol and Cebu. According to recent official reports by the National Disaster Risk Reduction and Management Council, 198 people were reported dead, 11 were missing, and 651 were injured as a result of the earthquake, making it the deadliest earthquake in the Philippines in 23 years. In all, more than 53,000 structures were damaged or destroyed, including commercial buildings, malls, public edifices, hotels and churches. SM Prime's Radisson Blu Cebu sustained cosmetic damages on tiles and walls, however, the structural integrity of the building has been certified by three structural engineering companies. As a result, total business lost was estimated at approximately ₱60 million and forecasted year end occupancy of 74% had dropped to 66%.

In addition, the Central Philippines experienced a severe typhoon, Typhoon Haiyan (Yolanda), in November 2013 which caused extensive damage to infrastructure and properties, claimed 6,268 lives and displaced thousands of residents.

On 12 January 2020, a phreatic eruption of Taal Volcano in Batangas, Philippines occurred thus releasing ashes across the CALABARZON, Metro Manila, and some parts of Central Luzon. The ash fall and the earthquakes related to the volcanic activity of Taal did not cause material damage to infrastructure and properties.

The Philippines may also be subject to outbreaks of contagious diseases, such as Avian flu, Ebola, MERS-CoV, and COVID-19. In April 2015, the Government, through the Department of Health ("DOH"), issued a Bureau of Quarantine alert bulletin after a Filipino citizen tested positive for MERS-CoV before his departure from the United Arab Emirates and arrival to Manila. The said individual has tested negative in follow-up findings of the DOH Research Institute for Tropical Medicine. As of July 31, 2015, South Korea had reported a total number of 186 cases of MERS-CoV, while there were reports of two cases in Hong Kong and one case in Thailand. To date, while reported cases of MERS-CoV have decreased substantially worldwide in 2016 and 2017 and while there have been no indications of the presence of such diseases in the Philippines, the DOH continues to monitor disembarking passengers suspected to be carriers of MERS-CoV, Ebola or Avian flu. In August 2017, an outbreak of bird flu from a poultry farm in Central Luzon was confirmed, and the avian influenza strain was later found to be transmissible to humans. In response to the outbreak, restrictions on the transport and sale of birds and poultry outside a seven-kilometer radius surrounding the affected site were imposed. The Philippines has since been cleared of any human infection of the avian influenza virus. In January 2020, an outbreak of COVID-19 in China was confirmed, and a few cases of COVID-19 have been confirmed in the Philippines. In response to the outbreak, the Philippine Government has put in place travel restrictions which prohibit Philippine nationals from traveling to China, Hong Kong and Macau, as well as prohibiting any foreign national coming from any of such territories from entering the Philippines. Despite the COVID-19 outbreak in China and confirmed cases in the Philippines, SM malls as well as SM Malls in China, continue with their operations.

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 outbreak of contagious diseases such as those described above 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.

During the last decade, 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 it would allow market forces to determine the value of the Peso. Since 30 June 1997, the Peso experienced periods of significant depreciation and declined from approximately ₱29.00 = U.S.\$1.00 in July 1997 to a low of ₱49.90 = U.S.\$1.00 for the month ended (period average) December 2000. In recent years, the Peso has generally depreciated and the exchange rate (period average) was ₱47.47 in 2016, ₱50.40 in 2017 and ₱52.68 in 2018. 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 June 20, 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 May 17, 2016, outgoing 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. Recently, 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 downplays the Chinese names, the Philippines' central mapping agency is seeking 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").

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 the territorial dispute in the West Philippine Sea escalate or continue, the Philippines' interests in fishing, trade and offshore drilling, the volume of trade between the Philippines and China, and the supply of steel available to the Philippines may be adversely affected, which in turn may affect, among other things, infrastructure development and general economic and business conditions in the Philippines, any of which could adversely affect SM Prime's business, financial condition and results of operations.

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.

The Group has received numerous awards for good corporate governance from international publications.

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, unsecured debt of the company (including

guarantees of debt) which is evidenced by a public instrument as provided in Article 2244 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 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.

USE OF PROCEEDS

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

The net proceeds from the issue of the Bonds, without the Over-subscription Option (after deduction of commissions and expenses) is approximately ₱14,793.95 million and is presently intended to be used by the Issuer to finance capital expenditures for the construction of the Issuer's mall projects. Assuming the Over-subscription Option of up to ₱5.0 billion is fully exercised, the Company expects total net proceeds of approximately ₱19,731.20 million after deducting fees, commissions and expenses.

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

For a ₱15.0 billion Issue Size		
		Total
Estimated proceeds from the sale of Bonds		₱15,000,000,000
Less: Estimated expenses		
Documentary Stamp Tax	112,500,000	
SEC Registration		
SEC Registration Fee and Legal Research	5,618,125	
SEC Publication Fee	47,040	
Underwriting and Other Professional Fees		
Underwriting and Legal Fee	76,500,000	
Audit Fees	5,000,000	
Rating Fee	3,800,000	
Listing Application Fee	200,000	
Listing Maintenance Fee	300,000	
Trustee Fees	130,000	
Paying Agency and Registry Fees	450,000	
Miscellaneous fees	1,500,000	206,045,165
Estimated net proceeds for ₱15.0 billion Issue		₱14,793,954,835
For the ₱5.0 billion Over-Subscription Option		
		Total
Estimated proceeds from the sale of Bonds		₱5,000,000,000
Less: Estimated expenses		
Documentary Stamp Tax		37,500,000
Underwriting Fees		25,250,000
Estimated net proceeds for ₱5.0 billion Over-Subscription Option		₱4,937,250,000

Total Net Proceeds (inclusive of Over-Subscription Option of ₱5.0 billion) --- ₱19,731,204,835

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 Maintenance Fee in advance upon the approval of the Listing;
2. The Issuer will pay a yearly retainer fee to the Trustee amounting to ₱130,000 per annum; and
3. After the Issue Date, a Paying Agency fee amounting to ₱245,500 is payable every interest payment date. The Registrar will charge a monthly maintenance fee based on the face value of the Bonds and the number of Bondholders.

The net proceeds of the Issue of ₱14,793.95 million, assuming an Issue Size of up to ₱15.0 billion, shall be used primarily to finance capital expenditures for the mall and mall expansion projects as set out below.

<i>(Amounts in million ₱)</i>	Amount and Schedule of Disbursement		Launch date	Target completion date	Percentage completion¹
	2020	2021			
New Malls	7,080	7,159			
SM City Butuan	273	-	2020	2020	94%
SM City Daet	339	-	2020	2020	81%
SM City Grand Central	1,272	-	2020	2020	60%
SM City Roxas	825	-	2020	2020	23%
SM City Bataan	402	599	2021	2021	19%
SM City Sorsogon	353	788	2021	2021	6%
SM City Tuguegarao	543	712	2021	2021	29%
SM Center San Pedro	199	332	2021	2021	0%
SM Center North Davao	117	196	2021	2021	5%
SM City Tanza	495	1,141	2021	2021	0%
SM City Sto. Tomas	380	570	2022	2022	0%
SM Bagumbong, North Caloocan	234	351	2022	2022	0%
SM San Jose Nueva Ecija	467	700	2022	2022	0%
SM Camiling Tarlac	75	112	2022	2022	0%
SM Iloilo City - Jaro	365	547	2022	2022	0%
SM Sta. Rosa Yulo	511	766	2022	2022	0%
SM Zamboanga	230	345	2022	2022	0%
Expansion	522	-			
SM City Baguio Mall Expansion	522	-	2020	2020	85%

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

If the ₱5.0 billion Over-subscription Option is exercised, the additional net proceeds of ₱4,937.25 million from the Over-subscription Option shall be used to finance the Issuer's mall expansion projects.

<i>(Amounts in million ₱)</i>	Amount and Schedule of Disbursement		Launch date	Target completion date	Percentage completion¹
	2020	2021			
Expansions/ Others	3,820	1,105			
SM Mall of Asia - IKEA	3,179	-	2020	2020	60%
SM City Cauayan - Phase 2A Expansion	91	236	2021	2021	0%
SM Sta. Rosa Mall Expansion	445	594	2021	2021	4%
SM City Urdaneta Central - 3F Expansion	105	275	2021	2021	0%

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

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.

DESCRIPTION OF THE PROJECTS

The Issuer will directly undertake all of the projects that will be funded by the proceeds of the Offer.

For 2020, SM Prime is slated to open four new malls in the Philippines which are located in the cities of Butuan, Daet, Roxas and Caloocan with a total gross floor area of approximately 221,000 square meters. In the same year, SM Prime is also set to open SM City Baguio Mall Expansion and SM Mall of Asia - IKEA with an additional gross floor area of 32,000 and 157,000 square meters, respectively.

For 2021, SM Prime is slated to open six new malls in the Philippines which are located in the provinces of Bataan, Sorsogon, Cagayan, Laguna, Davao and Cavite with a total gross floor area of approximately

197,000 square meters. SM Prime also plans to open three mall expansions: SM City Cauayan, SM City Sta. Rosa and SM City Urdaneta Central with an additional gross floor area of approximately 74,000 square meters.

For 2022, SM Prime is slated to open seven new malls in the Philippines which are located in Batangas, Caloocan City, Nueva Ecija, Tarlac, Iloilo, Laguna and Zamboanga with a total gross floor area of approximately 372,000 square meters.

Pending the above uses, the Company intends to invest the net proceeds from the Issue 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 Company undertakes that it will not use the net proceeds from the Issue for any purpose, other than as discussed above. However, the Company'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 Company'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 Company'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, the Company shall inform the SEC and the stockholders within 30 days prior to its utilization.

DETERMINATION OF THE OFFER PRICE

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

The Bonds will be offered at par or 100% of face value.

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 Underwriters. The Offer does not include an international offering.

BDO Capital, China Bank Capital, BPI Capital, EastWest Bank, First Metro, RCBC Capital and SB Capital, pursuant to an Issue Management and Underwriting Agreement with SM Prime executed on 28 February 2020 (the "Underwriting Agreement"), have agreed to act as the Joint Lead Underwriters for the Offer and as such, distribute and sell the Bonds at the Offer Price, and have also committed to underwrite up to ₱15,000,000,000 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 has committed to underwrite the Offer on a firm basis up to the amount indicated below:

Joint Lead Underwriters	Amount
BDO Capital	₱2,500,000,000
China Bank Capital	₱2,500,000,000
BPI Capital	₱2,000,000,000
EastWest Bank	₱2,000,000,000
First Metro	₱2,000,000,000
RCBC Capital	₱2,000,000,000
SB Capital	₱2,000,000,000
Total	₱15,000,000,000

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

SM Prime will pay the Joint Lead Underwriters a 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 Participating Underwriters. No fees will be given to Broker-Dealers selling the Bonds.

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

BDO Capital is the wholly-owned investment banking subsidiary of BDO Unibank, Inc., which, in turn, is an associate of the SM Group. BDO Capital 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 commenced operations in March 1999.

China Bank Capital, a subsidiary of China Banking Corporation, provides a wide range of investment banking services to clients across different sectors and industries. Its primary business is to help enterprises raise capital by arranging or underwriting debt and equity transactions, such as project financing, loan syndications, bonds and notes issuances, securitizations, initial and follow-on public offerings, and private equity placements. China Bank Capital also advises clients on structuring, valuation, and execution of corporate transactions, including mergers, acquisitions, divestitures, and

joint ventures. It was established and licensed as an investment house in 2015 as the spin-off of China Banking Corporation's investment banking group, which was organized in 2012.

BPI Capital is the wholly-owned investment banking subsidiary of the Bank of the Philippine Islands and is duly licensed by the SEC to engage in the underwriting and distribution of securities. BPI Capital offers investment banking services in the areas of financial advisory, mergers and acquisitions, debt and equity underwriting, private placement, project finance and loan syndication. It began operations as an investment house in December 1994.

EastWest Bank is a subsidiary of Filinvest Development Corporation. EastWest Bank 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. EastWest Bank is licensed by the SEC to engage in the underwriting or distribution of securities to the public.

First Metro is a leading investment bank in the Philippines with over fifty years of service in the development of the country's capital markets. It is the investment banking arm of the Metrobank Group, one of the largest financial conglomerates in the country. First Metro and its subsidiaries offer a wide range of services, from debt and equity underwriting to loan syndication, project finance, financial advisory, investment 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.

RCBC Capital, a 99.96% owned subsidiary of Rizal Commercial Banking Corporation ("RCBC"), was established in 1974. RCBC Capital is the investment banking subsidiary of RCBC. It offers a complete range of investment banking and financial consultancy services which include (i) the underwriting of equity, quasi-equity and debt securities on a firm or best efforts basis for private placement or public distribution; (ii) the syndication of foreign currency or Peso loans; and (iii) financial advisory services.

SB Capital 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 provides a wide range of investment banking services including financial advisory, underwriting of equity and debt securities, project finance, privatizations, mergers and acquisitions, loan syndications and corporate advisory services. SB Capital 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 equity and debt issues, both locally and internationally.

SALE AND DISTRIBUTION

The distribution and sale of the Bonds shall be undertaken by the Underwriters who shall sell and distribute the Bonds to third party buyers/investors. Nothing herein shall limit the rights of the Underwriters 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.

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

OFFER PERIOD

The Offer Period for the Bonds shall commence at 9:00 a.m. of 2 March 2020, and end at 12:00 p.m. of 13 March 2020.

APPLICATION TO PURCHASE

Applicants may purchase the Bonds during the Offer Period by submitting to the Underwriters properly completed Applications to Purchase, together with two signature cards, and the full payment of the purchase price of the Bonds in the manner provided in the said Application to Purchase.

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 or is not subject to withholding tax 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) certified true copy of the tax exemption certificate, ruling or opinion issued by the Bureau of Internal Revenue; (ii) a duly notarized undertaking, in the prescribed form, declaring and warranting its tax exempt status, undertaking to immediately notify the Issuer of any suspension or revocation of the duly-accepted tax exemption certificates and agreeing to indemnify and hold the Issuer free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding of the required tax; and (iii) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities; provided 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 reasonable evidence of such exemption to the Registrar.

Completed Applications to Purchase and corresponding payments must reach the Underwriters prior to the end of the Offer Period, or such earlier date as may be specified by the Underwriters. Acceptance by the Underwriters of the completed Application to Purchase shall be subject to the availability of the Bonds and the acceptance by SM Prime. 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 (₱20,000.00) 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 (₱10,000.00) 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 SM Prime's exercise of its right of rejection.

ACCEPTANCE OF APPLICATIONS

SM Prime and the Joint Lead Underwriters 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 Underwriter 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 Paying Agency and Registry 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 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

SM Prime intends to list the Bonds in the PDEX. SM Prime 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 SM Prime, the information contained in the Prospectus, the Bond Agreements, and other agreements relevant to the Offer.

The initial offering of ₱15,000,000,000 Series K Bonds and Series L Bonds with an over-subscription option of up to ₱5,000,000,000, and the shelf registration of ₱100,000,000,000 Debt Securities Program to be offered over a period not exceeding three (3) years from the effective date of the registration statement of the Debt Securities Program were authorized by a resolution of the Board of Directors of SM Prime dated 4 November 2019.

The Bonds shall be constituted by a Trust Indenture Agreement executed on 28 February 2020 (the "Trust Agreement") entered into between the Issuer and Philippine National Bank Trust Banking Group (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 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 Agreement. A registry and paying agency agreement was executed on 28 February 2020 (the "Registry and Paying Agency Agreement") in relation to the Bonds among the Issuer, Philippine Depository & Trust Corp. as registrar (the "Registrar") and as paying agent (the "Paying Agent"). The Bonds shall be offered and sold through a general public offering in the Philippines, and issued and transferable in minimum principal amounts of Twenty Thousand Pesos (₱20,000.00) and in multiples of Ten Thousand Pesos (₱10,000.00) thereafter, and traded in denominations of Ten Thousand Pesos (₱10,000.00) in the secondary market. The Bonds will be repaid at 100% of Face Value on the relevant Maturity Dates, unless SM Prime exercises its optional redemption according to the conditions therefore. See "Description of the Bonds — Redemption and Purchase".

The Registrar and Paying Agent has no interest in or relation to SM Prime which may conflict with its role as Registrar for the Offer. The Trustee has no interest in or relation to SM Prime which may conflict with its role as Trustee for the Bonds.

Copies of the Trust 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 Agreement and are deemed to have notice of those provisions of the Paying Agency and Registry Agreement applicable to them.

FORM, DENOMINATION AND TITLE

Form and Denomination

The Bonds are in scripless form, and shall be issued in denominations of Twenty Thousand Pesos (₱20,000.00) each as a minimum, in multiples of Ten Thousand Pesos (₱10,000.00) thereafter, and traded in denominations of Ten Thousand Pesos (₱10,000.00) 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 stamps taxes, if any, arising from subsequent transfers, shall be for the account of the relevant Bondholder.

BOND RATING

The Bonds have been rated PRS Aaa by PhilRatings, having considered SM Prime's diversified business portfolio, business plans, growth prospects and cash flows. 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. 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.

The rating was arrived at after considering the following factors: SM Prime's strong financial profile; its solid brand equity and operational track record; well diversified portfolio, with components that complement each other; and the continuous and aggressive construction and expansion of development projects leading to significant growth going forward.

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 Issue Date, the Trustee shall monitor the compliance of the Bonds with the regular annual reviews.

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 stamps 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%, 30%) 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 PDTC.

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 ₱10,000.00 as a minimum, and in multiples of ₱10,000.00 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 PDTC.

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 Series K Bonds bear interest on its principal amount from and including Issue Date at the rate of 4.8643% p.a., payable semi-annually in arrears starting on 25 September 2020 for the first Interest Payment Date, and on 25 March and 25 September 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.

The Series L Bonds bear interest on its principal amount from and including Issue Date at the rate of 5.0583% p.a., payable semi-annually in arrears starting on 25 September 2020 for the first Interest Payment Date, and on 25 March and 25 September 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.

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.

The Final Interest Rate for the Series K Bonds will be based on the sum of a) the simple average of the 5-year PHP Philippine Government BVAL reference rate at 5:00 p.m. for three business days preceding and inclusive of the Interest Rate Setting Date and b) the Final Spread.

The Final Interest Rate for the Series L Bonds will be based on the sum of a) the simple average of the 7-year PHP Philippine Government BVAL reference rate at 5:00 p.m. for three business days preceding

and inclusive of the Interest Rate Setting Date and b) the Final Spread.

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 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

REDEMPTION AND PURCHASE

Final Redemption

Unless otherwise earlier redeemed or previously purchased and cancelled, the Bonds shall be redeemed at par or 100% of face value on 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 60 nor less than 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, any outstanding series of the Bonds, in accordance with the schedule set forth below.

Bonds	Optional Redemption Dates	Optional Redemption Price
Series K Bonds	Sixth (6 th) and seventh (7 th) Interest Payment Dates	101.0%
	Eighth (8 th) and ninth (9 th) Interest Payment Dates	100.5%
Series L Bonds	Tenth (10 th) and eleventh (11 th) Interest Payment Dates	101.0%
	Twelfth (12 th) and thirteenth (13 th) 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 Series K Bonds or Series L 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 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; or
- (b) Any provision of the Trust 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 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 Agreement or any other related documents; or

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.

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. SM Prime 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, SM Prime 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 removed without a successor having been appointed.

Payment of Additional Amounts - Taxation

Interest income on the Bonds is subject to a withholding tax at rates of between 20% and 30% 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 Bureau of Internal Revenue-certified true copy of the tax exemption certificate, ruling or opinion issued by the Bureau of Internal Revenue confirming the exemption or preferential rate;
 - (ii) a duly notarized undertaking, in the prescribed form, declaring and warranting its tax-exempt status or preferential rate entitlement, undertaking to immediately notify the Issuer of any suspension or revocation of the tax exemption certificates or preferential rate entitlement, and agreeing to indemnify and hold the Issuer and the Registrar free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding of the required tax;
 - (iii) for those who are claiming benefits under tax treaties, duly accomplished Certificate of Residence for tax Treaty Relief (CORTT) Form (Part I and II) or the prescribed certificate of residency with Part I (A, B and C) and II of the CORTT Form before the interest is paid or credited as required under BIR Revenue Memorandum Order No. 8-2017; and
 - (iv) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities which for purposes of claiming tax treaty withholding rate benefits, shall include evidence of the applicability of a tax treaty and consularized 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 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 reasonable evidence of such exemption 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

Similar to the covenants contained in other debt agreements of the Issuer, 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 any Bond or coupon remains outstanding (as defined in the Trust 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 Material Subsidiary; and
- (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 Material Subsidiary

unless, at the same time or prior thereto, the Issuer's obligations under the Bonds and the Trust 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; or (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; or (cc) encumbrance to secure contracts (other than Indebtedness) in the ordinary course of business; or (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

Unless there is fault or negligence on the part of the Trustee, direct or otherwise, 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; or
- (b) The Issuer shall default in the due performance, observance of or compliance with any other covenant contained in the Trust 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; or
- (c) Any statement, representation, or warranty made by the Issuer in the Trust 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; or
- (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; or
- (e) The Issuer or any of its Subsidiaries shall:
 - (i) become insolvent or unable to pay its Indebtedness as they mature; or
 - (ii) stop, suspend all or a material part of (or a particular type of) its Indebtedness; or
 - (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; or

- (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; or
 - (v) take advantage of insolvency, moratorium, corporate rehabilitation or other laws for the relief of debtors; or
 - (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; or
- (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 a substantial 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; or
- (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); or
- (h) Any of the Trust 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; or
- (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; or
- (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 (₱5,000,000,000.00), and any relevant period specified for payment of such judgment, decree or order shall have expired without it being satisfied, discharged or stayed; or
- (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; or

- (l) The Issuer shall contest in writing the validity or enforceability of the Trust Agreement or the Bonds or shall deny generally in writing the liability of the Issuer under the Trust 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 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 Agreement and the Paying Agency and Registry 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.

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 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 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 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 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 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 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 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. 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 Agreement and the Prospectus and all correspondence addressed to the Trustee shall be delivered to:

To the Trustee:	Philippine National Bank Trust Banking Group
Attention:	Atty. Josephine Jolejole
Address:	3 rd Floor, PNB Financial Center Diosdado Macapagal Boulevard, Pasay City
Subject:	SM Prime Series "K" Bonds and Series "L" Bonds
Facsimile:	+63 2 8526 3379

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

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 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 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 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 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. 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. 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 this Trust Agreement. The Trustee shall, in accordance with the terms and conditions of the Trust 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 Agreement. The Trustee shall observe due diligence in the performance of its duties and obligations under the Trust Agreement. 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.

- (b) 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 Agreement. In case of default, the Trustee shall exercise such rights and powers vested in it by the Trust 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.
- (c) None of the provisions contained in the Trust 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.

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, or 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 from there remove the Trustee concerned, 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 concerned and appoint a successor trustee, any bona fide Bondholder may petition any court of competent jurisdiction for the removal of the Trustee concerned 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 Agreement; or (ii) the effectivity of the resignation notice sent by the Trustee under the Trust Agreement (a) (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 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 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, the 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 10 days after the acceptance of appointment by the trustee, the latter shall cause the Bondholders to be notified at the expense of the Issuer.

Reports to the Bondholders

The Trustee shall submit to the Bondholders on or before February 28 of each year from the relevant Issue Date, until full payment of the Bonds, a brief report dated December 31 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 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 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 Company; and
- 4. Registration Statement of the Company 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 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 SM Prime to obtain consent of the Bondholders to an amendment of the Trust Agreement in the following manner: a notice shall be sent to Bondholders detailing the amendments proposed and consents requested by SM Prime 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 SM Prime solely for the purpose of obtaining the consent of the Bondholders to an amendment of the Trust Agreement, where the failure of any Bondholder to transmit an objection to such proposal of SM Prime 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 SM Prime.

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 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 (₱10,000.00) 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 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

SM Prime and the Trustee may amend these 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 Bond;
- (3) reduce the principal of or extend the Maturity Date of any Bond;
- (4) impair the right of any Bondholder to receive payment of principal of and interest on such Holder's 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 Bond under the Terms and Conditions or change the time at which any Bond may be redeemed;
- (6) make any Bond payable in money other than that stated in the Bond;
- (7) subordinate the Bonds to any other obligation of SM Prime;

- (8) release any Bond interest that may have been granted in favor of the Holders;
- (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 this Condition.

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, SM Prime 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 or (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.

INDEPENDENT AUDITORS AND COUNSEL

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 ("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.

INDEPENDENT AUDITORS

The audited consolidated financial statements of SM Prime as at 31 December 2017 and 2018 and for the years ended 31 December 2016, 2017 and 2018 have been audited by SyCip Gorres Velayo and Co. ("SGV & Co."), independent auditors, in accordance with Philippine Standards on Auditing as set forth in their report thereon appearing elsewhere in this Prospectus. The unaudited interim condensed consolidated financial statements as at 30 September 2019 and for the nine-month periods ended 30 September 2018 and 2019 have been reviewed by SGV & Co. in accordance with Philippine Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

The Company's Audit Committee of the Board reviews and approves the scope of audit work of the independent auditors 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 to services rendered by the external 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.

SM Prime's audit fees for each of the last two fiscal years for professional services rendered by the external auditor was ₱11 million and ₱10 million for 2018 and 2017, respectively.

Except for the members of SM Prime's Legal Affairs Division, there is no arrangement that experts shall receive a direct or indirect interest in SM Prime or was a promoter, underwriter, voting trustee, director, 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.

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 30 September 2019, the authorized capital stock of the Issuer was ₱40.0 billion divided into 40 billion common shares each with ₱1 par value per share, and its issued capital stock was ₱33.166 billion consisting of 33.166 billion common shares of ₱1 par value each.

The following table sets forth the consolidated capitalization and indebtedness of the Issuer as at 30 September 2019 and as adjusted to give effect to the issue of the Bonds inclusive of the Over-subscription Option. This table should be read in conjunction with the Issuer's unaudited interim condensed consolidated financial statements as at 30 September 2019 and notes thereto, included elsewhere in this Prospectus.

	As at 30 September 2019	
	Actual (Unaudited)	Adjusted (Unaudited)
<i>(in ₱ millions)</i>		
Short-term debt		
Loans payable	480	480
Current portion of long-term debt	28,418	28,418
Total short-term debt	28,898	28,898
Long-term debt - net of current portion		
Banks and other financial institutions	206,068	206,068
The Bonds to be issued	-	20,000
Total long-term debt - net of current portion	206,068	226,068
Equity		
Equity Attributable to Equity Holders of the Parent:		
Capital stock	33,166	33,166
Additional paid-in capital - net	38,008	38,008
Cumulative translation adjustment	1,272	1,272
Net fair value changes of equity instruments at fair value through other comprehensive income	17,252	17,252
Net fair value changes on cash flow hedges	(1,544)	(1,544)
Remeasurement loss on defined benefit obligation	(348)	(348)
Retained earnings		
Appropriated	42,200	42,200
Unappropriated	163,093	163,093
Treasury stock	(2,985)	(2,985)
Total Equity Attributable to Equity Holders of the Parent	290,113	290,113
Total capitalization	525,079	545,079

Notes:

- (1) Adjusted amount as at 30 September 2019 includes ₱20.0 billion principal amount of the Bonds offered hereunder, after deduction of commissions and expenses.
- (2) Total capitalization is the sum of short-term debt, long-term debt and equity.

DESCRIPTION OF THE ISSUER

OVERVIEW

SM Prime Holdings, Inc. 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 30 September 2019, SM Prime's consolidated total assets stood at ₱656.8 billion, consolidated total liabilities were at ₱365.0 billion, with net debt-to-equity ratio (being the ratio of aggregate consolidated indebtedness net of cash and cash equivalent) of 40%.

The Company has four 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 2016, 2017 and 2018 and the nine months ended 30 September 2018 and 2019.

	For the years ended 31 December			For the nine months ended 30 September	
	Audited			Unaudited ⁷	
(in ₱ million)	2016	2017	2018	2018	2019
Malls	48,600	53,196	59,277	43,258	46,426
Residential	25,419	30,039	36,519	25,265	31,925
Commercial	2,737	3,060	3,578	2,582	3,300
Hotels and Convention Centers	3,218	4,797	4,868	3,586	3,530
Eliminations	(158)	(171)	(162)	(130)	(148)
Combined Total	79,816	90,921	104,080	74,561	85,033

The contribution of each of SM Prime's subsidiaries to the Company's total consolidated revenues for the years ended 31 December 2016, 2017, and 2018 is set out below.

Name of Subsidiary	2016		2017		2018	
	Revenue	% to Total	Revenue	% to Total	Revenue	% to Total
(Amounts in ₱ thousands)						
SM Prime Holdings Inc. - Malls	35,465,630	44%	38,651,537	43%	42,800,804	41%
SM Prime Holdings Inc. - Commercial	2,399,015	3%	2,646,300	3%	3,078,735	3%
SM Prime Holdings Inc. - Residential	661,740	1%	1,041,402	1%	1,722,757	2%
SM Prime Holdings Inc. - Hotels	2,877,428	4%	4,369,093	5%	4,369,476	4%
Prime Metroestate, Inc. and Subsidiary	141,561	0%	154,861	0%	245,776	0%
SM Development Corporation and Subsidiaries - Malls	476,554	1%	545,594	1%	675,088	1%
SM Development Corporation and Subsidiaries - Residential	23,397,120	29%	26,395,123	29%	32,301,872	31%
Costa del Hamilo, Inc. and Subsidiary	541,398	1%	453,604	0%	595,936	1%
SM Hotels and Conventions Corp. and	17,312	0%	17,525	0%	4,024	0%

⁷ The interim consolidated balance sheet as at 30 September 2019 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for nine-month periods ended 30 September 2019 and 2018 have been reviewed by the Independent Auditors of the Issuer.

