COVER SHEET
for
SEC FORM 20-IS

SEC Registration Number

A S 0 9 4 - 0 0 0 0 8 8

Company Name

S M   P R I M E   H O L D I N G S ,   I N C .   A N D   S U
B S I D I A R I E S

Principal Office (No./Street/Barangay/City/Town/Province)

1 0 t h   F l o o r ,   M a l l   o f   A s i a   A r e n a
A n n e x   B u i l d i n g ,   C o r a l   W a y   c o r
.   J . W .   D i o k n o   B l v d . ,   M a l l   o f   A
s i a   C o m p l e x ,   B r g y .   7 6 ,   Z o n e   1 0
,   C B P - 1 A ,   P a s a y   C i t y ,   P h i l i p p i
n e s

Form Type	Department requiring the report	Secondary License Type, If Applicable
2 0 - I S		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
	8831-1000	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
2,395		December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
John Nai Peng C. Ong	john.ong@smprime.com	8831-1000	

Contact Person's Address

10th Floor, Mall of Asia Arena Annex Building, Coral Way cor. J.W. Diokno Blvd., Mall of Asia Complex, Brgy. 76, Zone 10, CBP-1A, Pasay City, Philippines

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

SM PRIME

Notice of Annual Stockholders' Meeting

April 20, 2021 | 2:30p.m.

Dear Stockholders:

The annual stockholders' meeting of **SM PRIME HOLDINGS, INC.** (the **Company**) will be held virtually on **April 20, 2021 (Tuesday)** at **2:30 p.m**. Proceedings will be livestreamed and voting will be conducted *in absentia* through the Company's secure online voting facility.

AGENDA

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of Minutes of the Annual Meeting of Stockholders held on June 15, 2020
4. Approval of Annual Report for 2020
5. Open Forum
6. General Ratification of Acts of the Board of Directors, Board Committees and Management
7. Election of Directors for 2021-2022
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

Please refer to **Annex A** for a brief explanation of each agenda item for approval.

The Board of Directors has fixed the end of trading hours of the Philippine Stock Exchange on **March 22, 2021** as the record date for the determination of stockholders entitled to notice of, to participate, and to vote *in absentia*, at such meeting and any adjournment thereof.

Stockholders who intend to participate in the virtual meeting and to exercise their vote *in absentia* must notify the Corporate Secretary by registering at **asmregister.smprime.com** and submitting supporting information listed there on or before **April 17, 2021**. All information submitted will be subject to verification and validation by the Corporate Secretary.

Stockholders who wish to appoint a proxy should submit advance electronic copies of their duly accomplished proxy forms during registration, and must send the originals on or before **2:30 p.m. on April 17, 2021 (Saturday)** at the Office of the Corporate Secretary at 33rd Floor The Orient Square, F. Ortigas Jr. Road, Ortigas Center, Pasig City for validation pursuant to the Company's By-laws. A sample format of the proxy form for individual and corporate stockholders are attached.

Successfully registered stockholders can then cast their votes *in absentia* through the Company's secure online voting facility and access the live streaming of the meeting. Detailed login instructions will be sent to the email provided to the Company. For the detailed registration and voting procedures, please refer to the ***"Guidelines for Participation via Remote Communication and Voting in Absentia"*** appended as **Annex A** to the Definitive Information Statement posted on the Company's website and PSE EDGE.

For complete information on the annual meeting, please visit **www.smprime.com/annual-stockholders-meeting**.

Thank you.

Pasig City, February 26, 2021.

ELMER B. SERRANO
Corporate Secretary

Annex A

Rationale for Agenda Items:

<u>Agenda Item No. 3: Approval of Minutes of the Annual Stockholders' Meeting Held on June 15, 2020</u>

The draft minutes of the annual stockholders' meeting held on June 15, 2020 were posted on the Company's website within twenty-four (24) hours from adjournment of the meeting. These minutes are subject to stockholders' approval during this year's meeting.

<u>Agenda Item No. 4: Approval of Annual Report for the Year 2020</u>

The Company's 2020 performance has been duly summarized in the Annual Report, which also contains the Audited Financial Statements (AFS) of the Company for the year ended 31 December 2020. The AFS, as audited by the external auditor Sycip Gorres Velayo & Co. (SGV&Co.) which expressed an unqualified opinion therefor, have been reviewed and approved by the Audit Committee and the Board of Directors of the Company. Any stockholder who would like to receive a hard or soft copy of the 2020 Annual Report may do so through the Company's Investor Relations Office. The 2020 Annual Report is also posted on the Company's website.

<u>Agenda Item No. 5: General ratification of the acts of the Board of Directors, Board Committees and the Management from the Date of the Last Annual Stockholders' Meeting up to the Date of this Meeting</u>

The Company's performance in 2020, as detailed in the Annual Report, is attributed to the strategic directions and key policies set by the Board of Directors which were effectively executed and complied with by Management in conformance with good corporate governance and ethical best practices. The ratification of the acts undertaken by the Board of Directors, Board Committees, and Management is sought for this meeting.

<u>Agenda Item No. 6: Election of Directors for 2021-2022</u>

The profiles of nominees will be posted on the Company's website as soon as the Final List of Candidates or Nominees is available at the end of the nomination process. Directors for 2021-2022 will be elected during this stockholders' meeting.

<u>Agenda Item No. 7: Appointment of External Auditor</u>

With the endorsement of the Audit Committee, the Board approved the reappointment of SGV&Co. as the Company's external auditor for 2021. SGV&Co. is one of the top auditing firms in the country and is duly accredited with the Securities and Exchange Commission.

SAMPLE PROXY FORM
(FOR INDIVIDUAL STOCKHOLDERS)

The undersigned stockholder of **SM PRIME HOLDINGS, INC.** (the **Company**) hereby appoints _______________________________ or in his/her absence, the Chairman of the meeting, as attorney and proxy, with power of substitution, to present and vote all shares registered in his/her name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of the Company on April 20, 2021 and any adjournments thereof for the purpose of acting on the following matters:

1. Approval of minutes of previous meeting held on June 15, 2020
____ Yes _____ No _____ Abstain

2. Approval of 2020 Annual Report
____ Yes _____ No _____ Abstain

3. Ratification of the acts of the Board of Directors and the management from the date of the last annual stockholders' meeting up to the date of this meeting
____ Yes _____ No _____ Abstain

4. Election of Directors
____ Vote for all nominees listed below
Henry T. Sy, Jr.
Hans T. Sy
Herbert T. Sy
Jeffrey C. Lim
Jorge T. Mendiola
Amando M. Tetangco, Jr. (Independent)
J. Carlitos G. Cruz (Independent)
Darlene Marie B. Berberabe (Independent)

____ Withhold authority for all nominees listed above

____ Withhold authority to vote for the nominees listed below:
_________________ _________________
_________________ _________________
_________________ _________________
_________________ _________________

5. Appointment of SyCip Gorres Velayo & Co. as external auditor
____ Yes _____ No _____ Abstain

6. At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting.
____ Yes _____ No _____ Abstain

____
PRINTED NAME OF STOCKHOLDER

____
SIGNATURE OF STOCKHOLDER/
AUTHORIZED SIGNATORY

____
DATE

THIS PROXY SHOULD BE SUBMITTED ON OR BEFORE **17 APRIL 2021 (2:30 P.M.),** AS PROVIDED IN THE BY-LAWS TO THE OFFICE OF THE CORPORATE SECRETARY AT THE 33RD FLOOR THE ORIENT SQUARE, F. ORTIGAS JR. ROAD, ORTIGAS CENTER, PASIG CITY.

THIS PROXY IS NOT REQUIRED TO BE NOTARIZED, AND WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED "FOR" THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS.

A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED.

SAMPLE SECRETARY'S CERTIFICATE
(FOR CORPORATE STOCKHOLDERS)

I, ________________________, Filipino, of legal age and with office address at ________________________, do hereby certify that:

1. I am the duly appointed Corporate Secretary of ____________________________________ (the **Corporation**), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at ____;

2. As of record date, the Corporation holds ____ (_________________________) shares in SM PRIME HOLDINGS, INC. (**SMPH**).

3. Based on records of the Corporation, during the lawfully convened meeting of the Board of Directors of the Corporation held on ________________________________, the following resolution was passed and approved:

> "**RESOLVED,** That the Board of Directors of ____________________________________ (the **Corporation**) hereby authorizes and appoints _______________________________________ as the Corporation's Proxy (the **Proxy**) to attend the annual stockholders' meeting of SM Prime Holdings, Inc. (**SMPH**) scheduled on 20 April 2021, with full authority to vote the shares of stock of the Corporation held in SMPH and to act upon all matters and resolutions that may come before or presented during the meeting, or any continuances or adjournments thereof, in the name, place and stead of the Corporation."

4. The foregoing resolution has not been modified, amended or revoked, and is in accordance with the records of the Corporation presently in my custody.

IN WITNESS WHEREOF, I have hereunto affixed my signature this ____ day of ___________________, 20__ at _____________________________________.

Printed Name and Signature of
the Corporate Secretary

SUBSCRIBED AND SWORN TO before me this ____ day of ___________________, 20___, at __________________________, Affiant exhibited to me his/her Competent Evidence of Identity by way of __________________________________ issued on __________________ at ________________________________.

NOTARY PUBLIC

Doc. No.
Page No.
Book No.
Series of 2021.

Profiles of the Nominees for Election to the Board of Directors for 2021 - 2022

NOMINEES AS INDEPENDENT DIRECTORS

NAME : DARLENE MARIE B. BERBERABE
AGE : 52 YRS.
CURRENT DESIGNATION: Not Applicable

EDUCATION/ EXPERIENCE : Ms. Darlene Marie B. Berberabe currently holds directorates in Palm Concepcion Power Corporation, PA Alvarez, Katapult Digital Corp. She is also a senior lecturer at the University of the Philippines (UP) College of Law. She is also elected to the Board of Trustees of Philippine Heart Association and UP Law Alumni Foundation. She was an associate lawyer in Baker McKenzie Manila, Philippines with specialization on labor law. After her law firm career, she joined Procter & Gamble Philippines where she was a Senior Counsel and member of the Leadership Team. In 2010, she was appointed by the President of the Republic of the Philippines as the CEO of Pag-IBIG Fund. She graduated with a degree in Philosophy from the University of the Philippines where she was class valedictorian of the College of Social Sciences and Philosophy in 1989. She also obtained a Masters in Philosophy. She was the first female Philosophy instructor in the same College where she taught for 10 years. She studied law in the UP College of Law where she graduated salutatorian of her class in 1999. Ms. Berberabe is a recipient of numerous awards and accolades including Outstanding CEO in Asia by the ADFIAP, Outstanding CEO in the public sector by Asia CEO, one of the Ten Outstanding Women in Nation Service in 2013, and one of the 100 Most Influential Filipino Women in 2014.

POSITIONS IN OTHER PLCs : None
BOARD ATTENDANCE : Not Applicable
DATE OF FIRST APPOINTMENT : Not Applicable
NO. OF YEARS ON THE BOARD : Not Applicable
SHAREHOLDINGS : 0.0000%
OTHER INFORMATION : Not Applicable

NAME : J. CARLITOS G. CRUZ
AGE : 60 YRS.
CURRENT DESIGNATION: Not Applicable

EDUCATION/ EXPERIENCE : Mr. J. Carlitos G. Cruz joined SGV (EY Philippines) in 1981 and was admitted to the partnership in 1995. He was later on appointed Chairman and Managing Partner in 2017 until 2019. Concurrent with his role as SGV Chairman and Managing Partner, he was also Chairman and President of the SGV Foundation. He also became President of Association of Certified Public Accountants in Public Practice or ACPAPP in 2017, and in 2018, assumed the presidency of the ACPAPP Foundation. Mr. Cruz has also been active in supporting the Government's efforts to promote business and trade by participating in Presidential business delegations to various countries, including Thailand during the terms of President Joseph Estrada, President Cory Aquino and President Rodrigo Duterte; Europe and Japan during the term of President Benigno Aquino III; and Russia during the term of President Rodrigo Duterte. He is currently an independent director of Transnational Diversified Group, Inc., Federal Land, Inc. and Solar Philippines Power Project Holdings, Inc. Mr. Cruz graduated from the University of Santo Tomas with a Bachelor of Science in Commerce degree. He completed the Advanced Management Program of the Harvard Business School in 2007. He has been conferred with numerous awards, the latest of which is the "Parangal San Mateo" from the Philippine Institute of Certified Public Accountants. The award is the highest honor given to a CPA in honor of his significant contributions to the accountancy profession.