Name of Subsidiary	2016		2017		2018	
	Revenue	% to Total	Revenue	% to Total	Revenue	% to Total
Subsidiaries						
SM Land (China) Limited and Subsidiaries – Malls	331,217	0%	516,192	1%	736,153	1%
SM Land (China) Limited and Subsidiaries – Residential	-	0%	725,660	1%	281,714	0%
Affluent Capital Enterprises Limited and Subsidiaries –Malls	3,035,944	4%	3,489,057	4%	4,149,651	4%
Affluent Capital Enterprises Limited and Subsidiaries –Residential	-	0%	572,108	1%	739,113	1%
Mega Make Enterprises Limited and Subsidiaries	717,509	1%	761,341	1%	922,041	1%
SM Arena Complex Corporation	536,264	1%	602,755	1%	602,467	1%
First Asia Realty Development Corporation - Malls	3,676,548	5%	3,829,548	4%	4,034,370	4%
First Asia Realty Development Corporation – Commercial	150,858	0%	156,793	0%	164,647	0%
First Asia Realty Development Corporation - Hotels	85,487	0%	105,856	0%	114,823	0%
Premier Central, Inc - Malls.	937,136	1%	1,028,884	1%	1,148,583	1%
Premier Central, Inc. – Commercial	184,400	0%	254,034	0%	330,926	0%
Premier Central, Inc. – Hotels	157,056	0%	206,415	0%	214,916	0%
Premier Southern Corp.	1,152,221	1%	1,236,466	1%	1,328,035	1%
Consolidated Prime Dev. Corp.	972,745	1%	1,018,245	1%	1,089,947	1%
First Leisure Ventures Group Inc.	221,862	0%	255,311	0%	284,957	0%
MOA Esplanade Port, Inc.	2,665	0%	3,372	0%	3,772	0%
Southernpoint Properties Corp. – Malls	511,923	1%	577,365	1%	654,435	1%
Southernpoint Properties Corp. – Hotels	80,411	0%	98,119	0%	165,078	0%
CHAS Realty and Development Corporation	167,130	0%	173,267	0%	192,133	0%
Magenta Legacy, Inc.	16,306	0%	14,446	0%	17,977	0%
Highlands Prime Inc	818,672	1%	851,324	1%	877,920	1%
Mindpro Incorporated	0	0%	70,858	0%	49,554	0%
Prime Commercial Property Management Company and Subsidiaries	239,883	0%	269,916	0%	345,316	0%
Eliminations	(157,764)	0%	(170,521)	0%	(162,431)	0%
Total	79,816,231	100%	90,921,850	100%	104,080,565	100%

The contribution of each of SM Prime's subsidiaries to the Company's total consolidated net income attributable to equity holders of the Parent for the years ended 31 December 2016, 2017, and 2018 is set out below.

Name of Subsidiary	2016		2017		2018	
	Net Income	% to Total	Net Income	% to Total	Net Income	% to Total
<i>(Amounts in ₱ thousands)</i>						
SM Prime Holdings Inc. - Malls	12,503,080	53%	15,103,183	55%	16,852,523	52%
SM Prime Holdings Inc. - Commercial	1,404,178	6%	1,634,687	6%	1,898,206	6%
SM Prime Holdings Inc. – Residential	213,066	1%	337,505	1%	500,437	2%
SM Prime Holdings Inc. - Hotels	389,801	2%	846,906	3%	821,219	3%
Prime Metroestate, Inc. and Subsidiary	71,489	0%	67,661	0%	85,448	0%
SM Development Corporation and subsidiaries – Malls	216,071	1%	275,656	1%	313,796	1%
SM Development Corporation and subsidiaries – Residential	5,393,181	23%	6,316,421	23%	8,285,522	26%
Costa del Hamilo, Inc. and Subsidiary	42,098	0%	22,645	0%	78,699	0%
SM Hotels and Conventions Corp. and Subsidiaries	(33,666)	0%	(75,438)	0%	(68,938)	0%
SM Land (China) Limited and Subsidiaries – Malls	(2,008,770)	-8%	(1,989,625)	-7%	(2,510,019)	-8%
SM Land (China) Limited and Subsidiaries – Residential	-	0%	-	0%	27,035	0%
Affluent Capital Enterprises Limited and Subsidiaries - Malls	1,522,488	6%	1,913,178	7%	2,328,758	7%
Affluent Capital Enterprises Limited and Subsidiaries – Residential	0	0%	195,899	1%	115,740	0%
Mega Make Enterprises Limited and Subsidiaries	489,691	2%	609,198	2%	775,550	2%
Simply Prestige Limited and Subsidiaries	(183,718)	-1%	(145,725)	-1%	(102,629)	0%
SM Arena Complex Corporation	179,072	1%	91,800	0%	191,903	1%
First Asia Realty Development Corp. – Malls	1,794,604	8%	1,831,249	7%	1,504,792	5%
First Asia Realty Development Corp. – Commercial	153,446	1%	168,305	1%	185,378	1%
First Asia Realty Development Corp. – Hotels	47,882	0%	63,563	0%	66,507	0%
Premier Central, Inc. – Malls	202,424	1%	246,172	1%	340,514	1%
Premier Central, Inc. – Commercial	190,293	1%	226,729	1%	273,715	1%
Premier Central, Inc. – Hotels	26,007	0%	40,098	0%	43,463	0%
Premier Southern Corp.	607,758	3%	688,916	3%	765,333	2%
Consolidated Prime Dev. Corp.	554,454	2%	592,088	2%	632,810	2%
First Leisure Ventures Group Inc.	86,464	0%	117,209	0%	84,172	0%
MOA Esplanade Port, Inc.	1,059	0%	(383)	0%	(311)	0%
San Lazaro Holdings Corporation	2,053	0%	1,541	0%	1,718	0%
Southernpoint Properties Corp. - Malls	181,212	1%	239,957	1%	287,346	1%
Southernpoint Properties Corp. – Hotels	5,174	0%	15,799	0%	37,566	0%
CHAS Realty and Development Corporation	37,422	0%	36,439	0%	53,698	0%
Magenta Legacy, Inc.	5,667	0%	5,644	0%	8,394	0%
Associated Development Corporation	(22,550)	0%	(26,225)	0%	(24,818)	0%

Highlands Prime Inc	149,709	1%	181,255	1%	197,125	1%
Tagaytay Resorts and Development Corporation	(875)	0%	(1,252)	0%	(2,550)	0%
Rushmore Holdings Inc	-	0%	-	0%	(2,440)	0%
Cherry Realty Development Corporation	-	0%	-	0%	(332)	0%
AD Canicosa Holdings, Inc.	-	0%	-	0%	(2,646)	0%
A Canicosa Holdings, Inc.	-	0%	-	0%	(1,186)	0%
Mindpro Incorporated	-	0%	-	0%	(292)	0%
Prime Commercial Property Management Company and Subsidiaries	117,499	0%	(1,774,713)	-6%	(1,713,031)	-5%
Eliminations	(532,050)	-2%	(282,476)	-1%	(155,289)	-1%
Total	23,805,713	100%	27,573,866	100%	32,172,886	100%

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 years is set out below.

Year	Contribution to Revenues	Contribution to Net Income
2016	5%	-1%
2017	7%	2%
2018	7%	2%

SM Prime is listed on the PSE and as at 30 September 2019 was 49.70% directly-owned by SMIC. SM Prime had a market capitalization of ₱1,074.3 billion as of 30 September 2019.

Subsidiaries of the Company

The subsidiaries of the Company by business segment are set out below:

MALLS

Name of company	Place of incorporation	Year of incorporation	Percentage ownership
First Asia Realty Development Corporation	Philippines	1987	74.2
Premier Central, Inc.	Philippines	1998	100.0
Consolidated Prime Dev. Corp.	Philippines	1998	100.0
Premier Southern Corp.	Philippines	1998	100.0
San Lazaro Holdings Corporation	Philippines	2001	100.0
First Leisure Ventures Group, Inc.	Philippines	2007	50.0
Southernpoint Properties Corp.	Philippines	2008	100.0
CHAS Realty and Development Corporation and Subsidiaries	Philippines	1997	100.0
Mega Make Enterprises Limited and Subsidiaries	British Virgin Islands	2007	100.0

Affluent Capital Enterprises Limited and subsidiaries	British Virgin Islands	2006	100.0
SM Land (China) Limited and Subsidiaries	Hong Kong	2006	100.0
Simply Prestige Limited and Subsidiaries	British Virgin Islands	2013	100.0
Springfield Global Enterprises Limited	British Virgin Islands	2007	100.0
Rushmore Holdings, Inc.	Philippines	1994	100.0
Prime Commercial Property Management Corporation and Subsidiaries	Philippines	2009	100.0
Magenta Legacy, Inc.	Philippines	2006	100.0
Associated Development Corporation	Philippines	1950	100.0
Prime Metroestate, Inc. and Subsidiary	Philippines	1995	100.0
SM Arena Complex Corporation	Philippines	2012	100.0
Mindpro Incorporated	Philippines	1970	70.0
A. Canicosa Holdings, Inc.	Philippines	2008	100.0
AD Canicosa Properties, Inc.	Philippines	2008	100.0
Cherry Realty Development Corporation	Philippines	1977	100.0

RESIDENTIAL

Name of company	Place of incorporation	Year of incorporation	Percentage ownership
SM Development Corporation and Subsidiaries	Philippines	1974	100.0
Costa del Hamilo, Inc. and Subsidiary	Philippines	2006	100.0
Highlands Prime, Inc.	Philippines	2001	100.0

COMMERCIAL

Name of company	Place of incorporation	Year of incorporation	Percentage ownership
Tagaytay Resorts and Development Corporation	Philippines	1988	100.0
MOA Esplanade Port, Inc.	Philippines	2014	100.0

HOTELS AND CONVENTION CENTERS

Name of company	Place of incorporation	Year of incorporation	Percentage ownership
SM Hotels and Conventions Corp. and Subsidiaries	Philippines	2008	100.0

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 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 by market capitalization as of 30 September 2019, and the largest listed real estate developer on the PSE by market capitalization, total assets and net income as of 30 September 2019. 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 30 September 2019, SM Prime was the largest mall operator in the Philippines, with 73 malls across 55 cities in the Philippines and an additional 7 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 Supermarkets, SM Hypermarkets, Jollibee and National Bookstore 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 18,716 tenants in the Philippines and 1,960 tenants in the PRC across multiple segments as of 30 September 2019. These tenants include well-known Philippine brands such as Jollibee and National Bookstore as well as international brands such as Uniqlo, Forever 21, H&M, Starbucks, KFC, McDonalds.

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 and H&M have chosen SM Malls 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 34 years of operating history, the SM Malls have established strong brand equity.

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 30 September 2019, SM Prime possessed a land bank of 17,481,304 sq. m. including around the MOA complex, South Road Properties in Cebu, Clark in Pampanga, North EDSA 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 PSE-listed company, SM Prime has access to the Philippine and international capital markets for potential issuance 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 at 30 September 2019, SM Prime had consolidated total assets of ₱656.8 billion and a total equity attributable to equity holders of the Parent of ₱290.1 billion. As at 30 September 2019, SM Prime's combined net debt to equity ratio was 40%, 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. In the nine months ended 30 September 2019, 58% 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 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 20 years.

SM Prime adheres to strong corporate governance practices, with three out of the eight members of its Board of Directors being independent directors. SM Prime has been recognized by the ASEAN Corporate Governance as Top 3 in ASEAN Corporate Governance in the Philippines, PLCs Category for 2018. SM Prime has been recognized by the Asset Corporate Awards as a Platinum Awardee for Excellence in Governance, Corporate Social Responsibility and Investor Relations for 2016-2017.

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. For example, SM Prime recently submitted a proposal to reclaim land adjacent to the MOA complex.

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. The MOA complex had a total estimated land value of ₱85.3 billion according to CBRE as of December 31, 2015. 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 event 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 approximately 430,000 sq. m. It consists of a four-storey complex featuring a Cineplex, IMAX Theater, bowling center and ice skating rink. 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 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 five to seven 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 per year for the near term, in each case subject to market conditions. SM Prime is targeting to increase its overall mall GFA by 5-7% per year to approximately 8.5 million sq. m. in the Philippines and approximately 1.3 million sq. m. in China by 2019. 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. 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 City Davao, SM City Clark, SM City Iloilo, SM City North EDSA and SM Mall of Asia. SM Prime believes that SM Megamall, SM City North EDSA, and SM Seaside City still have significant under-utilized plot ratio 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 30 September 2019, SM Prime has 23 completed residential projects and 25 ongoing residential projects.

SM Prime plans to accelerate residential project launches in areas near existing SM Prime developments. As of 30 September 2019, SM Prime has already launched 14,500 units to the market. For full year 2019, SM Prime is targeting to launch between 15,000 to 20,000 residential units that includes high-rise buildings, mid-rise buildings and single detached house and lot projects. These projects will be located in Metro Manila and other key cities in the provinces.

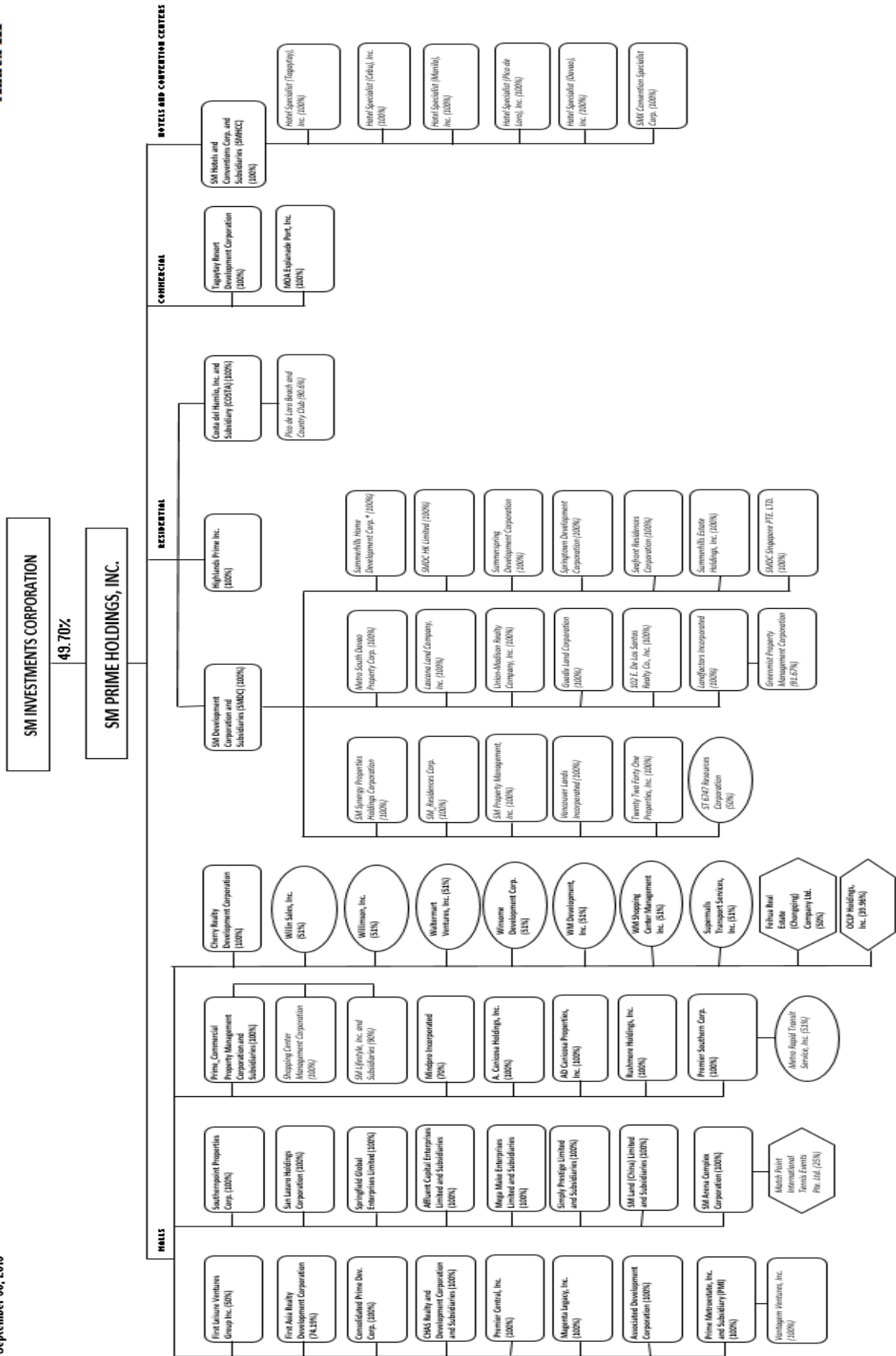
Maintain a strong balance sheet, prudent risk and capital management and good governance

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.

Capital expenditure for 2020 is approximately ₱80.0 billion, with 36% for mall, 44% for residential, 13% for commercial and 7% for hotels and convention centers. Capital expenditure for 2021 is approximately ₱80.0 billion, with 34% for mall, 47% for residential, 12% for commercial and 7% for hotels and convention centers. 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.

OWNERSHIP AND CORPORATE STRUCTURE

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



Source: SM Prime Development Corp. 2019 SEC Form 20-F, and 2019 SEC Form 10-K
Note: % Refers to Effective Ownership

MALLS

SM Prime develops, 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. As of the date of this Prospectus, SM Prime owns 73 malls (as listed below) covering a total GFA of approximately 8.5 million sq. m. located across the Philippine archipelago, attracting an average of approximately 4.2 million visitors daily. SM Prime is the leading owner and operator of shopping malls in the Philippines. SM Prime plans to continue to expand its existing malls and develop new ones, with a target of opening approximately five to seven new malls in the Philippines each year for the near term, subject to market conditions.

SM Prime has in the past concentrated on the development of its malls in the Metro Manila area, where it currently operates 23 malls. In addition, SM Prime currently plans to develop in the future seven plots of land in Metro Manila, all of which are owned. 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 50 malls and holds an additional 32 plots of land available for development, all of which are owned.

SM Prime has also expanded its shopping mall operations outside of the Philippines. SM Prime owns seven operational malls located in the cities of Xiamen, Jinjiang, Chengdu, Suzhou, Chongqing, Zibo, and Tianjin in the southern and western parts of China with a total GFA of approximately 1.3 million sq. m. SM Prime is targeting the acquisition of additional properties in China in the future as it prepares for opportunistic expansion into second and third tier cities. SM Prime plans to build one mall in China per year for the near term, subject to market conditions.

The principal sources of mall revenue for SM Prime comprise rental income payable by tenants (including its retail subsidiaries) within the malls, ticket sales derived from the operations of cinemas, and fees payable for the use of SM Prime's parking facilities, bowling, ice skating and other leisure facilities. Approximately 55% 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 approximately 34% (P15.8 billion) of SM Prime's consolidated mall revenues of P46.4 billion for the nine months ended 30 September 2019.

SM Prime retains ownership of all of the sites on which the SM Prime malls are built, with the exception of SM City Bacoar, SM City Manila, SM Center Valenzuela, SM Center Molino, SM City Clark, SM City Taytay, SM Center Muntinlupa, SM City Naga, SM City Tarlac, SM City San Pablo, SM City Calamba, SM City Olongapo, SM City Consolacion, SM City General Santos, SM Aura Premier, SM San Mateo, SM City Xiamen, SM City Jinjiang, SM City Chengdu, SM City Suzhou, SM City Chongqing, SM City Zibo and SM City Tianjin 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 City San Lazaro is constructed is owned by San Lazaro Holdings Corporation, a 100%-owned subsidiary and the land where SM Center Pasig is constructed is owned by OCLP Holdings, Inc., a 39.96% owned associate. Lease renewal options are subject to mutual agreement of the parties. SM Megamall is owned by First Asia Realty Development Corporation, a 74.2% owned subsidiary and SM by the Bay is owned by First Leisure Ventures Group, Inc., a 50% owned subsidiary.

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

Metro Manila Malls

SM City North EDSA

Year opened – 1985. SM City North EDSA is located on a 16.1-hectare site in the corners of EDSA and North Avenues, Quezon City. The very first and currently the country's largest shopping mall of SMPH has a GFA of 497,213 sq. m. and features 8 cinemas including a 3D IMAX theater with seating capacity of 6,093, a 24-computerized synthetic lane bowling center, food court, amusement centers and multi-

level carpark which provides a total capacity of 4,022 vehicles. The mall also launched The Block and renovation of The Annex and unveiled the Sky Garden. It is a 400-meter elevated walkway shaded by a long stretch of white canopy connecting building to another, with a park-like ambiance and green architecture, and includes the roof garden, water features, food and retail outlets and sky dome that is a 1,000-seat amphitheater for shows and special events. The anchor tenants for SM City North EDSA are The SM Store, SM Hypermarket and SM Supermarket, Ace Builders Center, SM Appliance Center, Our Home, Uniqlo and, Forever 21 and Miniso.

SM Megamall

Year opened – 1991. SM Megamall is located on a 10.5-hectare property in the Ortigas business district, Mandaluyong City. It stands along the main EDSA thoroughfare and is near the Metro Rail Transit. SM Megamall has two main buildings, Mega A and Mega B, eventually launched the Mega Atrium, Building C and Mega Fashion Hall. It has a total GFA of 474,225 sq. m. and features 14 cinemas including the IMAX theatre and Director's Club with total seating capacity of 7,253, a fully computerized 14-lane bowling center, an Olympic-sized ice skating rink, a mega fashion hall, event center and carpark for 2,792 vehicles. The anchor tenants for SM Megamall are The SM Store, SM Supermarket, Ace Hardware, Toy Kingdom, Our Home, Uniqlo and, Forever 21 and Crate & Barrel.

SM Mall of Asia

Year opened – 2006. SM Mall of Asia is located on a 19.5-hectare property overlooking Manila Bay, the biggest structure within the Mall of Asia Complex in Pasay City. The mall consists of four buildings linked by elevated walkways—Main Mall, the North Parking Building, the South Parking Building, and the Entertainment Center Building. The mall houses the country's first IMAX theatre, a special Director's Club screening room for exclusive film showings, 7 state-of-the art cinemas with seating capacity of 2,490, 24-lane bowling facility, an Olympic-sized ice skating rink and fine dining restaurants and bars. The mall has a total GFA of 432,891 sq. m. with 3,984 parking slots for vehicles. The anchor tenants for SM Mall of Asia are The SM Store, SM Hypermarket, Forever 21, Uniqlo, Ace Hardware and SM Appliance Center.

SM Aura Premier

Year opened – 2013. SM Aura Premier is a state of the art civic center at 26th Street corner McKinley Parkway, Global City, Taguig City. As an integrated development, SM Aura Premier incorporates office towers, a chapel, a convention center and mini-coliseum, supported by a retail podium with an upscale look and feel. The mall has a GFA of 198,257 sq. m. and features Sky Garden, food court, two digital cinemas, two Director's Clubs and an IMAX Theater with a total seating capacity of 927 and carpark with 1,771 slots. The anchor tenants for SM Aura Premier are The SM Store, SM Supermarket, Forever 21 and Uniqlo.

SM Southmall

Year opened – 1995. SM Southmall, with a GFA of 197,561 sq. m., was the first shopping mall in the southern region of Metro Manila located Alabang-Zapote Road in Las Piñas City. As major renovations completed, SM Southmall became one of the premier malls and it features 8 state-of-the-art cinemas, including an IMAX theatre, with seating capacity of 4,436, an ice skating rink, 14-lane bowling center, food court and a carpark with 3,401 slots. The anchor tenants for SM Southmall are The SM Store, SM Supermarket, SM Appliance Center, Ace Hardware and Toy Kingdom.

SM City Fairview

Year opened – 1997. SM City Fairview is situated on a 20.0-hectare site located in Quirino Highway corner Regalado Avenue, Quezon City. It has main building and two Annexes with a total GFA of 312,749 sq. m. The mall features six cinemas with a seating capacity of 3,113, 12-lane bowling center, food court, amusement areas and parking for 4,348 vehicles. The anchor tenants for SM City Fairview are The SM Store, SM Hypermarket, SM Supermarket, Ace Builders Center and Teleperformance.

SM City Marikina

Year opened – 2008. SM City Marikina in Marcos Highway, Brgy. Calumpang, Marikina City has a GFA of 178,178 sq. m. Marikina is a key city for the SM Group, as its shoemakers became vital partners during its growth years in the sixties as a shoe store in Carriedo, Manila. It features a food court, eight cinemas with a 3,050 seating capacity and carpark for 813 vehicles. The anchor tenants for SM City Marikina are The SM Store, SM Supermarket and Ace Hardware.

SM City San Lazaro

Year opened – 2005. SM City San Lazaro is located at the center of a densely populated residential area with bustling commercial activities in Sta. Cruz, Manila. The four-storey mall has a GFA of 176,159 sq. m. The mall features a food court, amusement center, six cinemas with a seating capacity of 3,085, and carpark slots of 1,256. The anchor tenants for SM City San Lazaro are The SM Store, SM Supermarket, SM Appliance Center and Ace Hardware.

SM City Manila

Year opened – 2000. SM City Manila is a five-level mall with a GFA of 161,107 sq. m. The mall is located in downtown Manila, corners of Concepcion, Arrocero and Marcelino Streets, next to Manila City Hall. It has become a major destination for shoppers, given its strategic location and easy accessibility by the Light Railway Transit and other public transportation. The mall has 12 cinemas with a seating capacity of 7,092, a food court and a carpark available for 920 vehicles. The anchor tenants for SM City Manila are The SM Store, SM Supermarket, SM Appliance Center and Ace Hardware.

SM City Sta. Mesa

Year opened – 1990. SM City Sta. Mesa, located in Ramon Magsaysay Blvd. Corner Araneta Avenue, Quezon City, is a seven level complex with a GFA of 133,894 sq. m. The mall features two cinemas with seating capacity of 1,893, a food court, an amusement center and carpark with a capacity of 1,052 vehicles. The anchor tenants for SM City Sta. Mesa are The SM Store, SM Supermarket, SM Appliance Center and Ace Hardware.

SM City BF Parañaque

Year opened – 2013. SM City BF Parañaque, with a GFA of 125,582 sq. m., is strategically located at the main gate of Parañaque's prime residential village. Its design and construction features three skylight domes in its main atrium to reduce the use of electricity by fully maximizing the use of sunlight, while air conditioning is automatically regulated to help ensure efficient energy consumption. The mall is the first mall to have four Director's Club cinemas equipped with electronic recliner (lazyboy type) seats that can accommodate up to 156 moviegoers and houses two premier cinemas with 186 seats each and parking space for 1,420 vehicles. The anchor tenants for SM City BF Parañaque are The SM Store, SM Supermarket, Ace Hardware and Uniqlo.

SM City Bicutan

Year opened – 2002. SM City Bicutan is a two-building mall located along Doña Soledad Ave. corner West Service Road, Bicutan, Parañaque City. SM City Bicutan serves numerous residents within a 3-kilometer radius. This mall has a GFA of 114,214 sq. m. It features a food court, four cinemas with seating capacity of 1,268 and carpark for 1,257 vehicles. The anchor tenants for SM City Bicutan are The SM Store, SM Supermarket, Ace Hardware and SM Appliance Center.

SM City Sucat

Year opened – 2001. SM City Sucat is a two-building mall located on a 10.1-hectare site along Dr. A. Santos Ave. (Sucat Road), Brgy. San Dionisio, Parañaque City. The mall has a GFA of 96,277 sq. m.

featuring four cinemas with seating capacity of 1,821, a food court and carpark with 1,475 slots. The anchor tenants for SM City Sucat are The SM Store, SM Supermarket and Ace Hardware.

SM City East Ortigas

Year opened – 2016. SM City East Ortigas joins SM's roster of malls in the eastern portion of Metro Manila with a GFA of 80,127 sq. m., situated in Ortigas Avenue Extension, Brgy. Sta. Lucia, Pasig City. The two-level mall houses its flagship retail brands and specialty stores, also features eight cinemas, Digital and Director's club with 1,179 seating capacity and carpark with 658 slots. The anchor tenants for SM City East Ortigas are The SM Store, SM Supermarket, SM Appliance Center and Ace Hardware.

SM Center Valenzuela

Year opened – 2005. SM Center Valenzuela has a GFA of 70,681 sq. m., situated in Brgy. Karuhatan, Valenzuela City. The mall caters to the bustling industrial areas that surround the property. The mall features four cinemas with a 1,898 seating capacity, a food court and parking for 557 vehicles. It also features the Fashion Avenue, a multi-shop style center that houses a wide array of apparel, shoes and accessory picks. The anchor tenants for The SM Store, SM Center Valenzuela are SM Hypermarket, SM Appliance Center and Ace Hardware.

SM City Novaliches

Year opened – 2010. SM City Novaliches, having a GFA of 60,044 sq. m., is located along Quirino Highway in Brgy. San Bartolome, Novaliches, Quezon City. Novaliches, being the largest district in the city, is growing with residential subdivisions and industrial companies. The amenities of the mall include a food court, four cinemas with 1,484 seats and parking for 1,206 vehicles. The anchor tenants for SM City Novaliches are The SM Store, SM Supermarket, Banco de Oro and Ace Hardware.

SM Center Muntinlupa

Year opened – 2007. SM Center Muntinlupa is situated in National Road, Brgy. Tunasan, Muntinlupa City. The two-level mall has a GFA of 57,060 sq. m. that caters the residents of Muntinlupa City and the growing municipality of San Pedro, Laguna. The mall features four cinemas with 1,582 seating capacity, an entertainment plaza for shows and events located at the center of the mall and parking slots of 290 vehicles. The anchor tenants for SM Center Muntinlupa are SM Hypermarket, SM Appliance Center and Ace Hardware.

SM Center Sangandaan

Year opened – 2015. SM Center Sangandaan, strategically located along the busy intersection of Samson Road and M.H Del Pilar Street, Brgy. Sangandaan, Caloocan City, is providing SM Prime access to the northern tip of Metro Manila that is bringing a unique shopping experience closer to the highly dense cities of Malabon, Navotas and Caloocan City. It has a GFA of 43,626 sq. m. with three levels of prime spaces, which includes four digital cinema with seating capacity of 824 and parking slots of 524 vehicles. The anchor tenants for SM Center Sangandaan are SM Supermarket, Ace Hardware and Watsons.

S Maison

Year opened – 2017. S Maison is an upscale mall located on the first two floors of Conrad Manila, Seaside Boulevard corner Coral Way, Mall of Asia Complex, Pasay City. The mall has a GFA of 42,107 sq. m. and features upscale global retail brands, international restaurants, a three state-of-the-art Director's Club cinemas with seating capacity of 120 and carpark for 445 vehicles. Major tenants for S Maison are The Dessert Museum, Hard Rock Café, Buffalo Wild Wings, Paradise Dynasty and Texas Roadhouse.

SM Center Las Piñas

Year opened – 2009. SM Center Las Piñas is located along the Alabang-Zapote Road in Brgy. Talon, Pamplona, Las Piñas City. SM Center Las Piñas serves customers in the western section of the city and the nearby provinces of Laguna and Cavite. The mall has a GFA of 39,727 sq. m. with carpark for 415 vehicles. The anchor tenants for SM Center Las Piñas are SM Hypermarket, Banco de Oro and Ace Hardware.

SM Center Pasig

Year opened – 2006. SM Center Pasig is located in Frontera Verde, Pasig City serving residents of the neighboring upscale subdivisions and customers who regularly pass through the C5 route. Its GFA is 29,602 sq. m. including its basement parking for 282 vehicles. The anchor tenants for SM Center Pasig are SM Hypermarket, Ace Hardware and Watsons.

SM Cherry Shaw Boulevard

Year opened – 2015. SM Cherry Shaw Boulevard is located in Old Wack-wack Road, Mandaluyong City, reopened and now looking refreshed and a bit more modernized while still keeping the classic Cherry feel. It has a GFA of 35,669 sq. m. with parking for 344 vehicles. The anchor tenants for SM Cherry Shaw Boulevard are SM Supermarket, Banco de Oro and Sports Central Outlet.

SM Cherry Congressional

Year opened – 2016. SM Cherry Congressional is located in Congressional Avenue Extension, Brgy. Bahay Toro, Quezon City, reopened with wider offerings of fresh-food favorites and new assortments of groceries, both local and imported. It has a GFA of 13,469 sq. m. with parking for 206 vehicles. The anchor tenants for SM Cherry Congressional is SM Supermarket and Watsons.

Malls Outside of Metro Manila

Luzon

SM City Dasmariñas

Year opened – 2004. SM City Dasmariñas sits on a 12.4-hectare property situated along Governor's Drive, approximately 100 meters from the Aguinaldo Highway junction in Dasmariñas, Cavite. The mall has a GFA of 201,645 sq. m. The mall features a food court, six cinemas with a seating capacity of 2,656 and carpark for 2,555 vehicles. The mall launched its Annex. The anchor tenants for SM City Dasmariñas are The SM Store, SM Supermarket, SM Appliance Center and Ace Hardware.

SM City Cabanatuan

Year opened – 2015. SM City Cabanatuan is strategically located along Maharlika Highway in Cabanatuan City, which is the largest city in Nueva Ecija. It has a GFA of 145,947 sq. m. featuring a food court, six cinemas with seating capacity of 1,807 and parking slots for 2,077 vehicles. The four-level mall also includes two Gardens namely, the Garden Park, which provides covered shelter; and the Roof Park located at the fourth level. The anchor tenants for SM City Cabanatuan are The SM Store, SM Supermarket, Ace Hardware, SM Appliance Center and Uniqlo.

SM City Clark

Year opened – 2006. The two-storey SM City Clark is located along M.A. Roxas Avenue and is approximately 80 kilometers north of Manila and 60-kilometers east of Subic Bay Freeport, within close proximity of the Clark Special Economic Zone in Pampanga. The mall has a GFA of 144,484 sq. m., features a food court, seven cinemas with a seating capacity of 2,933, 12-lane bowling center and parking for 3,814 vehicles. With its unique design resembling a coliseum, this mall offers tourists and

shoppers a variety of retail, dining, and entertainment establishments. The anchor tenants for SM City Clark are The SM Store, SM Hypermarket, Ace Hardware and Forever 21.

SM City Lipa

Year opened – 2006. SM City Lipa occupies 10.3 hectares of land and is a two-level mall strategically located along Lipa's Ayala Highway, Lipa City, Batangas. It has 141,283 sq. m. of GFA. Lipa City features natural attractions and is a commercial, educational and industrial destination. The mall features a food court, four cinemas with 2,098 seating capacity and 1,236 carpark slots. The anchor tenants for SM City Lipa are The SM Store, SM Supermarket and Ace Hardware.

SM City Pampanga

Year opened – 2000. SM City Pampanga is a shopping mall with three Annexes totaled 132,484 sq. m. of GFA, straddling the municipalities of San Fernando and Mexico in Pampanga. The mall is strategically located at the Olongapo Gapan Road to serve the city's residents as well as those in the provinces of Bulacan, Tarlac, Bataan, Zambales and Nueva Ecija. It features six state-of-the-art cinemas with seating capacity of 2,603, a food court, Sky Ranch and 2,586 parking slots. The anchor tenants for SM City Pampanga are The SM Store, SM Supermarket, Ace Hardware and SM Appliance Center.

SM City Bacoor

Year opened – 1997. SM City Bacoor is a five level complex with a GFA of 120,202 sq. m. located in General Emilio Aguinaldo Highway corner Tirona Highway, Brgy. Habay, Bacoor City, Cavite. It is the very first SM mall in the entire Luzon region (outside Metro Manila) and the very first in the Cavite province. The mall features eight cinemas with 4,388 seating capacity, a food court, amusement areas and parking for 1,420 vehicles. The anchor tenants of SM City Bacoor are The SM Store, SM Supermarket, Ace Hardware and SM Appliance Center.

SM City Baliwag

Year opened – 2008. SM City Baliwag is located on an 11.3-hectare property in Brgy. Pagala, Baliwag, Bulacan, approximately 40 kilometers from the EDSA—Balintawak interchange of the North Luzon Expressway. It has a GFA of 116,632 sq. m. and among the facilities included are four cinemas with a seating capacity of 1,117, a food court and parking for 1,518 vehicles. The anchor tenants for SM City Baliwag are The SM Store, SM Hypermarket, Ace Hardware and SM Appliance Center.

SM City San Jose Del Monte

Year opened – 2016. SM City San Jose Del Monte is strategically located along Quirino Hi-way, Tungkong Mangga, City of San Jose Del Monte, Bulacan, topped with commendable architectural design making it the vibrant urban hub in the north of Metro Manila. It has three floors giving a total GFA of 114,186 sq. m. and its prime spaces are allocated to local and international retail brands and well-loved food outlets, also features four state-of-the-art cinemas with seating capacity of 1,069 and multilevel basement parking with 945 slots. The anchor tenants for SM City San Jose Del Monte are The SM Store, SM Supermarket, Ace Hardware, Watsons and Banco de Oro.

SM City Baguio

Year opened – 2003. SM City Baguio is situated along Session Road in Baguio City. Baguio City is a promising site for SM Prime to develop its presence in the northern part of Luzon. Known for its cool climate, beautiful scenery and historic culture, the city offers multifold opportunities for entrepreneurs, retailers and service oriented establishments. SM City Baguio has a GFA of 107,950 sq. m. It has a food court, Sky Ranch, four cinemas with seating capacity of 1,942 and carpark slots of 765. The anchor tenants for SM City Baguio are The SM Store, SM Supermarket and Ace Hardware.

SM City Tarlac

Year opened – 2010. SM City Tarlac is located along MacArthur Highway, San Roque, Tarlac City. It is the very first SM mall in the province of Tarlac. The four-level mall has a GFA of 101,369 sq. m. The mall features a food court, four cinemas with 1,868 seating capacity, and parking for 1,122 vehicles. The anchor tenants for SM City Tarlac are The SM Store, SM Supermarket and Ace Hardware.

SM City Taytay

Year opened – 2007. SM City Taytay is a two-building mall located in Brgy. Dolores, Taytay, Rizal. SM City Taytay is situated as a stopover for travelers, especially those coming from Laguna via the Marikina Infanta Road. The mall has a GFA of 97,467 sq. m. that features a food court, three cinemas with 1,095 seating capacity and a carpark for 985 vehicles. The anchor tenants for SM City Taytay are The SM Store, SM Hypermarket and Ace Hardware.

SM City Masinag

Year opened – 2011. SM City Masinag is a three-floor mall located along Brgy. Mayamot, Marcos Highway, Antipolo City. It has a GFA of 96,313 sq. m. SM City Masinag houses a food court, four cinemas with seating capacity of 1,148, and parking for 454 vehicles. The anchor tenants for SM City Masinag are The SM Store, SM Supermarket and Ace Hardware.

SM City Marilao

Year opened – 2003. SM City Marilao is located at MacArthur Highway, Brgy. Ibayo, Marilao, Bulacan. It is the first SM mall in the Bulacan province with a land area of 13.0 hectare and a GFA of 93,910 sq. m. The four-level mall features a food court, event center, four cinemas with seating capacity of 1,172 and parking for 851 vehicles. The anchor tenants for SM City Marilao are The SM Store, SM Supermarket and Ace Hardware.

SM City Olongapo Central

Year opened – 2019. SM City Olongapo Central is located along Rizal Avenue, Brgy. East Tapinac, Olongapo Cit, Zambales. It is a four-story shopping, dining and entertainment mall with a GFA of 92,345 sq. m. The mall has modern amenities including a Food Hall, convention center, sports entertainment venue, six digital cinemas with seating capacity of 736, and carpark for 769 vehicles. The anchor tenants for SM City Olongapo Central are The SM Store, SM Supermarket, SM Appliance Center, Ace Hardware, Our Home and Banco de Oro.

SM City Legazpi

Year opened – 2018. SM City Legazpi is located along Imelda Roces Avenue, Brgy. 37 Bitano, Legazpi City, Albay. SM City Legazpi has three levels of well-curated mix of shopping, dining and entertainment concepts with a GFA of 87,049 sq. m. The mall features green architecture, accentuated by a vast glass-walled Food Hall that overlooks the splendor of Mayon Volcano, six digital cinemas with seating capacity of 654 and 922-slot carpark. The anchor tenants for SM City Legazpi are The SM Store, SM Supermarket, Uniqlo, Our Home, SM Appliance Center and Ace Hardware.

SM City Sta. Rosa

Year opened – 2006. SM City Sta. Rosa is located on a 14.1-hectare site in Barrio Tagapo, National Road, Sta. Rosa, Laguna. Sta. Rosa is the first SM mall in the Laguna province, a 10-minute drive from the Mamplasan exit. With 86,463 sq. m. of GFA, the two-level mall houses a variety of retail establishments, a food court, four cinemas with seating capacity of 1,803 and parking area for 3,351 vehicles. The anchor tenants for SM City Sta. Rosa are The SM Store, SM Supermarket and Ace Hardware.

SM City Trece Martires

Year opened – 2016. SM City Trece Martires is another premier destination opened to the public after the success of the first four malls in the populated province of Cavite, situated in Governor's Drive corner Capitol Road, San Agustin (Pob.), Trece Martires City. It has a GFA of 83,783 sq. m., furnished with well-chosen retail outlets, cozy dining outlets, forefront recreation and entertainment facilities including four cinemas with a seating capacity of 948 and carpark for 645 vehicles. The anchor tenants for SM City Trece Martires are The SM Store, SM Supermarket, Ace Hardware and SM Appliance Center.

SM City Batangas

Year opened – 2004. SM City Batangas is situated along the National Highway, Brgy. Pallocan West, Batangas City. The mall is approximately 3.7 kilometers from the Batangas International Port. SM City Batangas has a GFA of 80,350 sq. m. It has four cinemas with seating capacity of 1,609 and parking for 810 vehicles. The anchor tenants for SM City Batangas are The SM Store, SM Supermarket and Ace Hardware.

SM City Lucena

Year opened – 2003. SM City Lucena is located along Maharlika Highway corner Dalahican Road, Brgy. Ibabang Dupay, Lucena City, Quezon. It is the first SM mall in the province of Quezon. This four-level mall has a GFA of 78,655 sq. m. It features four cinemas with seating capacity of 1,965 and carpark slots of 830. The anchor tenants for SM City Lucena are The SM Store, SM Supermarket and Ace Hardware.

SM City San Mateo

Year opened – 2015. SM City San Mateo is located in Gen. Luna Avenue, Brgy. Ampid 1, San Mateo, Rizal. It is the fourth SM supermall in Rizal Province and has a GFA of 77,593 sq. m. The mall has its disaster resilient features which include expansion joints for mitigating earthquake damage and rainwater catchment basin for prevention of flood within its perimeter and surrounding community. The mall offers four cinemas with seating capacity of 1,232 and carpark for 537 vehicles. The anchor tenants for SM City San Mateo are The SM Store, SM Supermarket and Ace Hardware.

SM City Naga

Year opened – 2009. SM City Naga is located in Central Business District II of Brgy. Triangulo, Naga City. It is the first SM mall in the Bicol region and has a GFA of 75,651 sq. m. The mall offers a food court, four cinemas with seating capacity of 1,346 and carpark for 701 vehicles. The anchor tenants for SM City Naga are The SM Store, SM Supermarket and Ace Hardware.

SM City Calamba

Year opened – 2010. SM City Calamba is located at National Road, Brgy. Real, Calamba City, approximately 70 meters from the intersection of Maharlika Highway and Manila South Road. The mall has a GFA of 73,632 sq. m. and features a food court, four cinemas with seating capacity of 1,268 and parking for 320 vehicles. The anchor tenants for SM City Calamba are The SM Store, SM Supermarket and Ace Hardware.

SM City Cauayan

Year opened – 2014. SM City Cauayan, the first mall in Region II known as Cagayan Valley, is located along National Highway, District II, Cauayan City, Isabela. The mall serves customers from the country's second largest province Isabela as well as the nearby provinces of Cagayan, Nueva Vizcaya, and Quirino. SM City Cauayan has a GFA of 70,946 sq. m., features a variety of retail establishments, six cinemas with seating capacity of 1,122 and parking space for 552 vehicles. The anchor tenants for SM City Cauayan are The SM Store, SM Supermarket and SM Appliance Center.

SM City Rosales

Year opened – 2008. SM City Rosales stands on a 12.1-hectare lot located in Brgy. Carmen East, Rosales, Pangasinan with a GFA of 63,330 sq.m. It is the first SM mall in the province of Pangasinan and contains a public transport terminal that serves as a bus stop of various inter provincial bus lines. The amenities of the mall include a food court, four cinemas with seating capacity of 1,544 and parking for 1,748 vehicles. The anchor tenants for SM City Rosales are The SM Store, SM Hypermarket and Ace Hardware.

SM City Rosario

Year opened – 2009. SM City Rosario is located in Brgy. Tejeros in Rosario, Cavite. Rosario is the site of the Cavite Economic Zone. The mall serves customers in the north and northwestern parts of Cavite and neighboring provinces as well. It has a GFA of 60,657 sq. m. and features four cinemas with seating capacity of 1,560 seats and parking for 380 vehicles. The anchor tenants for SM Rosario are The SM Store, SM Supermarket and Ace Hardware.

SM City San Pablo

Year opened – 2010. SM City San Pablo is located along Maharlika Highway in Brgy. San Rafael, San Pablo City, Laguna. The mall has a GFA of 59,776 sq. m. and features a business center, an atrium for various events, four cinemas with seating capacity of 1,302 and parking for 783 vehicles. The anchor tenants for SM City San Pablo are The SM Store, SM Supermarket and Ace Hardware.

SM Center Molino

Year opened – 2005. SM Center Molino is located at the southern end of Molino Road, Bacoar, Cavite and has a GFA of 59,069 sq. m. SM Center Molino is the first to have the Service Lane, which comprises of different shops that offer a wide array of services situated outside the mall across the covered parking. The mall features four cinemas with 1,708 seating capacity and parking for 1,194 vehicles. The anchor tenants for SM Center Molino are The SM Store, SM Hypermarket, SM Appliance Center and Ace Hardware.

SM City Urdaneta Central

Year opened – 2018. SM City Urdaneta Central is located at the center of Barangay Nancayasan and Poblacion along MacArthur Highway, Urdaneta City, Pangasinan. SM City Urdaneta Central is a second SM mall in the province of Pangasinan which is the gateway to Northern Luzon and urban shopping. The mall has a GFA of 58,574 sq. m., with two-floors bringing in shopping, dining and entertainment experiences and parking for 706 vehicles. The anchor tenants for SM City Urdaneta Central are The SM Store, SM Supermarket, Our Home, SM Appliance Center and Ace Hardware.

SM City Telabastagan

Year opened – 2018. SM City Telebastagan is located at MacArthur Highway, Barangay Telebastagan, San Fernando, Pampanga. SM City Telebastagan, fourth SM mall in the highly urbanized Pampanga, offers 55,094 sq. m. of GFA, with two-floors of shopping, multi-cultural dining and entertainment zones adorned by indoor pocket gardens, and also features a food court, six digital cinemas with 654-seating capacity and 1,397 parking slots. The anchor tenants for SM City Telebastagan are The SM Store, SM Supermarket, Uniqlo, Ace Hardware and Miniso.

SM City Puerto Prinsesa

Year opened – 2017. SM City Puerto Prinsesa, the first premier mall in the largest province in the country, is strategically located at Malver Street corner Lacao Street, Puerto Prinsesa, Palawan. Designed to complement the tropical vibe of the island, the mall is set to be a cost-efficient and energy

saving building. The three-level mall has a GFA of 53,203 sq. m. that will house favored food and retail shops, three digital cinemas and two Director's Club cinemas with a combined seating capacity of 591 and parking space for 398 vehicles. The anchor tenants for SM City Puerto Prinsesa are The SM Store, SM Supermarket, Ace Hardware, SM Appliance Center and BDO.

SM Megacenter Cabanatuan

Year opened – 2015. SM Megacenter Cabanatuan is located in Gen. Tinio and Melencio Streets, Cabanatuan City, Nueva Ecija. The mall is re-branded to SM Megacenter Cabanatuan after acquisition of SM Prime from CHAS Realty and Development Corporation in 2013. It is the first SM supermall in Cabanatuan City and has a GFA of 49,688 sq. m. The mall offers four cinemas with seating capacity of 1,521 and 208 parking slots. The anchor tenants for SM Megacenter Cabanatuan are The SM Store, SM Savemore and Ace Hardware.

SM City Olongapo

Year opened – 2012. SM City Olongapo, the very first mall in the province of Zambales, has a GFA of 49,096 sq. m. that is strategically located in Magsaysay Drive Corner Gordon Avenue in the city's Central Business District. The mall serves customers in Zambales, Bataan, and other nearby provinces. SM City Olongapo's major amenities consist of an al fresco dining area, which offers a view of Olongapo's mountain landscape, three state-of-the-art digital cinemas with seating capacity of 758 and parking for 303 vehicles. The anchor tenants for SM City Olongapo are The SM Store, SM Supermarket and SM Appliance Center.

SM City San Fernando

Year opened – 2012. SM City San Fernando is a seven-storey mall located at the Downtown Heritage District, Barangay Sto. Rosario, San Fernando, Pampanga. It has a GFA of 43,130 sq. m. and features a unique facade, a distinctive exterior design which complies with the architectural theme of a heritage area. The mall's amenities include three cinemas with seating capacity of 1,058 and parking slots of 321. The anchor tenants for SM City San Fernando are The SM Store, SM Supermarket and Ace Hardware.

SM Center Angono

Year opened – 2014. SM Center Angono, located along Manila East Road and Quezon Avenue in Barangay San Isidro, Angono, Rizal, is marked as the fiftieth SM Supermall in the Philippines. It serves customers in Angono and Binangonan as well as other towns in the province of Rizal such as Cardona, Teresa, Morong, Baras, Tanay, and Pililla. It has a GFA of 41,481 sq. m. and features four cinemas with seating capacity of 768 and parking slots for 188 vehicles. The anchor tenants for SM Center Angono are SM Savemore, Banco de Oro and Ace Hardware.

SM Center Tuguegarao Downtown

Year opened – 2017. SM Center Tuguegarao Downtown is strategically located at the corner of Luna and Mabini Streets, Brgy. Ugac Sur, Tuguegarao City. The first SM mall in the urbanized city of Cagayan province offers a number of favored household brands that will give a unique shopping experience to the locals. It has a GFA of 33,301 sq. m. and carpark for 472 vehicles. The anchor tenants for SM Center Tuguegarao Downtown are SM Hypermarket, Ace Hardware, SM Appliance Center, BDO and Miniso.

SM Center Imus

Year opened – 2018. SM Center Imus is located along N.I.A. Road, Barangay Bukandala, Imus, Cavite. The mall provides 12,824 sq. m. of GFA and has unique features such as the Indoor Plaza, a perfect venue for concert and sporting events; 24/7 tenants such as full-service clinic, pharmacy and wellness spa; and the small-medium enterprises popular local concept where top favorite local brands will be

made available. The anchor tenants for SM Center Imus are SM Supermarket, SM Appliance Center, Ace Hardware, BDO, Watsons and Miniso.

SM Cherry Antipolo

Year opened – 2017. SM Cherry Antipolo is located along the bustling Marcos Highway, Brgy. Mayamot, Antipolo City. The three-level mall spans 27,225 sq. m. of GFA and features an enhanced shopping environment for the community, offering expanded services beyond the traditional grocery experience. The mall has a Sky Garden on the second level, with dining areas and walking paths and carpark for 207 vehicles. The anchor tenants for SM Cherry Antipolo are SM Supermarket, Ace Hardware, Watsons and BDO.

SM Center Pulilan

Year opened – 2017. SM Center Pulilan is the fourth SM Mall opened in the province of Bulacan, situated along Plaridel-Pulilan Diversion Road, Brgy. Sto. Cristo, Pulilan. The mall is a three-floor building with a GFA of 27,157 sq. m. and parking for 797 vehicles. The mall also features well-loved SM brands, food and retail shops. The anchor tenants for SM Center Pulilan are SM Hypermarket, SM Appliance Center, Ace Hardware, Miniso, Watsons and BDO.

SM Center Lemery

Year opened – 2017. SM Center Lemery is located at Illustre Avenue corner Gomez Street, Brgy. District IV, Lemery, Batangas. The three-level mall has a GFA of 24,877 sq. m. with an exciting mix of offerings including preferred retail and food shops, Wellness zone and Cyberzone that will cater to the distinct and discriminating taste and style of Batanguenos and parking for 382 vehicles. The anchor tenants for SM Center Lemery are SM Hypermarket, SM Appliance Center, Ace Hardware, BDO, Simply Shoes and Miniso.

Visayas

SM Seaside City Cebu

Year opened – 2015. SM Seaside City Cebu, located within the SM Seaside Complex at the South Road Properties (SRP) in Cebu City, is the first of its kind in urban development in the SRP. It has a GFA of 429,971 sq. m. featuring a centerstage theatre, a large screen cinema, two Director's Club cinemas and four regular cinemas with a combined seating capacity of 2,219, 16-lane bowling center, ice skating rink, amusement center, food court and parking slot for 4,525 vehicles. In addition, the mall features a rooftop Sky Park, an iconic 21-meter by 21-meter centerpiece called the "Cube", food and retail shops including local, national and global brands. The anchor tenants for SM Seaside City Cebu are The SM Store, SM Supermarket, Ace Hardware and Uniqlo.

SM City Cebu

Year opened – 1993. SM City Cebu is located on a 13.8-hectare site in Cebu Port Center, Barrio Mabolo, Cebu City. This mall is a multi-level complex with a GFA of 273,804 sq. m. featuring eight cinemas including a 3D IMAX theatre with seating capacity of 5,812, food court, fully computerized 28-lane bowling center, a trade hall and a carpark with 1,874-vehicle capacity. The anchor tenants for SM City Cebu are The SM Store, SM Supermarket, Ace Hardware and Forever 21.

SM City Iloilo

Year opened – 1999. SM City Iloilo has a GFA of 150,740 sq. m. and stands on a 17.4-hectare property at the juncture of the Northwest and the Northeast of the Iloilo-Jaro West Diversion Road in Manduriao, Iloilo City. Its location is a quick drive from the airport and from the center of the city. It serves the city's residents, as well as those of the rest of Panay Island and the neighboring islands in the Visayas. SM City Iloilo has eight cinemas with a seating capacity of 5,005 and parking for 1,651 vehicles. The

anchor tenants for SM City Iloilo are The SM Store, SM Supermarket, Ace Hardware and SM Appliance Center.

SM City Bacolod

Year opened – 2007. SM City Bacolod has a land area of 17.0 hectare located along Rizal Street, Reclamation Area, Bacolod City in Negros Occidental. It is a two-building mall with GFA of 137,229 sq. m. and features a convention center, food court, amusement center and four cinemas with 2,001 seating capacity and carpark slots of 1,800. The anchor tenants for SM City Bacolod are The SM Store, SM Supermarket and Ace Hardware.

SM City Consolacion

Year opened – 2012. SM City Consolacion is located along the Cebu North Road, Barangay Lamac, Consolacion, Cebu. The mall has a GFA of 103,558 sq. m. and its amenities include a food court, four cinemas with seating capacity of 1,475, and parking for 707 vehicles. The anchor tenants for SM City Consolacion are The SM Store, SM Supermarket Ace Hardware and SM Appliance Center.

SM Center Ormoc

Year opened – 2018. SM Center Ormoc is the first SM mall in Eastern Visayas Region, located at Real Street, Brgy. District 14, Ormoc City, Leyte. SM Center Ormoc, with GFA of 32,824 sq. m., has a modern structure with vivid design and covers three floors of mixed recreation, service and entertainment facilities, including alfresco dining area on its second floor, four digital cinemas with seating capacity of 401 and parking for 434 vehicles. The anchor tenants for SM Center Ormoc are SM Hypermarket, Ace Hardware, SM Appliance Center, Miniso and Watsons.

Mindanao

SM CDO Downtown Premier

Year opened – 2017. SM CDO Downtown Premier is located at the intersection of C.M. Recto and Osmeña Street, Cagayan de Oro City (CDO). The mall will have a water catchment beneath, which will be able to hold 13,650 cubic meters of rainwater to help lessen the flooding in the area. This second SM mall in CDO, facing the gateway of Northern Mindanao, has 169,894 sq. m of GFA with five floors of popular stores and top amenities, which include Cyberzone, Food Hall, Sky Hall, Sky Garden, four digital theatres, one large format cinema and two Director's Club cinemas with seating capacity of 1,459, a 14-lane bowling center and carpark for 1,502 vehicles. The anchor tenants for SM CDO Downtown Premier are The SM Store, SM Supermarket, SM Appliance Center, Ace Hardware, Uniqlo and Forever 21.

SM Lanang Premier

Year opened – 2012. SM Lanang Premier sits on a 10-hectare land located at J.P. Laurel Avenue, Brgy. Lanang, Davao City. It is the first premier mall development in Mindanao, with four levels totaled 145,174 sq. m. of GFA. The mall houses a convention center, six cinemas and an IMAX theatre with a combined seating capacity of 2,610, a 16-lane bowling center and parking for 1,660 vehicles. It also features a Sky Garden with water fountains, art installations, and landscaping. The anchor tenants for SM Lanang Premier are The SM Store, SM Supermarket, Ace Hardware and Forever 21.

SM City General Santos

Year opened – 2012. SM City General Santos is a three level mall located at San Miguel St., cor. Santiago Blvd., Lagao District, General Santos City. The mall has a GFA of 131,818 sq. m. featuring a food court, four cinemas with seating capacity of 1,386, and parking for 1,407 vehicles. The anchor tenants for SM City General Santos are The SM Store, SM Supermarket and Ace Hardware.

SM City Davao

Year opened – 2001. SM City Davao is located on a 13.2-hectare property along Quimpo Boulevard corner Tulip and Eco Drives, Brgy. Matina, Davao City. Its location is walking distance from some of the largest schools in Mindanao such as Ateneo de Davao, University of Mindanao, Philippine Women's College and the Agro-Industrial Foundation College. The mall has a GFA of 126,425 sq. m. It has six cinemas which can accommodate 2,405 movie patrons and parking for 2,201 vehicles. The anchor tenants for SM City Davao are The SM Store, SM Supermarket, Ace Hardware and SM Appliance Center.

SM City Cagayan De Oro

Year opened – 2002. SM City Cagayan De Oro sits along Mastersons Avenue corner Gran Via St., Cagayan de Oro City, Misamis Oriental. The mall has a GFA of 87,837 sq. m. It features four cinemas with seating capacity of 1,538 and carpark for 989 vehicles. The anchor tenants for SM City Cagayan De Oro are The SM Store, SM Supermarket and Ace Hardware.

China Malls

SM City Tianjin

Year opened – 2016. SM City Tianjin in Huanhe North Road, Airport Economic Zone, Tianjin, is situated on a 43.5-hectare lot and has a GFA of 321,641 sq. m. plus a carpark for 8,109 vehicles. A soft opening was held in December 2016 bringing anchor tenants such as The SM Store, Dadi Ifree Cinema, Bravo Yonghui Supermarket, Jiawen Theme Park, Decathlon, Acasia Food Court and Watsons plus several junior anchors.

SM City Xiamen

Year opened – 2001 (SM City Xiamen) & 2009 (SM Xiamen Lifestyle). SM City Xiamen in Xiamen City, Fujian Province is situated on a 10.4-hectare lot and has a GFA of 238,125 sq. m. plus a carpark for 2,090 vehicles. The anchor tenants for SM City Xiamen are Wal-Mart, The SM Store, Watsons, Wanda Cinema, H&M and Uniqlo plus several junior anchors.

SM City Jinjiang

Year opened – 2005. SM City Jinjiang in Jinjiang City, Fujian Province is situated on an 11.5-hectare lot and has a GFA of 167,830 sq. m. plus an open carpark for 1,700 vehicles. The anchor tenants for SM City Jinjiang are Wal-Mart, The SM Store, Wanda Cinema and Watsons plus several junior anchors.

SM City Chengdu

Year opened – 2006. SM City Chengdu in Chengdu City, Sichuan Province is situated on a 4.8-hectare lot and has a GFA of 166,665 sq. m. plus parking space for 810 vehicles. The anchor tenants for SM City Chengdu are Wal-Mart, The SM Store and Wanda Cinema plus several junior anchors.

SM City Zibo

Year opened – 2015. SM City Zibo in Zibo City, Shandong Province is situated on a 7.2-hectare lot and has a GFA of 152,093 sq. m. plus a carpark for 755 vehicles. The anchor tenants for SM City Zibo are The SM Store, Spar Jiajiayue Supermarket, Suning, Watsons, DaDi Cinema plus several junior anchors.