POSITIONS IN OTHER PLCs : None
BOARD ATTENDANCE : Not Applicable
DATE OF FIRST APPOINTMENT : Not Applicable
NO. OF YEARS ON THE BOARD : Not Applicable
SHAREHOLDINGS : 0.0000%
OTHER INFORMATION : Not Applicable

NAME : AMANDO M. TETANGCO, JR.
AGE : 68 YRS.
CURRENT DESIGNATION: Not Applicable

EDUCATION/ EXPERIENCE: Mr. Amando M. Tetangco, Jr. is currently the Independent Director of Belle Corporation who was elected on December 4, 2017. He was the third Governor of the Bangko Sentral ng Pilipinas (BSP) and served for two consecutive 6-year terms from July 2005 to July 2017. Under his leadership, the BSP initiated bank regulatory reforms such as risk management, capitalization increase and asset quality, among others. A career central banker, he occupied different positions at the BSP where he started as an employee at the BSP's Department of Economic Research and rose from the ranks. He was connected with the Management Services Division of SyCip Gorres Velayo & Co. before he joined the BSP. Mr. Tetangco graduated from Ateneo de Manila University with an AB Economics degree (Cum Laude), where he also took up graduate courses in Business Administration. As a BSP scholar, he obtained his MA in Public Policy and Administration (Development Economics) in 1978 at the University of Wisconsin-Madison, in Wisconsin, USA.

POSITIONS IN OTHER PLCs :

Belle Corporation	Independent Director

BOARD ATTENDANCE : Not Applicable
DATE OF FIRST APPOINTMENT : Not Applicable
NO. OF YEARS ON THE BOARD : Not Applicable
SHAREHOLDINGS : 0.0000%
OTHER INFORMATION : Not Applicable

NOMINEES AS REGULAR DIRECTORS

NAME : HENRY T. SY, JR.
AGE : 67 YRS.
CURRENT DESIGNATION: Chairman of the Board

EDUCATION/ EXPERIENCE: Mr. Henry T. Sy, Jr. has been a director of SM Prime since 1994. He was appointed as Chairman of the Board in 2014. He is responsible for the real estate acquisitions and development activities of the SM Group, which include the identification, evaluation and negotiation for potential sites, as well as the input of design ideas. He is currently the Vice Chairman of SM Investments Corporation (SMIC), Chairman and Chief Executive Officer of SM Development Corporation, 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.

POSITIONS IN OTHER PLCs :

SM Investments Corporation	Vice Chairman

BOARD ATTENDANCE : 100%; 13 of 13 Board Meetings
DATE OF FIRST APPOINTMENT : April 1994
NO. OF YEARS ON THE BOARD : 27 Years
SHAREHOLDINGS : 2.4048%
OTHER INFORMATION : No conflict of interest transactions in the past year.

NAME : HANS T. SY
AGE : 65 YRS.
CURRENT DESIGNATION: Non-Executive Director

EDUCATION/ EXPERIENCE : Mr. 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.

POSITIONS IN OTHER PLCs :

China Banking Corporation	Chairman
SM Investments Corporation	Adviser to the Board

BOARD ATTENDANCE : 100%; 13 of 13 Board Meetings
DATE OF FIRST APPOINTMENT : April 1994

NO. OF YEARS ON THE BOARD	:	27 Years
SHAREHOLDINGS	:	2.3604%
OTHER INFORMATION	:	No conflict of interest transactions in the past year.

NAME : HERBERT T. SY
AGE : 64 YRS.
CURRENT DESIGNATION: Non-Executive Director

EDUCATION/ EXPERIENCE : Mr. Herbert T. Sy has been a director of the SM Prime since 1994. He is also an Adviser to the Board of SMIC and is currently the Chairman of Supervalue Inc., Super Shopping Market Inc. and Sanford Marketing Corporation and Director of Alfamart Trading Philippines Inc. and China Banking Corporation. He also sits in the Board of several companies within the SM Group and has worked with SM companies engaged in food retail for more than 30 Years. He is likewise actively involved in the SM Group's Supermarket Operations, which include acquisition, evaluation and negotiation for potential sites. He holds a Bachelor’s degree in Management from De La Salle University.

POSITIONS IN OTHER PLCs :

China Banking Corporation	Director
SM Investments Corp.	Adviser to the Board

BOARD ATTENDANCE	:	100%; 13 of 13 Board Meetings
DATE OF FIRST APPOINTMENT	:	April 1994
NO. OF YEARS ON THE BOARD	:	27 Years
SHAREHOLDINGS	:	2.3094%
OTHER INFORMATION	:	No conflict of interest transactions in the past year.

NAME : JORGE T. MENDIOLA
AGE : 61 YRS.
CURRENT DESIGNATION: Non-Executive Director

EDUCATION/ EXPERIENCE : Mr. Jorge T. Mendiola has been a director of SM Prime since 2012. He is also currently a Director of SM Retail, Inc. He started his career with The SM Store as a Special Assistant to the Senior Branch Manager in 1989 and rose to become its President in 2011. He is also currently the Vice Chairman for Advocacy of the Philippine Retailers Association. He received his Master’s degree in Business Management from the Asian Institute of Management. He holds an A.B. Economics degree from Ateneo de Manila University.

POSITIONS IN OTHER PLCs	:	None
BOARD ATTENDANCE	:	100%; 13 of 13 Board Meetings 100%; 4 of 4 Audit Committee Meetings 100%; 4 of 4 Board Risk Oversight Committee Meetings 100%; 1 of 1 Related Party Transactions Committee Meetings
DATE OF FIRST APPOINTMENT	:	December 2012

NO. OF YEARS ON THE BOARD : 7 Years
SHAREHOLDINGS : 0.0024%
OTHER INFORMATION : No conflict of interest transactions in the past year.

NAME : JEFFREY C. LIM
AGE : 59 YRS.
CURRENT DESIGNATION: Executive Director, President

EDUCATION/ EXPERIENCE : Mr. Jeffrey C. Lim was appointed President of SM Prime in October 2016 and has been reappointed since then. He is a member of the Company's Executive Committee. He was elected to the Board of Directors of SM Prime in April 2016. He concurrently holds various board and executive positions in other Company's subsidiaries. He is a Certified Public Accountant and holds a Bachelor's 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.

POSITIONS IN OTHER PLCs : None
BOARD ATTENDANCE : 100%; 13 of 13 Board Meetings
DATE OF FIRST APPOINTMENT : April 2016
NO. OF YEARS ON THE BOARD : 5 Years
SHAREHOLDINGS : 0.0002%
OTHER INFORMATION : No conflict of interest transactions in the past year.

Note:

The incumbent directors of SM Prime are involved in certain legal proceedings solely in connection with their directorship in the Company. In 2017, the City Government of Cebu filed two complaints against directors and officers of the Company in their official capacities for alleged misrepresentations and non-disclosures of information in connection with the real property tax assessments for SM Seaside City Cebu. Both complaints were dismissed due to insufficiency of evidence. The dismissal of the first case has since become final and executory. However, for the second case, the Cebu City Government filed a Petition for Review, which is currently pending with the Department of Justice-Manila.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

a. Check the appropriate box:

[ ] Preliminary Information Statement

[✓] Definitive Information Statement

2. Name of Registrant as specified in its charter <u>**SM PRIME HOLDINGS, INC.**</u>

3. <u>**PHILIPPINES**</u>
Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number <u>**AS094-000088**</u>

5. BIR Tax Identification Code <u>**003-058-789**</u>

6. <u>**10th Floor, Mall of Asia Arena Annex Building, Coral Way cor. J.W. Diokno Blvd., Mall of Asia Complex, Brgy. 76, Zone 10, CBP-1A, Pasay City, Philippines 1300**</u>
Address of principal office Postal Code

7. Registrant's telephone number, including area code <u>**(632) 8831-1000**</u>

8. <u>**April 20, 2021, 2:30 P.M. (via Remote Communication)**</u>
Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders:
<u>**March 23, 2021**</u>

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common shares	**28,879,231,694**

11. Are any or all of registrant's securities listed in a Stock Exchange?

Yes __✓___ No _______

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:
Philippine Stock Exchange **Common shares**

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

a. BUSINESS AND GENERAL INFORMATION

ITEM 1. Date, Time and Place of Meeting of Security Holders

(a)	Date	:	April 20, 2021 (via Remote Communication)
	Time	:	2:30 p.m.
	Place	:	N/A
	Mailing Address of Registrant	:	**SM Prime Holdings, Inc.** 10th Floor, Mall of Asia Arena Annex Building Coral Way cor. J.W. Diokno Blvd. Mall of Asia Complex Brgy. 76, Zone 10, CBP-1A, Pasay City, Philippines 1300

(b) Approximate date on which the Information Statement will be sent or given to the stockholders is on **March 23, 2021**.

Statement that proxies are not solicited

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

Voting Securities

The record date for purposes of determining the stockholders of **SM Prime Holdings, Inc.** (**SMPH** or the **Company** or **SM Prime**) entitled to notice of, and to vote, during the Annual Stockholders' Meeting is March 22, 2021 (**Record Date**). The total number of shares outstanding and entitled to vote in the meeting is 28,879,231,694 shares (net of 4,287,068,381 treasury shares). Stockholders are entitled to cumulative voting in the election of the board of directors, as provided under Section 23 of the Revised Corporation Code.

In light of the community quarantine imposed over various areas of the country and to ensure the safety and welfare of stockholders and everyone involved, the 2021 Annual Stockholders' Meeting will be conducted virtually, and will be broadcasted via livestreaming accessible to registered stockholders. Registration details can be found at **www.smprime.com/annual-stockholders-meeting**. The Company will record the proceedings and maintain a copy with the office of the Corporate Secretary.

The Board of Directors, therefore, in its meeting held on February 15, 2021, adopted resolutions allowing stockholders to participate in the Annual Stockholders' Meeting via remote communication, and to exercise their right to vote *in absentia.*

Stockholders as of Record Date must inform the Corporate Secretary of their intention to participate in the meeting via remote communication and to vote *in absentia* by registering at **asmregister.smprime.com** on or before **April 17, 2021 (Saturday)**, subject to the verification and validation by the Corporate Secretary. Stockholders who registered shall be considered present for purposes of quorum for the meeting. Voting will be made through the Company's secure online voting facility, accessible only to registered and verified stockholders in order to protect the integrity and secrecy of votes cast.

*The detailed guidelines for participation and voting for this meeting are set forth in the "**Guidelines for Participation via Remote Communication and Voting in Absentia**" appended as **Annex** to this Information Statement.*

ITEM 2. Dissenters' Right of Appraisal

SMPH respects and upholds the inherent rights of shareholders under the law. The Company recognizes that all shareholders should be treated fairly and equally whether they be controlling, majority or minority, local or foreign.

Pursuant to Section 80 of the Revised Corporation Code of the Philippines, a stockholder has the right to dissent and demand payment of the fair value of his shares under the following instances:

(a) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence.

(b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code; and,

(c) In case of merger or consolidation; and

(d) In case of investment of corporate funds for any purpose other than the primary purpose of the corporation

The procedure for the exercise by a dissenting stockholder of his appraisal right is as follows:

(a) A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right.

(b) The dissenting stockholder shall make a written demand on the corporation within thirty (30) days from the date on which the vote was taken for payment for the fair value of his shares.

 The failure of the stockholder to make the demand within the thirty-day period shall be deemed a waiver on his appraisal right.

(c) If the proposed corporate action is implemented or effected, the Company shall pay to such stockholder, upon surrender of corresponding certificate(s) of stock within ten (10) days after demanding payment for his shares (pursuant to Section 85 of the Code), the fair value of the shareholder's shares in the Company as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of a merger, if such be the corporate action involved. Failure by the dissenting shareholder to surrender his shares within said 10-day period shall, at the option of SMPH, terminate his appraisal rights.

(d) If within sixty (60) days from the date the corporate action was approved by the stockholders, the dissenting stockholder and SMPH cannot agree on the fair value of the shares, it shall be appraised and determined by three (3) disinterested persons, one of whom shall be named by the stockholder, another by SMPH, and the third by the two (2) thus chosen.

(e) The findings of a majority of the appraisers shall be final, and their award shall be paid by SMPH within thirty (30) days after such award is made. No payment shall be made to any dissenting stockholder unless SMPH has unrestricted retained earnings in its books to cover such payment.

(f) Upon payment of the agreed or awarded price, the stockholder shall transfer his shares to the Company.

There are no matters to be discussed in the Annual Stockholders' Meeting which would give rise to the exercise of the dissenter's right of appraisal.

ITEM 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

(a) No director or Executive Officer of SMPH since the beginning of the last fiscal year, or any nominee for election as director, nor any of their associates, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon at the meeting, other than election to office.

(b) No director of SMPH has informed SMPH in writing that he intends to oppose any matter to be acted upon at this year's Annual Stockholders' Meeting.

B. CONTROL AND COMPENSATION INFORMATION

ITEM 4. Voting Securities and Principal Holders Thereof

<u>(1) Number of Common Shares Outstanding</u>

The Company has 28,879,231,694 (net of 4,287,068,381 treasury shares) common shares outstanding as of February 28, 2021. Out of the aforesaid outstanding common shares as of February 28, 2021, 6,806,296,848 common shares are held by foreigners.

<u>(2) Record Date</u>

All stockholders of record as of March 22, 2021 are entitled to notice of, and to vote at, the Annual Stockholders' Meeting.

<u>(3) Manner of Voting and Election of Directors (Cumulative Voting)</u>

Each common share of SMPH is entitled to one (1) vote (each, a **Voting Share/s**) for each agenda item presented for stockholder approval, except in the election of directors where one (1) share is entitled to as many votes as there are directors to be elected. Each stockholder may cast the vote to which the number of shares he owns entitles him, for as many persons as there are to be elected as directors, or he may cumulate or give to one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he may see fit, provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected. Thus, since there are eight (8) directors to be elected, each Voting Share is entitled to eight (8) votes.

Stockholders may nominate directors, subject to pre-qualification by the Corporate Governance Committee, within the period of nomination set forth in the Company's By-laws and relevant regulations. Stockholders as of Record Date may then vote for nominees in accordance with the above rule.

For this year's meeting, the Board of Directors has adopted a resolution allowing stockholders entitled to notice of, and to attend, the meeting, to exercise their right to vote *in absentia*. SMPH provides and maintains its own online voting facility where registered stockholders can cast their votes.

Registration and voting procedures are further detailed in Item 19.

(4) Security Ownership of Certain Record and Beneficial Owners as of February 28, 2021

The following are the stockholders owning more than 5% of total outstanding common shares of stock of the Company as of February 28, 2021:

Title of Securities	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Amount and Nature of Direct Record/Beneficial Ownership ("r" or "b")	Percent of Class (%)
Common	**SM Investments Corporation (SMIC)** ***(Parent Company)***[1] One Ecom Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City	**SMIC**[2]	Filipino	14,353,464,952 (b)	49.7017
-do-	**PCD Nominee Corp.** [3] **(PCNC)** [3] 37F Tower 1, The Enterprise Center, Ayala Ave., Makati City	**PCD Participants**[4]	Filipino – 4.26% Non-Filipino – 23.56%	8,034,713,284 (r)	27.8218

1. The following are the individuals holding the direct ***and indirect*** *beneficial ownership of SMIC: Henry T. Sy, Jr.-6.38%, Hans T. Sy-8.23%, Herbert T. Sy-8.23%, Harley T. Sy-7.30%, Teresita T. Sy-7.12% and Elizabeth T. Sy-5.92%.*

2. Jose T. Sio is the Chairman of SMIC and Teresita T. Sy and Henry Sy, Jr. are the Vice Chairpersons of SMIC and as the appointed proxies of SMIC, they have the power to vote the common shares of SMIC in SMPH.

3. PCNC holds legal title to shares lodged in the Philippine Depository & Trust Corp. (PDTC). Beneficial owners retain the power to decide on how their lodged shares are to be voted. There are no beneficial owners under PCNC which own more than 5% shares of stock of the Company.

4 PCNC is not related to the Company. PCNC is a nominee company which holds legal title to shares of lodged in PDTC.

(5) Security Ownership of Management as of February 28, 2021

Title of Securities	Name of Beneficial Owner of Common Stock	Citizenship Filipino (F)	Amount and Nature of Beneficial Ownership (D) Direct (I) Indirect	Class of Securities Voting (V)	Percent of Class
Common	Jose L. Cuisia, Jr.	F	497,661 (D&I)	V	0.0017
-do-	Teresita T. Sy	F	667,270,293 **(D&I)**	V	2.3106
-do-	Henry T. Sy, Jr.	F	694,478,572 (D&I)	V	2.4048
-do-	Hans T. Sy	F	681,661,173 (D&I)	V	2.3604
-do-	Herbert T. Sy	F	666,951,283 **(D&I)**	V	2.3094
-do-	Elizabeth T. Sy	F	667,164,809 **(D&I)**	V	2.3102
-do-	Gregorio U. Kilayko	F	202,580 (D&I)	V	0.0007
-do-	Joselito H. Sibayan	F	1,375 (I)	V	0.0000
-do-	Jorge T. Mendiola	F	703,167 (D&I)	V	0.0024
-do-	Jeffrey C. Lim	F	50,000 (I)	V	0.0002
-do-	Christopher S. Bautista	F	37,500 (I)	V	0.0001
-do-	Steven T. Tan	F	13,100 (I)	V	0.0000
-do-	Teresa Cecilia H. Reyes	F	100,000 (I)	V	0.0003
-do-	Jose Mari H. Banzon	F	25,000 (I)	V	0.0001
	All directors and executive officers as a group		3,379,156,513		11.7010

There are no persons holding more than 5% of a class under a voting trust or any similar agreements as of February 28, 2021.

There are no existing or planned stock warrant offerings by the Company. There are no arrangements which may result in a change in control of the Company.

There were no matters submitted to a vote of stockholders during the fourth quarter of the calendar year covered by this report.

ITEM 5. Directors and Executive Officers of the Registrant

DIRECTORS AND EXECUTIVE OFFICERS

Office	Name	Citizenship	Age
Chairman	Henry T. Sy, Jr.	Filipino	67
Vice Chairman and Lead Independent Director	Jose L. Cuisia, Jr.	Filipino	76
Independent Director	Gregorio U. Kilayko	Filipino	66
Independent Director	Joselito H. Sibayan	Filipino	62
Director and President	Jeffrey C. Lim	Filipino	59
Director	Hans T. Sy	Filipino	65
Director	Herbert T. Sy	Filipino	64
Director	Jorge T. Mendiola	Filipino	61
Adviser to the Board of Directors	Teresita T. Sy	Filipino	70
Adviser to the Board of Directors	Elizabeth T. Sy	Filipino	68
Corporate Secretary/Alternate Compliance Officer	Elmer B. Serrano	Filipino	53
Assistant Corporate Secretary and Alternate Corporate Information Officer	Arthur A. Sy	Filipino	51
Chief Finance Officer/Compliance Officer/Alternate Corporate Information Officer	John Nai Peng C. Ong	Filipino	51
Vice President - Internal Audit	Christopher S. Bautista	Filipino	61
Vice President - Finance/Alternate Compliance Officer/Corporate Information Officer	Teresa Cecilia H. Reyes	Filipino	46
Chief Risk Officer	Marvin Perrin L. Pe	Filipino	42
President, Malls	Steven T. Tan	Filipino	51
President, Residential (Primary)	Jose Mari H. Banzon	Filipino	60
EVP, Residential (Leisure)	Shirley C. Ong	Filipino	59
VP, Commercial	Russel T. Sy	Filipino	47
EVP, Hotels and Convention Centers	Ma. Luisa E. Angeles	Filipino	62

Board of Directors

Henry T. Sy, Jr. has been a director of SM Prime since 1994. He was appointed as Chairman of the Board in 2014. He is responsible for the real estate acquisitions and development activities of the SM Group, which include the identification, evaluation and negotiation for potential sites, as well as the input of design ideas. He is currently the Vice Chairman of SMIC, Chairman and Chief Executive Officer of SM Development Corporation, 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 in the positions for succeeding years. 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 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., FWD Life Insurance Company and Starr International Insurance (Philippine Branch). Ambassador Cuisia also served as Chairman of the Board of Trustees of educational institutions, Asian Institute of Management and De La Salle University. He is also a Convenor-Trustee of the Philippine Business for Education (PBEd) and the Chairman of the Board of Trustees of the University of Asia & the Pacific. He is also elected to the Board of Trustees of the Makati Business Club, De La Salle Medical & Health Sciences Institute, De La Salle University –Dasmarinas, and Treasurer of the Ramon Magsaysay Awards Foundation. He also holds directorates in Adlemi Properties Inc., Five J's Diversified Inc, JVC Corporation and Asian Breast Center, Inc. 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 degree 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 served as a Philippine Stock Exchange Governor in 1996 and 2000. He was a director of the Philippine Stock Exchange in 2003. He is also currently an Independent Director in Belle Corporation, Philequity Fund and East West Banking Corporation. He took his Master's degree in Business Administration at the Wharton School of the University of Pennsylvania.

Joselito H. Sibayan* has been an Independent Director of SM Prime since 2011. He has spent the past 34 years of his career in investment banking. From 1987 to 1994, after taking his Master's degree 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 since then. He is a member of the Company's Executive Committee. He was elected to the Board of Directors of SM Prime in April 2016. He concurrently holds various board and executive positions in other Company's subsidiaries. He is a Certified Public Accountant and holds a Bachelor's 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 SM Prime since 1994. He is also an Adviser to the Board of SMIC and is currently the Chairman of Supervalue Inc., Super Shopping Market Inc. and Sanford Marketing Corporation and Director of Alfamart Trading Philippines Inc. and China Banking Corporation. He also sits in the Board of several companies within the SM Group and has worked with SM companies engaged in food retail for more than 30 years. He is likewise actively involved in the SM Group's Supermarket Operations, which include acquisition, evaluation and negotiation for potential sites. He holds a Bachelor's degree in Management from De La Salle University.

Jorge T. Mendiola has been a director of SM Prime since 2012. He is also currently a Director of SM Retail, Inc. He started his career with The SM Store as a Special Assistant to the Senior Branch Manager in 1989 and rose to become its President in 2011. He is also currently the Vice Chairman for Advocacy of the Philippine Retailers Association. He received his Master's degree 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.

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 SMIC and Co-Chairperson of Pico De Loro Beach and Country Club. She graduated with a degree in Business Administration from Maryknoll College.

Elmer B. Serrano is the Corporate Secretary of SMPH and of SMIC since November 2014. He is a practicing lawyer specializing in Mergers & Acquisitions, Capital Markets and Banking and Finance. In 2020, he was named *Asia Best Lawyer* by the International Financial Law Review (IFLR). He is also consistently ranked as a leading lawyer by the Legal500 Asia Pacific and IFLR1000. Mr. Serrano is a director of 2GO Group, Inc. He is also the Corporate Secretary of Premium Leisure Corp., Crown Equities, Inc., as well as various subsidiaries of BDO Unibank, and also serves as the Corporate Information Officer of BDO Unibank and BDO Leasing and Finance, Inc. 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 Legal Department of SMIC, where he also serves as the Assistant Corporate Secretary. He is likewise the currently appointed Assistant Corporate Secretary of Belle Corporation, Premium Leisure Corp. and 2GO Group, Inc. and the Corporate Secretary of various major companies within the SM Group and the National University. A member of the New York Bar, 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, Corporate Information Officer and the Alternate Compliance 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 SGV & Co. 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, Mr. Pe was an Assurance Partner of SGV & Co.

Steven T. Tan is the President 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 President 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 27 years of experience, 23 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.

Russel 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 in Lausanne, Switzerland. Prior to joining the Company in 2014, he was Chief Strategy Officer at TECOM Investments in Dubai, United Arab Emirates. He also holds certificates in Portfolio, Asset, and Property Management from the Center for Real Estate at Massachusetts Institute of Technology in Cambridge, MA, USA.

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 39 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, and other Company policies but not limited to 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, in the last five (5) years:

Henry T. Sy, Jr.

Name of Corporation	***Position***
SM Investments Corporation	Vice Chairman

Jose L. Cuisia, Jr.

Name of Corporation	***Position***
PHINMA Corporation.	Director
Manila Water Company, Inc…………………………	Independent Director
Century Properties Group, Inc...	Independent Director

Gregorio U. Kilayko

Name of Corporation	***Position***
Belle Corporation...	Independent Director
East West Banking Corporation	Independent Director

Joselito H. Sibayan

Name of Corporation	***Position***
Apex Mining Corporation.	Independent Director
A Brown Company, Inc	Director

Hans T. Sy

Name of Corporation	***Position***
China Banking Corporation	Chairman
SM Investments Corporation.	Adviser to the Board

Herbert T. Sy

Name of Corporation	***Position***
China Banking Corporation	Director
SM Investments Corporation	Adviser to the Board

Teresita T. Sy

Name of Corporation	***Position***
BDO Unibank, Inc.	Chairperson
SM Investments Corporation.	Vice Chairperson

Elizabeth T. Sy

Name of Corporation	*Position*
SM Investments Corporation...	Adviser to the Board

Elmer B. Serrano

Name of Corporation	*Position*
2GO Group, Inc..	Director
DFNN, Inc..	Director

<u>Board Committees</u>

The members of the Audit Committee are:

JOSE L. CUISIA, JR.	-	Chairman (Independent Director)
JOSELITO H. SIBAYAN	-	Member (Independent Director)
GREGORIO U. KILAYKO	-	Member (Independent Director)
JORGE T. MENDIOLA	-	Member

The members of the Corporate Governance Committee are:

JOSELITO H. SIBAYAN	-	Chairman (Independent Director)
GREGORIO U. KILAYKO	-	Member (Independent Director)
JOSE L. CUISIA, JR.	-	Member (Independent Director)

The members of the Risk Oversight Committee are:

GREGORIO U. KILAYKO	-	Chairman (Independent Director)
JOSE L. CUISIA, JR.	-	Member (Independent Director)
JORGE T. MENDIOLA	-	Member

The members of the Related Party Transactions Committee are:

JOSELITO H. SIBAYAN	-	Chairman (Independent Director)
GREGORIO U. KILAYKO	-	Member (Independent Director)
JORGE T. MENDIOLA	-	Member

The members of the Executive Committee are:

HANS T. SY	-	Chairman
HENRY T. SY, JR.	-	Member
HERBERT T. SY	-	Member
ELIZABETH T. SY	-	Member
JEFFREY C. LIM	-	Member
JOHN NAI PENG C. ONG	-	Member

Mr. Jose L. Cuisia, Jr. is the Company’s Lead Independent Director.