SM City Chongqing

Year opened – 2012. SM City Chongqing, located in the Yubei District, Southwest China, is situated on a 4.4-hectare lot and has a GFA of 149,027 sq. m. plus a carpark for 1,510 vehicles. SM City Chongqing is a one building structure with five levels. The anchor tenants for SM City Chongqing are Vanguard Supermarket, The SM Store and Wanda Cinema plus several junior anchors.

SM City Suzhou

Year opened – 2011. SM City Suzhou in Wuzhong District, Jiangsu Province is situated on a 4.1-hectare lot and has a GFA of 72,552 sq. m. plus a carpark for 560 vehicles. The anchor tenants for SM City Suzhou are Vanguard Supermarket and Wanda Cinema plus several junior anchors.

The Company believes that the seven 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 one new mall and one expansion project over the next five years in China.

The following table sets forth certain information regarding the contribution of the SM malls in China to SM Prime's total combined revenues and combined net income for the period stated:

	For the year ended 31 December						For the nine months ended 30 September			
	2016		2017		2018		2018		2019	
	(in millions of pesos, except percentage of SM Prime’s total)									
Revenue	4,085	5%	4,767	5%	5,808	6%	4,393	6%	4,393	5%
Net income	(180)	-1%	387	1%	488	2%	408	2%	1,159	4%

Sky Ranch

Sky Ranch Tagaytay

Sky Ranch Tagaytay, a nearly four-hectare property, is an entertainment venue adjacent to the Taal Vista Hotel, and was developed to complement the hotel's strong presence as a well-known destination in the area. To maximize the site's premium views and distinctive natural environment, a social events venue is included which is complemented by casual, family style dining establishments, as well as a mini-amusement theme park for kids and other recreational facilities such as horseback riding.

Sky Ranch Pampanga

Sky Ranch Pampanga is the first amusement park and the newest destination for both local residents and tourists in the North Luzon. The park is embedded in a 10,000 square meter land of SM City Pampanga in the City of San Fernando. It has 27 different rides and attractions, including the Pampanga Eye which is said to be the tallest and biggest Ferris wheel in the Philippines at 65 meters tall and 55 meters in diameter.

Sky Ranch Baguio

Sky Ranch Baguio is the second amusement park and the newest destination for both local residents and tourists in North Luzon. The park is embedded in a 3,000-square meter land of SM City Baguio. It has 13 different rides and attractions, including the Baguio Eye which is said to be the Ferris wheel with the highest elevation in Asia at 52 meters tall and 45 meters in diameter.

Department Stores and Supermarkets

SM Prime also owns several department store and supermarket buildings with a total GFA of approximately 300,000 sq. m. The major tenant of these buildings is the SM Retail Group. The following table sets forth certain information regarding SM Prime's department store and supermarket buildings as at 30 September 2019:

Department Store	Location	Gross Floor Area (sq. m.)	Occupancy
SM Cubao	Quezon City	109,253	98%
SM Makati	Makati City	109,667	100%
SM Delgado	Iloilo City	26,390	97%

Supermarkets (Hypermarket and Savemore)	Location	Gross Floor Area (sq. m.)	Occupancy
Adriatico	Manila City	15,823	100%
Caloocan	Caloocan City	14,479	100%
Novaliches	Quezon City	4,161	100%
Jaro Iloilo	Iloilo City	3,759	100%
Del Monte	Quezon City	2,755	100%
Kamias	Quezon City	2,211	100%
P. Tuazon	Quezon City	2,018	100%
Pedro Gil	Manila City	1,830	100%
Tandang Sora	Quezon City	1,327	100%

Except for the department stores and the Adriatico and Jaro Supermarkets, 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.

Other Malls Properties

SM Prime acts as a landlord for the following commercial properties leased by SM Food Retail Group:

Lot Location	Area (sq. m.)
Imelda Ave., Cainta, Rizal & Int. Imelda Ave., Rosario, Pasig City	41,000
East Service Road, Sucat, Muntinlupa City	40,000
Anabu I-B Imus, Cavite	37,000
II-A;II-B & Lot 1;Along H. Cortes Ext., Subangdaku, Mandaue City	36,000
Km. 7 McArthur Highway, Bangkal, Davao City	34,000
Quirino Highway, Talipapa, Balintawak, Quezon City	30,000
Manila Harbor Center, Tondo, Manila City	26,000
Rosario, Batangas	7,189
Malinao Pasig	2,777

Malls under Construction

For 2020, the Company's mall business unit is set to open five new malls, located in the cities of Butuan, Zamboanga, Daet, Roxas and Caloocan, as well as the expansions of SM City Baguio and SM Mall of Asia - IKEA. By year end, the mall business unit will have an estimated 10.2 million square meters of GFA.

Land Bank

The following table sets forth SM Prime's existing land bank owned for development of new malls as at 30 September 2019:

Location	Gross Area (sq. m.)
Luzon	1,169,577
Visayas/Mindanao	383,845
Metro Manila	190,864
Total	1,744,286

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, SM Supermarkets and SM Hypermarkets. Other significant tenants include Jollibee, National Bookstore, KFC, Chowking, Concentrix, Mang Inasal, McDonalds, iQor, Smart and Greenwich.

As at 30 September 2019, The SM Stores occupied in aggregate a gross area of 1,081,782 sq. m. within the malls, or 30% of total leasable area. SVI and SSMI operate the SM Supermarkets and SM Hypermarkets occupying in aggregate a gross area of 467,024 sq. m. as at 30 September 2019, or 13% of total leasable area.

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 2016, 2017, and 2018 and the nine months ended 30 September 2019, approximately 35%, 34%, 35% and 34%, respectively, of the aggregate mall rental revenue received by SM Prime in respect of the malls was from members of the Group and companies affiliated with the Sy family. Out of the total increase in mall rental revenue of 8% for nine months ended 30 September 2019, same store sales contributed 7% while new malls and expansion of existing malls contributed 1%.

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.

The SM Mall of Asia also hosts some premier tenants, which specialize in higher-end merchandise, such as Mango, Zara, Marks & Spencer, Topshop 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. An average of less than 3% of tenants per mall did not renew their leases upon expiry or had their leases terminated early in each of the three years ended 31 December 2016, 2017, and 2018. 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 year, with the exception of some of the larger tenants operating nationally, which are granted initial lease terms of two to five years, renewable on an annual basis thereafter. Sixty days' notice is required of SM Prime's tenants for termination of their leases, and a six-month deposit is paid at the commencement of the lease. Upon expiry of a lease,

the rental rates are adjusted to reflect the prevailing market rent. SM Prime charges rent as either a fixed rent per sq. m. or a variable rate which is a minimum per sq. m. or a base charge plus a percentage of a tenant's sales, 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 Management Companies, a wholly owned subsidiary of SM Prime. In addition, the Management Companies negotiate and handle major tenant issues for the malls, while reporting to and under the direction of SM Prime. The Management Companies 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 Management Companies 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 Management Companies 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's malls compete with other shopping malls in the geographic areas in which they operate. The other major shopping mall operators in the Philippines are Robinsons Land Corporation ("RLC") and Ayala Land, Inc. ("ALI"). As of 30 September 2019, RLC owns and operates 52 malls in the Philippines, 9 in Metro Manila and 43 in urban areas outside Metro Manila. RLC's total assets as at and for the fiscal years ended 30 September 2016, 2017, and 2018 were ₱120.0 billion, ₱148.1 billion, and ₱174.2 billion, respectively. ALI operates 32 malls and retail spaces in the country. ALI's total assets as at and for the years ended 31 December 2016, 2017, and 2018 were ₱536.4 billion, ₱574.0 billion, and ₱668.8 billion, respectively. SM Prime believes that it is well placed to face increased competition in the shopping mall industry given the competitive advantages it has, including, among others, the location of its existing malls, SM Prime's land bank, its balance sheet strength, a proven successful tenant mix and selection criteria, and the presence of The SM Stores, SM Supermarkets, SM Hypermarkets and retail affiliates of the Group within the malls. SM Prime believes that its experience and understanding of the retail industry has also been a contributing factor to its competitive advantage in the industry.

Subsidiaries

SM Prime has 15 wholly-owned mall related Philippine subsidiaries, namely, Premier Central, Inc., Premier Southern Corp., Consolidated Prime Dev. Corp., San Lazaro Holdings Corporation, Southernpoint Properties Corp., CHAS Realty and Development Corp., Rushmore Holdings, Inc., Prime Commercial Property Management Corporation, Magenta Legacy, Inc. Associated Development Corporation, Prime Metroestate, Inc., SM Arena Complex Corporation, A. Canicosa Holdings, Inc., AD Canicosa Properties, Inc. and Cherry Realty Development Corporation. SM Prime holds its interests in SM City Batangas and SM City Lipa, SM City Dasmariñas, SM City Clark, SM City Lanang, and SM Megacenter Cabanatuan through Premier Southern Corp., Consolidated Prime Dev. Corp., Premier Central, Inc., Southernpoint Properties Corp., and CHAS Realty and Development Corp., respectively. First Asia Realty Development Corporation is a 74.2% owned subsidiary of SM Prime, through which SM Prime holds its interest in SM Megamall. First Leisure Ventures Group, Inc. is a 50.0% owned subsidiary of SM Prime, through which SM Prime holds its interest in SM by the Bay. All malls not otherwise mentioned in this paragraph are owned directly by SM Prime.

RESIDENTIAL (PRIMARY)

SM Prime's revenue from residential operations is derived largely from the sale of condominium units.

As of 30 September 2019, residential business unit has forty-eight residential projects in the market, thirty-eight of which are in Metro Manila and ten are outside Metro Manila.

Completed Residential Projects

The following projects have completed their construction but units are still being sold by SM Prime:

Chateau Elysee

Chateau Elysee is a six-cluster, six-storey residential condominium project in a 4.7 hectare lot in Parañaque City, Metro Manila. This project offers one-bedroom and two-bedroom units. Cluster one, comprising 384 units, was launched in 2003 and completed in December 2004. Construction of cluster two with 384 units was completed in May 2006. Construction of cluster three with 400 units was completed in May 2007. Construction of cluster six with 504 units was completed in December 2008. Construction of cluster five, with 560 units was completed in November 2009. Construction of Cluster four with 588 units began in April 2010 and was completed in June 2011. As of 30 September 2019, 98.8% of the project's 2,820 units in total had been sold.

Mezza Residences

SM Prime's first high-rise project is the Mezza Residences ("Mezza"), which is a mixed-use development project with 38-storey four-tower condominiums and commercial retail area located across from SM City Sta. Mesa, Manila. Each tower has 400 to 800 residential units comprised of one-bedroom to four-bedroom configurations, with floor areas ranging from 21 to 67 sq. m. Mezza consists of 2,332 saleable residential units and 18 commercial units for lease with Savemore store as the anchor tenant. As of 30 September 2019, construction of Mezza towers one to four was 100% complete and SMDC had sold 99.4% of the units in Mezza.

Berkeley Residences

Berkeley Residences is a 35-storey high-rise condominium project situated just across Miriam College in Quezon City. Berkeley Residences comprises 1,276 units which were completed in June 2011, of which 99.9% were sold as of 30 September 2019.

Sea Residences

Sea Residences is a 15-storey residential and commercial condominium project comprising of six buildings, located at the Mall of Asia (MOA) Complex, Pasay City. Construction for Phase One of Sea Residences started in January 2009 and was completed in March 2012. As of 30 September 2019; 99.6% of the units in Phase One were sold. Construction for Phase Two started in December 2009 and was completed in November 2012. As of December 31, 2018; 98.6% of the units in Phase Two were sold. Phase Three of Sea Residences units were 99.6% sold as of December 31, 2018; construction for Phase Three started in March 2010 and was completed in December 2012.

Princeton Residences

Princeton Residences is a 38-storey high-rise condominium project located along Aurora Blvd., Quezon City which was completed in March 2013. Princeton Residences comprises 1,096 units of which 98.3% were sold as of 30 September 2019.

Sun Residences

Sun Residences is a project comprising two 40-storey towers located along España Blvd., Quezon City near Welcome Rotonda. Sun Residences Tower 1 comprises 2,057 units of which 99.3% were sold as of 30 September 2019. Tower 2 comprises 1,982 units of which 99% were sold as of 30 September 2019. Construction of Towers 1 and 2 were completed in November 2013 and June 2014, respectively.

Jazz Residences

Jazz Residences is a mixed-use development project comprising four 41-storey towers located at N. Garcia corner Jupiter, Makati City. Towers A, B, C and D of the project consist of 5,367 units of which 98.9% were sold as of 30 September 2019. Construction of Tower A started in April 2010 and was completed in December 2013 while construction of Tower C started in October 2010 and was completed in May 2014. Construction of Tower D started in July 2011 and was completed in June 2015. Construction of Tower B started in July 2011 and was completed in September 2015.

Blue Residences

Blue Residences is a 40-storey residential condominium situated across from Ateneo De Manila University in Quezon City. Construction of Blue Residences started in October 2010 and was completed in May 2014. It comprises 1,591 units of which 99.2% were sold as of 30 September 2019.

Grass Residences – Phase 1

Grass Residences – Phase 1 is a three tower 40-storey high-rise condominium project located behind SM City North EDSA, Manila. Tower 1 comprises 1,988 units of which 98.7% were sold as at 30 September 2019. Construction of Tower 1 started in March 2008 and was completed in October 2011. Tower 2 comprises 2,025 units, of which 96.9% were sold as at 30 September 2019. Construction of Tower 2 started in November 2010 and was completed in May 2014. Tower 3 comprises 1,990 units, of which 99.2% were sold as of 30 September 2019. Construction of Tower 3 started in November 2009 and was completed in December 2013.

Light Residences

Light Residences is a mixed-use development project with three 40-storey towers located along EDSA, Mandaluyong City. It has a total of 4,227 units, of which 96.9% were sold as of 30 September 2019. Construction of Phase 1, which consists of the podium and Tower 1, started in May 2010 and was completed in December 2013. Construction of Phase 2 (Tower 3) started in April 2011 and was completed in December 2013. Construction of Phase 3 (Tower 2) commenced in July 2011 and was completed in January 2015.

M Place @ South Triangle

M Place @ South Triangle is a four 25-storey tower condominium in South Triangle, Quezon City. Tower A started construction on January 2011 and was completed in December 2013. Tower A comprises 827 units of which 98.8% were sold as of 30 September 2019. Tower B started construction in July 2011 and was completed in December 2013. Tower B comprises 912 units of which 96.7% were sold as of 30 September 2019. Tower C comprises 778 units of which 96% were sold as of 30 September 2019. Construction of Tower C began in January 2012 and was completed in 2015. Tower D comprises of 920 units of which 95.1% were sold as of 30 September 2019. Construction of Tower D commenced in July 2012 and was completed in January 2015.

Mezza II Residences

Mezza II Residences is a 38-storey residential condominium located just beside the first Mezza Residences in Quezon City. Construction of Mezza II started in November 2011 and was completed in January 2015. It comprises 1,324 units of which 98.4% were sold as of 30 September 2019.

Shine Residences

Shine Residences is a 22-storey residential condominium located in Pasig City. Construction of Shine Residences commenced in January 2013 and was completed in December 2015. It comprises 892 units, of which 91.3% were sold as of 30 September 2019.

Green Residences

Green Residences is a 50-storey residential condominium situated on Taft Avenue, Manila near De La Salle University. Construction of Green Residences started in August 2011 was completed in December 2015. Green Residences comprises 3,378 units of which 98.6% were sold as of 30 September 2019.

Shell Residences

Shell Residences is a 16-storey residential and commercial condominium project and is located at the MOA Complex in Pasay City. It comprises four buildings with 3,093 residential units of which 99.3% were sold as of 30 September 2019. Construction of Shell Residences commenced in May 2012 and was completed in December 2015.

Field Residences

Field Residences is a residential condominium project that ultimately consists of ten buildings located behind SM Sucat, Parañaque. Buildings 1, 2, 3, 7 and 8 of Field Residences were 98.1% sold as of December 31, 2018. Construction of buildings 1, 2, 8, 3 and 7 were completed in April 2010, April 2011, December 2011, December 2012 and September 2013, respectively. Building 4 was 97.5% sold as of September 30, 2019. Construction of building 4 commenced in July 2014 and was completed in March 2017.

Wind Residences

Wind Residences is a residential condominium development with five 20-storey towers located along Emilio Aguinaldo Highway, Tagaytay City. Towers 1 to 5 have a total of 3,524 units of which 98% were sold as of 30 September 2019. Towers 1-5 are ready for occupancy.

Grace Residences

Grace Residences is a residential condominium development with four towers located along Levi Mariano Avenue in Taguig City. The project was 92.1% sold as of 30 September 2019. Construction of Tower 1 started in May 2013 and was completed in October 2015. Construction of Tower 2 and 3 commenced in October 2013 and May 2014, respectively, and was completed in September 2016. Construction of Tower 4 started in April 2015 and was completed in July 2018.

Trees Residences Phase 1 and Phase 2 Buildings

Trees Residences is a residential condominium development with nineteen 7-storey towers located near Quezon City. Buildings 1, 2, 3, 5, 6 and 7 ("Phase 1 Buildings") were 87.8% sold as of 30 September 2019. Construction of the Phase 1 commenced in January 2014 and was completed in March 2016. Phase 2 buildings (Bldgs. 8, 9, 10, 11, 12 and 15) were 74.1% sold as of 30 September 2019. Construction of Phase 2 commenced in May 2015 and was completed in year 2018.

Breeze Residences

Breeze Residences is a 38-storey residential and commercial condominium project and is located along Roxas Boulevard in Pasay City. As of 30 September 2019, 99.3% of the units were sold. Construction of Breeze Residences commenced in June 2013 and was completed in September 2017.

Shore Residences

Shore Residences is a residential condominium development with four towers located at the MOA Complex in Pasay City. Construction of Shore Residences commenced on the second quarter of 2014 and was completed in 2019. As of 30 September 2019, 98.9% of the 5,691 residential units were sold.

Ongoing Residential Projects

Grass Residences – Phase 2

Grass Residences – Phase 2 was launched in March 2013, a two tower 37-storey high-rise condominium project located behind SM City North EDSA, Manila. Tower 4 and Tower 5 are expected to be completed in 2019.

Cool Suites @ Wind Residences

Cool Suites @ Wind Residences is a residential condominium project that will consist of 6 Towers located along Emilio Aguinaldo Highway, Tagaytay City. Cool Suites @ Wind Residences is a Phase 2 Project at the 15-hectare development of Wind Residences. Building 1 was launched in December 2014 and 97.2% were sold as of 30 September 2019. Construction of Building 1 commenced in January 2015 and was completed in August 2017. Building 2 was launched in August 2016 and 96.8% of the units were sold as of 30 September 2019.

Air Residences

Air Residences is a residential condominium situated across Ayala Avenue Extension corner Yakal and Malugay Street, Barangay San Antonio, Makati City. Construction of Air Residences commenced on the last quarter of 2015 and is expected to be completed in 2020.

Fame Residences

Fame Residences is a residential condominium project that will ultimately consist of four towers in a common podium located along EDSA and Mayflower Street, Barangay Highway Hills, Mandaluyong City. Construction of the project commenced in November 2015. Towers 1 and 2 of Fame Residences are expected to be completed in 2019 and 2020, respectively.

Shore 2 Residences

Shore 2 Residences is a residential condominium development with three towers located just beside Shore Residences in Pasay City. Construction of Shore 2 Residences commenced on the last quarter of 2015 and is expected to be completed in 2020.

Shore 3 Residences

Shore 3 Residences is a residential condominium development located next to Shore 2 Residences in Pasay City. Construction of Shore 3 Residences commenced on the last quarter of 2016.

South Residences Phase 1

South Residences Phase 1 is a residential condominium project that will ultimately consist of four towers located near SM Southmall in Las Piñas City. Construction commenced on the second half of 2015 and is expected to be completed on the second half of 2019.

Coast Residences

Coast Residences is a residential condominium located at Roxas Boulevard corner of Dapitan St., Pasay City. Construction of Coast Residences commenced on the first quarter of 2016 and is expected to be completed in 2019.

Spring Residences

Spring Residences is a residential condominium project that will ultimately consist of four towers located at West Service Road, Bicutan, Parañaque City. Construction of the project commenced on the first half

of 2016 and is expected to be completed in 2020.

S Residences

S Residences is a residential condominium development with three towers located at the MOA Complex in Pasay City. Construction of S Residences commenced on the second quarter of 2016 and is expected to be completed in 2019.

Vine Residences

Vine Residences is a residential condominium located at Brgy. San Bartolome, Novaliches, Quezon City. Construction of Vine Residences commenced on the last quarter of 2016 and is expected to be completed in 2021.

Cheer Residences

Cheer Residences is a residential condominium located at Mac Arthur Highway, Brgy Ibayo, Marilao Bulacan. Construction of Cheer Residences commenced in 2017 and is expected to be completed in 2020.

Bloom Residences

Bloom Residences is a residential condominium located along Dr. A. Santos, Sucat, Parañaque. Construction of Bloom Residences commenced on the second half of 2017 and is expected to be completed in 2022.

Green 2

Green 2 Residences is a residential condominium located at Brgy. Burol Main, Dasmariñas, Cavite. Construction of the project commenced on the second half of 2017 and is expected to be completed in 2021.

Hope Residences

Hope Residences is a residential condominium with four buildings located near SM City Trece Martires, Cavite. Construction of Hope Residences started on the second half of 2017 and is expected to be completed in 2020.

Charm Residences

Charm Residences is a residential condominium located at Barangay San Isidro, Cainta, Rizal. Construction of Charm Residences commenced on the second half of 2017.

Cheerful Homes

Cheerful Homes is SM Prime's house and lot project located at Mabalacat, Pampanga. Construction started on the first half of 2017 and is expected to be completed in 2020.

Red Residences

Red Residences is a residential condominium located at Chino Roces Ave. San Lorenzo Village Makati City. Construction of Red Residences started on the second half of 2018 and is expected to be completed in 2023.

Leaf Residences

Leaf Residences is a residential condominium located at Susana Heights, Muntinlupa City. Construction

of Leaf Residences started in 2018 and is expected to be completed in 2021.

Park Residences

Park Residences is a residential condominium located at Brgy. Tagapo, Sta. Rosa, Laguna. Construction of Park Residences started in 2018 and is expected to be completed in 2023.

Hill Residences

Hill Residences is a residential condominium located at Novaliches, Quezon City. Construction of Hill Residences started in 2018 and is expected to be completed in 2022.

Lane Residences

Lane Residences is a residential condominium located at Lanang, Davao City. Construction of Lane Residences started in 2018 and is expected to be completed in 2023.

Lush Residences

Lush Residences is a residential condominium located at Bagtikan St. San Antonio Village, Makati City. Construction of Lush Residences started in 2018 and is expected to be completed in 2021.

Sail Residences

Sail Residences is a residential condominium located at MOA Complex Pasay, City. Construction of Sail Residences started in 2019 and is expected to be completed in 2023.

Glam Residences

Glam Residences is a residential condominium located at EDSA and Samar Ave., Brgy South Triangle, Quezon City. Construction of Glam Residences started in 2019 and is expected to be completed in 2023.

Style Residences

Style Residences is a residential condominium located at Benigno Aquino Avenue, Mandurriao, Iloilo City. Construction of Style Residences started in 2019 and is expected to be completed in 2023.

Socialized Residential Projects

Heneral Uno

Heneral Uno is the first horizontal socialized housing project launched in 2012. The project is situated in 25 hectares property in General Trias, Cavite.

Heneral Dos

Launched in 2013 is the second socialized housing project named "Heneral Dos". It is situated in 20 hectares property in General Trias and Trece Martinez, Cavite.

Brisas De Tanza

Brisas De Tanza was launched in 2015 located in Tanza, Cavite. Project gross area is 6.5 hectares with predominantly socialized housing offerings.

Primera Subdivision

Primera Subdivision is a pioneering socialized housing development in Sto. Tomas, Batangas. It was

launched in 2015 with an area of 11 hectares.

Paseo Heneral Dos

Paseo Heneral Dos is situated in General Trias, Cavite. It was launched in the first quarter of 2016.

Primerarosa

Primerarosa is the second socialized housing project in Sto. Tomas, Batangas. It was launched in the second quarter of 2016.

Reginarosa

Reginarosa is the third housing project in Sto. Tomas, Batangas. It was launched in the fourth quarter of 2017 largely composed of socialized housing offerings.

Bela Rosa

Belarosa is the fourth housing project in Sto. Tomas, Batangas. It was launched in the first quarter of 2018 largely composed of socialized housing offerings.

Amorrosa

Amorrosa is the fifth housing project in Sto. Tomas, Batangas. It was launched in the fourth quarter of 2018 largely composed of socialized housing offerings.

RESIDENTIAL (LEISURE)

SM Prime owns leisure and resort developments including properties located in the Tagaytay Highlands and Tagaytay Midlands golf clubs 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.

Residential Developments in Tagaytay

The Horizon at Tagaytay Midlands

This is a medium-density residential condominium development located inside The Tagaytay Midlands mountain resort community. The development overlooks the Tagaytay Midlands golf course, Taal Lake and Volcano in the west, Mt. Makiling in the south east and the mountain range of Batangas in the south. This has 6 buildings with 108 units of approximately 139 to 152 sq. m. each. The project was launched in 2005 and was fully sold as at 30 September 2019.

Pueblo Real at Tagaytay Midlands

The development is adjacent to The Horizon, situated on a six-hectare property and has 86 lots with an average lot size of 420 sq. m. The project is 98.84% sold as of 30 September 2019.

Woodridge Place Phase 2

This is a condominium project at Tagaytay Highlands that was introduced to the market in May 2010. This project consists of two mid-rise buildings with 176 condominium residential units with areas ranging from 41 to 241 sq. m. per unit. The project is 99.43% sold as of 30 September 2019.

Sierra Lago

This is a lot subdivision development located at Tagaytay Midlands that was launched in November 2010. This development has 185 lots with sizes of approximately 250 to 435 sq. m. The project is 99.46% sold as of 30 September 2019.

Aspenhills

This is a leisure lot development located at Tagaytay Highlands that was launched in summer of 2012. This development is situated on a 27-hectare property which offers lot sizes from 300 to 800 sq. m. The surrounding village is expected to include the Meadows Community Clubhouse, the Little Ranch playground, the Sunshine Picnic Grove and Spinner's Trail. Approximately 99.51% of the lots had been sold as of 30 September 2019.

The Hillside at Tagaytay Highlands

The Hillside at Tagaytay Highlands is the first lots only subdivision in the Tagaytay Highlands complex which is located near the Sports Center, the Country Club and other recreational facilities. This property boasts of cool year-round climate, gentle rolling terrain, lush greenery and views of the mountainside and Laguna De Bay. On this development, lot cuts range from 400 to 641 square meters. Three model units have been constructed to date. The project is fully sold as of 30 September 2019.

Vireya Phase 1

A tropical-inspired residential subdivision with a total land area of 16.9 hectares located at the Midlands enclave. This is the third lot development at The Midlands and has lot cuts ranging from 250-562 square meter area. The project was launched in July 2016. As at September 30, 2019, 95.28% of the lots had been sold.

Vireya Phase 2

Vireya Phase 2 is an expansion of the Vireya Phase 1 development with lots ranging from 255-486 sq. m. area. This area features additional amenities that will further enhance the entire subdivision: Treehouse, garden patio and playground. The project was launched in April 2017. As at September 30, 2019, 98.78% of the lots had been sold.

Vireya Phase 3

Vireya Phase 3 is the latest expansion of Vireya Project – a tropical-themed community situated in the Midlands. The 3.6 has. property offers 92 lots with sizes ranging from 250 to 612 sq. m. Vireya Phase 3 will utilize and share the current amenities of Vireya Phase 1 & 2. As at 30 September 2019, 81.52% of the lots had been sold.

The Woodlands Point at Tagaytay Highlands

The Woodlands Point at Tagaytay Highlands is a single detached log cabin condominium community located near Fairway 15 of the Tagaytay Highlands Golf Course. The community is designed to accommodate 60 pads for single detached log cabins carrying the homey atmosphere of North American cedar log cabin living enhanced by Western red cedar accents and elegant detailing of glass and stone. Currently, 25 log cabins have been completed and sold.

The Woodridge Place Phase I at Tagaytay Highlands

Located in Tagaytay Highlands adjacent to The Woodridge. The Woodridge Place Phase 1 is a condominium development with the views of The Woodlands, Tagaytay Highlands Golf Course, Canlubang, Laguna De Bay and surrounding mountains. Its architectural theme is inspired by the mountain resorts of the Colorado Region. This development consists of seven mid-rise buildings, all

residential units of which are sold.

Horizon Terraces - Garden Suites 1 and Garden Villas 2

Horizon Terraces shall complete the undeveloped area which sits on a 3-hectare property within the 6-hectare land comprising the Horizon project at the Midlands. This will offer a mix of condominium and townhouse residential units both offering condo titles. Garden Suites 1 and Garden Villas Cluster 2 were launched in August 2017. Suites 1 offers 1BR and 2BR units with area ranging from 43 to 68 sq. m; and Villas Cluster 2 offers 3BR units with areas 135 and 153 sq. m. Construction of Suites 1 and Villas Cluster 2 commenced in 2018. Approximately 81.82% of the condo units in Suites 1 and 42.86% of Villas 2 Cluster 2 have been sold as at 30 September 2019.

Horizon Terraces – Garden Suites 2

As part of Horizon Terraces development, Garden Suites 2 was launched in November 2018 with 40 units of 1BR & 2BR units with areas ranging from 44 to 102 sq. m. Construction shall commence in 4Q-2019 based on projections. As at 30 September 2019, 52.50% of the units had been sold.

Horizon Terraces – Garden Suites 3

The latest of the Horizon Terraces development launched in July 2019, Garden Suites 3 is comprised of 45 units of 1BR & 2BR units with areas ranging from 35 to 103 sq. m. Construction shall commence in 1Q-2020 based on projections. As at 30 September 2019, 53.33% of the units had been sold.

The Pines at Aspenhills

Launched in September 2019, The Pines at Aspenhills is the latest residential subdivision in Tagaytay Highlands situated across the existing Aspenhills subdivision. The total land area of the property is approximately 8.3 hectares with developable area of 1.2 hectares. The village is inspired by the colorful happy summers of Aspen, Colorado (following the existing Aspenhills theme). Living a modern ranch style and mountain log home in an exclusive area with a total of 25 lots makes it distinct from the rest of the exclusive communities in Highlands.