Directors and Officers for 2021-2022

SMPH will be electing three (3) new independent directors for 2021-2022, as Messrs. Cuisia, Kilayko and Sibayan complete their final term as independent directors in view of the term limits set forth under Securities and Exchange Commission (SEC) Memorandum Circular No. 9, s. 2011.

The Corporate Governance Committee, confirmed by the Board, pre-qualified the following nominees for election as members of Board of Directors for 2021-2022 at the forthcoming Annual Stockholders' Meeting:

Darlene Marie B. Berberabe	-	Independent Director
J. Carlitos G. Cruz	-	Independent Director
Amando M. Tetangco, Jr.	-	Independent Director
Jeffrey C. Lim	-	Director
Jorge T. Mendiola	-	Director
Hans T. Sy	-	Director
Henry T. Sy, Jr.	-	Director
Herbert T. Sy	-	Director

The Independent Director-nominees have been nominated by the following stockholders of the Company, shown opposite their names:

Darlene Marie B. Berberabe	-	Johann Stephen G. Nicdao
J. Carlitos G. Cruz	-	Mary Rose P. Natavio
Amando M. Tetangco, Jr.	-	Gizelle C. Mendoza

The above nominating stockholders are not related to nominees Messrs. Tetangco and Cruz and Ms. Berberabe.

The Company has complied with the Guidelines set forth by SRC Rule 38, as amended, regarding the Nomination and Election of Independent Directors. The same provision has been incorporated in the Amended By-laws of the Company.

The nominee Independent Directors have also each executed sworn *Certifications on Qualifications and Disqualification of Independent Directors,* copies of which are here attached as Annex.

As to officers for 2021-2022, below is the list of nominees which will be presented at this year's organizational meeting of the Board of Directors:

Henry T. Sy, Jr.	Chairman
Jeffrey C. Lim	President
John Nai Peng C. Ong	Chief Finance Officer/Compliance Officer/Corporate Information Officer
Elmer B. Serrano	Corporate Secretary/Alternate Compliance Officer
Arthur A. Sy	Assistant Corporate Secretary/Alternate Corporate Information Officer
Marvin Perrin L. Pe	Chief Risk Officer
Christopher S. Bautista	Vice President – Internal Audit
Steven T. Tan	President, Malls
Jose Mari H. Banzon	President, Residential (Primary)
Shirley C. Ong	EVP, Residential (Leisure)
Russel T. Sy	VP, Commercial
Ma. Luisa E. Angeles	EVP, Hotels and Convention Centers

Family Relationships

Ms. Teresita T. Sy, Ms. Elizabeth T. Sy, Mr. Henry T. Sy, Jr., Mr. Hans T. Sy, Mr. Herbert T. Sy and Mr. Harley T. Sy are sons and daughters of the late Mr. Henry Sy, Sr. All other directors and officers are not related to each other either by consanguinity or affinity.

Involvement in Legal Proceedings

The Company is not aware of any of the following events having occurred during the past five (5) years up to the date of this report that are material to an evaluation of the ability or integrity of any director or any member of senior management of the Company:

(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.

ITEM 6. Compensation of Directors and Executive Officers

The following are the top highly compensated executive officers of the Company:

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

Summary Compensation Table (In Million Pesos)

	Year	Salary	Bonus
President & 4 Most	2021 (estimate)	138	23
Highly Compensated	2020 (actual)	138	23
Executive Officers	2019 (actual)	138	23

All other officers* as a group unnamed	2021 (estimate)	382	64
	2020 (actual)	382	64
	2019 (actual)	382	64

**Managers & up*

In 2020, incumbent directors of SMPH received the following amount of fees as compensation for their performance of duties and functions as members of the Board of Directors of the Company:

Board of Directors	Total Compensation per Director
Jose L. Cuisia, Jr. (Independent Director)	₱ 5.200,000
Gregorio U. Kilayko (Independent Director)	₱ 3,100,000
Joselito H. Sibayan (Independent Director)	₱ 3,100,000
Henry T. Sy, Jr.	₱ 120,000
Hans T. Sy	₱ 60,000
Herbert T. Sy	₱ 60,000
Jorge T. Mendiola	₱ 100,000
Jeffrey C. Lim	₱ 60,000

These fees include per diem received by the directors for their attendance in meetings of the Board.

The total amount of fees for 2020 allocated among directors does not exceed 10% of the total income of the Company before tax for 2019 in accordance with the Company's By-laws and relevant laws and regulations.

There are no outstanding warrants or options held by directors and officers of the Company. There are also no actions to be taken with regard to election, any bonus or profit-sharing, change in pension/ retirement plan, granting of or extension of any options, warrants or rights to purchase any securities.

Certain Relationships and Related Transactions

The Company, in the regular course of trade or business, enters into transactions with affiliates/ related companies principally consisting of leasing agreements, management fees and cash placements. Generally, leasing and management agreements are renewed on an annual basis and are made at normal market prices. In addition, the Company also has outstanding borrowings/ placements from/ to related banks. Outstanding balances at year-end are unsecured, noninterest-bearing and generally settled within 30 to 90 days. There have been no guarantees/collaterals provided or received for any related party receivables or payables. For the year ended December 31, 2020, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

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

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

Please refer to Note 20 of the attached 2020 audited consolidated financial statements of the Company.

ITEM 7. Independent Public Accountants

SGV & Co. is the external auditor of the Company for the current year is subject to re-appointment as the Company's external auditor for 2021 with the endorsement of the Audit Committee and approval of the Board of Directors. SGV's appointment for 2021 will be presented for confirmation of stockholders at the scheduled Annual Stockholders' Meeting. Representatives of SGV & Co. are expected to be present at the stockholders' meeting, where they are given the opportunity to make a statement should they desire to do so, and to respond to questions from stockholders.

The Audit Committee pursuant to its Charter recommends to the Board of Directors the appointment of the external auditor and the fixing of the audit fees. Also part of the Committee's duties and responsibilities is to ensure the quality and integrity of the Company's accounting, financial reporting, auditing practices, risk management and internal control systems and adherence to over-all corporate governance best practice. The Committee also oversees the Company's process for monitoring compliance with laws, regulations, the Code of Ethics, and performs other duties as the Board may require. Prior to commencement of audit, the Committee is mandated to discuss with the external auditor the nature, scope and approach, of the audit including coordination of audit effort with internal audit. The Company's Manual on Corporate Governance also provides that the Committee shall pre-approve all audit plans, scope and frequency one month before the conduct of external audit.

The Committee also evaluates the performance of the external auditor and recommends to the Board the appointment, re-appointment or removal of the external auditor. The Committee further reviews the independence of the external auditor and meets with the latter separately to discuss any matters that either party believes should be discussed privately.

Pursuant to SRC Rule 68, Paragraph 3(b) (iv) and (ix) (Rotation of External Auditors) which states that the signing partner shall be rotated after every five (5) years of engagement with a two-year cooling off period for the re-engagement of the same signing partner, the Company engaged Ms. Belinda T. Beng Hui of SGV & Co. starting year 2011 and Mr. Sherwin V. Yason of SGV & Co. starting year 2016.

As to audit fees, the Company and its subsidiaries paid SGV & Co. about ₱12.5 million for external audit services for both years 2020 and 2019. In 2020, the Company engaged SGV & Co. for ₱3.5 million for the review of the Interim Condensed Consolidated Financial Statements as at September 30, 2020 and for the nine-month periods ended September 30, 2020 and 2019 and for the issuance of a comfort letter in respect of the proposed issuance of the second tranche of fixed rate Series M/N Bonds amounting to ₱10.0 billion. In 2019, the Company engaged SGV & Co. for ₱3.5 million for the review of the Interim Condensed Consolidated Financial Statements as at September 30, 2019 and for the nine-month periods ended September 30, 2019 and 2018 and for the issuance of a comfort letter in respect of the establishment of the proposed shelf registration of fixed rate bonds in the aggregate principal amount of ₱100.0 billion and the proposed issuance of the first tranche of fixed rate Series K/L Bonds amounting to ₱15.0 billion. Also in 2019, the Company paid SGV & Co. ₱2.4 million for the issuance of a comfort letter related to the issuance of the fourth and last tranche of fixed rate Series J Bonds amounting to ₱10.0 billion. There were no other significant professional services rendered by SGV & Co. during the period. Tax consultancy services are secured from third parties other than the external auditor.

ITEM 8. Employee Compensation Plans

There are no existing or planned stock options granted to the Company's employees. No action is to be taken at the Annual Stockholders' Meeting with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

ITEM 9. Authorization or Issuance of Securities Other Than for Exchange

No action will be presented for stockholders' approval at this year's stockholders' meeting which involves authorization or issuance of any securities.

ITEM 10. Modification or Exchange of Securities

No action will be presented for stockholders' approval at this year's annual meeting which involves the modification of any class of the Company's securities, or the issuance of one class of the Company's securities in exchange for outstanding securities of another class.

ITEM 11. Financial and Other Information

The Company's consolidated financial statements for the years ended December 31, 2020, 2019 and 2018 are here attached as **Annex** for immediate reference.

Brief Description of the General Nature and Scope of the Registrant's Business and Its Subsidiaries

SMPH was duly incorporated under Philippine laws on January 6, 1994.

SMPH consolidates all of the SM Group's real estate subsidiaries and real estate assets under one single listed entity, SMPH and its subsidiaries. SM Prime has four business units, namely, malls, residential, commercial and hotels and convention centers.

Its registered office and principal place of business is 10th Floor, Mall of Asia Arena Annex Building, Coral Way cor. J.W. Diokno Blvd., Mall of Asia Complex, Brgy. 76, Zone 10, CBP-1A, Pasay City, Philippines.

The subsidiaries of the Company are as follows:

Company	Country of Incorporation	Percentage of Ownership **2020**	2019
Malls			
First Asia Realty Development Corporation	Philippines	**74.2**	74.2
Premier Central, Inc. and Subsidiary	- do -	**100.0**	100.0
Consolidated Prime Dev. Corp.	- do -	**100.0**	100.0
Premier Southern Corp.	- do -	**100.0**	100.0
San Lazaro Holdings Corporation	- do -	**100.0**	100.0
Southernpoint Properties Corp.	- do -	**100.0**	100.0
First Leisure Ventures Group Inc.	- do -	**50.0**	50.0
CHAS Realty and Development Corporation and Subsidiaries	- do -	**100.0**	100.0
Affluent Capital Enterprises Limited and Subsidiaries *	British Virgin Islands (BVI)	**-**	100.0
Mega Make Enterprises Limited and Subsidiaries *	- do -	**-**	100.0
Springfield Global Enterprises Limited	- do -	**100.0**	100.0
Simply Prestige Limited and Subsidiaries	- do -	**100.0**	100.0

Company	Country of Incorporation	Percentage of Ownership 2020	2019
SM Land (China) Limited and Subsidiaries	Hong Kong	**100.0**	100.0
Rushmore Holdings, Inc.	Philippines	**100.0**	100.0
Prime_Commercial Property Management Corp. and Subsidiaries	- do -	**100.0**	100.0
Magenta Legacy, Inc.	- do -	**100.0**	100.0
Associated Development Corporation	- do -	**100.0**	100.0
Prime Metroestate, Inc. and Subsidiary	- do -	**100.0**	100.0
SM Arena Complex Corporation	- do -	**100.0**	100.0
Mindpro, Incorporated	- do -	**70.0**	70.0
A. Canicosa Holdings, Inc.	- do -	**100.0**	100.0
AD Canicosa Properties, Inc.	- do -	**100.0**	100.0
Cherry Realty Development Corporation	- do -	**100.0**	100.0
Supermalls Transport Services, Inc.	- do -	**100.0**	100.0
Residential			
SM Development Corporation and Subsidiaries	- do -	**100.0**	100.0
Highlands Prime Inc.	- do -	**100.0**	100.0
Costa del Hamilo Inc. and Subsidiary	- do -	**100.0**	100.0
Commercial			
Tagaytay Resort Development Corporation	- do -	**100.0**	100.0
MOA Esplanade Port, Inc.	- do -	**100.0**	100.0
Premier Clark Complex, Inc.	- do -	**100.0**	100.0
SM Smart City Infrastructure and Development Corporation	- do -	**100.0**	-
Hotels and Convention Centers			
SM Hotels and Conventions Corp. and Subsidiaries	- do -	**100.0**	100.0

**Entities folded under SM Land China through intra-group restructuring*

Malls

SM Prime's mall business unit 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. Its main sources of revenues include rental income from leases in mall and food court, cinema ticket sales and amusement income from bowling and ice skating. As of December 31, 2020, the mall business unit has seventy-six shopping malls in the Philippines with 8.6 million square meters of gross floor area and seven shopping malls in China with 1.3 million square meters of gross floor area.

In 2020, SM Prime's mall business unit opened two malls in the Philippines namely, SM City Butuan in Agusan del Norte and SM Mindpro Citymall in Zamboanga.

Residential

SM Prime's revenue from residential operations is derived largely from the sale of condominium units. As of December 31, 2020, residential business unit has fifty-three residential projects, forty-two of which are in Metro Manila and eleven are outside Metro Manila.

SM Prime also owns leisure and resort developments, including properties located within the vicinity of 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.

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 land holdings. As of December 31, 2020, SM Prime has twelve office buildings with a combined gross floor area of 0.7 million square meters.

Hotels and Convention Centers

SM Prime's hotels and convention centers business unit develops and manages the various hotel and convention center properties of the Company. As of December 31, 2020, the hotels and convention centers business unit is composed of eight hotels with over 1,900 saleable rooms; four convention centers and three trade halls.

Management's Discussion and Analysis or Plan of Operation

2020

SM Prime Net Income is ₱18.0 billion
as it waives rental to tenants of ₱23.3 billion throughout quarantine

Financial and Operational Highlights
(In Million Pesos, except for financial ratios and percentages)

	Twelve Months Ended December 31				
	2020	**% to Revenues**	**2019**	**% to Revenues**	**% Change**
Profit and Loss Data					
Revenues	81,899	100%	118,311	100%	-31%
Costs and Expenses	52,825	65%	61,619	52%	-14%
Operating Income	29,074	35%	56,692	48%	-49%
Net Income	18,007	22%	38,086	32%	-53%
EBITDA	39,283	48%	66,814	56%	-41%

	Dec 31 2020	**% to Total Assets**	**Dec 31 2019**	**% to Total Assets**	**% Change**
Balance Sheet Data					
Total Assets	722,359	100%	667,280	100%	8%
Investment Properties	436,159	60%	410,640	62%	6%
Total Debt	272,469	38%	237,954	36%	15%
Net Debt	241,807	33%	203,354	30%	19%
Total Equity	309,284	43%	300,916	45%	3%

Financial Ratios	**Dec 31 2020**	**Dec 31 2019**
Debt to Equity	0.47 : 0.53	0.44 : 0.56
Net Debt to Equity	0.44 : 0.56	0.40 : 0.60
Return on Equity	0.06	0.13
Debt to EBITDA	6.94	3.56
Interest Coverage Ratio	4.57	7.56
Operating Income to Revenues	0.35	0.48
EBITDA Margin	0.48	0.56
Net Income to Revenues	0.22	0.32

Revenue

SM Prime recorded consolidated revenues of ₱81.90 billion in 2020, a decrease of 31% from ₱118.31 billion in 2019, primarily due to the following:

Rent

SM Prime recorded consolidated revenues from rent of ₱32.01 billion in 2020, a decrease of 48% from ₱61.76 billion in 2019. The decrease in rental revenue was due to the temporary closure of malls as well as other businesses not deemed essential to daily life during the implementation of the community quarantine. The malls have gradually reopened since the lifting of the enhanced community quarantine (ECQ) on May 16, subject to safety and protocol standards of the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF). SM Prime waived a total of ₱23.30 billion in rentals and other charges throughout the government-imposed community quarantine. Out of the total rental revenues, 82% is contributed by the malls and the rest from offices and hotels and convention centers.

Real Estate Sales

SM Prime recorded 6% increase in real estate sales in 2020 from ₱44.47 billion to ₱46.97 billion primarily due to sales take-up and construction accomplishments during the period of ongoing projects including Shore 3, Bloom, Vine, Fame and Lane and fast take-up of various Ready-For-Occupancy (RFO) projects particularly those located in Mandaluyong and Pasay. Even with the imposition of the community quarantine, SM Residences was immediately able to adjust its market reach by maximizing various digital sales platforms and offering flexible payment terms to buyers. 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 and Other Revenues

SM Prime cinema and event ticket sales and other revenues decreased by 76% to ₱2.91 billion in 2020 from ₱12.09 billion in 2019 due to the effect of COVID-19 in the sector. With strict safety measures and compliance with IATF regulations, the cinema business slowly reopened its doors to patrons starting October 2020. Other revenues is composed of sponsorships and advertising revenues, bowling and ice skating operations, merchandise sales from cinema snackbars and sale of food and beverages in hotels.

Costs and Expenses

SM Prime recorded consolidated costs and expenses of ₱52.83 billion in 2020, a decrease of 14% from ₱61.62 billion in the same period in 2019, as a result of the following:

Costs of Real Estate

Consolidated costs of real estate slightly decreased to ₱20.58 billion in 2020 from ₱20.79 billion in 2019 primarily due to improving cost efficiencies as a result of economies of scale, tighter monitoring and control of construction costs, net of costs related to higher recognized real estate sales. Gross profit margin on real estate sales improved in 2020 partly due to improving cost efficiencies.

Operating Expenses

SM Prime's consolidated operating expenses decreased by 21% to ₱32.25 billion in 2020 compared to last year's ₱40.82 billion. Out of the total operating expenses, 69% is contributed by the malls. Operating expenses include depreciation and amortization, film rentals, taxes and licenses, marketing and selling expenses, utilities and manpower costs.

Other Income (Charges)

Interest Expense

SM Prime's consolidated interest expense decreased by 3% to ₱8.60 billion in 2020 compared to ₱8.83 billion in 2019 mainly due to higher capitalized interest on proceeds spent for construction and development of investment properties, net of the retail bonds issued in May 2019 and March 2020 amounting to ₱10.0 billion and ₱15.0 billion, respectively, and new bank loans availed for working capital and capital expenditure requirements.

Interest, Dividend and Others - net

Interest, dividend and others - net increased to ₱1.99 billion in 2020 from ₱1.30 billion in 2019. This account is mainly composed of interest income from cash and cash equivalents, dividend income from equity instruments, equity in net earnings from associates and joint ventures and foreign exchange gains and losses. This account also includes the financial assistance provided by SM Prime to its agency personnel and various local government units (LGUs) amounting to ₱0.33 billion during the implementation of ECQ.

Provision for income tax

SM Prime's consolidated provision for income tax decreased by 58% to ₱4.32 billion in 2020 from ₱10.37 billion in 2019.

Net income attributable to Parent

SM Prime's consolidated net income attributable to Parent decreased by 53% to ₱18.01 billion in 2020 as compared to ₱38.09 billion in 2019.

Balance Sheet Accounts

SM Prime's total assets amounted to ₱722.36 billion as of December 31, 2020, an increase of 8% from ₱667.28 billion as of December 31, 2019.

Cash and cash equivalents decreased by 11% from ₱34.60 billion to ₱30.66 billion as of December 31, 2019 and December 31, 2020, respectively, mainly due to payments for capital expenditure projects during the period and debt servicing.

Receivables and contract assets increased by 10% from ₱53.64 billion to ₱58.94 billion as of December 31, 2019 and December 31, 2020, respectively, due to increase in real estate sales and due to the Bayanihan to Recover as One Act (Bayanihan Act) mandating an extended grace period for the payment of loan amortizations due on or before December 31, 2020.

Prepaid expenses and other current assets increased by 19% from ₱19.49 billion to ₱23.21 billion as of December 31, 2019 and December 31, 2020, respectively, due to increase in input and creditable withholding taxes and deposits and advances to contractors related to construction projects.

Equity instruments at fair value through other comprehensive income decreased by 21% from ₱21.08 billion to ₱16.70 billion as of December 31, 2019 and December 31, 2020, respectively, due to changes in fair values under this portfolio.

Investment properties increased by 6% from ₱410.64 billion to ₱436.16 billion as of December 31, 2019 and December 31, 2020, respectively, primarily due to landbanking, ongoing new mall projects, redevelopment of SM Mall of Asia and other existing malls and commercial building construction, net of depreciation expense for the period.

Deferred tax assets decreased by 8% from ₱0.90 billion to ₱0.83 billion as of December 31, 2019 and December 31, 2020, respectively. Deferred tax liabilities increased by 62% from ₱4.18 billion to ₱6.79 billion as of December 31, 2019 and December 31, 2020, respectively, mainly due to unrealized gross profit on sale of real estate for income tax purposes.

Derivative liabilities – net decreased to ₱2.80 billion as of December 31, 2020 as a result of foreign exchange and net fair value changes on principal only swap transactions, interest rate swap transactions and cross currency swap transactions entered into to hedge the Company's foreign exchange currency exposure on dollar denominated long-term debts.

Other noncurrent assets increased by 55% from ₱53.56 billion to ₱83.10 billion as of December 31, 2019 and December 31, 2020, respectively, due to additional bonds and deposits for real estate acquisitions and high take-up of ongoing residential projects.

Loans payable increased from ₱0.10 billion to ₱10.90 billion as of December 31, 2019 and December 31, 2020, respectively, due to availments.

Accounts payable and other current liabilities increased by 16% from ₱70.13 billion to ₱81.03 billion as of December 31, 2019 and December 31, 2020, respectively, mainly due to payables to contractors and suppliers related to ongoing projects, liability for purchased land and customers' deposits.

Long-term debt increased by 10% from ₱237.85 billion to ₱261.57 billion as of December 31, 2019 and December 31, 2020, respectively, mainly due to the issuance of ₱15.00 billion retail bonds in March 2020 and new loan availments to fund capital expenditure requirements, net of payment of maturing loans.

Liability for purchased land – net of current portion decreased by 70% from ₱4.21 billion to ₱1.25 billion as of December 31, 2019 and December 31, 2020, respectively, due to subsequent payments.

The Company's key performance indicators are measured in terms of the following: (1) debt to equity which measures the ratio of interest bearing liabilities to equity; (2) net debt to equity which measures the ratio of interest bearing liabilities net of cash and cash equivalents to equity; (3) return on equity (ROE) which measures the ratio of net income to capital provided by stockholders; (4) earnings before interest expense, income taxes, depreciation and amortization (EBITDA); (5) debt to EBITDA which measures the ratio of total interest-bearing liabilities to EBITDA; (6) interest coverage ratio which measures the ratio of EBITDA to interest expense; (7) operating income to revenues which basically measures the gross profit ratio; (8) EBITDA margin which measures the ratio of EBITDA to gross revenues and (9) net income to revenues which measures the ratio of net income to gross revenues. The following discuss in detail the key financial indicators of the Company.

Interest-bearing debt to equity increased to 0.47:0.53 as of December 31, 2020 from 0.44:0.56 as of December 31, 2019. Net interest-bearing debt to equity also increased to 44:56 as of December 31, 2020 from 40:60 as of December 31, 2019.

ROE decreased to 6% as of December 31, 2020 from 13% as of December 31, 2019 as a result of lower net income for the period.

Debt to EBITDA increased to 6.94:1 as of December 31, 2020 from 3.56:1 as of December 31, 2019 due to lower EBITDA for the period. Interest coverage ratio and EBITDA margin decreased to 4.57:1 and 48%, respectively, as of December 31, 2020 from 7.56:1 and 56%, respectively, as of December 31, 2019.

Consolidated operating income to revenues decreased to 35% as of December 31, 2020 from 48% as of December 31, 2019. Consolidated net income to revenues likewise decreased to 22% as of December 31, 2020 from 32% as of December 31, 2019.

The Company has no known direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation. There were no contingent liabilities or assets in the Company's balance sheet. The Company has no off-balance sheet transactions, arrangements, obligations during the reporting year as of balance sheet date.

The declaration of COVID-19 by the World Health Organization (WHO) as a pandemic prompting the declaration of nationwide state of calamity and implementation of ECQ measures in most areas of the Philippines from March 16 to May 15 have caused disruptions in the Company's business activities.

As at December 31, 2020 and December 31, 2019, 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.

SM Prime's malls business unit has seventy-six shopping malls in the Philippines with 8.6 million square meters of gross floor area and seven shopping malls in China with 1.3 million square meters of gross floor area.

SM Prime currently has fifty-three residential projects, forty-two of which are in Metro Manila and eleven are outside Metro Manila.

SM Prime's Commercial Properties Group has twelve office buildings with a combined gross floor area of approximately 0.7 million square meters.

SM Prime's hotels and convention centers business unit currently has a portfolio of five convention centers, three trade halls and eight hotels with over 1,900 rooms. As a result of stringent LGU guidelines and IATF restrictions, some of the convention centers and hotels have remained non-operational. Taal Vista and Radisson Blu Hotel Cebu reopened last September 2020 while Conrad Manila, Park Inn Clark, and Park Inn North EDSA remained open throughout the community quarantine period, strictly catering only to BPO employees and returning overseas Filipino workers/seafarers.