Residential Developments in Pico de Loro

Jacana

Jacana is a residential condominium project located at Pico De Loro Cove, Nasugbu, Batangas. It is comprised of two buildings, building A with six floors and building B with seven floors. Construction of Jacana commenced in August 2007 and was completed in February 2010. As of 30 September 2019, 99.6% of the project's units have been sold.

Myna

Myna is a residential condominium project located at Pico De Loro Cove, Nasugbu, Batangas. It comprises two buildings, building A with six floors and building B with seven floors. Construction of Myna commenced in May 2008 and was completed in July 2010. As of 30 September 2019, 99.6% of the project's units have been sold.

Carola

Carola is a residential condominium project located at Pico De Loro Cove, Nasugbu, Batangas. It comprises two buildings, building A with six floors and building B with seven floors. Construction of Carola commenced in August 2009 and was completed in August 2012. As of 30 September 2019, 99.6% of the project's units have been sold.

Miranda

Miranda is a residential condominium project located at Pico De Loro Cove, Nasugbu, Batangas. It comprises two buildings, building A with six floors and building B with seven floors. Construction of Miranda commenced in August 2009 and was completed in June 2012. As of 30 September 2019, 99.6% of the project's units have been sold.

Freia

Freia is a residential condominium project located at Pico De Loro Cove, Nasugbu, Batangas. It comprises three buildings, building A with thirteen floors, building B with eleven floors and building C with nine floors. Freia was launched last July 2017 and construction is on-going. As at 30 September 2019, 45.30% of the units were sold.

Pico de Loro Beach and Country Club

Pico de Loro Beach and Country Club is a leisure facility located at Pico de Loro Cove. Costa del Hamilo, as developer, executed a deed of conveyance of the titles to the lots and buildings, and in return owns 4,000 shares. The beach club was completed and opened in 2009, while the country club was completed in June 2010.

Land Bank for Residential (Primary) Development

For 2019, SM Prime's residential unit will launch 15,000 to 20,000 units that includes high-rise, mid-rise and single detached housing. These projects will be located in Metro Manila and other key cities in the provinces. This is a combination of new projects and expansion of existing projects.

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.

The table below sets forth the locations of SM Prime's residential (primary) undeveloped land inventory as of 30 September 2019:

Location	Area (sq. m.)
Metro Manila	928,096
Outside Metro Manila	8,887,902
Total	9,815,998

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 521 hectares of land located around the vicinity of Tagaytay Highlands International Golf Club in Tagaytay City, Cavite and Tagaytay Midlands Golf Club in Batangas.

The table below sets forth the location and area of SM Prime's land bank as of 30 September 2019:

Location	Area (sq. m.)
Batangas	3,941,412

Laguna	940,728
Tagaytay	327,764
Total	5,209,904

COMMERCIAL

SM Prime's commercial business unit is engaged in the development and leasing of office buildings in prime locations in Metro Manila, as well as the operations and management of such buildings and other property holdings.

Completed Commercial Properties

Mall of Asia (MOA) Complex

SM Prime's flagship project is the MOA Complex in Pasay City, a 60-hectare master planned bayside development with the renowned SM Mall of Asia as its anchor development and main attraction, among other commercial, business, and entertainment establishments within the Complex. A major attraction in the Complex is the landmark 16,000-indoor seating SM Mall of Asia Arena, as well as its adjacent annex building, MOA Arena Annex Building, that houses additional parking spaces and office levels. The MOA complex is also the site of SM Prime's signature business complex, the E-Com Centers, a series of modern and iconic office buildings mostly targeting technology based industries, BPO and shipping companies.

Three E-Com Center

Year opened – 2018. Three E-com Center is a 15-storey office building with a three level parking podium and the ground level designed to cater the commercial and retail tenants. Similar to Two E-com Center and Five E-com Center, Three E-com Center features architectural designs of Miami based firm Arquitectonica. The GFA is 129,857 sq. m. SM Prime again pioneers development in the bay area by being the first to offer a Gold LEED certified office building with Three E-Com Center.

Five E-Com Center

Year opened – 2015. Similar to its predecessor Two E-com Center, Five E-com Center features architectural designs of Miami based firm Arquitectonica, with FS Lim & Associates as the local architect of record. The 15-level office building covers a GFA of 145,638 sq. m. Five E-com Center also features a mixed-use component on its fourth level podium.

Two E-Com Center

Year opened – 2012. Two E-com Center is a 15-storey office and commercial building housing BPOs and technology intensive businesses, as well as location based firms such as shipping and logistics. This iconic structure located in the MOA complex in Pasay City offers a GFA of 106,682 sq. m. of office and commercial space, and premium views of Manila Bay and the Makati skyline. It is designed by Miami based Arquitectonica, with FS Lim & Associates as local architect of record. Commercial spaces are located at both the ground floor and the fourth floor podium level called the Prism Plaza.

SM Clark BPO Tech Hub

Year opened – 2016. SM Clark BPO Tech Hub is a 6-storey tech hub with GFA of 72,973 sq. m., located inside the SM City Clark mall complex. It primarily caters office spaces for BPO firms and also offers the first and second level for retail stores.

SM Aura Office Tower

Year opened – 2014. SM Aura Office Tower is strategically connected to SM Aura Premier with its structure as "dumbbell" arrangement determined by the narrow site, with the main entry at the north

corner, and the office tower located at the southern end. The 30-storey office tower has a GFA of 52,837 sq. m. As part of the Bonifacio Civic Center, government agencies such as Social Security System, Philippine Health Insurance, Bureau of Immigration and LRA-Registry of Deeds of Taguig City and Pateros have occupied office spaces.

SM South Tower

Year opened – 2018. SM South Tower is a BPO and Carpark building located within the SM Southmall complex. The two BPO Towers, with four levels each, rest on a podium with four levels of carpark. The ground floor caters to the retail tenants and the two BPO Towers with GFA of 27,007 sq. m. dedicated for BPO offices.

SM The Core Tower 1

Year opened – 2017. SM The Core Tower 1 is situated on top of a podium with five-level carpark building, of which some spaces on ground floor occupied by retail stores. SM The Core Tower 1 has four floors with GFA of 13,833 sq. m. and offers its leasable area for the BPO offices. This BPO and Carpark building, collectively named as "The Core," is located inside the SM City Sta. Rosa complex.

SM Taytay BPO Tower

Year opened – 2015. SM Taytay BPO Tower, a four-level building, is located just 100-meter away from SM City Taytay Mall. SM Taytay BPO Tower has a GFA of 11,520 sq. m., its ground floor allots for retail stores and other floors offers for BPO offices.

SM Cyber West

Year opened – 2014. A new standalone office building development in the SM Cyber series, SM Cyber West is a 15-level office building development located on a highly visible and prime 2,900 sq. m. owned property at the corner of EDSA and West Avenue. The building covers a GFA of more or less 41,150 sq. m. Additionally, it is linked via bridgeways to the SM City North EDSA mall as well as nearby Metro Rail Transit station.

Makati Cyber One

Year opened – 2008. SM Makati Cyber One is a 4-storey office building located along Gil Puyat Avenue with GFA of 23,491 sq. m.

Makati Cyber Two

Year opened – 2008. SM Makati Cyber Two is a 4-storey office building with GFA of 17,264 sq. m. The development is along corners of Sen. Gil J. Puyat Avenue (Buendia)/Jupiter/Zodiac Streets, Makati City. SM Prime also owns the land where SM Makati Cyber Two is built upon.

Anza Commercial Building

Year opened – 2014. The building is a 2-storey commercial center located on Makati Avenue corner Anza St., Makati City with a GFA of 2,177 sq. m.

Future Commercial Developments

Four E-Com Center

Four E-Com Center in MOA Complex which broke ground last January 2016 is designed to address the demand for office buildings in the country. It will have a GFA of approximately 192,454 sq. m. A 16-storey building, Four E-Com has a full basement, four podium parking, and eleven office levels. Retail spaces are offered at the fifth floor podium and ground levels. The building's design concept will portray

crystal formations, with three adjacent towers springing from a common podium. The building will have the distinct rhombic shape as well as flat and inclined surfaces layered over grids to resemble crystals. Like the other E-Com buildings, it will also feature a landscaped deck at the fifth floor podium.

SM Seaside Complex

SM Seaside Complex is a 30-hectare property located at the South Road Properties in Cebu City. With SM Seaside City Cebu as the anchor development, it is slated to transform the city's landscape as SM Prime plans to build residences, offices, an arena, a five-star hotel, and convention centers. It is also the site of Chapel of San Pedro Calungsod, Seaside Tower and Cebu Ocean Park.

Warehouses

SM Prime also owns several warehouses with a total GFA of approximately 38,005 sq. m. that are strategically located in various areas that support the retail operations.

Jetty Terminal

Also in MOA Complex is the jetty terminal that was built in compliance to the sea-based mass transit of the MOA Complex master plan.

MOA Arena Annex Building

MOA Arena Annex Building is an 11-storey with total GFA of 95,273 sq. m. It is designed to serve the parking needs of MOA Arena from ground to 7th floor. The 8th to 11th floor, are leased out as office space.

Corporate Office Buildings B to F

Corporate Offices are composed of Buildings B to F with a total GFA of 38,083 sq. m. All buildings are low-rise developments and are fully leased by the SM Affiliates as of December 31, 2018.

Tagaytay Lot

Tagaytay lot is located along Gen. Emilio Aguinaldo Highway, within Barangays Mahabang Kahoy and Kaybagay, Tagaytay City with total land area of 117,992 sq. m., of which, 45,264 sq. m. was developed by SM Prime as "The Sky Ranch" and the rest of the area is vacant.

Landbank for Commercial Development

The table below sets forth the locations of land inventory as of 30 September 2019:

Location	Area (sq. m.)
Luzon	320,209
Metro Manila	46,009
Visayas	344,898
Total	711,116

Competition

SM Prime's top competitors for commercial properties are Ayala Land, Inc. ("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. Megaworld 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, and has launched approximately 768 residential buildings, office buildings and hotel projects. Megaworld's total assets as at and for the years ended 31 December 2018 and 2017 were ₱322.3 billion and ₱284.3 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 30 September 2019, the hotels and convention centers business unit is composed of eight hotels with 1,961 saleable rooms and four convention centers and three trade halls with around 37,500 sq. m. of leasable space.

Hotels

Completed Hotel Projects

Taal Vista Hotel

Taal Vista Lodge, located in Tagaytay City, was acquired by the SM Group in July 1988. The Hotel reopened in 2003 under the new name Taal Vista Hotel with the renovated Mountain Wing (128 rooms), Lobby Lounge, and Restaurant. The Lake Wing was constructed in 2008 with 133 rooms and a 1,000-seater ballroom. In 2009, the hotel became fully operational with total inventory of 261 rooms. The Ridge rooms and Mountain Wing were recently renovated in 2018.

Radisson Blu Cebu

SM Prime inaugurated the 400-room Radisson Blu Hotel in November 2010, strategically located beside SM City Cebu adjacent to the International Port Area. Radisson Blu is the first hotel managed by the Carlson Rezidor Hotel Group in the Asia Pacific Region to be classified under its "Blu" upscale hotel brand category.

The property has been classified under the deluxe hotel category by the Department of Tourism. Its facilities include an in-house spa, fitness center, business center, 800-sq. m. swimming pool, club lounge, two ballrooms and a number of smaller meeting rooms. The Hotel is currently renovating all its 400 room inventory.

Pico Sands Hotel

Formally opened in August 2011, Pico Sands Hotel is a 154-room tropical contemporary hotel located within Pico de Loro Cove, the maiden residential community of Hamilo Coast, the premier seaside development of the SM Group in Nasugbu, Batangas. The spacious rooms are equipped with modern facilities and captivating views of lush mountains and tranquil lagoon. The Hotel has scheduled its renovation in two phases in 2020 and 2021.

Park Inn by Radisson Davao

Park Inn by Radisson Davao is strategically located across the SM Lanang Premier Mall and SMX Conventions Center. The 204-room hotel was formally opened in March 2013. Guests are greeted with contemporary interiors and smart design elements complementing the hotel's service philosophy – Adding Color to Life. Facilities include: Restaurant, Bar and Grill (RBG), 4 meeting rooms, fitness center, swimming pool and bar. Park Inn Davao is the first "next generation" mid-scale Park Inn by Radisson brand to be established in the Asia Pacific region.

Park Inn by Radisson Clark

The 155-room Park Inn by Radisson Clark is located in Mabalacat, Pampanga, about 40 miles (60km) northwest of Metro Manila. It is conveniently located beside SM City Clark and Clark Freeport Zone. Clark Freeport Zone is a redevelopment of the former Clark Air Base, a former United States Air Force

base in the Philippines. Park Inn by Radisson Clark is the leading 3-star hotel in its market with facilities that include an all-day dining restaurant with 64-seat capacity, a meeting room for 80 pax and a fitness center. An extension building with 100 rooms is currently being constructed and expected to be operational by Q1 2020.

Conrad Manila

In March 2013, SM Prime signed with Hilton Worldwide an agreement to manage the first “Conrad” brand in the Philippines. The 348-room Conrad Manila that is located within the MOA complex with stunning views of the famed Manila Bay opened to public in June 2016. The eight-storey hotel incorporate two levels of retail and entertainment facilities on the ground floor. It also has other hotel facilities as well as a 1,446 sq. m. ballroom and other function and meeting spaces.

Park Inn by Radisson Iloilo

Park Inn by Radisson Iloilo, the third Park Inn by Radisson hotel in the country, recently opened last April 29, 2019. The 200-room hotel is located next to SM City Iloilo in Madurriao, a 20-minute drive from Iloilo International Airport and is strategically located near the city’s main commercial district, tourist attractions, museums, and historical landmarks. Its function room measuring around 291 sqm can be divided into three separate rooms or left open to accommodate up to 360 guests which makes it an ideal venue for small to mid-sized events. An alfresco facility by the poolside caters to relaxing early evening functions.

Park Inn by Radisson North EDSA

The 239-room hotel is connected to the SM City North EDSA shopping complex, one of the Philippines’ largest commercial centers. The location is within walking distance of a metro rail station (MRT) and only 22 kilometers from Manila Ninoy Aquino International Airport. The 935-sqm meeting ballroom can accommodate up to 660 guests. The fourth Park Inn hotel in SMHCC’s portfolio just opened last September 1, 2019.

Ongoing Hotel Project

Park Inn by Radisson Bacolod

Following the successful launch in Davao, Clark, Iloilo City and Quezon City, Bacolod will be the next destination for another Park Inn by Radisson hotel. The 151-room Park Inn by Radisson Bacolod will be the fifth Park Inn in SMHCC’s portfolio. Facilities include an all-day dining restaurant as well as a lobby bar where family, friends and colleagues can unwind. For recreation, the hotel has a gym as well as a swimming pool for both adults and children. The hotel will be connected to the SM City Bacolod lifestyle mall, providing guests with instant access to extensive retail, F&B and entertainment facilities. It will also adjoin the vast SMX Convention Center, making it ideal for business travelers and MICE delegates. The target for completion is Q3 2020.

Convention Centers and Tradehalls

By 2020, the Company will have five SMX convention centers and two trade halls. SMX convention centers are located in the MOA Complex, SM Lanang Premier, SM Aura Premier, SM City Bacolod and in Clark. Trade halls are located in SM Megamall and SM Seaside Cebu. The structure of a convention center is made up of large exhibit floors which can be divided into multiple exhibition and function halls. With its state of the art convention and exhibition facilities, it continues to host major international and local conventions and exhibitions.

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,

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.

DEVELOPMENT

The business development group ("BDG") of all the business units (mall, 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 BDG of the mall business unit is responsible for identifying viable sites for the construction of new malls. The BDG determines 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 BDG then determines the size of the mall to be constructed by SM Prime, which typically may range from a gross area of 30,000 to 150,000 sq. m. The construction and development of each mall is overseen by a third party project management company appointed by SM Prime. The average time for the construction of each mall ranges from 12 to 24 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 SM Prime's Project Engineering Management Group and a third party project management company appointed by SM Prime. The average time for construction is 36 to 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.

The amounts spent by the Company on development activities over the last three years and the percentage of these development costs to total revenues of the Company are set out below.

	Year	Development Cost (in million ₱)	Percentage to Revenue
Land and development	2016	13,881	17.4%
	2017	29,921	32.9%
	2018	37,764	36.3%
Investment properties	2016	29,433	36.9%
	2017	28,216	31.0%
	2018	30,147	29.0%

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. Going forward, TFG will play a more active role with respect to fundraising as it will also service 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, both directly and through SMDC.

The tables set forth below show the company and the number of shares that SM Prime holds as of 30 September 2019.

	No. of shares held	Market value (in ₱ thousand)
<u><i>Securities held directly by SM Prime</i></u>		
BDO Unibank	90,024,395	12,873,488
Ayala Corporation	7,690,430	6,802,185
SMIC	146,104	141,867
Prime Media Holding	500,000	675
<u><i>Securities held through SMDC</i></u>		
Shang Properties	189,550,548	619,830
Export and Industry Bank	7,829,000	2,036
Picop Resources	40,000,000	8,200
Republic Glass	14,230,000	40,556
Benguet A	266,757	307
Total		20,489,144

INSURANCE, ENVIRONMENT, HEALTH AND SAFETY

SM Prime has its insurance arrangement effected through BDO Insurance Brokers, Inc. ("BDO Insurance") 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 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 bodily injury. Losses from possible default of contractors are also covered through performance and guarantee bonds. SM Prime's principal insurance counterparties are BDO Insurance 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 maintains other insurance policies including workmen's compensation and personal accident and 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.

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 5% of the Company's and its subsidiaries' earnings before income tax. As of the date of this Prospectus, SM Prime is a party to the following legal cases:

SM Prime Holdings, Inc. vs. Maranon, Jr. et al.
SP Civil Case No. 11-13803

This is a civil case filed by the Company in connection with its acquisition of the Capitol Property in Bacolod. The Company filed a Petition for Certiorari with Application for Temporary Restraining Order and Preliminary Injunction. It maintains that it legally won the second bidding for the Capitol Property. However, since SM Prime was being required to waive its right to question the proceedings during the second bidding before it can participate in a third round of bidding, it was constrained to file this case. The Regional Trial Court of Bacolod denied the Petition. SM Prime filed a Motion for Reconsideration but the same was also denied by the RTC. SM Prime filed a Notice of Appeal and recently received a Notice from the RTC that the records have been transmitted to the Court of Appeals for proper disposition.

The appeal with the Court of Appeals is docketed as CA-G.R. CEB-SP No. 08549. It was raffled to the Special 20th Division of the Court of Appeals – Cebu City Station. After submission of the respective memoranda, the Court of Appeals declared the case submitted for decision in its Resolution dated April 29, 2015.

In its Decision dated 28 August 2015, the Court of Appeals denied the Company's Appeal. The Court of Appeals also denied the Company's Motion for Reconsideration in its Resolution dated April 6, 2016.

Thus, the Company filed a Petition for Review under Rule 45 under the Rules of Court docketed as G.R. No. 224236/ Respondents filed their Comment dated October 24, 2016. The Company filed its Reply on August 14, 2017.

The Petition remains pending with the Supreme Court.

SM Prime Holdings, Inc. vs. Maranon, Jr. et al.
Civil Case No. 14-14323

The Company filed a civil case with the Regional Trial Court of Bacolod for the Declaration of Nullity of the Deed of Conditional Sale and Contract of Lease between the Province of Bacolod and Ayala Land, Inc. over the Capitol Property. The RTC has ordered Defendants to file their Answer. SM Prime has received a Joint Answer with Counterclaim of Defendants Province and Sangguniang Panlalawigan, but is still awaiting that of Ayala Land, Inc. SM Prime shall file its Reply to the Answers by the Defendants.

Defendant Province of Negros Occidental filed a Motion for Conduct of Hearing on Affirmative Defenses. In an Order dated June 11, 2015, said motion is pending resolution. Other than the JDR which was set on August 14, 2015, no setting has been made pending the resolution of the Province's motion.

In its Resolution dated March 3, 2017, the RTC Bacolod Branch 48 dismissed the complaint on the ground of forum-shopping. The RTC Bacolod Branch 48 also denied the Company's Motion for Reconsideration in its Resolution dated July 26, 2017.

The Company filed a Petition for Review under Rule 45 with the Rules of Court on pure questions of law assailing the dismissal of the Nullity of Contract Case. The said Petition was docketed as GR No. 233448.

Public Respondents filed their Comment dated March 26, 2018 while Respondent Ayala Land filed its Comment dated April 18, 2018. The Company filed its Consolidated Reply on October 8, 2018.

This Petition remains pending with the Supreme Court.

SM Prime Holdings, Inc. vs. Light Rail Transit Authority and Department of Transportation and Communications
Case No. R-PSY-14-16681

The Company filed a case with the Regional Trial Court of Pasay for Specific Performance with Damages, asking the Department of Transportation and Communications ("DOTr") and the Light Rail Transit Authority ("LRTA") to honor the terms of the Memorandum of Agreement dated 29 September 2009, regarding the construction of the Common Station across SM City North EDSA. The Company's prayer for a Temporary Restraining Order was denied. SM Prime received LRTA's Answers but is still awaiting DOTr's Answer. SM Prime filed an Amended Complaint which removed the application for temporary restraining order and preliminary injunction.

The parties have exchanged drafts of their respective proposed compromise agreement. These drafts are subject of further negotiations. In the meantime, the parties filed a Joint Manifestation and Motion to Suspend Proceedings considering the negotiation of the parties to settle the case amicably. In 2017, the DOTr filed a Manifestation informing the court that the parties reached an agreement, particularly on the location of the Common Station. The parties signed a Memorandum of Agreement on January 18, 2017.

In 2019, the Court ordered the parties to submit their Manifestation as to the status of the ongoing negotiation to settle the case. All parties submitted their respective Manifestations. In the Manifestation dated June 18, 2019, DOTr stated that the latest updated on the negotiation sent by the DOTr include: 1) the award and signing of the Design and Building Contract for Area A of the Common station to BF Corporation and surveying Company Consortium ("BF") on December 17, 2018 and February 13, 2018, respectively; 2) coordination meeting between DOTr and the Company on the Rail Sector Projects and the interface between Area C and SM North EDSA Mall last February 28, 2019; and 3) another coordination meeting among DOTr, SM. And SMC-MRT7 on March 1, 2019.

Acquisition of property from Gotesco Investments, Inc.

On February 10, 2014, the Company purchased a property covered by Transfer Certificate of Title No. 326321 (the "Property") from Gotesco Investments, Inc. ("GII"). The Deed of Absolute Sale was executed on behalf of GII by its duly authorized representative, Mr. Jose C. Go. Mr. Go's authority to execute the Deed of Absolute Sale on behalf of GII was confirmed and validated by corporate filings made by GII with the SEC, including its 2013 General Information Sheet, and GII's duly notarized corporate secretary's certifications of the resolution of GII's Board of Directors appointing Mr. Go as authorized signatory for this transaction.

Upon execution of the Deed of Absolute Sale over the Property, and pursuant to its obligations thereto, GII turned over the Owner's Duplicate of title to the Property, the original Tax Declaration, and a duly notarized Secretary's Certificate executed by its Corporate Secretary. GII also issued an Official Receipt for the Company's payment of the purchase price of the Property. The payment of the purchase price was made by the Company directly to GII, and not to any individuals connected with GII.

The purchase of the Property was made in good faith, on the basis of negotiations between SM Prime and GII.

On March 19, 2019, the Register of Deeds of Caloocan cancelled the TCT No. 326321 and issued TCT No. 001-2019001491 registered under the name of the Company.

The following encumbrances were cancelled from TCT No. 326321 and were not carried over in TCT No. 001-2019001491:

1. Memorandum
2. Cancelled by Entry No. 2014000544 dated 27 January 2014:
 - a. Mortgage – Entry No. 238507/T-54327 Amendment to the Real Estate Mortgage – Entry No. 9317/T-54327
3. Cancelled by Entry No. 2013006572:
 - a. Notice of Lis Pendens – Entry No. 3978/T-326321
 - b. Notice of Lis Pendens – Entry No. 505/TCT No. 326321
 - c. Notice of Lis Pendens – Entry No. 8916/T-No. 326321
4. Cancelled by Entry No. 6147/T-326321 dated 29 August 2000
 - a. Notice of Lien – Entry No. 2180/T-326321
5. Cancelled by Entry No. 2019002047 dated 11 March 2019
 - a. Notice of Levy – PE No. 6881/326321
 - b. Certificate of Forfeiture of Delinquent Property – Entry No. 8118/326321
6. Lease Agreement
 - a. Agreement – Entry No. 1236389/T-54327
7. Adverse Claim
 - a. Adverse Claim – Entry No. 995 / T-326321
 - b. Notice of Adverse Claim – Entry No. 2014001545
8. Consulta raised by the Register of Deeds – Consulta No. 001-2014-000005

Some encumbrances were not cancelled because there is a need to file a *Petition to Cancel the Adverse Claims* with the appropriate court. For the cancellation of annotation of the Lease Agreement, a document showing the expiration of the Lease Agreement must be submitted to the Register of Deeds of Caloocan. Lastly, the Consulta cannot be cancelled because it is still pending with the Land Registration Authority.

In addition, the Company and its subsidiaries, its Board of Directors and Key Officers are, from time to time, also subject to various civil, criminal and administrative lawsuits and other legal actions arising in the ordinary course of its business. Typical cases include adverse claims over title to land, claims for recovery of money and damages and claims for cancellations of sales agreements and refund of deposits. In the opinion of the Company's management, as of the date of this Prospectus, none of the lawsuits or legal actions to which it is currently subject will materially affect the daily operations of its business nor will they have a material adverse effect on the Company's consolidated financial position and results of operations.

Cordillera Global Network vs. Paje et al.; Adajar vs. Paje et al., CA-GR No. 100245 (Appealing the Decision in Civil Case Nos. 7629-R and 7595-R)

This is a civil case filed by Cordillera Global Network, et al. ("Oppositors") against SM Investments Corporation, SM Prime Holdings, Inc. and Shopping Center Management Corporation, together with officials of the Department of Environment and Natural Resources and Department of Public Works and Highways. The Oppositors assailed the expansion of SM City Baguio, specifically, the removal of trees. A Temporary Environmental Protection Order ("TEPO") was issued which prevented the removal of the affected trees. After a trial on the merits, the Regional Trial Court ("RTC"), in a Decision dated 3 December 2012, upheld the validity of the government issuances and permits, dismissed the cases, and dissolved the TEPO. The RTC Decision was appealed to the Court of Appeals ("CA"). In a Decision dated 12 December 2014, the CA affirmed the RTC Decision. The CA Decision was then appealed to

the Supreme Court ("SC") through a Petition for Review dated 23 February 2015. On 24 March 2015, the SC issued a Temporary Restraining Order. As a result, while the affected trees had been removed, the construction works have been stopped. A Motion to Dissolve the Temporary Restraining Order dated 1 April 2015 has been filed but the same is still pending. The Petition for Review is also pending resolution by the SC.

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 2020. SMDC owns the trademark "SM Development", which registration will expire in 2021. 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:

Registered Logo/Brand	Date of Registration
The SM City	November 23, 2009
SM Mall of Asia with slogan "No other mall comes close"	May 3, 2017
SM Southmall	October 1, 2015
SM Supercenter	October 1, 2015
SM Supermalls	October 1, 2015
SM Megamall	January 31, 2015
Interior Zone SM City North EDSA	October 1, 2010
Skygarden SM City North EDSA	October 1, 2010
SM Storyland and logo	May 5, 2011
SM Science Discovery Center logo and device	June 24, 2010
SM Skating Rink logo and device	June 24, 2010
SM Bowling logo and device	June 24, 2010
SM Prime	December 31, 2010
SM City	December 31, 2010
SM Center (inside a circle logo)	December 31, 2010
SM Supermalls	December 31, 2010
SM Malls and Device (inside a circle)	May 11, 2012
Megatrade Hall	May 3, 2012
E-plus	August 30, 2012
SM Little Star	September 22, 2016
SM Aura Premier at the Fort	February 13, 2014
E-plus Tap to Pay	March 20, 2014
Director's Club Cinema	March 20, 2014
Snack Time – horizontal	May 22, 2014
Snack Time – ribbon	May 22, 2014
Skyranch with device (4-2015-00808)	July 16, 2015
Skyranch 4-2015-000809	July 16, 2015
Skyranch 4-2015-000810	July 16, 2015
Skyranch 4-2015-000811	July 16, 2015
Skyranch 4-2015-000812	July 16, 2015
Skyranch 4-2015-000813	July 16, 2015
Taza Fresh Table	December 10, 2015
SM Foodcourt 4-2015-007114	January 7, 2016
SM Foodcourt 4-2015-007116	January 7, 2016
Food on Four	January 7, 2016

SM Megamall Food Hall	January 7, 2016
China Blue	January 7, 2016
SM Foodcourt 4-2015-007119	April 29, 2016
C Lounge	May 5, 2016
Braiserie on 3	August 11, 2016
S Mall with device	May 12, 2016
SM Food Hall	April 15, 2016
Maison	April 20, 2017
Bru Coffee Bar with device	June 16, 2016
Veranda	May 25, 2017
Cafe Veranda	September 18, 2014
Skyhall Seaside Cebu	November 23, 2017
SM Click & Collect	March 8, 2018
Click & Collect	August 30, 2018
Click & Deliver Logo	August 30, 2018
SM Supermalls Online	July 05, 2018
SM Mall of Asia No Other Mall Comes Close	May 3, 2018
Culinaire Savor.Match.Experience	May 3, 2018
The Food Village	February 14, 2019
Style Residences	September 16, 2018
SMDC Residences: Home Beside the Mall	July 26, 2018
Sails	April 12, 2018
Sushi Saki and DeviceTrend Residences	August 18, 2019
Mall of Asia Complex and Logo 4-2018-018198	August 18, 2019
Mall of Asia Complex and Logo 4-2018-018199	August 18, 2019

CAPITAL EXPENDITURE

SM Prime incurred capital expenditure of approximately ₱43,671 million, ₱58,286 million, ₱91,155 million, and ₱45,362 million in 2016, 2017, 2018, and for the nine-month period ended 30 September 2019, respectively, related to construction of shopping malls and land banking activities, project development costs of condominium buildings and resort facilities, and hotel development costs.

The Company expects to incur capital expenditures of approximately ₱31.2 billion for the remaining quarter of 2019 and ₱80.0 billion in 2020. This will be funded with internally generated funds and external borrowings.

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" beginning on page 121 of this Prospectus for a detailed discussion of the government regulations and environmental laws affecting the Company's businesses.

EMPLOYEES

As at 30 September 2019, the Company had 11,472 regular employees. The employees are classified as follows:

No. of Employees

Rank and file	9,050
Junior/ mid-level managers	2,067
Senior executive officers	355

Headcount approximately increases by an average rate of 9% annually. 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 30 September 2019, SM Prime's mall business unit is supported by 8,252 officers and employees of the Management Companies. Management Companies 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

SM Prime has existing lease agreements for office and commercial spaces with related companies (including SM Retail and banking groups and other affiliates).

Service Fees

The Company provides manpower and other services to affiliates.

Dividend Income

SM Prime's equity instruments at fair value through other comprehensive income of certain affiliates earn income upon the declaration of dividends by the investees.

Cash Placements and Loans

SM Prime has certain bank accounts and cash placements that are maintained with associate banks BDO Unibank and China Banking Corporation. Such accounts earn interest based on prevailing market interest rates. SM Prime also has borrowed bank loans and long-term debt from BDO Unibank and China Banking Corporation and pays interest based on prevailing market interest rates.

Others

SM Prime, in the normal course of business, has outstanding receivables from and payables to related companies as of reporting period which are unsecured and normally settled in cash.

For a discussion of related party transactions concerning the Company, see Note 21 to the Company's audited consolidated financial statements as at 31 December 2017 and 2018 and for the three years ended 31 December 2016, 2017, and 2018, and Note 18 to the Company's unaudited interim condensed consolidated financial statements as at 30 September 2019 and for the nine-month periods ended 30 September 2019 and 2018.

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 has following the material permits and licenses:

Government / Issuing Agency	Required Permits/ Certificates/ Licenses	Issuance Date	Expiry Date
Securities and Exchange Commission	Certificate of Incorporation	6 January 1994	Not applicable
Bureau of Internal Revenue	Certificate of Registration	21 October 1996	Not applicable
Housing and Land Use Regulatory Board	Certificate of Registration (red Residences)	28 February 2018	Not applicable
	Certificate of Registration (Charm Residences)	14 November 2018	Not applicable
	Development Permit (Charm Residences (Phase I))	11 January 2017	Not applicable
	Development Permit (Red Residences)	17 November 2017	Not applicable
	Development Permit (Charm Residences (Phase II))	10 March 2017	Not applicable
	Development Permit (Charm Residences (Phase III))	14 March 2017	Not applicable
	License to Sell (Red Residences)	3 January 2018	Not applicable
	License to Sell (Charm Residences Phase 1)	24 January 2017	Not applicable
Local Government Unit of Pasay City	Permit to Operate	6 February 2019	31 December 2019

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 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 HLURB 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, the HLURB locational clearance, DENR permits, and, as applicable, DAR conversion or exemption orders as discussed below. A bond equivalent to 10% of the total project cost is required to be posted by the project developer to ensure commencement of the project within one 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 HLURB. Subdivision or condominium units may be sold or offered for sale only after a license to sell has been issued by the HLURB. As a prerequisite for the issuance of a license to sell by the HLURB, developers are required to file with the HLURB 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 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 HLURB;
- a real estate mortgage executed by the developer as mortgagor in favor of the Republic of the Philippines as mortgagee, represented by the HLURB, 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 20.0% of the total development cost; or
- other forms of security equivalent to 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 HLURB;
 - a certificate of guaranty deposit issued by any bank or financing institution of good standing in favor of the HLURB 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 HLURB, which amount may be withdrawn by the Chief Executive Officer of HLURB 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 HLURB, 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 HLURB'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 HLURB 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 June 29, 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 HLURB. 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 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. 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 HLURB 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.

On May 3, 2017, HLURB issued Resolution No. 946, Series of 2017, which 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.

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 years of installments are granted a grace period of one 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 50% of total payments made should the sale contract be cancelled provided that the buyer has paid at least two years of installments, with an additional 5% per annum in cases where at least five years of installment have been paid (but with the total not to exceed 90% of the total payments). Buyers who have paid less than two years of installment and who default on installment payments are given a 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 local government unit 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, 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 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 June 15, 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 November 13, 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 to six 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 November 13, 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 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 July 6, 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.

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.

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 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 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 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 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 Eleventh Regular Foreign Investment Negative List, 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 June 28, 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 October 9, 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 May 20, 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.” A petition for certiorari has since been filed sometime in June 2013, questioning the constitutionality of the Rules on Foreign Ownership (Memorandum Circular No. 8, Series of 2013) promulgated by the SEC. This petition remains pending with the Supreme Court as of this time.

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 July 21, 2015 and took effect on August 8, 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 June 3, 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 exceed ₱5.6 Billion; and (b) the value of the transaction exceeds ₱2.2 Billion, as determined in the IRR; 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.

Violations of the Philippine Competition Act and its IRR have severe consequences. Under the law and the 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 to seven 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.

REVISED CORPORATION CODE

Republic Act No. 11232, also known as the Revised Corporation Code, was signed into law on February 20, 2019 and took effect on February 23, 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 access to sensitive personal information of at least 1,000 individuals 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 independent auditors, (ii) the audited consolidated financial statements as at 31 December 2017 and 2018 and for the years ended 31 December 2016, 2017, and 2018 and the notes thereto, and (iii) the unaudited interim condensed consolidated financial statements as at 30 September 2019 and for the nine-month periods ended 30 September 2018 and 2019 and the notes thereto.

Overview

SM Prime Holdings, Inc. 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. SM Prime is the surviving company of a series of transactions involving the real estate companies of the SM Group.

As at 30 September 2019, SMPH is 49.70% and 21.90% directly-owned by SMIC and the Sy Family, respectively. SMIC, the ultimate parent company, is a Philippine corporation which listed its common shares with the PSE in 2005. SMIC and all its subsidiaries are herein referred to as the "SM Group".

SM Prime's registered office is at the 10th Floor, Mall of Asia Arena Annex Building, Coral Way corner J. W. Diokno Boulevard, Mall of Asia Complex, Brgy. 76, Zone 10, CBP-1A, Pasay City, Metro Manila, Philippines.

Basis of Preparation

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments at fair value through profit or loss and equity instruments at fair value through other comprehensive income 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.

Statement of Compliance

The consolidated financial statements as at 31 December 2018 and 2017 and for each of the three years in the period ended 31 December 2018 have been prepared in compliance with the PFRS.

The unaudited interim condensed consolidated financial statements as at 30 September 2019 and for the nine-month periods ended 30 September 2019 and 2018 have been prepared in accordance with PAS 34, *Interim Financial Reporting*.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS, which were adopted starting January 1, 2019:

- PFRS 9, Prepayment Features with Negative Compensation (Amendments)
- PFRS 16, Leases, sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, Leases.
- PAS 19, Employee Benefits, Plan Amendment, Curtailment or Settlement (Amendments)
- PAS 28, Long-term Interests in Associates and Joint Ventures (Amendments)
- Philippine Interpretation IFRIC-23, Uncertainty over Income Tax Treatments
- Annual Improvements to PFRSs 2015-2017 Cycle

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

FINANCIAL PERFORMANCE

Nine months ended 30 September 2019 vs. nine months ended 30 September 2018

Revenue

SM Prime recorded consolidated revenues of ₱85.03 billion for the first nine months of 2019, an increase of 14% from ₱74.56 billion in the same period in 2018, primarily due to the following:

Rent

SM Prime recorded consolidated revenues from rent of ₱44.91 billion in 2019, an increase of 8% from ₱41.72 billion in 2018. The increase in rental revenue was due to strong tenants' sales, rental rate escalations and expansion of leasable areas and temporary selling areas. Out of the total rental revenues, 88% is contributed by the malls and the rest from office and hotels and convention centers. Excluding the new malls opened in 2018, same-store rental growth is at 7%. Likewise, rent from commercial operations increased due to the opening of Three E-Com Center and SM Southmall South Tower in 2018.

Real Estate Sales

SM Prime recorded a 26% increase in real estate sales in 2019 from ₱24.84 billion to ₱31.35 billion primarily due to higher construction accomplishments of launched projects including Cheerful, Green 2, Trees Ph3, Hope, Charm and Bloom and fast take-up of various Ready-For-Occupancy (RFO) projects particularly those located within the Mall of Asia (MOA) and Makati Central Business District areas, fueled by international buyers, Overseas Filipinos' remittances, and rising consumer disposable income. Actual construction of projects usually starts within twelve to eighteen months from launch date and revenues are recognized in the books based on percentage of completion.

Cinema and Event Ticket Sales

SM Prime cinema and event ticket sales increased by 6% to ₱4.14 billion in 2019 from ₱3.92 billion in 2018 due to the 13% increase in international movie sales and higher event ticket sales led by the super blockbuster "Avengers: Endgame", which now holds the title of highest grossing movie of all time in the Philippines. Other major blockbusters screened in 2019 include "Hello, Love, Goodbye", "Captain Marvel", "Aladdin", and "The Lion King" accounting for 41% of gross ticket sales. Major blockbusters screened in 2018 include "Avengers: Infinity War", "The Hows of Us", "Jurassic World: Fallen Kingdom", "Black Panther", and "The Nun" accounting for 36% of gross ticket sales. On the other hand, local movie

sales dropped by 14% due to fewer blockbusters and fewer movies shown.

Other Revenues

Other revenues increased by 13% to ₱4.63 billion in 2019 from ₱4.08 billion in 2018. The increase was mainly due to higher income from sponsorships and advertising revenues, bowling and ice skating operations and increase in net merchandise sales from snackbars resulting from higher cinema ticket attendance.

Costs and Expenses

SM Prime recorded consolidated costs and expenses of ₱44.03 billion in 2019, an increase of 11% from ₱39.65 billion in the same period in 2018, as a result of the following:

Costs of Real Estate

Consolidated costs of real estate increased by 17% to ₱14.64 billion in 2019 from ₱12.52 billion in 2018 primarily due to costs related to higher recognized real estate sales. Gross profit margin on real estate sales improved from 50% in 2018 to 53% in 2019 as a result of improving cost efficiencies, tighter monitoring and control of construction costs and increase in selling prices of projects particularly those located in the prime areas of MOA, Manila and Makati.

Operating Expenses

SM Prime's consolidated operating expenses increased by 8% to ₱29.39 billion in 2019 compared to last year's ₱27.13 billion. Out of the total operating expenses, 70% is contributed by the malls where same-store mall growth in operating expenses is at 6%. Operating expenses include depreciation and amortization, film rentals, taxes and licenses, marketing and selling expenses, utilities and manpower, including agency costs.

Other Income (Charges)

Interest Expense

SM Prime's consolidated interest expense increased by 15% to ₱5.69 billion in 2019 compared to ₱4.96 billion in 2018 mainly due to the retail bonds issued in May 2019 and March 2018 amounting to ₱10.0 billion and ₱20.0 billion, respectively, 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 and Dividend Income

Interest and dividend income increased by 8% to ₱1.47 billion in 2019 from ₱1.36 billion in 2018. This account is mainly composed of interest and dividend income received from cash and cash equivalents and equity instruments at fair value through other comprehensive income.

Others - net

Others - net increased to ₱0.80 billion in 2019 from ₱0.65 billion in 2018. This account includes equity in net earnings from associates and joint ventures, forfeited tenants' and customers' deposits, foreign exchange gains and losses and hedging costs related to foreign currency obligations.

Provision for income tax

SM Prime's consolidated provision for income tax increased by 17% to ₱7.86 billion in 2019 from ₱6.69 billion in 2018.

Net income attributable to equity holders of the Parent

SM Prime's consolidated net income attributable to equity holders of the Parent for the nine months ended September 30, 2019 increased by 18% to ₱27.60 billion as compared to ₱23.44 billion in the same period last year.

Year ended 31 December 2018 vs. year ended 31 December 2017

Revenue

SM Prime recorded consolidated revenues of ₱104.08 billion in the year ended 2018, an increase of 14% from ₱90.92 billion in the year ended 2017, primarily due to the following:

Rent

SM Prime recorded consolidated revenues from rent of ₱57.16 billion in 2018, an increase of 11% from ₱51.41 billion in 2017. The increase in rental revenue was primarily due to the new malls and expansions opened in 2017 and 2018 namely, SM CDO Downtown Premier, S Maison, SM City Puerto Princesa, SM Center Tuguegarao Downtown, SM City Urdaneta Central, SM City Telabastagan, SM City Legazpi and SM Center Ormoc with a total gross floor area of 0.53 million square meters. Out of the total rental revenues, 88% is contributed by the malls and the rest from office and hotels and convention centers. Excluding the new malls, same-store rental growth is at 8%. Rent from commercial operations also increased due to the opening of Three E-Com Center and SM Southmall South Tower in 2018.

Real Estate Sales

SM Prime recorded a 22% increase in real estate sales in 2018 from ₱29.43 billion to ₱35.87 billion primarily due to higher construction accomplishments of projects launched in 2015 to 2017 namely Shore 2, Fame, Coast, Spring, Shore 3 and S Residences and continued increase in sales take-up of various projects due to strong demand fueled by international buyers, Overseas Filipinos' remittances, and rising disposable income of the emerging middle class. Actual construction of projects usually starts within twelve to eighteen months from launch date and revenues are recognized in the books based on percentage of completion.

Cinema and Event Ticket Sales

SM Prime cinema and event ticket sales increased by 9% to ₱5.22 billion in 2018 from ₱4.77 billion in 2017 due to higher gross box office receipts from international and local blockbuster movies shown in 2018 compared to 2017. The major blockbusters screened in 2018, accounting for 29% of gross ticket sales, include "Avengers: Infinity War", "The Hows of Us", "Jurassic World: Fallen Kingdom", "Black Panther", and "Aquaman". The major blockbusters screened in 2017 were "Beauty and the Beast", "Justice League", "Wonder Woman", "Thor: Ragnarok" and "The Revenger Squad" accounting for 23% of gross ticket sales.

Other Revenues

Other revenues increased by 10% to ₱5.83 billion in 2018 from ₱5.31 billion in 2017. The increase was mainly due to higher income from bowling and ice skating operations, sponsorships, opening of new amusement attractions particularly SM Skyranch Baguio and increase in net merchandise sales from snackbars. This account also includes amusement income from rides, merchandise sales from snackbars and sale of food and beverages in hotels.

Costs and Expenses

SM Prime recorded consolidated costs and expenses of ₱55.75 billion for the year ended 2018, an increase of 11% from ₱50.29 billion in 2017, as a result of the following:

Costs of Real Estate

Consolidated costs of real estate increased by 17% to ₱17.77 billion in 2018 from ₱15.15 billion in 2017 primarily due to costs related to higher recognized real estate sales, offset by result of improving cost efficiencies as a result of economies of scale, tighter monitoring and control of construction costs hence, leading to improved gross profit margin on real estate sales from 49% in 2017 to 50% in 2018.

Operating Expenses

SM Prime's consolidated operating expenses increased by 8% to ₱37.98 billion in 2018 compared to last year's ₱35.14 billion due to new mall openings. Out of the total operating expenses, 71% is contributed by the malls where same-store mall growth in operating expenses is at 4%. Operating expenses include depreciation and amortization, film rentals, taxes and licenses, marketing and selling expenses, utilities and manpower, including agency costs.

Other Income (Charges)

Interest Expense

SM Prime's consolidated interest expense increased by 38% to ₱7.54 billion in 2018 compared to ₱5.47 billion in 2017 due to the series of retail bonds issued in March 2018 and May 2017 amounting to P20 billion each 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 and Dividend Income

Interest and dividend income increased by 51% to ₱1.83 billion in 2018 from ₱1.21 billion in 2017. This account is mainly composed of interest and dividend income received from cash and cash equivalents, investments held for trading and AFS investments. The increase is due to higher average balance of cash and cash equivalents and higher dividends received in 2018 on available-for-sale investments.

Others - net

Others - net increased by 54% to ₱0.65 billion in 2018 from ₱0.42 billion in 2017 due to foreign exchange and other incidental costs related to mall projects.

Provision for income tax

SM Prime's consolidated provision for income tax increased by 16% to ₱9.06 billion in 2018 from ₱7.82 billion in 2017.

Net income attributable to equity holders of the Parent

SM Prime's consolidated net income attributable to Equity holders of the Parent in the year ended December 31, 2018 increased by 17% to ₱32.17 billion as compared to ₱27.57 billion in 2017.

Year ended 31 December 2017 vs. year ended 31 December 2016

Revenue

SM Prime recorded consolidated revenues of ₱90.92 billion in the year ended 2017, an increase of 14% from ₱79.82 billion in the year ended 2016, primarily due to the following:

Rent

SM Prime recorded consolidated revenues from rent of ₱51.41 billion in 2017, an increase of 13% from ₱45.69 billion in 2016. The increase in rental revenue was primarily due to the new malls and expansions

opened in 2016 and 2017, namely, SM City San Jose Del Monte, SM City Trece Martires, SM City East Ortigas, SM CDO Downtown Premier, S Maison at the Conrad Manila, SM City Puerto Princesa, SM Center Tuguegarao Downtown, SM City San Pablo Expansion, SM City Sucat Expansion and SM Center Molino Expansion with a total gross floor area of 0.63 million square meters. Out of the total rental revenues, 88% is contributed by the malls and the rest from office and hotels and convention centers. Excluding the new malls and expansions, same-store rental growth is at 7%. Room rentals from hotels and convention centers likewise increased due to the opening of Conrad Manila in June 2016 and the improvement in average room rates and occupancy rates of the hotels and convention centers as a result of ASEAN-related events held throughout 2017.

Real Estate Sales

SM Prime recorded an 18% increase in real estate sales in 2017 from ₱25.00 billion to ₱29.43 billion primarily due to higher construction accomplishments of projects launched in 2013 up to 2016 namely Shore, Shore 2, Air, Fame, S Residences and Silk Residences in China and continued increase in sales take-up of Ready-for-Occupancy (RFO) projects due to strong demand fueled by OFW remittances, sustained growth of the BPO sector, government spending and rising disposable income of the emerging middle class. Actual construction of projects usually starts within twelve to eighteen months from launch date and revenues are recognized in the books based on percentage of completion.

Cinema and Event Ticket Sales

SM Prime cinema and event ticket sales increased to ₱4.77 billion in 2017 from ₱4.67 billion in 2016 due to decrease in both local and international blockbuster movies shown in 2017 compared to 2016. The major blockbusters screened in 2017 were "Beauty and the Beast", "Justice League", "Wonder Woman", "Thor: Ragnarok" and "The Revenger Squad" accounting for 23% of gross ticket sales.

Other Revenues

Other revenues increased by 19% to ₱5.31 billion in 2017 from ₱4.46 billion in 2016. The increase was mainly due to opening of new amusement attractions as a result of new malls and expansions and increase in hotels' food and beverages income due to the opening of Conrad Manila. This account includes amusement income from rides, bowling and ice skating operations, merchandise sales from snackbars and sale of food and beverages in hotels.

Costs and Expenses

SM Prime recorded consolidated costs and expenses of ₱50.29 billion for the year ended 2017, an increase of 13% from ₱44.55 billion in 2016, as a result of the following:

Costs of Real Estate

Consolidated costs of real estate increased by 16% to ₱15.15 billion in 2017 from ₱13.12 billion in 2016 primarily due to costs related to higher recognized real estate sales offset by result of improving cost efficiencies, tighter monitoring and control of construction costs hence, leading to improved gross profit margin on real estate sales from 48% in 2016 to 49% in 2017.

Operating Expenses

SM Prime's consolidated operating expenses increased by 12% to ₱35.14 billion in 2017 compared to last year's ₱31.43 billion. Out of the total operating expenses, 71% is contributed by the malls where same-store mall growth in operating expenses is 3%. Operating expenses include depreciation and amortization, taxes and licenses, marketing and selling expenses, utilities and manpower including agency costs in line with related increase in revenues from same-store as well as the opening of new malls and expansions.

Other Income (Charges)

Interest Expense

SM Prime's consolidated interest expense increased by 24% to ₱5.47 billion in 2017 compared to ₱4.41 billion in 2016 due to the ₱10.0 billion retail bond issued in July 2016, ₱20.0 billion retail bond issued in May 2017 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 and Dividend Income

Interest and dividend income increased by 9% to ₱1.21 billion in 2017 from ₱1.11 billion in 2016. This account is mainly composed of interest and dividend income received from cash and cash equivalents, investments held for trading and AFS investments. The increase in interest income is due to higher average balance of cash and cash equivalents in 2017 as compared to last year. The increase in dividend income is due to higher dividends received in 2017 on available-for-sale investments compared to last year.

Others - net

Others - net decreased by 57% to ₱0.42 billion in 2017 from ₱0.98 billion in 2016 due to increase in equity in net earnings of associates and joint ventures and others.

Provision for income tax

SM Prime's consolidated provision for income tax increased by 18% to ₱7.82 billion in 2017 from ₱6.62 billion in 2016.

Net income attributable to equity holders of the Parent

SM Prime's consolidated net income attributable to equity holders of the Parent in the year ended December 31, 2017 increased by 16% to ₱27.57 billion as compared to ₱23.81 billion in 2016.

Year ended 31 December 2016 vs. year ended 31 December 2015

Revenue

SM Prime recorded consolidated revenues of ₱79.82 billion in the year ended 2016, an increase of 12% from ₱71.51 billion in the year ended 2015, primarily due to the following:

Rent

SM Prime recorded consolidated revenues from rent of ₱45.69 billion in 2016, an increase of 12% from ₱40.74 billion in 2015. The increase in rental revenue was primarily due to the new malls and expansions opened in 2015 and 2016, namely, SM Seaside City Cebu, SM City Cabanatuan, SM City San Mateo, SM Center Sangandaan, SM City San Jose Del Monte, SM City Trece Martires, SM City Iloilo Expansion, S Maison in SM Mall of Asia and SM Center Molino Expansion with a total gross floor area of 1 million square meters. In addition, retail podiums of Light, Shine, Shell and Green Residences also opened in 2015 and 2016. Out of the total rental revenues, 90% is contributed by the malls and the rest from office and hotels and convention centers. Excluding the new malls and expansions, same-store rental growth is at 7%. Rent from commercial operations also increased due to the opening of Five E-Com Center, and the expansion of SM Clark office tower in 2015. Room rentals from hotels and convention centers contributed to the increase due to the opening of Park Inn Clark in December 2015 and Conrad Manila in June 2016 and the improvement in average room rates and occupancy rates.

Real Estate Sales

SM Prime recorded a 13% increase in real estate sales in 2016 from ₱22.19 billion to ₱25.00 billion primarily due to higher construction accomplishments of projects launched in 2013 up to 2015 namely Shore 2, Grass, Air and South Residences and continued increase in sales take-up of Ready-for-Occupancy (RFO) projects namely Princeton, Jazz, M Place and Mezza II Residences due to sales promotions. Actual construction of projects usually starts within twelve to eighteen months from launch date and revenues are recognized in the books based on percentage of completion.

Cinema and Event Ticket Sales

SM Prime cinema and event ticket sales slightly decreased to ₱4.67 billion in 2016 from ₱4.80 billion in 2015 due to fewer local blockbuster movies shown in 2016 compared to 2015. The major blockbusters screened in 2016 were "Captain America: Civil War", "The Super Parental Guardians", "Batman vs. Superman: Dawn of Justice", "X-Men: Apocalypse" and "Suicide Squad" accounting for 23% of gross ticket sales. The major blockbusters shown in 2015 were "Avengers: Age of Ultron", "Jurassic World", "A Second Chance", "Fast & Furious 7", and "Star Wars: The Force Awakens" accounting for 23% of gross ticket sales.

Other Revenues

Other revenues increased by 18% to ₱4.46 billion in 2016 from ₱3.79 billion in 2015. The increase was mainly due to opening of new amusement centers as a result of new malls and expansions, increase in merchandise sales and hotels' food and beverages income due to opening of Park Inn Clark and Conrad Manila. This account is mainly composed of amusement income from rides, bowling and ice skating operations, merchandise sales from snackbars and sale of food and beverages in hotels.

Costs and Expenses

SM Prime recorded consolidated costs and expenses of ₱44.55 billion for the year ended 2016, an increase of 11% from ₱40.07 billion in 2015, primarily due to the following:

Costs of Real Estate

Consolidated costs of real estate increased by 9% to ₱13.12 billion in 2016 from ₱12.04 billion in 2015 primarily due to costs related to higher recognized real estate sales. Gross profit margin for residential improved to 48% in 2016 compared to 46% in 2015 as a result of improving cost efficiencies, tighter monitoring and control of construction costs.

Operating Expenses

SM Prime's consolidated operating expenses increased by 12% to ₱31.43 billion in 2016 compared to last year's ₱28.03 billion. Out of the total operating expenses, 73% is contributed by the malls where same-store mall growth in operating expenses is 1%. Contributors to the increase are administrative expenses, depreciation and amortization, taxes and licenses and marketing and selling expenses, in line with related increase in revenues from same-store as well as the opening of new malls and expansions.

Other Income (Charges)

Gain on Sale of Available-for-Sale (AFS) Investments

In 2015, SM Prime recorded a ₱7.41 billion realized gain on sale of AFS investments.

Interest Expense

SM Prime's consolidated interest expense increased by 30% to ₱4.41 billion in 2016 compared to ₱3.38 billion in 2015 due to the ₱20.0 billion retail bond issued in November 2015, ₱10.0 billion retail bond issued in July 2016 and new bank loans availed for working capital and capital expenditure requirements net of the capitalized interest on proceeds spent for construction of investment properties.

Interest and Dividend Income

Interest and dividend income decreased by 5% to ₱1.11 billion in 2016 from ₱1.17 billion in 2015. This account is mainly composed of dividend and interest income received from cash and cash equivalents, investments held for trading and AFS investments. The increase in interest income is due to higher average balance of cash and cash equivalents in 2016 as compared to last year which was offset by the decrease in dividend income due to less dividends received on available-for-sale investments held compared to last year.

Others - net

Others - net decreased by 43% to ₱0.98 billion in 2016 from ₱1.73 billion in 2015 due to increase in unrealized mark-to-market gain on investments held for trading, income from forfeitures of residential units and other incidental income.

Provision for income tax

SM Prime's consolidated provision for income tax increased by 10% to ₱6.62 billion in 2016 from ₱6.02 billion in 2015 due to the related increase in taxable income.

Net income attributable to equity holders of the Parent

SM Prime's consolidated net income attributable to equity holders of the Parent in the year ended December 31, 2016 increased by 14% to ₱23.81 billion in 2016 as compared to ₱20.89 billion in 2015 as a result of the foregoing and excluding onetime gain on sale of AFS in 2015.

FINANCIAL CONDITION

September 30, 2019 vs. December 31, 2018

SM Prime's total assets amounted to ₱656.79 billion as of September 30, 2019, an increase of 9% from ₱604.13 billion as of December 31, 2018.

Cash and cash equivalents increased by 8% from ₱38.77 billion to ₱41.97 billion as of December 31, 2018 and September 30, 2019, respectively, mainly due to the proceeds from the issuance of bonds in May 2019 amounting to ₱10.0 billion and increase in the Company's cash flows from operations, net of payments for capital expenditure projects during the period.

Receivables and contract assets increased by 21% from ₱35.23 billion to ₱42.47 billion as of December 31, 2018 and September 30, 2019, respectively, due to high take-up from projects nearing completion.

Real estate inventories increased by 7% from ₱37.58 billion to ₱40.13 billion as of December 31, 2018 and September 30, 2019, respectively, construction accomplishments for the period, net of cost of sold units.

Prepaid expenses and other current assets increased by 23% from ₱15.15 billion to ₱18.58 billion as of December 31, 2018 and September 30, 2019, respectively, due to deposits and advances to contractors related to construction projects and various prepayments.

Derivative assets increased by 72% from ₱0.85 billion to ₱1.47 billion as of December 31, 2018 and September 30, 2019 respectively, mainly resulting from the net fair value changes on principal only swap transactions, cross currency swap transactions and interest rate swap transactions entered into in 2016 to 2017 and 2019, respectively. Likewise, derivative liabilities increased by 68% from ₱0.34 billion to ₱0.56 billion as of December 31, 2018 and September 30, 2019, respectively, mainly resulting from the net fair value changes on the cross currency swap transactions entered into in 2018.

Equity instruments at fair value through other comprehensive income decreased by 13% from ₱23.53 billion to ₱20.49 billion as of December 31, 2018 and September 30, 2019, respectively, due to sale of shares to SM Investments Corporation net of changes in fair values under this portfolio.

Investment properties - net increased by 11% from ₱343.42 billion to ₱380.53 billion as of December 31, 2018 and September 30, 2019, respectively, primarily due to adoption of PFRS 16 Leases. In 2019, the Company adopted PFRS 16 using the modified retrospective approach with the date of initial application of January 1, 2019, which resulted to the recognition of right-of-use assets amounting to ₱18.69 billion as of September 30, 2019.

There are no restrictions on the realizability of investment properties except with respect to the information disclosed in the Note 16 of the Unaudited Interim Condensed Consolidated Financial Statement regarding the mortgage on portions of investment properties and land use rights held as collateral for outstanding loans of SM China.

Loans payable increased from ₱0.04 billion to ₱0.48 billion as of December 31, 2018 and September 30, 2019, respectively, due to availment of loans.

Accounts payable and other current liabilities increased by 23% from ₱61.77 billion to ₱75.92 billion as of December 31, 2018 and September 30, 2019, respectively, mainly due to payables to contractors and suppliers related to ongoing projects, customers' deposits and current portion of the lease liability.

Long-term debt increased by 5% from ₱222.77 billion to ₱234.49 billion as of December 31, 2018 and September 30, 2019, respectively, mainly due to the issuance of ₱10.00 billion retail bonds in May 2019 and new loan availments to fund capital expenditures requirements, net of payment of maturing loans.

Tenants' and customers' deposits - net of current portion increased by 10% from ₱18.68 billion to ₱20.63 billion as of December 31, 2018 and September 30, 2019, respectively, mainly due to the new malls and office buildings and increase in customers' deposits from residential buyers.