2019

SM Prime's Net Income up 18% in 2019 to P38.1 billion

Financial and Operational Highlights
(In Million Pesos, except for financial ratios and percentages)

	Twelve months ended Dec 31				
	2019	**% to Revenues**	**2018**	**% to Revenues**	**% Change**
Profit & Loss Data					
Revenues	118,311	100%	104,081	100%	14%
Costs and expenses	61,619	52%	55,753	54%	11%
Operating Income	56,692	48%	48,327	46%	17%
Net Income	38,086	32%	32,173	31%	18%
EBITDA	66,814	56%	57,244	55%	17%

	Dec 31 2019	**% to Total Assets**	**Dec 31 2018**	**% to Total Assets**	**% Change**
Balance Sheet Data					
Total Assets	667,280	100%	604,134	100%	10%
Investment Properties	410,640	62%	343,419	57%	20%
Total Debt	237,954	36%	222,811	37%	7%
Net Debt	203,354	30%	184,045	30%	10%
Total Equity	300,916	45%	275,303	46%	9%

	Dec 31	
Financial Ratios	**2019**	**2018**
Debt to Equity	0.44 : 0.56	0.45 : 0.55
Net Debt to Equity	0.40 : 0.60	0.40 : 0.60
Return on Equity	0.13	0.12
Debt to EBITDA	3.56	3.89
Interest Coverage Ratio	7.56	7.59
Operating Income to Revenues	0.48	0.46
EBITDA Margin	0.56	0.55
Net Income to Revenues	0.32	0.31

Revenue

SM Prime recorded consolidated revenues of ₱118.31 billion in 2019, an increase of 14% from ₱104.08 billion in 2018, primarily due to the following:

Rent

SM Prime recorded consolidated revenues from rent of ₱61.76 billion in 2019, an increase of 8% from ₱57.16 billion in 2018. The increase in rental revenue was due to rental rate escalations and expansion of leasable areas. Out of the total rental revenues, 87% 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, office rent increased due to the opening of Three E-Com Center and SM Southmall South Tower in 2018.

Real Estate Sales

SM Prime recorded a 24% increase in real estate sales from ₱35.87 billion in 2018 to ₱44.47 billion in 2019 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 Overseas Filipinos' remittances, international buyers 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 ₱5.55 billion in 2019 from ₱5.22 billion in 2018 due to higher event ticket sales and the 15% increase in international movie sales led by the super blockbuster "Avengers: Endgame", which now holds the title as the highest grossing movie of all time in the Philippines. Other major blockbusters screened in 2019 include "Frozen II", "Hello, Love, Goodbye", "Captain Marvel", and "Aladdin". Major blockbusters screened in 2018 include "Avengers: Infinity War", "The Hows of Us", "Jurassic World: Fallen Kingdom", "Black Panther", and "Aquaman".

Other Revenues

Other revenues increased by 12% to ₱6.54 billion in 2019 from ₱5.83 billion in 2018. The increase was mainly due to higher income from sponsorships and advertising revenues, bowling and ice skating operations, increase in net merchandise sales from snackbars resulting from higher cinema ticket attendance and increase in sale of food and beverages in hotels.

Costs and Expenses

SM Prime recorded consolidated costs and expenses of ₱61.62 billion in 2019, an increase of 11% from ₱55.75 billion in 2018, as a result of the following:

Costs of Real Estate

Consolidated costs of real estate increased by 17% to ₱20.79 billion in 2019 from ₱17.77 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 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 7% to ₱40.82 billion in 2019 compared to ₱37.98 billion in 2018. Out of the total operating expenses, 72% 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 costs.

Other Income (Charges)

Interest Expense

SM Prime's consolidated interest expense increased by 17% to ₱8.83 billion in 2019 compared to ₱7.54 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 decreased by 5% to ₱1.75 billion in 2019 from ₱1.83 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

Other charges – net decreased by 32% to ₱0.44 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 15% to ₱10.37 billion in 2019 from ₱9.06 billion in 2018.

Net income attributable to Parent

SM Prime's consolidated net income attributable to Parent in 2019 increased by 18% to ₱38.09 billion as compared to ₱32.17 billion in 2018.

Balance Sheet Accounts

SM Prime's total assets amounted to ₱667.28 billion as of December 31, 2019, an increase of 10% from ₱604.13 billion as of December 31, 2018.

Cash and cash equivalents decreased by 11% from ₱38.77 billion to ₱34.60 billion as of December 31, 2018 and December 31, 2019, respectively, mainly due to payments for capital expenditure projects during the period and debt servicing, net of increase in the Company's cash flows from operations and proceeds from the issuance of bonds in May 2019 amounting to ₱10.0 billion.

Receivables and contract assets increased by 52% from ₱35.23 billion to ₱53.64 billion as of December 31, 2018 and December 31, 2019, respectively, due to high take-up of residential projects.

Real estate inventories increased by 17% from ₱37.58 billion to ₱43.95 billion as of December 31, 2018 and December 31, 2019, respectively, due to construction accomplishments for the period, net of cost of sold units.

Prepaid expenses and other current assets increased by 29% from ₱15.15 billion to ₱19.49 billion as of December 31, 2018 and December 31, 2019, respectively, due to deposits and advances to contractors related to construction projects and various prepayments.

Equity instruments at fair value through other comprehensive income decreased by 10% from ₱23.53 billion to ₱21.08 billion as of December 31, 2018 and December 31, 2019, respectively, due to sale of shares during the year, net of changes in fair values under this portfolio.

Investment properties increased by 20% from ₱343.42 billion to ₱410.64 billion as of December 31, 2018 and December 31, 2019, respectively, primarily due to ongoing new mall projects, redevelopment of SM Mall of Asia and other existing malls and commercial building construction. Also, the increase is attributable to landbanking and 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 ₱21.66 billion as of December 31, 2019.

Deferred tax assets decreased by 17% from ₱1.08 billion to ₱0.90 billion as of December 31, 2018 and 2019, respectively. Deferred tax liabilities increased by 18% from ₱3.53 billion to ₱4.18 billion as of December 31, 2018 and December 31, 2019, respectively, mainly due to unrealized gross profit on sale of real estate for income tax purposes.

Other noncurrent assets decreased by 34% from ₱80.91 billion to ₱53.56 billion as of December 31, 2018 and December 31, 2019, respectively, mainly due to subsequent reclassification of deposits for land to land held for future development under investment properties account.

Loans payable increased from ₱0.04 billion to ₱0.10 billion as of December 31, 2018 and December 31, 2019, respectively, due to availment of loans.

Accounts payable and other current liabilities increased by 14% from ₱61.77 billion to ₱70.13 billion as of December 31, 2018 and December 31, 2019, respectively, mainly due to payables to contractors and suppliers related to ongoing projects and customers' deposits.

Long-term debt increased by 7% from ₱222.77 billion to ₱237.85 billion as of December 31, 2018 and December 31, 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 increased by 16% from ₱18.68 billion to ₱21.65 billion as of December 31, 2018 and December 31, 2019, respectively, mainly due to the new malls and office buildings and increase in customers' deposits from residential buyers.

Liability for purchased land decreased by 30% from ₱6.04 billion to ₱4.21 billion as of December 31, 2018 and December 31, 2019, respectively, due to subsequent payments.

Derivative liabilities increased from ₱0.34 billion to ₱0.71 billion as of December 31, 2018 and December 31, 2019, respectively, mainly resulting from the net fair value changes on the cross currency swap transactions entered into in 2018.

Other noncurrent liabilities increased from ₱10.51 billion to ₱24.42 billion as of December 31, 2018 and December 31, 2019, respectively, due to adoption of PFRS 16 which resulted to the recognition of lease liabilities amounting to ₱11.15 billion as of December 31, 2019.

The Company's key performance indicators are measured in terms of the following: (1) debt to equity which measures the ratio of interest bearing liabilities to equity; (2) 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; (3) return on equity (ROE) which measures the ratio of net income to capital provided by stockholders; (4) earnings before interest expense, income taxes, depreciation and amortization (EBITDA); (5) debt to EBITDA which measures the ratio of EBITDA to total interest-bearing liabilities; (6) interest coverage ratio which measures the ratio of EBITDA to interest expense; (7) operating income to revenues which basically measures the gross profit ratio; (8) EBITDA margin which measures the ratio of EBITDA to gross revenues and (9) net income to revenues which measures the ratio of net income to gross revenues. The following discuss in detail the key financial indicators of the Company.

Interest-bearing debt to equity decreased to 0.44:0.56 as of December 31, 2019 from 0.45:0.55 as of December 31, 2018. Net interest-bearing debt to equity is steady at 0.40:0.60 as of December 31, 2019 and December 31, 2018, respectively.

ROE increased to 13% as of December 31, 2019 from 12% as of December 31, 2018.

Debt to EBITDA improved to 3.56:1 as of December 31, 2019 from 3.89:1 as of December 31, 2018 due to increase in consolidated operating income. Interest coverage ratio decreased to 7.56:1 as of December 31, 2019 from 7.59:1 as of December 31, 2018 and is attributed to interest expense from additional borrowings. EBITDA margin improved to 56% as of December 31, 2019 from 55% as of December 31, 2018.

Consolidated operating income to revenues improved to 48% as of December 31, 2019 from 46% as of December 31, 2018. Consolidated net income to revenues likewise improved to 32% as of December 31, 2019 from 31% as of December 31, 2018.

The Company has no known direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation. There were no contingent liabilities or assets in the Company's balance sheet. The Company has no off-balance sheet transactions, arrangements, obligations during the reporting year as of balance sheet date.

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

As at December 31, 2019 and 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.

SM Prime's malls business unit has seventy-four shopping malls in the Philippines with 8.5 million square meters of gross floor area and seven shopping malls in China with 1.3 million square meters of gross floor area.

SM Prime currently has forty-nine residential projects, thirty-nine of which are in Metro Manila and ten are outside Metro Manila.

SM Prime's Commercial Properties Group has twelve office buildings with a combined gross floor area of 695,000 square meters. NU Mall of Asia (NUMA) and Three E-Com Center were completed in September 2019 and September 2018, respectively.

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.

2018

SM Prime's Net Income up 17% in 2018 to P32.2 billion

Financial and Operational Highlights
(In Million Pesos, except for financial ratios and percentages)

	Twelve months ended Dec 31				
	2018	**% to Revenues**	**2017**	**% to Revenues**	**% Change**
Profit & Loss Data					
Revenues	104,081	100%	90,922	100%	14%
Costs and expenses	55,753	54%	50,293	55%	11%
Operating Income	48,327	46%	40,629	45%	19%
Net Income	32,173	31%	27,574	30%	17%
EBITDA	57,244	55%	49,037	54%	17%

	Dec 31 2018	**% to Total Assets**	**Dec 31 2017**	**% to Total Assets**	**% Change**
Balance Sheet Data					
Total Assets	604,134	100%	538,418	100%	12%
Investment Properties	293,575	49%	273,084	51%	8%
Total Debt	222,811	37%	193,598	36%	15%
Net Debt	184,045	30%	148,495	28%	24%
Total Equity	275,303	46%	258,957	48%	6%

	Dec 31	
Financial Ratios	**2018**	**2017**
Debt to Equity	0.45 : 0.55	0.43 : 0.57
Net Debt to Equity	0.40 : 0.60	0.36 : 0.64
Return on Equity	0.12	0.11
Debt to EBITDA	3.89	3.95
Interest Coverage Ratio	7.59	8.96
Operating Income to Revenues	0.46	0.45
EBITDA Margin	0.55	0.54
Net Income to Revenues	0.31	0.30

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 particulary 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 ₱20 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

Other charges – net increased by 54% to ₱0.65 billion in 2017 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 Parent

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

Balance Sheet Accounts

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 long-term 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 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 ₱20.00 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 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 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.

The Company's key performance indicators are measured in terms of the following: (1) debt to equity which measures the ratio of interest bearing liabilities to equity; (2) 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; (3) return on equity (ROE) which measures the ratio of net income to capital provided by stockholders; (4) earnings before interest expense, income taxes, depreciation and amortization (EBITDA); (5) debt to EBITDA which measures the ratio of EBITDA to total interest-bearing liabilities; (6) interest coverage ratio which measures the ratio of EBITDA to interest expense; (7) operating income to revenues which basically measures the gross profit ratio; (8) EBITDA margin which measures the ratio of EBITDA to gross revenues and (9) net income to revenues which measures the ratio of net income to gross revenues. The following discuss in detail the key financial indicators of the Company.

Interest-bearing debt to equity increased to 0.45:0.55 as of December 31, 2018 from 0.43:0.57 as of December 31, 2017 due to additional borrowings. Likewise, net interest-bearing debt to equity increased to 0.40:0.60 as of December 31, 2018 from 0.36:0.64 as of December 31, 2017 due to additional borrowings, net of payments, for capital expenditure and working capital requirements.

ROE increased to 12% as of December 31, 2018 from 11% as of December 31, 2017.

Debt to EBITDA improved to 3.89:1 as of December 31, 2018 from 3.95:1 as of December 31, 2017 due to increase in consolidated operating income. Interest coverage ratio decreased to 7.59:1 as of December 31, 2018 from 8.96:1 as of December 31, 2017 as a result of increase in interest expense from additional borrowings. EBITDA margin improved to 55% as of December 31, 2018 from 54% as of December 31, 2017.

Consolidated operating income to revenues improved to 46% as of December 31, 2018 from 45% as of December 31, 2017. Consolidated net income to revenues likewise improved to 31% as of December 31, 2018 from 30% as of December 31, 2017.

The Company has no known direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation. There were no contingent liabilities or assets in the Company's balance sheet. The Company has no off-balance sheet transactions, arrangements, obligations during the reporting year as of balance sheet date.