Liability for purchased land - net of current portion decreased by 29% from ₱6.04 billion to ₱4.29 billion as of December 31, 2018 and September 30, 2019, respectively, due to subsequent payments.

Deferred tax liabilities increased by 38% from ₱3.53 billion to ₱4.87 billion as of December 31, 2018 and September 30, 2019, respectively, mainly due to unrealized gross profit on sale of real estate for tax purposes.

Other noncurrent liabilities increased by 114% from ₱10.51 billion to ₱22.45 billion as of December 31, 2018 and September 30, 2019, respectively, due to adoption of PFRS 16 which resulted to the recognition of lease liabilities amounting to ₱11.13 billion as of September 30, 2019.

As at September 30, 2019 and December 31, 2018, the amount of retained earnings appropriated for the continuous corporate and mall expansions amounted to ₱42,200 million. 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 2019, the Company expects to incur capital expenditures of around ₱80 billion. This will be funded with internally generated funds and external borrowings.

In relation thereto, the authority to approve resolutions in relation to transactions in the normal course of business of the Company, 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.

2018 vs. 2017

SM Prime's total assets amounted to ₱604.13 billion as of December 31, 2018, an increase of 12% from ₱538.42 billion as of December 31, 2017.

Cash and cash equivalents decreased by 13% from ₱44.37 billion to ₱38.77 billion as of December 31, 2017 and December 31, 2018, respectively, mainly due to payments for capital expenditure projects during the period, net of increase in the Company's cash flows from operations and proceeds from longterm debt.

Financial assets at fair value through other comprehensive income were sold during the period.

Receivables and contract assets increased by 4% from ₱33.99 billion to ₱35.23 billion as of December 31, 2017 and December 31, 2018, respectively, due to increase in rental receivables from new malls and expansions and increase in sales of residential projects.

Condominium and residential units for sale decreased by 7% from ₱8.73 billion to ₱8.09 billion as of December 31, 2017 and December 31, 2018, respectively, due to faster sales take up of RFO units, particularly those projects located in the bay area.

Land and development increased by 35% from ₱58.67 billion to ₱79.33 billion as of December 31, 2017 and December 31, 2018, respectively, due to landbanking and construction accomplishments for the period, net of cost of sold units and transfers of RFO units to condominium and residential units for sale.

Investments in associates and joint ventures increased by 7% from ₱24.57 billion to ₱26.20 billion as of December 31, 2017 and 2018, respectively, due to increase in equity in net earnings of associates and joint ventures.

Equity instruments at fair value through other comprehensive income decreased by 24% from ₱31.11 billion to ₱23.53 billion as of December 31, 2017 and December 31, 2018, respectively, due to disposals and changes in fair values under this portfolio.

Investment properties - net increased by 8% from ₱273.08 billion to ₱293.57 billion as of December 31, 2017 and December 31, 2018, respectively, primarily due to ongoing new mall projects, ongoing commercial building construction, including the Four E-Com Center and the ongoing redevelopment of SM Mall of Asia and other existing malls. Also, the increase is attributable to landbanking and construction costs incurred for ongoing projects.

Derivative assets decreased by 76% from ₱3.55 billion to ₱0.85 billion as of December 31, 2017 and December 31, 2018, respectively, mainly resulting from the maturity of the \$350 million cross currency swap transaction. While the 57% decrease in derivative liabilities from ₱0.78 billion to ₱0.34 billion as of December 31, 2017 and December 31, 2018, respectively, mainly resulted from the net fair value changes on the principal only swap transaction and cross currency swap transaction entered into in 2016 to 2017.

Other noncurrent assets, which includes the noncurrent portion of receivables from sale of real estate, increased by 91% from ₱42.42 billion to ₱80.91 billion as of December 31, 2017 and December 31, 2018, due to additional bonds and deposits for real estate acquisitions and construction accomplishments of sold units as well as new sales for the period.

Loans payable decreased by 95% from ₱0.74 billion to ₱0.04 billion as of December 31, 2017 and December 31, 2018, respectively, due to payment of maturing loans.

Accounts payable and other current liabilities increased by 21% from ₱51.08 billion to ₱61.77 billion as of December 31, 2017 and December 31, 2018, respectively, mainly due to payables to contractors and suppliers related to ongoing projects, customers' deposits from residential buyers and liability for purchased land.

Long-term debt increased by 16% from ₱192.85 billion to ₱222.77 billion as of December 31, 2017 and December 31, 2018, respectively, mainly due to the issuance of P20.00 billion retail bonds in March 2018 and new loan availments to fund capital expenditures requirements, net of payment of maturing loans.

Tenants' and customers' deposits - net of current portion increased by 14% from ₱16.38 billion to ₱18.68 billion as of December 31, 2017 and December 31, 2018, respectively, mainly due to the new malls and office buildings and increase in customers' deposits from residential buyers.

Liability for purchased land - net of current portion increased to ₱6.04 billion from ₱2.17 billion as of December 31, 2018 and December 31, 2017, respectively, due to landbanking.

Deferred tax liabilities increased by 23% from ₱2.88 billion to ₱3.53 billion as of December 31, 2017 and December 31, 2018, respectively, mainly due to unrealized gross profit on sale of real estate for tax purposes.

Other noncurrent liabilities increased by 38% from ₱7.62 billion to ₱10.51 billion as of December 31, 2017 and December 31, 2018, respectively, due to increase in retention payable and output VAT on residential sales.

As at December 31, 2018 and 2017, the amount of retained earnings appropriated for the continuous corporate and mall expansions amounted to ₱42,200 million. 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.

2017 vs. 2016

Cash and cash equivalents increased by 76% from ₱25.20 billion to ₱44.37 billion as of December 31, 2016 and 2017, respectively. This account includes the remaining proceeds from debt drawn in 2017.

Financial assets at fair value through other comprehensive income decreased by 20% from ₱919 million to ₱731 million as of December 31, 2016 and 2017, respectively, mainly due to scheduled maturities of investments in Philippine government and corporate bonds.

Receivables increased by 4% from ₱32.83 billion to ₱33.99 billion as of December 31, 2016 and 2017, respectively, due to increase in rental receivables from new malls and expansions and increase in sales of residential projects.

Condominium and residential units for sale increased by 12% from ₱7.79 billion to ₱8.73 billion as of December 31, 2016 and 2017, respectively, mainly due to completion of condominium towers in Trees, Breeze, Cool and Grace Residences.

Land and development increased by 33% from ₱44.12 billion to ₱58.67 billion as of December 31, 2016 and 2017, respectively, due to landbanking and construction accomplishments for the period, net of cost of sold units and transfers of RFO units to condominium and residential units for sale.

Prepaid expenses and other current assets increased by 20% from ₱11.90 billion to ₱14.59 billion as of December 31, 2016 and 2017, respectively, due to deposits and advances to contractors related to construction projects and increase in input and creditable withholding taxes.

Investments in associates and joint ventures increased by 8% from ₱22.83 billion to ₱24.57 billion as of December 31, 2016 and 2017, respectively, due to increase in equity in net earnings of associates and joint ventures.

Equity investments at fair value through other comprehensive income increased by 47% from ₱21.21 billion to ₱31.11 billion as of December 31, 2016 and 2017, respectively, due to additional investments and changes in fair values under this portfolio.

Investment properties - net increased by 9% from ₱251.50 billion to ₱273.08 billion as of December 31, 2016 and 2017, respectively, primarily due to ongoing new mall projects located in Pangasinan, Pampanga, Zambales and Albay and the ongoing redevelopment of SM Mall of Asia. Also, the increase is attributable to landbanking and construction costs incurred for ongoing projects, including the Commercial group's Three E-Com and Four E-Com buildings.

The changes in the derivative assets and derivative liabilities mainly resulted from the net fair value changes on the principal only swap transaction and cross currency swap transaction entered into in 2017 and 2016.

Other noncurrent assets, which includes the noncurrent portion of receivable from sale of real estate, increased by 8% from ₱39.40 billion to ₱42.42 billion as of December 31, 2016 and 2017, due to construction accomplishments of sold units as well as new sales for the period.

Loans payable decreased by 11% from ₱0.84 billion to ₱0.74 billion as of December 31, 2016 and 2017, respectively, due to payment of maturing loans.

Accounts payable and other current liabilities increased by 27% from ₱40.32 billion to ₱51.08 billion as of December 31, 2016 and 2017, respectively, mainly due to payables to contractors and suppliers related to ongoing projects and customers' deposits from residential buyers.

Long-term debt increased by 18% from ₱163.54 billion to ₱192.85 billion as of December 31, 2016 and 2017, respectively, mainly due to issuance of ₱20.00 billion bonds in May 2017 to fund capital expenditures requirements.

Tenants' and customers' deposits - net of current portion increased by 11% from ₱14.81 billion to ₱16.38 billion as of December 31, 2016 and 2017, respectively, mainly due to the new malls and expansions.

Liability for purchased land - net of current portion increased by 79% from ₱1.21 billion to ₱2.17 billion as of December 31, 2016 and 2017, respectively, due to landbanking. Deferred tax liabilities increased by 13% from ₱2.55 billion to ₱2.88 billion as of December 31, 2016 and 2017, respectively, mainly due to unrealized gross profit on sale of real estate for tax purposes.

Other noncurrent liabilities increased by 31% from ₱5.82 billion to ₱7.62 billion as of December 31, 2016 and 2017, respectively, due to increase in retention payable and output VAT on residential sales.

As at December 31, 2017 and 2016, the amount of retained earnings appropriated for the continuous corporate and mall expansions amounted to ₱42,200 million. 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.

2016 vs. 2015

Cash and cash equivalents decreased by 3% from ₱25.87 billion to ₱25.20 billion as of December 31, 2015 and 2016, respectively, mainly due to payments for capital expenditure projects during the period, net of proceeds from the retail bond issuance and loans drawn in 2016.

Investments held for trading increased by 9% from ₱843 million to ₱919 million as of December 31, 2015 and 2016, respectively, mainly due to increase in market prices of the listed shares.

Receivables slightly increased from ₱32.49 billion to ₱32.83 billion as of December 31, 2015 and 2016, respectively, mainly due to increase in rental receivables due to new malls and expansions in 2016 and

increase in sales of residential projects. Out of the total receivables, 73% pertains to sale of real estate and 22% from leases of shopping mall and commercial spaces.

Condominium and residential units for sale decreased by 5% from ₱8.16 billion to ₱7.79 billion as of December 31, 2015 and 2016, respectively, mainly due to sales take up of RFO units.

Land and development increased by 3% from ₱42.92 billion to ₱44.12 billion as of December 31, 2015 and 2016, respectively, mainly due to landbanking and construction accomplishments for the period, net of cost of sold units and transfers of RFO units to condominium and residential units for sale.

Prepaid expenses and other current assets increased by 5% from ₱11.30 billion to ₱11.90 billion as of December 31, 2015 and 2016, respectively, mainly due to deposits and advances to contractors related to construction projects and various prepayments.

Investment properties increased by 9% from ₱230.34 billion to ₱251.50 billion as of December 31, 2015 and 2016, respectively, primarily due to ongoing new mall projects located in Cagayan de Oro, Puerto Princesa, Olongapo and Tuguegarao in the Philippines and the ongoing expansions and renovations of SM Mall of Asia, SM City Sucat and SM Xiamen. Also, the increase is attributable to landbanking and construction costs incurred for ongoing projects, including the Commercial group's Three E-Com and Four E-Com Centers and the recently opened Conrad Manila.

AFS investments increased by 4% from ₱20.33 billion to ₱21.21 billion as of December 31, 2015 and 2016, respectively, due to unrealized gain on changes in fair values under this portfolio.

Derivative assets increased by 96% from ₱2.60 billion to ₱5.10 billion as of December 31, 2015 and 2016, respectively, to hedge the Company's foreign exchange and interest rate risk. These are the \$270 million interest rate swap transaction and \$380 million principal only swap transaction entered into in 2016 and the \$350 million cross currency swap transaction in 2013.

Deferred tax assets increased by 34% from ₱0.85 billion to ₱1.14 billion as of December 31, 2015 and 2016, respectively, mainly due to NOLCO.

Other noncurrent assets, which includes the noncurrent portion of receivable from sale of real estate, increased by 11% from ₱35.49 billion to ₱39.40 billion as of December 31, 2015 and 2016, due to additional bonds and deposits for real estate acquisitions and construction accomplishments of sold units as well as new sales for the period.

Loans payable decreased by 82% from ₱4.68 billion to ₱0.84 billion as of December 31, 2015 and 2016, respectively, due to payment of maturing loans.

Long-term debt increased by 8% from ₱150.99 billion to ₱163.54 billion as of December 31, 2015 and 2016, respectively, due to net loan availments to fund capital expenditures and for working capital requirements.

Tenants' and customers' deposits increased by 12% from ₱13.22 billion to ₱14.81 billion as of December 31, 2015 and 2016, respectively, due to the new malls and expansions and increase in customers' deposits from residential buyers.

Liability for purchased land decreased by 42% from ₱2.08 billion to ₱1.21 billion as of December 31, 2015 and 2016, respectively, due to payments made. Other noncurrent liabilities increased by 22% from ₱4.75 billion to ₱5.82 billion as of December 31, 2015 and 2016, respectively, due to increase in retention payable and output VAT on residential sales.

KEY PERFORMANCE INDICATORS

The following are the major financial ratios of the Issuer as at and for the years ended 31 December 2016, 2017, and 2018, and as at and for the nine-month period ended 30 September 2019:

	Year ended 31 December			Nine months ended 30 September
	2016	2017	2018	2019
Current ratio	2.10	1.61	1.45	1.35
Acid test ratio	1.21	1.02	0.85	0.80
Solvency ratio	2.02	1.95	1.86	1.80
Debt to Equity	42:58	43:57	45:55	45:55
Net Debt to Equity	37:63	36:64	40:60	40:60
Return on Equity	11%	11%	12%	13%
Debt to EBITDA	3.87	3.95	3.89	3.63
Asset to equity ratio	2.01	2.08	2.19	2.26
Interest Service Coverage Ratio	9.64	8.96	7.59	8.53
Return on Investment Properties	11%	12%	13%	12%

The Company'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 total current assets less inventory and prepaid expenses to total current liabilities;
- (3) Debt to Equity ratio which measures the ratio of interest bearing liabilities to equity;
- (4) Net Debt to Equity which measures the ratio of interest bearing liabilities net of cash and cash equivalents and investment held for trading to equity;
- (5) Solvency ratio which measures the ratio of total assets to total liabilities;
- (6) Asset to equity ratio which measures the ratio of total assets to total equity attributable to equity holders of the Parent;
- (7) Interest Service Coverage ratio which measures the ratio of EBITDA to interest expense;
- (8) Debt to EBITDA which measures the ratio of EBITDA to total interest-bearing liabilities;
- (9) Return on Equity which measures the ratio of net income to capital provided by stockholders; and
- (10) Return on Investment Properties which measures the ratio of net income to total average investment properties (excluding shopping mall complex under construction).

Expansion Plans / Prospects for the Future

For the year 2019, SM Prime expects to incur capital expenditures of around P80 billion. This will be funded with internally generated funds and external borrowings.

SM Prime's malls business unit has seventy-three shopping malls in the Philippines with 8.5 million square meters of GFA and seven shopping malls in China with 1.3 million square meters of GFA. For the last quarter of 2019, SM Prime is slated to open one new mall and one expansion in the Philippines to add around 47,000 square meters of additional space. By the end of 2019, the malls business unit will have seventy-four malls in the Philippines and seven malls in China with an estimated combined GFA of almost 9.8 million square meters.

SM Prime currently has forty-eight residential projects in the market, thirty-eight of which are in Metro Manila and ten are outside Metro Manila. For the nine months ended 2019, SM Prime has already launched 14,500 new units to the market. For full year 2019, SM Prime is targeting to launch between 15,000 to 20,000 residential units that includes high-rise buildings, mid-rise buildings and single detached house and lot projects. These projects will be located in Metro Manila and other key cities in the provinces.

SM Prime's Commercial Properties Group has twelve office buildings with a combined gross floor area of 662,000 square meters. NU Mall of Asia (NUMA) and Three E-Com Center were completed in August 2019 and September 2018, respectively. SM Prime is set to launch Four E-Com Center in MOA, Pasay in 2020.

SM Prime's hotels and convention centers business unit currently has a portfolio of four convention centers, three trade halls and eight hotels with over 1,900 rooms. This includes Park Inn by Radisson – Iloilo and Park Inn by Radisson – North EDSA which opened in April 2019 and September 2019, respectively.

The above expenditures will be funded through internally generated sources and other capital raising initiatives such as bond issuances and loan availments.

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 at the relevant balance sheet dates.

There are no known trends, events, material changes, seasonal aspects or uncertainties that are expected to affect the Company's continuing operations.

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 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

The Issuer's principally owned properties consist of malls and lands. The land, land improvements, buildings, and equipment owned by the Issuer have a net book value of ₱380.53 billion as at 30 September 2019. The locations and general descriptions of these properties and equipment are described below.

Supermalls

The Issuer has 73 malls as at 30 September 2019 in the following locations:

- SM City North EDSA
EDSA cor. North Ave., Quezon City
- SM City Sta. Mesa
Ramon Magsaysay Boulevard cor Araneta, Quezon City, Metro Manila
- SM Megamall
EDSA Corner Julia Vargas Avenue, Ortigas Business District, Mandaluyong City, Metro Manila
- SM City Cebu
North Reclamation Area, Cebu City, Cebu
- SM Southmall
Alabang-Zapote Road, Almanza, Las Piñas City
- SM City Bacoor
General Aguinaldo Highway cor. Tirona Highway, Brgy. Habay, Bacoor, Cavite
- SM City Fairview
Quirino Highway cor. Regalado Ave., Greater Lagro, Quezon City
- SM City Iloilo
Benigno Aquino Jr. Avenue, West Diversion Road, Mandurriao, Iloilo City
- SM City Manila
Concepcion corner Arroceros and San Marcelino Streets, Manila
- SM City Pampanga
Olongapo-Gapan Road, Brgy. San Jose, San Fernando City, Pampanga
- SM City Sucat
Dr. A. Santos Avenue, Brgy. San Dionisio, Parañaque City
- SM City Davao
Quimpo Boulevard corner Tulip Drive, Ecoland Subdivision, Brgy. Matina, Davao City
- SM City Bicutan
Doña Soledad Avenue corner West Service Road, Brgy. Don Bosco, Bicutan, Parañaque City
- SM City Cagayan de Oro
Masterson's Ave, Pueblo de Oro Business Park, Carmen, Cagayan de Oro City
- SM City Lucena
Dalahican Road, corner Maharlika Highway Brgy. Ibabang Dupay, Lucena City
- SM City Baguio
Luneta Hill, Upper Session Road corner Governor Pack Road, Baguio City, Benguet
- SM City Marilao
Km 21 Mc Arthur Highway, Brgy. Ibayo, Marilao Bulacan
- SM City Dasmariñas
Governors Drive, Brgy. Pala-Pala, Dasmariñas, Cavite
- SM City Batangas
Pastor Village, Brgy Pallocan Kanluran, Batangas City
- SM City San Lazaro
Felix Huertas Street corner A.H. Lacson Extension, Sta. Cruz, Manila
- SM Center Valenzuela
Mc Arthur Highway, Brgy. Karuhatan, Valenzuela City
- SM Center Molino
Molino Road, Molino 4, Bacoor, Cavite
- SM City Santa Rosa
National Road, Barrio Tagapo, Sta. Rosa, Laguna

- SM City Clark
M.A. Roxas Highway, Brgy. Malabanias, Angeles City, Pampanga
- SM Mall of Asia
J.W. Diokno Boulevard, Mall of Asia Complex, 1300 Pasay City, Philippines
- SM Center Pasig
Frontera Verde, C5, Brgy. Ugong, Pasig City
- SM City Lipa
Ayala Highway, Lipa City, Batangas
- SM City Bacolod
Rizal St., Bacolod City, Negros Occidental 2
- SM City Taytay
Manila East Road, Brgy. Dolores, Taytay, Rizal
- SM Center Muntinlupa
National Road, Brgy. Tunasan, Muntinlupa City
- SM City Marikina
Marcos Highway, Brgy. Kalumpang, Marikina City
- SM City Rosales
MacArthur Highway, Brgy. Carmen East, Rosales, Pangasinan
- SM City Baliwag
Doña Remedios Trinidad Highway, Brgy. Pagala, Baliwag, Bulacan
- SM City Naga
Central Business District II, Brgy. Triangulo, Naga City
- SM Center Las Piñas
Alabang Zapote Rd., Brgy. Talon Dos, Las Piñas City
- SM City Rosario
General Trias Drive, Brgy. Tejeros, Rosario, Cavite
- SM City Tarlac
Mc Arthur Highway, Brgy. San Roque, Tarlac City
- SM City San Pablo
National Highway, Brgy. San Rafael, San Pablo City
- SM City Calamba
National Road, Brgy. Real, Calamba, Laguna
- SM City Novaliches
Quirino Highway Brgy. San Bartolome, Novaliches, Quezon City
- SM City Masinag
Marcos Highway, Brgy. Mayamot, Antipolo City
- SM City Olongapo
Magsaysay Drive corner Gordon Avenue, Brgy. Pag-Asa, Olongapo City, Zambales
- SM San Fernando
V. Tiomco Street, Brgy. Poblacion, San Fernando City, Pampanga
- SM General Santos
Cor. Santiago Boulevard and San Miguel Street, Barangay Lagao, General Santos City
- SM Lanang
J P Laurel Avenue Lanang, Brgy. San Antonio, Davao City, Davao del Sur
- SM City Consolacion
North Road, Brgy. Lamac, Consolacion, Cebu
- SM Aura Premier
26th Street corner McKinley Parkway, Brgy. Fort Bonifacio, Global City, 1630 Taguig City
- SM City BF Parañaque
Dr. A. Santos Ave. cor Presidents Ave., Brgy. BF Homes, 1700 Parañaque City
- SM City Cauayan
Maharlika Highway, Brgy. District II, 3305 Cauayan City, Isabela, Philippines
- SM Center Angono
Manila East Road, Brgy. San Isidro, 1930 Angono, Rizal
- SM Megacenter Cabanatuan
Gen. Tinio and Melencio Streets, Cabanatuan City, Nueva Ecija
- SM City San Mateo

- Gen. Luna Avenue, Brgy. Ampid 1, San Mateo, Rizal
- SM City Cabanatuan
Along Maharlika Highway, Brgy. H. Concepcion, Cabanatuan City
- SM Center Sangandaan
M. H. Del Pilar cor. Samson Road, Brgy. 003 Sangandaan, Caloocan City
- SM Cherry Shaw
Shaw Boulevard, Brgy. Pleasant Hills, Mandaluyong City
- SM Seaside City Cebu
South Road Properties, Cebu City
- SM City San Jose Del Monte
Quirino Hi-way, Tungkong Mangga, City of San Jose Del Monte, Bulacan
- SM City Trece Martires
Governor's Drive Cor. Capitol Road, San Agustin (Pob.), Trece Martires City, Cavite
- SM Cherry Congressional
Congressional Avenue Extension, Brgy. Bahay Toro, Quezon City
- SM City East Ortigas
Ortigas Avenue Extension Barangay Sta Lucia, Pasig City
- SM CDO Downtown Premier
C. M. Recto corner Osmena St., Brgy 24, Cagayan de Oro City, 9000, Misamis Oriental
- S Maison
S Maison, Marina Way, Mall of Asia Complex, Bgy 76, Zone 10, CBP-IA, 1300 Pasay City, Philippines
- SM Cherry Antipolo
Marcos Highway Brgy. Mayamot, Antipolo City
- SM Puerto Princesa
Malvar Street cor. Lacao Street Puerto Princesa, Palawan
- SM Center Tuguegarao Downtown
Luna Street corner Mabini Street, Brgy. Ugac Sur, Tuguegarao City 3500, Cagayan, Philippines
- SM Center Pulilan
Plaridel- Pulilan Diversion Road, Brgy. Sto. Cristo, Pulilan, Bulacan 3005 Philippines
- SM Center Lemery
Illustre Ave Corner P Gomez St., Brgy District IV, Lemery, Batangas
- SM Center Imus
Alapan Street, Barangay Bucandala, Imus, Cavite
- SM Urdaneta Central
Barangay Nancayasan, McArthur Highway, Urdaneta City, Pangasinan
- SM City Telabastagan
Macarthur Highway, Barangay Telabastagan, City Of San Fernando, Pampanga 2000
- SM City Legazpi
Imelda Rocas Ave., Zone 9, Brgy. 37 Bitano, Legazpi City, Albay 4500
- SM Center Ormoc
Real Street, Barangay District 14, Ormoc City, Leyte 6541
- SM Olongapo Central
Rizal Ave, Olongapo, 2200 Zambales

There are no mortgages, liens or encumbrances over any properties owned by the Company or its subsidiaries.

Land and Development

Land and development costs pertain to SMDC's on-going residential condominium projects. Estimated cost to complete the projects amounted to ₱53,324 million, ₱51,097 million, and ₱79,819 million as at 31 December 2017 and 2018 and as at 30 September 2019, respectively.

SMDC also acquired several parcels of land for future development with aggregate carrying values of ₱13,112 million, ₱17,419 million, and ₱2,325 million for the years ended 31 December 2017 and 2018 and for the nine months ended 30 September 2019, respectively. These costs are included as part of

land and development costs.

SMDC acquired Landfactors for ₱300.0 million in 2009, Vancouver Lands, Inc. (VLI) for ₱566.6 million in 2010, Twenty Two Forty One Properties, Inc. (TTFOPI) for ₱195.6 million in 2011, Union Madison Realty Company Inc. (UMRC) and 102 E. De Los Santos Realty Co. Inc. (102 EDSA) for ₱758.9 and ₱1,250.8 million, respectively in 2014 and became its wholly-owned subsidiaries. The purchase of Landfactors, VLI and TTFOPI were accounted for as an acquisition of asset. Landfactors, VLI and TTFOPI own parcels of land which are being developed into commercial/residential condominium projects.

On 30 June 2004, SMDC entered into a joint venture agreement with the Government Service Insurance System (GSIS) for the development of a residential condominium project on a parcel of land owned by GSIS. Under the joint venture agreement, GSIS shall contribute all its rights, title and interest in and to the property. In turn, SMDC shall provide financing for the implementation of the project in consideration for a certain percentage share of the value of the total saleable units in the project. On 7 September 2005, the parties amended joint venture agreement to change the property subject for development to 14,430 square meters, more or less, a portion of the Tree Park Area of the GSIS-Baguio Convention Center.

Under the amended joint venture agreement, in the event of a decrease in the investment commitment but not below the amount of ₱1,100.0 million, there will be no adjustment in the sharing or allocation percentage of both parties as agreed upon based on the original joint venture agreement. In case the reduction goes lower than ₱1,100.0 million, there shall be a corresponding adjustment in the sharing or allocation percentage of both parties, which shall be subject to the agreement of both parties. As at 30 June 2015, the development of the project has not yet started.

Leased Properties

As at 30 September 2019, the Issuer and its subsidiaries had 20 leased properties with the details set forth below:

Leased Properties	Annual Lease	Expiration Date	Renewal Option
SM Valenzuela	30,713,641	July 2043	No provision
SM Baguio	74,393,486	October 2053	No provision
SM Muntinlupa	23,438,315	March 2055	No provision
SM Pasig	57,323,818	July 2020	No provision
SM Bacoar	26,006,204	December 2043; December 2044	Automatically renewed for another 25 years
SM San Lazaro	8,753,487	July 2028	Renewable for another 25 years
SM Calamba	34,216,510	February 2054; April 2060	Automatically renewed for another 25 years
SM San Pablo	31,344,325	September 2058	Automatically renewed for another 25 years
SM Tarlac	11,345,824	April 2054	No provision
SM Naga	19,626,317	August 2055	No provision
SM Taytay	26,770,988	January 2055; August 2055	Automatically renewed for another 25 years
SM Aura Premier (Head Office)	94,682,762	November 2057; July 2058	Automatically renewed for another 25 years
SM Consolacion Cebu (Head Office)	38,325,350	September 2060	Automatically renewed for another 25 years
SM General Santos (Head Office)	24,205,536	February 2059	No provision
SM Olongapo	7,970,807	December 2035	No provision
SM Clark	106,443,619	June 2028; May 2058	Renewable
SM By The Bay	29,284,440	November 2032	No provision
SM Molino	41,291,194	May 2056	Automatically renewed for another 25 years
SM Manila	23,051,773	2047	Automatically renewed for another 25 years
SM San Mateo	25,343,136	February 2054	No provision
Total Lease Payments	734,531,532		

The Company will embark on acquisitions in Metro Manila and in the provinces when opportunities arise.

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 Emeritus	Henry Sy, Sr.**	Filipino	94
Chairman	Henry T. Sy, Jr.	Filipino	65
Vice Chairman and Lead Independent Director	Jose L. Cuisia, Jr.	Filipino	75
Independent Director	Gregorio U. Kilayko	Filipino	64
Independent Director	Joselito H. Sibayan	Filipino	61
Director and President	Jeffrey C. Lim	Filipino	57
Director	Hans T. Sy	Filipino	64
Director	Herbert T. Sy	Filipino	62
Director	Jorge T. Mendiola	Filipino	60
Adviser to the Board of Directors	Teresita T. Sy	Filipino	68
Adviser to the Board of Directors	Elizabeth T. Sy	Filipino	67
Corporate Secretary/Alternate Compliance Officer	Elmer B. Serrano	Filipino	51
Assistant Corporate Secretary	Arthur A. Sy	Filipino	50
Chief Finance Officer/Compliance Officer/Corporate Indormation Officer	John Nai Peng C. Ong	Filipino	49
Vice President – Internal Audit	Christopher S. Bautista	Filipino	60
Vice President-Finance/Alternate Compliance Officer/Alternate Corporate Information Officer	Teresa Cecilia H. Reyes	Filipino	44
Chief Risk Officer	Marvin Perrin L. Pe	Filipino	40
EVP and Chief Operating Officer, Malls	Steven T. Tan	Filipino	50
EVP, Residential (Primary)	Jose Mari H. Banzon	Filipino	58
EVP, Residential (Leisure)	Shirley C. Ong	Filipino	57
VP, Commercial	Russel T. Sy	Filipino	46
EVP, Hotels and Convention Centers	Ma. Luisa E. Angeles	Filipino	61

*** Passed away on 19 January 2019.*

MANAGEMENT

Board of Directors

The Directors of the Issuer are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been appointed or elected and qualified.