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

As at December 31, 2018 and 2017, the amount of retained earnings appropriated for the continuous corporate and mall expansions amounted to P42,200 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 approximately ₱80 billion. This will be funded with internally generated funds and external borrowings.

SM Prime's malls business unit has seventy-two shopping malls in the Philippines with 8.3 million square meters of gross floor area and seven shopping malls in China with 1.3 million square meters of gross floor area. For 2019, SM Prime is slated to open four new malls in the Philippines. By the end of 2019, the malls business unit will have seventy-six malls in the Philippines and seven malls in China with an estimated combined gross floor area of almost 10.0 million square meters.

SM Prime currently has forty-four residential projects in the market, thirty-five of which are in Metro Manila and nine are outside Metro Manila. For 2019, SM Prime is scheduled to launch between 15,000 to 18,000 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 eleven office buildings with a combined gross floor area of 623,000 square meters. Three E-Com Center, with gross floor area of almost 130,000 square meters, was recently launched in September 2018. SM Prime is set to launch the campus-office building named NU Tower, and the FourE-Com Center, both in the Mall of Asia Complex, Pasay City in 2019 and 2020, respectively.

SM Prime's hotels and convention centers business unit currently has a portfolio of six hotels with over 1,500 rooms, four convention centers and three trade halls. The Company is set to launch two new hotels this 2019 namely Park Inn by Radisson – Iloilo and Park Inn by Radisson – North EDSA.

<u>Changes in and disagreements with accountants on accounting and financial disclosure</u>

There were no significant changes in and disagreements with accountants on accounting and financial disclosure.

ITEM 12. Mergers, Consolidations Acquisitions and Similar Matters

No action will be presented for stockholders' approval at this year's annual meeting in respect of (i) the merger or consolidation of SMPH into or with any other person, or of any other person into or with SMPH, (ii) acquisition by SMPH or any of its shareholders of securities of another person, (iii) acquisition by SMPH of any other going business or of the assets thereof, (iv) the sale or transfer or all or any substantial part of the assets of SMPH, or (v) liquidation or dissolution of SMPH.

ITEM 13. Acquisition or Disposition of Property

In the normal course of business, the Company and its subsidiaries are engaged in land banking activities for future business sites.

No action will be presented for shareholders' approval at this year's annual meeting in respect of any acquisition or disposition of property of SMPH.

ITEM 14. Restatement of Account

No action will be presented for shareholders' approval at this year's annual meeting, which involves the restatement of any of SMPH's assets, capital or surplus account.

D. OTHER MATTERS

ITEM 15. Action with Respect to Reports

The following matters with respect to minutes of stockholders of the Company and resolutions adopted by its Board of Directors, will be presented for approval during the stockholders' meeting:

(a) Minutes of the annual meeting of stockholders held on June 15, 2020, appended to this Information Statement as Annex. These minutes fully reflect the proceedings during the meeting, including:

1) a description of the voting and vote tabulation procedures used in the previous meeting, including the engagement and presence of external auditor SGV&Co., which was especially engaged as third-party validator for the meeting;
2) a description of the opportunity given to stockholders to ask questions and a record of the questions asked and answers given; and
3) the list of directors and officers and a description of stockholders who participated in the meeting, certified duly certified to by the Corporate Secretary, verified by the Company's Stock Transfer Agent, BDO Stock Transfer, and validated by SGV&Co.

These minutes were posted in the Company's website within twenty-four (24) hours from adjournment of the meeting. The office of the Corporate Secretary has in its custody the full list and names of stockholders who participated in meeting.

(b) General ratification of the acts of the Board of Directors and the Management during their term commencing from the date of the last annual stockholders' meeting up to the date of this year's meeting.

These acts are covered by Resolutions of the Board of Directors duly adopted in the normal course of trade or business, like:

(a) Approval of projects and land acquisitions;
(b) Treasury matters related to opening of accounts and transactions with banks;
(c) Appointments of signatories and amendments thereof.

There are no other matters that would require approval of the stockholders.

For the period ended December 31, 2020, there were no self-dealings or related party transactions by any director which require disclosure.

There is likewise no material information on the current stockholders and their voting rights requiring disclosure.

All stockholders as of Record Date are entitled to vote *in absentia* for this meeting by registering and voting through the Company's secure online voting facility. For the detailed discussion of stockholders' voting rights and voting procedures, please refer to Item 19 (Voting Procedures) and the "Guidelines for Participation via Remote Communication and Voting in Absentia" appended as Annex to this Information Statement.

ITEM 16. Matters not Required to be Submitted

There are no actions which are to be taken with respect to any matter which is not required to be submitted to a vote of stockholders of the Company.

ITEM 17. Amendment of Charter, By-Laws or Other Documents

Stockholders have the right to vote in favor or against any proposed amendment to the Articles of Incorporation and By-laws of the Company.

In a duly constituted meeting held on April 23, 1997, stockholders owning at least 2/3 of the outstanding capital stock of the Company has delegated the authority to amend and modify the By-laws of SMPH to its Board of Directors.

No action will be presented for stockholders' approval at this year's annual meeting with respect to the amendment of the Company's Articles of Incorporation or By-laws.

ITEM 18. Other Proposed Action

The following items will be presented to the stockholders during this year's annual meeting:

(a) Approval of Minutes of Annual Stockholders' Meeting held on June 15, 2020;
(b) Ratification of Acts of Board of Directors, Board Committees and Management during their term;
(c) Approval of Annual Report for 2020;
(d) Election of directors for 2021-2022;
(e) Appointment of external auditor for 2021.

Other than the matters indicated in the Notice and Agenda included in this Information Statement, there are no other actions proposed to be taken at this year's Annual Stockholders' Meeting.

ITEM 19. Voting Procedures

Vote required for approval

Matters subject to stockholder approval, except in cases where the law provides otherwise, shall be decided by the plurality vote of stockholders present in person or by proxy and entitled to vote, a quorum being present in such meeting. Each stockholder entitled to vote may cast the vote to which the number of shares he owns entitles him.

Matters presented to stockholders for approval at this year's Annual Stockholders' Meeting require only a majority of the stockholders for approval. For election of directors, the stockholders are entitled to cumulate their votes as discussed in Part B, Item 4(c) of this Information Statement.

Methods by which votes will be casted and counted

The Company's By-laws does not prescribe a specific manner of voting by stockholders. For this year's Annual Stockholders' Meeting, the Board of Directors approved a resolution allowing stockholders to participate in the meeting via remote communication and to vote *in absentia*.

Stockholders as of Record Date who have successfully registered their intention to participate in the annual meeting via remote communication and to vote *in absentia*, duly verified and validated by the Company, shall be provided with unique log-in credentials to securely access the Company's voting portal.

Stockholders and proxy holders can then cast their votes on specific matters for approval, including the election of directors.

Votes will then be automatically tabulated and counted at the close of voting for each agenda item during the meeting.

The Corporate Secretary is tasked and authorized to validate, count and tabulate votes by stockholders. SGV & Co. has been engaged and appointed to independently count and validate tabulation of stockholder votes for this meeting.

Pursuant to the Company's By-laws, duly accomplished proxy forms must be submitted to the Corporate Secretary at least seventy-two (72) hours before the day of the annual meeting. During the online registration for this meeting, stockholders who wish to appoint a proxy should submit advance electronic copies of their duly accomplished proxy forms during registration to facilitate the verification process. Original and duly signed proxy forms should thereafter be submitted no later than **2:30 p.m.** on **April 17, 2021 (Saturday)** at the Office of the Corporate Secretary at the 33rd Floor The Orient Square, F. Ortigas Jr. Road, Ortigas Center, Pasig City, in accordance by the By-laws. A sample format of the proxy form for individual and corporate stockholders are here attached and are also available at the Company website at **www.smprime.com/annual-stockholders-meeting**. Stockholders who have query regarding the submission of original proxy form may send an email bearing the subject "ASM 2021 Proxy" to the Company's Investor Relations Division at info@smprime.com.

The Corporate Secretary will lead the validation of proxies, in coordination with SMPH's stock and transfer agent, and attended by SGV & Co. as independent validator and tabulator of votes. Any questions and issues relating to the validity and sufficiency of proxies, both as to form and substance, shall be resolved by the Corporate Secretary. The Corporate Secretary's decision shall be final and binding on the stockholders, and those not settled at such forum shall be deemed waived and may no longer be raised during the meeting.

*The detailed guidelines for participation and voting for this meeting are set forth in the "**Guidelines for Participation via Remote Communication and Voting in Absentia**" appended as **Annex** to this Information Statement.*

ITEM 20. Market for Registrant's Common Equity and Related Stockholder Matters

CASH DIVIDEND PER SHARE - ₱0.185 in 2020, ₱0.350 in 2019 and ₱0.350 in 2018.

As of the date of this report, cash dividends for 2021 have not yet been declared. This will be discussed in a Board meeting prior to the annual stockholders' meeting.

	2020		2019	
Stock Prices	High	Low	High	Low
First Quarter	₱43.35	₱19.90	₱39.95	₱35.85
Second Quarter	34.30	27.50	42.50	37.05
Third Quarter	33.70	27.65	39.70	34.00
Fourth Quarter	40.50	28.75	42.10	35.50

The Company's shares of stock are traded in the Philippine Stock Exchange.

As of February 26, 2021, the closing price of the Company's shares of stock is ₱36.15/share. For the two months ending February 28, 2021, stock prices of SMPH were at a high of ₱41.95/share and a low of ₱34.60/share.

The number of shareholders of record as of February 28, 2021 was 2,402. Capital stock issued and outstanding as of February 28, 2021 was 28,879,231,694.

In 2020, the Board of Directors approved dividends of ₱0.185 per share or ₱5,343 million to stockholders of record as of June 30, 2020. This was paid on July 14, 2020. The Company is conserving its liquid resources to ensure resiliency against the pandemic and its possible effects over the medium term. As of December 31, 2020, there are no restrictions that would limit the ability of the Company to pay dividends to the common stockholders, except with respect to Note 19 of the consolidated financial statements.

The top 20 stockholders of the Company as of February 28, 2021 are as follows:

	Name	No. of Shares Held	% to Total
1.	SM Investments Corporation	14,353,464,952	49.7017
2.	PCD Nominee Corp. (Non-Filipino)	6,803,479,338	23.5584
3.	PCD Nominee Corp. (Filipino)	1,231,233,946	4.2634
4.	Harley T. Sy	691,377,777	2.3940
5.	Henry Sy, Jr.	689,313,743	2.3869
6.	Teresita T. Sy	662,686,464	2.2947
7.	Elizabeth T. Sy	662,580,980	2.2943
8.	Herbert T. Sy	662,367,453	2.2936
9.	Hans T. Sy	656,869,400	2.2745
10.	Syntrix Holdings, Inc.	312,726,835	1.0829
11.	Sysmart Corporation	263,226,285	0.9115
12.	Cutad, Inc.	19,694,544	0.0682
13.	HSBB, Inc.	19,694,400	0.0682
14.	Felicidad T. Sy	10,651,891	0.0369
15.	William T. Gabaldon	2,000,000	0.0069
16.	Lucky Securities, Inc.	1,800,000	0.0062
17.	Jose T. Tan &/or Pacita L. Tan	892,126	0.0031
18.	Senen Mendiola	800,763	0.0028

19.	Deborah Pe	781,909	0.0027
20.	Chen Zan Xing	771,611	0.0027

The Company registered with the SEC the ₱15.0 billion fixed rate bonds issued on March 25, 2020. The issue consists of the 5-year or Series K Bonds amounting to ₱11.4 billion with a fixed interest equivalent to 4.8643% per annum due on 2025 and 7-year or Series L Bonds amounting to ₱3.6 billion with a fixed interest equivalent to 5.0583% per annum due on 2027.

The Company also registered with the SEC the ₱10.0 billion fixed rate bonds issued on February 5, 2021. The issue consists of the 2.5-year or Series M Bonds amounting to ₱5.0 billion with a fixed interest equivalent to 2.4565% per annum due on 2023 and 5-year or Series N Bonds amounting to ₱5.0 billion with a fixed interest equivalent to 3.8547% per annum due on 2026.

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.

ITEM 21. Corporate Governance

A significant contributor to the Company's continued success is the commitment of its directors, officers and employees to foster a culture of fairness, integrity, accountability and transparency at all levels within the organization. Through the Company's Manual on Corporate Governance (**Manual**), various initiatives were launched in line with the best practices as contained in its Manual.

The Manual institutionalizes the principles of good corporate governance. It recognizes that adherence with the principles of good corporate governance should emanate from the Board of Directors. To this end, a director must act in a manner characterized by transparency, accountability and fairness. The Manual describes the general responsibilities and specific duties and functions of the Board, as well as those of the Board Committees, Corporate Secretary, and external and internal auditors.

To operationalize the Manual and to continuously strengthen the Company's corporate governance culture, various efforts were done, which include, among others, (1) creation of policies, (2) conduct of classroom trainings and (2) cascade of e-Learning courses and email blasts relating to corporate governance matters.