The following describes the background and business experience of the Issuer's Directors and Executive Officers during the last five years:

Henry Sy, Sr. has been the Chairman Emeritus of the Board of Directors of SMPH until his passing on January 19, 2019. He served as Chairman of the Board of Directors of SMPH for ten (10) years from 1994 to April 2014. He was the founder of the SM Group and is currently, Chairman Emeritus of SMIC, SM Development Corporation (SMDC), Highlands Prime, Inc. (HPI) and BDO Unibank, Inc. (BDO) and Honorary Chairman of China Banking Corporation. He opened the first ShoeMart store in 1958 and has been at the forefront of SM Group's diversification into five lines of businesses – shopping malls, retail, financial services, real estate development and tourism oriented entities such as but not limited to hotels and convention centers. Mr. Sy earned his Associate of Arts Degree in Commerce Studies at Far

Eastern University and was conferred an Honorary Doctorate in Business Management by De La Salle University.

Henry T. Sy, Jr. has been a director of SMPH 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, Chairman of Pico de Loro Beach and Country Club Inc., and Vice Chairman of The National Grid Corporation of the Philippines. He holds a Bachelor's Degree in Management from De La Salle University.

Jose L. Cuisia, Jr.* has served as Vice Chairman and Independent Director of the Board of Directors of SM Prime since 1994. He was first appointed Lead Independent Director of the Company in February 2017 and has been reappointed as such the following year. He served as the Ambassador of the Republic of the Philippines to the United States of America from April 2, 2011 until June 2016. Mr. Cuisia was also the Vice Chairman of Philam Life after having served the company as its President and Chief Executive Officer for 16 years. He was also Chairman of the Board for BPI-Philam Life Assurance Co., the Philam Foundation and Tower Club, Inc. Mr. Cuisia was also the Governor of the Bangko Sentral ng Pilipinas (BSP) and Chairman of its Monetary Board from 1990-1993. He was also Governor for the Philippines to the International Monetary Fund and Alternate Governor to the World Bank. Prior to joining the BSP, he was Administrator and CEO of the Philippine Social Security System from 1986-1990. Mr. Cuisia is also a Non-Executive Director of Bacnotan Consolidated Industries (now PHINMA Corporation); Independent Director of Century Properties Group & Manila Water Company, Inc. (all of which are publicly listed companies). Likewise, he is also Chairman of the Board of The Covenant Car Company, Inc., and holds directorates in PHINMA, Inc. In 2018, he was appointed Chairman of the Board of FWD Insurance and elected as Chairman of the Ramon Magsaysay Awards Foundation. Ambassador Cuisia was active in educational institutions, having been Chairman of the Board of Trustees of the Asian Institute of Management, a previous Trustee of the University of Asia & the Pacific and Chairman of De La Salle University Board of Trustees. He was the CV Starr Chairman of Corporate Governance for the Asian Institute of Management. He is also a Convenor-Trustee of the Philippine Business for Education (PBE). Mr. Cuisia is an alumnus of De La Salle University, where he graduated in 1967 with degrees in Bachelor of Arts in Social Science and Bachelor of Science in Commerce (magna cum laude). He finished his Masters in Business Administration-Finance at The Wharton School, University of Pennsylvania in 1970 as a University Scholar. Mr. Cuisia is a recipient of numerous awards and accolades including 2017 Signum Meriti for exemplary public service from De La Salle University; 2006 Distinguished La Sallian Award; Ten Outstanding Filipino (TOFIL) awardee on December 2016 by the JCI Senate and ANZA Foundation; the Order of the Sikatuna with the rank of Grand Cross by President Benigno Aquino III in 2016; Lifetime Contributor Award (public sector) by the Asia CEO Forum in 2015; "Joseph Wharton Award for Lifetime Achievement" by the prestigious Wharton Club of Washington, DC in May 2011; Management Association of the Philippines' Management Man of the Year for 2007; Manuel L. Quezon Award for Exemplary Governance in 2006; Raul Locsin CEO of the Year Award in 2004; and Ten Outstanding Young Men (TOYM) Award for Domestic Banking in 1982.

Gregorio U. Kilayko* has been an Independent Director of SM Prime since 2008. He is the former Chairman of ABN Amro's banking operations in the Philippines. He was the founding head of ING Baring's stockbrokerage and investment banking business in the Philippines and a Philippine Stock Exchange Governor in 1996 and 2000. He was a director of the Philippine Stock Exchange in 2003. He is currently an Independent Director in Belle Corporation and Philequity Fund. He took his Masters in Business Administration at the Wharton School of the University of Pennsylvania.

Joselito H. Sibayan* has been an Independent Director of the Company since 2011. He has spent the past 31 years of his career in investment banking. From 1987 to 1994, and after taking his Master of Business Administration from University of California in Los Angeles, he served as Head of International Fixed Income Sales at Deutsche Bank in New York and later moved to Natwest Markets to set up its International Fixed Income and Derivatives Sales/Trading operations. He then moved to London in 1995 to run Natwest Market's International Fixed Income Sales Team. He is currently the President and CEO of Mabuhay Capital Corporation (MC2), an independent financial advisory firm. Prior to forming MC2 in 2005, he was Vice Chairman, Investment Banking - Philippines and Country

Manager for Credit Suisse First Boston (CSFB). He helped establish CSFB's Manila representative office in 1998, and later oversaw the transition of the office to branch status.

** Independent director – The Independent Directors of the Company are Messrs. **Jose L. Cuisia, Jr., Gregorio U. Kilayko and Joselito H. Sibayan**. The Company has complied and will comply with the Guidelines set forth by Securities Regulation Code (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 also serves as President of SM Development Corporation. He was elected to the Board of Directors of SM Prime in April 2016. He holds various board and executive positions in other SMPH'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 SM Investments Corporation, 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 Supervalu Inc., Super Shopping Market Inc. and Sanford Marketing Corporation and Director of Alfamart Trading Philippines Inc. and China Banking Corporation. He also holds board positions in several companies within the SM Group. He has worked with SM Group Companies for more than 30 Years, engaged in food retailing. He is 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 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.

Teresita T. Sy has served as an Adviser to the Board since May 2008. She was a Director from 1994 up to April 2008. She has worked with the Group for over 20 years and has varied experiences in retail merchandising, mall development and banking businesses. A graduate of Assumption College, she is currently Chairperson of BDO Unibank, Inc. and Vice Chairperson of SMIC. She also holds board positions in several companies within the SM Group. She is the Philippine representative to the ASEAN Business Advisory Council.

Elizabeth T. Sy was elected as an Adviser to the Board in April 2012. She serves as a member of the Executive Committee and Trust Committee of the Board of Directors of BDO Private Bank, Inc. She is also the Chairperson and President of SM Hotels and Conventions Corporation where she steers SM's continuous growth in the tourism, leisure and hospitality industry. She is also the Chairman of Nazareth School of National University. Ms. Sy likewise serves as Adviser to the Board of SM Investments Corporation and Co-Chairperson of Pico De Loro Beach and Country Club. She graduated with a degree in Business Administration from Maryknoll College.

Members of the Board of Directors are given a standard per diem of P10,000 per Board meeting, except for the Chairman and Vice Chairman which are given P20,000 per Board meeting.

Elmer B. Serrano is the Corporate Secretary of the SMPH and of SMIC since November 2014. He is a

practicing lawyer recognized by TheLegalASia500 Asia Pacific and IFLR1000 in the areas of Corporate and Mergers & Acquisitions, Capital Markets and Banking & Finance. Mr. Serrano is a director of 2GO Group, Inc. and DFNN Inc., both publicly-listed companies. He is also the Corporate Secretary of Premium Leisure Corp., Crown Equities, Inc., as well as various subsidiaries of BDO. He is also Corporate Secretary of, and counsel to, prominent banking industry associations and companies such as the Bankers Association of the Philippines and PDS Group. Mr. Serrano is a Certified Associate Treasury Professional (2017) 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 Law School and a BS Legal Management degree from Ateneo de Manila University.

Atty. Arthur A. Sy is the Assistant Corporate Secretary of SMPH. He is the Senior Vice President for Corporate Legal Affairs of SMIC, where he also serves as the Assistant Corporate Secretary. He is likewise the currently appointed Assistant Corporate Secretary of Belle Corporation and Premium Leisure Corp. and the Corporate Secretary of various major companies within the SM Group and the National University. A member of the New York Bar, Atty. Sy 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.

Executive Officers

John Nai Peng C. Ong is the Chief Finance Officer, Compliance Officer and a member of the Company's Executive Committee. He holds various board and executive positions in other SMPH'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.

Christopher S. Bautista is the Vice President for Internal Audit (Chief Audit Executive). Prior to joining the Company in 1998, he was the Chief Finance Officer of a large palm oil manufacturer based in Jakarta, Indonesia and was a partner (principal) for several years of an audit and management consulting firm based also in Jakarta. He started his professional career as staff auditor of SGV & Co.

Teresa Cecilia H. Reyes is the Vice President for Finance and the Alternate Compliance and Corporate Information Officer. Prior to her joining the Company in June 2004 as a Senior Manager in the Finance Group, she was an Associate Director in the business audit and advisory group of SyCip Gorres Velayo & Co. (SGV). She graduated from De La Salle University with degrees in Bachelor of Science in Accountancy and Bachelor of Arts in Economics and placed 16th in the 1997 Certified Public Accountants board examinations.

Marvin Perrin L. Pe is the Chief Risk Officer and Vice President for Enterprise Risk Management. 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. Before joining SM Prime Holdings, Inc., Mr. Pe was an Advisory Partner of SyCip Gorres Velayo & Co. (SGV).

Steven T. Tan is the Chief Operating Officer of SM Supermalls and handles mall properties in the Philippines and China. He took up Business Management at University of Santo Tomas and completed his Masters in Business Administration from Paris School of Management. Prior to joining the Company, Mr. Tan began his career in Howard Plaza Hotel at Taipei, Taiwan from 1990-1998 and moved to Shanghai, China to form part of the opening team of the Barcelo Grand Hotel. He returned to the Philippines in 2001 to work as Regional Director of Marketing and Communications for FilBarcelo, handling external affairs for the group. In 2004, he joined SM handling mall operations for The Podium and in January 2006, led the launch and operations of SM Mall of Asia.

Jose Mari H. Banzon is the Business Unit Head for Residential (Primary). He holds a Bachelor of Arts degree in Economics and a Bachelor of Science degree in Management of Financial Institutions from De La Salle University. Prior to joining SMDC in 2013, he was executive vice president and general manager of Federal Land, Inc. He had also worked in the corporate banking department of various financial institutions in the Philippines and Hong Kong.

Shirley C. Ong is the Business Unit Head for Residential (Leisure). She is also the Director of the Midlands Golf and Country Club. Before joining the Company, she was First Vice President for Business Development of Filinvest Alabang, Inc from 1995 to 2009. She brings with her over 26 years of experience, 21 years of which has been in various areas of real estate from city development, office/residential, high rise development, residential village development including finance, marketing, sales and property management. She graduated cum laude with a bachelor's degree in Arts, Major in Economics from the University of Sto. Tomas.

Russell T. Sy is the Business Unit Head for Commercial. He holds a Bachelor of Science degree in Management Engineering from Ateneo de Manila University. He received his MBA from International Institute for Management Development (IMD) in Lausanne, Switzerland. Prior to joining the Company in 2014, he was Chief Strategy Officer at TECOM Investments in Dubai, United Arab Emirates.

Ma. Luisa E. Angeles is the Business Unit Head for Hotels and Convention Centers. She holds a Bachelor of Science degree in Hotel and Restaurant Administration from the University of the Philippines. She has 37 years of work expertise in the hotel management industry specifically in sales and marketing.

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 SMPH.
- The Corporate Governance Committee passes upon, and deliberates on, the qualifications of all persons nominated to be elected to the Board of Directors of SMPH, 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, SMPH'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 SMPH'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 SMPH 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 SMPH Directors and Executive Officers in other reporting companies at least, in the last five years:

Henry Sy, Sr.

<u>Name of Corporation</u>	<u>Position</u>
SM Investments Corporation	Chairman Emeritus
China Banking Corporation	Honorary Chairman
BDO Unibank, Inc.	Chairman Emeritus

Henry T. Sy, Jr.

<u>Name of Corporation</u>	<u>Position</u>
SM Investments Corporation	Vice Chairman

Jose L. Cuisia, Jr.

<u>Name of Corporation</u>	<u>Position</u>
PHINMA Corporation	Non-Executive Director
Manila Water Company, Inc.	Independent Director
Century Properties Group, Inc.	Independent Director

Gregorio U. Kilayko

<u>Name of Corporation</u>	<u>Position</u>
Belle Corporation	Independent Director

Joselito H. Sibayan

<u>Name of Corporation</u>	<u>Position</u>
Apex Mining Corporation.	Independent Director
A Brown Company, Inc	Director

Hans T. Sy

<u>Name of Corporation</u>	<u>Position</u>
China Banking Corporation	Chairman
SM Investments Corporation	Adviser to the Board

Herbert T. Sy

<u>Name of Corporation</u>	<u>Position</u>
China Banking Corporation	Director
SM Investments Corporation	Adviser to the Board

Teresita T. Sy

<u>Name of Corporation</u>	<u>Position</u>
BDO Unibank, Inc.	Chairperson
SM Investments Corporation	Vice Chairperson

Elizabeth T. Sy

Name of Corporation

SM Investments Corporation

Position

Adviser to the Board

Elmer B. Serrano

Name of Corporation

2Go Group, Inc.

DFNN, Inc.

Position

Director

Director

Involvement in Legal Proceedings

The Issuer is not aware of any of the following events having occurred during the past five 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 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. Jose L. Cuisia, Jr., Mr. Gregorio U. Kilayko, and Mr. Joselito H. Sibayan. 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 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, 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.

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 the year 2018, the Issuer engaged the Institute of Corporate Directors (August 8 and November 7), McKinsey and Company (September 19), and Good Governance Advocates and Practitioners of the Philippines (October 11) to provide an exclusive training for the Issuer's Board of Directors and key executives covering such topics as Financial Technology (FinTech), Sustainability, Blockchain Technology, Data Privacy, Technological innovation affecting businesses and industries, and Responding to cyber-security risks.

As a testament to the Issuer's unwavering commitment to good corporate governance, ethics and integrity, in 2018, the ASEAN Corporate Governance Award, the most prestigious in the ASEAN region, recognized the Issuer as one of the Top 3 in ASEAN Corporate Governance Scorecard in the Philippines, PLCs Category and Top 10 ASEAN Publicly Listed Company PLCs Category.

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 adhere to over-all corporate governance best practice. The Committee also oversees the Company's process for monitoring compliance with laws, regulations and the Code of Ethics. The Audit Committee is composed of Mr. Jose L. Cuisia, Jr., Mr. Joselito H. Sibayan and Mr. Jorge T. Mendiola. Mr. Cuisia is an independent director and the Chairman of the Committee.

The Risk Oversight Committee

The 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 Risk Oversight Committee is composed of Mr. Gregorio U. Kilayko, Mr. Jose L. Cuisia, Jr., and Mr. Jorge T. Mendiola. Mr. Kilayko 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 Mr. Joselito H. Sibayan, Mr. Gregorio U. Kilayko and Mr. Jose L. Cuisia, Jr. Mr. Sibayan 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 Mr. Joselito H. Sibayan, Mr. Gregorio U. Kilayko and Mr. Jorge T. Mendiola. Mr. Sibayan 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:

Name and Position
Jeffrey C. Lim President
John Nai Peng C. Ong Chief Finance Officer
Steven T. Tan Chief Operating Officer of SM Supermalls
Jose Mari H. Banzon Head, Residential (Primary)
Shirley C. Ong Head, Residential (Leisure)

Summary Compensation Table

	Year	Salary	Bonus
President & 4 Most Highly Compensated Executive Officers	2019 (estimate)	₱136,000,000	₱23,000,000
	2018 (actual)	124,000,000	21,000,000
	2017 (actual)	112,000,000	19,000,000
All other officers* as a group unnamed	2019 (estimate)	₱381,000,000	₱64,000,000
	2018 (actual)	346,000,000	58,000,000
	2017 (actual)	314,000,000	52,000,000

**Managers & up*

Other Arrangements

There are no standard or other arrangements pursuant to which the directors of the Issuer are compensated, or are to be compensated, directly or indirectly, by the Issuer for services rendered by such directors as of the date of this Prospectus.

There are no employment contracts between the Issuer and any named executive officer.

There is no compensatory plan nor arrangement with respect to an executive officer which shall result or will result from the resignation, retirement or any other termination of such executive officer's employment with the Company, or from a change-in-control of the Company, or a change in an executive officer's responsibilities following a change-in-control of the Company.

Warrants and Options Outstanding

As of the date of this Prospectus, there are no outstanding warrants or options in respect of the Issuer's shares held by the Issuer's President, named executive officers and all directors and officers as a group.

Significant Employees

The Issuer has no individual employee who is not an executive officer but who is expected to make a significant contribution to the business.

Family Relationships

Mr. Henry Sy, Sr. is the father of Teresita T. Sy, Elizabeth T. Sy, Henry T. Sy, Jr., Hans T. Sy, Herbert T. Sy and Harley T. Sy. All other directors and officers are not related 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 30 September 2019, the following are the top 20 stockholders of the Issuer.

	Stockholder Name	No. of shares	% to Total
1	SM Investments Corporation	14,353,464,952	49.70%
2	PCD Nominee Corp. (Non-Filipino)	6,720,130,183	23.27%
3	PCD Nominee Corp. (Filipino)	1,345,604,785	4.66%
4	Harley T. Sy	690,048,248	2.39%
5	Henry Sy, Jr.	687,953,713	2.38%
6	Teresita T. Sy	661,356,934	2.29%
7	Elizabeth T. Sy	661,251,450	2.29%
8	Herbert T. Sy	661,037,924	2.29%
9	Hans T. Sy	655,650,971	2.27%
10	Syntrix Holdings, Inc.	312,726,835	1.08%
11	Sysmart Corporation	263,226,285	0.91%
12	Cutad, Inc.	19,694,544	0.07%
13	HSBB, Inc.	19,694,400	0.07%
14	Lucky Securities, Inc.	3,000,000	0.01%
15	Jose T. Tan &/or Pacita L. Tan	892,126	0.00%
16	Senen Mendiola	800,763	0.00%
17	Deborah Pe	781,909	0.00%
18	Chen Zan Xing	771,611	0.00%
19	Edwin Francis L. Tan	610,402	0.00%
20	Eric Ruben L. Tan	610,402	0.00%
		27,059,308,437	93.70%

As at 30 September 2019, the Issuer had 2,404 shareholders of its common shares. The foreign ownership level in the Issuer is 23%.

DIVIDENDS AND DIVIDEND POLICY

The Company targets a dividend payout of 30% to 35% of the previous year's net income.

As at 30 September 2019, there are no restrictions that would limit the ability of the Issuer to pay dividends to the common stockholders, except with respect to ₱2.985 billion representing the cost of shares held in treasury and ₱86.460 billion representing accumulated equity in net earnings of subsidiaries, associates and joint ventures. These earnings are not available for dividend distribution until such time that the Issuer receives the dividends from the subsidiaries.

In 2019, the Board of Directors approved the declaration of cash dividend of ₱0.35 per share or ₱10,108 million to stockholders of record as of May 8, 2019, ₱8 million of which was received by SMDC. This was paid on May 22, 2019.

In 2018, the Board of Directors approved the declaration of cash dividends of ₱0.35 per share or ₱10,108 million to stockholders of record as of May 9, 2018, ₱9 million of which was received by SMDC. This was paid on May 23, 2018.

The Company's subsidiaries have no defined dividend policy. The amount of dividend declaration annually by SMPH and its subsidiaries depend on the net income, cash availability and the investment projects as approved by the Board of Directors of SMPH and each of the subsidiaries.

The dividends declared and paid out or issued by the Company's subsidiaries during the years 2016, 2017, and 2018 are set out below.

Subsidiary	Cash Dividends (in million ₱)		
	2016	2017	2018
First Asia Realty Development Corp.	1,394.7	1,483.8	1,483.8
Premier Central, Inc.	-	450.0	30.0
Premier Southern Corp.	500.0	250.0	800.0
First Leisure Ventures Group, Inc.	40.0	50.0	60.0
Southernpoint Properties Corp.	200.0	350.0	-
Consolidated Prime Dev. Corp.	100.0	600.0	400.0
SM Arena Complex Corporation	-	-	400.0
Highlands Prime, Inc.	-	-	300.0
Prime Commercial Property Management Corporation and Subsidiaries	-	200.0	600.0

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 at the Philippine Stock Exchange. The high and low sales prices for each period are indicated in the table below.

	2017		2018		2019	
(in ₱)	High	Low	High	Low	High	Low
1st Quarter	31.30	28.00	39.70	33.00	39.95	31.75
2nd Quarter	35.00	28.70	38.30	32.35	41.80	37.10
3rd Quarter	35.00	32.95	39.00	35.40	39.50	34.05
4th Quarter	37.95	34.65	37.40	31.75	NA	NA

The total number of stockholders as at 30 September 2019 was 2,404. Market price of the Issuer's shares as at 30 September 2019 was ₱37.20 per share.

RECENT SALES OF UNREGISTERED SECURITIES

As discussed in Note 19 of the consolidated financial statements, the Company registered with the SEC the ₱20 billion retail bonds issued in March 2018. The issue consists of the five-year or Series H Bonds amounting to ₱10 billion with a fixed interest rate equivalent to 5.6630% per annum due in March 2023 and seven-year or Series I Bonds amounting to ₱10 billion with a fixed interest rate equivalent to 6.0804% per annum due in March 2025.

The Company also registered with the SEC the ₱10 billion retail bonds issued in May 2019. The issue consists of the three-year or Series J Bonds amounting to ₱10 billion with a fixed interest rate equivalent to 6.2223% per annum due in May 2022.

There are no other recent sales of unregistered or exempt securities, including recent issuance of securities constituting an exemption transaction. The Company has no other registered debt securities. There are no existing or planned stock options. 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 December 2019, the following are the owners of the Issuer's common stock in excess of 5% of total outstanding shares:

Title of Class	Name & address of record owner & relationship with Issuer	Name of beneficial owner & relationship with record owner	Citizenship	No. of shares held	Percent
Common	SM Investments Corporation (parent company of Issuer) ¹ One E-com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City	Same as the record owner	Filipino	14,353,464,952 (b)	49.70%
Common	PCD Nominee Corp. ² MSE Bldg., Ayala Ave., Makati City	PCD Participants ²	Filipino - 4.48% Non-Filipino - 23.45%	8,066,525,245 (r)	27.93%

Notes:

- The following are the individuals holding the direct beneficial ownership of SMIC: Henry T. Sy, Jr. - 7.27%, Hans T. Sy - 8.10%, Herbert T. Sy - 8.20%, Harley T. Sy - 7.27%, Teresita T. Sy - 7.09% and Elizabeth T. Sy-5.90%. Jose T. Sio is the Chairman of SMIC and Teresita T. Sy and Henry Sy, Jr. are the Vice Chairmen of SMIC. They have the power to vote the common shares of SMIC in SM Prime.
- 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.

Security Ownership of Management

As at 31 December 2019, 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	Percent of Class
Common Stock	Jose L. Cuisia, Jr.	Filipino	497,661 (d)(i)	0.00%
Common Stock	Teresita T. Sy	Filipino	661,356,934 (d)(i)	2.29%
Common Stock	Henry T. Sy, Jr.	Filipino	688,565,213 (d)(i)	2.38%
Common Stock	Hans T. Sy	Filipino	675,733,814 (d)(i)	2.34%
Common Stock	Herbert T. Sy	Filipino	661,037,924 (d)	2.29%
Common Stock	Elizabeth T. Sy	Filipino	661,251,450 (d)	2.29%
Common Stock	Gregorio U. Kilayko	Filipino	202,580 (d)(i)	0.00%
Common Stock	Joselito H. Sibayan	Filipino	1,375 (i)	0.00%
Common Stock	Jorge T. Mendiola	Filipino	703,167 (d)(i)	0.00%
Common Stock	Jeffrey C. Lim	Filipino	50,000 (i)	0.00%
Common Stock	Christopher S. Bautista	Filipino	37,500 (i)	0.00%
Common Stock	Teresa Cecilia H. Reyes	Filipino	100,000 (i)	0.00%
Common Stock	Steven T. Tan	Filipino	84,800 (i)	0.00%
Directors and Executive Officers as a group			3,438,622,760	11.59%

Voting Trust Holders of 5% or More

There are no persons holding more than 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; 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 interest-bearing debt to total equity. 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 January 1, 2018, Republic Act No. 10963, otherwise known as the “Tax Reform for Acceleration and Inclusion” (TRAIN) Act, took into 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.

As used in this section, the term “non-resident alien” means an individual whose residence is not within the Philippines and who is not a citizen of the Philippines. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a “non-resident alien doing business in the Philippines”; however, a non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year may be considered a “non-resident alien not engaged in trade or business within the Philippines”. A “non-resident foreign corporation” is a foreign corporation not engaged in trade or business within the Philippines.

TAXATION OF INTEREST

The Tax Code provides that interest-bearing obligations of Philippine residents are Philippine sourced income subject to Philippine income tax. Interest income derived by Philippine citizens and alien resident individuals from the Debt Securities 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 Debt Securities 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 Debt Securities is subject to a final withholding tax rate of 20%. Interest income received by non-resident foreign corporations from the Debt Securities is subject to a 30% 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 tax authorities have prescribed certain procedures for availment of tax treaty relief on interest under Revenue Memorandum Order No. 8-2017. The preferential treaty rates for interest shall be applied and used outright by the withholding agent/income payer upon submission of the Certificate of Residence for Tax Treaty Relief (CORTT) Form by the non-resident before interest is credited. The CORTT Form is made up of two parts: Part I states the information of the income recipient/beneficial

owner and the certification from the competent tax authority or authorized tax office of country of residence. Part II includes the information of the withholding agent/income payor, details of income payment and the affixture of signatures by both the non-resident income recipient/beneficial owner and the income payor.

The withholding agent/income payor shall submit an original copy of the duly accomplished CORTT Form within 30 days after the remittance of the withholding tax to the BIR. In the case of staggered payment of interest, the withholding agent shall submit an updated Part II of the CORTT Form within 30 days after payment of withholding taxes.

The BIR will no longer issue a ruling for the said CORTT Form submissions but the compliance check and post reporting validation on withholding tax obligations and confirmation of appropriateness of availment of treaty benefits shall be part of BIR's regular audit investigations.

For claims of tax exemption, BIR Revenue Memorandum Circular No. 8-2014 mandates the Company, as a withholding agent, to require from individuals and entities claiming tax exemption a copy of a valid, current, and subsisting tax exemption certificate or ruling before payment of the related income. The tax exemption certificate or ruling must explicitly recognize the tax exemption, as well as the corresponding exemption from withholding tax. Failure on the part of the taxpayer to present the said tax exemption certificate or ruling shall subject him to the payment of the appropriate withholding taxes due on the transaction.

If the Company withheld taxes, or withheld the regular rate of tax imposed pursuant to the Tax Code on interest, the concerned bondholder may file a claim for a refund from the Philippine taxing authorities on the basis of a tax exemption or applicable tax treaty.

VALUE-ADDED TAX

Gross receipts arising from the sale of the Debt Securities in the Philippines by dealers in securities shall be subject to a 12% value-added tax. The term "gross receipt" means gross selling price less acquisition cost of the Debt Securities sold.

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 pre-termination, then the maturity period shall be reckoned to end as of the date of pretermination 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 Debt Securities by banks and nonbank financial intermediaries performing quasi-banking functions shall be taxed at 7%.

DOCUMENTARY STAMP TAX

A documentary stamp tax is imposed upon the issuance of debt instruments issued by Philippine companies, such as the Debt Securities, at the rate of P1.50 for each P200, or fractional part thereof, of the issue price of such debt instruments; provided that, for debt instruments with terms of less than one 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 DEBT SECURITIES

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 20%-35% for individuals and 30% for domestic and resident foreign corporations). 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) 25%, if the holder is a non-resident alien not engaged in trade or business within the Philippines, or (ii) 30%, if the holder is a non-resident foreign corporation. If the debt instrument are 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 12 months prior to the sale, only 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 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 arising from such sale, regardless of the original maturity date of the debt 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 Bureau of Internal Revenue 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 Debt Securities shall be subject to an estate tax which is levied on the net estate of the deceased at a uniform rate of 6.0%. A bondholder shall be subject to donor's tax based on the transfer of the Debt Securities by gift at a uniform rate of 6.0% on the basis of the total gifts in excess of ₱250,000.00 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 Debt Securities and the Debt Securities, 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 Debt Securities and the Debt Securities 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 Debt Securities 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.

Documentary Stamp Tax

No documentary stamp tax is imposed on the subsequent sale or disposition of the Debt Securities, trading the Debt Securities in a secondary market or through an exchange. However, if the transfer constitutes a renewal of the Debt Securities, documentary stamp tax is payable anew.

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PARTIES TO THE OFFER

Issuer

SM PRIME HOLDINGS, INC.

Joint Issue Managers

**BDO CAPITAL & INVESTMENT CORPORATION
CHINA BANK CAPITAL CORPORATION**

Joint Lead Underwriters and Bookrunners

**BDO CAPITAL & INVESTMENT CORPORATION
CHINA BANK CAPITAL CORPORATION
BPI CAPITAL CORPORATION
EASTWEST BANKING CORPORATION
FIRST METRO INVESTMENT CORPORATION
RCBC CAPITAL CORPORATION
SB CAPITAL INVESTMENT CORPORATION**

Trustee

PHILIPPINE NATIONAL BANK TRUST BANKING GROUP

Registrar and Paying Agent

PHILIPPINE DEPOSITORY AND TRUST CORPORATION

Legal Counsel to the Underwriters

ANGARA ABELLO CONCEPCION REGALA & CRUZ

Independent Auditors

SYCIP GORRES VELAYO & Co.