The Company also adopted policies and guidelines to govern conflicts of interest, acceptance of gifts, insider trading and related party transactions, to name a few. In accordance with the Conflict of Interest Policy, all directors, officers and employees are required to disclose any financial or personal interest or benefit in any transaction involving the Company to ensure that potential conflicts of interest are immediately brought to the attention of Management. The Company also issued a policy to prohibit its directors, officers and employees from soliciting or accepting gifts in any form from any business partner, except for corporate giveaways, tokens or promotional items of nominal value, and adopted guidelines to prohibit its directors, officers and employees from buying or selling shares of stock of listed SM companies while in possession of material and confidential information. Furthermore, through the Related Party Transactions Policy, the Company is committed to transparency by practicing full disclosure of the details, nature, extent, and all other material information on transactions with related parties in the Company's financial statements and quarterly and annual reports to the SEC and PSE. These rules supplement the existing corporate governance policies in the Manual on Corporate Governance and Code of Ethics.

Furthermore, the Human Resource Department's (HRD) orientation program gives new employees an overview of the various components of SM Prime's Corporate Governance Framework, the Code of Ethics and related policies which are also contained in an internal portal for employees' easy access and reference. It also covers the importance of ethics in the business, informs employees of their rights and obligations, as well as the principles and best practices in the promotion of good work ethics. Relative to this, the HRD, on an annual basis, requires all employees to take the 3-part Corporate Governance program. This specifically includes the following:

- Confirmation – to confirm that employees have read and understood and agree to comply with the Company's Code of Ethics, Code of Discipline, Insider Trading Policy, Conflict of Interest Policy, and Guidelines on Acceptance of Gifts and Travel Sponsored by Business Partners (Anti-Corruption Policy), among others

- Disclosure Survey - to disclose each employees' affiliations, interests, relationships, and/or transactions which are relevant for full disclosure of all actual, apparent or possible conflicts of interest

- e-Learning Courses (self-paced learning) - to be familiarized with the provisions of the Code of Ethics and other specific policies in upholding corporate governance in the workplace

NOTE: SMPH will provide to its stockholders free of charge printed copies of the Company's Annual Report (SEC Form 17-A) upon written request addressed to Mr. John Nai Peng C. Ong, Chief Finance Officer, at 10th Floor, Mall of Asia Arena Annex Building, Coral Way cor. J.W. Diokno Blvd., Mall of Asia Complex, Brgy. 76, Zone 10, CBP-1A, Pasay City 1300.

PART III.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasay on March 12, 2021.

By: **SM PRIME HOLDINGS, INC.**

John Nai Peng C. Ong
John Nai Peng C. Ong
Chief Finance Officer

2021 ANNUAL STOCKHOLDERS' MEETING
April 20, 2021 at 2:30 pm

Guidelines for Participating via Remote Communication and Voting *in Absentia*

The 2021 Annual Stockholders' Meeting (**ASM**) of SM Prime Holdings, Inc. (**SM Prime** or the **Company**) is scheduled on **April 20, 2021 at 2:30pm** and the Board of Directors of the Company has fixed the end of trading hours of the Philippine Stock Exchange on **March 22, 2021** (**Record Date**) as the record date for the determination of stockholders entitled to the notice of, to attend, and to vote at such meeting and any adjournment thereof.

In light of the ongoing community quarantine imposed in several areas of the country and in consideration of health and safety concerns of everyone involved, the Board of Directors of the Company has approved and authorized stockholders to participate in the ASM via remote communication and to exercise their right to vote *in absentia*.

Registration

Stockholder must notify the Corporate Secretary of their intention to participate in the ASM via remote communication and to exercise their right to vote *in absentia* by no later than **April 17, 2021**, by registering at **asmregister.smprime.com** and uploading the following supporting documents/information, subject to verification and validation by the Corporate Secretary:

- Individual Stockholders
    1. Copy of valid government ID of stockholder (and proxy, if applicable)
    2. Stock certificate number/s
    3. If appointing a proxy, copy of proxy form duly signed by stockholder (need *not* be notarized)
    4. Email-address and contact number of stockholder (or proxy, if applicable)

- Multiple Stockholders or joint owners
    1. Stock certificate number/s
    2. Proof of authority of stockholder voting the shares signed by the other registered stockholders, for shares registered in the names of multiple stockholders (need *not* be notarized)
    3. Copy of valid government IDs of all registered stockholders
    4. Email-address and contact number of authorized representative

- Corporate Stockholders
    1. Secretary's Certification of Board resolution appointing and authorizing the authorized representative or proxy to participate in the ASM
    2. Valid government ID of the authorized representative or proxy
    3. Stock certificate number/s
    4. Email-address and contact number of authorized representative or proxy

- Stockholders with Shares under broker account
    1. Certification from broker as to the number of shares owned by stockholder

2. Valid government ID of stockholder (and proxy, if applicable)
3. If appointing a proxy, copy of proxy form duly signed by stockholder (need *not* be notarized)
4. Email-address and contact number of stockholder (or proxy, if applicable)

Important Reminder: Please refrain from sending duplicate and inconsistent information/documents as this can result in failed registration. All documents/information shall be subject to verification and validation by the Corporate Secretary.

An active/valid email address is required for the registration. Any single email address can be used to register up to five (5) times for multiple shareholdings with the Company under different classifications, i.e., single, joint, multiple/joint, corporate and under broker account. If you have exceeded this number of allowable request, please contact the Company's Investor Relations Division at (632) 8862-7942 or via email at info@smprime.com.

Online Voting

Stockholders who have successfully registered shall be notified via email of their unique log-in credentials for the voting portal. Stockholders can then cast their votes for specific items in the agenda, as follows:

1. Access the voting portal by clicking the link, and log in using the unique credentials sent by email to the email-address of the stockholder provided to the Company.

2. Upon accessing the portal, the stockholder can vote on each agenda item. A brief description of each item for stockholders' approval are appended as **Annex A** to the Notice of Meeting.

   2.1 A stockholder has the option to vote "Yes", "No", or "Abstain" on each agenda item for approval.

   2.2 For the election of directors, the stockholder has the option to vote for all nominees, withhold vote for any of the nominees (abstain), or vote for certain nominees only.

   Note: *A stockholder may vote such number of his/her shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected (8 directors for SM Prime) multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast shall not exceed the number of shares owned by the stockholder.*

   Example: *A stockholder who has one hundred (100) shares in the Company will have eight hundred (800) votes (one hundred shares multiplied by eight directors to be elected) to distribute among the candidates. Thus, he or she may 1) divide all votes among all candidates equally; or 2) allocate all votes to one or some* *candidates in any manner so long as the total number of votes does not exceed eight hundred (800).*

3. Once the stockholder has finalized his or her vote, he or she can proceed to submit the same by clicking the "Submit" button.

4. The stockholder can still change and re-submit votes, provided, such new votes are submitted using the same log-in credentials. Previous votes will be automatically overwritten and replaced by the system with the new votes cast.

ASM Livestream

The ASM will be broadcasted live and stockholders who have successfully registered can participate via remote communication. Details of the meeting will be sent to stockholders in the emails provided to the Company. Instructions on how to access the livestream will also be posted at **www.smprime.com/annual-stockholders-meeting**.

Video recordings of the ASM will be adequately maintained by the Company and will be made available to participating stockholders upon request.

Open Forum

During the virtual meeting, the Company will have an Open Forum, during which, the meeting's moderator will read, and representatives of the Company shall endeavor to answer, as many of the questions and comments received from stockholders as time will allow.

Stockholders may send their questions in advance by sending an email bearing the subject "ASM 2021 Open Forum" to info@smprime.com on or before April 19, 2021. A section for stockholder comments/questions or a "chatbox" shall also be available during the livestream.

Questions/comments received but not entertained during the Open Forum due to time constraints will be addressed separately by the Company's Investor Relations team.

For any queries or concerns regarding these Guidelines, please contact the Company's Investor Relations Division at (632) 8862-7942 or via* email at *info@smprime.com.

For complete information on the annual meeting, please visit www.smprime.com/annual-stockholders-meeting.

Republic of the Philippines)
Pasig City, Metro Manila) S.S.

CERTIFICATION

I, **ELMER B. SERRANO**, of legal age, Filipino, and with office address at the 33rd Floor, The Orient Square, F. Ortigas, Jr. Road, Ortigas Center, Pasig City, after being duly sworn in accordance with law, hereby depose and state that:

1. I am the Corporate Secretary of **SM Prime Holdings, Inc.** (the **Corporation**), a corporation organized and existing under and by virtue of the laws of the Philippines, with office address at Mall of Asia Arena Annex Building, Coral Way cor. J.W. Diokno Blvd., Mall of Asia Complex, Brgy. 76, Zone 10, CBP-1A, Pasay City, Philippines.

2. Based on corporate records and as of this date, none of the directors, independent directors and officers of the Corporation named in the Information Statement (SEC Form 20-IS) has been elected or appointed to, and is presently occupying a position in any government agency, bureau, department, or office.

3. I am issuing this Certificate in compliance with the requirement of the Securities and Exchange Commission.

IN WITNESS WHEREOF, I have hereunto affixed my signature on this MAR 05 2021 at Pasig City.

ELMER B. SERRANO
Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAR 05 2021 at Pasig City, affiant exhibited to me his Tax Identification No. [redacted]

Doc No. 218;
Page No. 045;
Book No. I;
Series of 2021.

KRISTINE R. BONGCARON
Appointment No. 102 (2020-2021)
Notary Public for Pasig City
Until December 31, 2021
Attorney's Roll No. 60559
33rd Floor The Orient Square F. Ortigas Jr. Road
Ortigas Center, Pasig City
PTR No. 7233524; 01.05.21; Pasig City
IBP No. 137818; 01.05.21; RSM
MCLE Compliance No. VI-0013199; 04.14.22

CERTIFICATION OF INDEPENDENT DIRECTOR

I, Darlene Marie B. Berberabe, Filipino, of legal age and a resident of [redacted], after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of SM Prime Holdings, Inc.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
BCDA (GOCC)	Consultant to the Chairman	2018 – present
Palm Concepcion Power Corporation	Director (BOD)	2018 – present
PA Alvarez	Director (BOD)	2018 – present
Katapult Digital Corp.	Co-Founder and Director (BOD)	2017 – present
UP College of Law	Senior Lecturer	2018 – present
Phil. Heart Association	Trustee	2017- present
UP Law Alumni Foundation	Trustee	2019 - present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of SM Prime Holdings, Inc., as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
	Not Applicable	

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of SM Prime Holdings, Inc. of any changes in the abovementioned information within five days from its occurrence.

Signature page follows

Done, this ________ day of MAR 05 2021, at Pasig City.

Darlene Marie B. Berberabe

SUBSCRIBED AND SWORN to before me this _____ day of MAR 05 2021 at Pasig City, affiant personally appeared before me and exhibited to me her [redacted]

Doc. No. 219;
Page No. 45;
Book No. I;
Series of 2021;

KRISTINE K. BONGCARON
Appointment No. 102 (2020-2021)
Notary Public for Pasig City
Until December 31,2021
Attorney's Roll No. 60559
33rd Floor The Orient Square F. Ortigas Jr. Road
Ortigas Center, Pasig City
PTR No. 7233524; 01.05.21; Pasig City
IBP No. 137818; 01.05.21; RSM
MCLE Compliance No. VI-0013199; 04.14.22

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **J. Carlitos G. Cruz**, Filipino, of legal age and a resident o[redacted] after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of SM Prime Holdings, Inc.

2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Transnational Diversified Group, Inc.	Independent Director	1 month
Federal Land, Inc.	Independent Director	Less than a month
Solar Philippines Power Project Holdings, Inc.	Independent Director	Less than a month
Makati Business Club	Board of Trustee	1 year & 6 months
Philippines-Thailand Business Council	Co-Chair	4 years
Association of CPAs in Public Practice	Member	10 years
Management Association of the Philippines	Member	20 years
Philippine Institute of Certified Public Accountants	Member	38 years

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the SM Prime Holdings, Inc. as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
	Not Applicable	

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of SM Prime Holdings, Inc. of any changes in the abovementioned information within five days from its occurrence.

Signature page follows

Done, this _________ day of MAR 05 2021, at Pasig City.

J. Carlitos G. Cruz
Affiant

SUBSCRIBED AND SWORN to before me this _____ day of MAR 05 2021 at Pasig City, affiant personally appeared before me and exhibited to me his Philippine Passport No issued at [redacted]

Doc. No. 221;
Page No. 46;
Book No. I;
Series of 2021;

KRISTINE R. BONGCARON
Appointment No. 102 (2020-2021)
Notary Public for Pasig City
Until December 31,2021
Attorney's Roll No. 60559
33rd Floor The Orient Square F. Ortigas Jr. Road
Ortigas Center, Pasig City
PTR No. 7233524; 01.05.21; Pasig City
IBP No. 137818; 01.05.21; RSM
MCLE Compliance No. VI-0013199; 04.14.22

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Amando M. Tetangco, Jr.**, Filipino, of legal age and a resident of [redacted] after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director (ID) of SM Prime Holdings, Inc. (the "Corporation").

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
St. Luke's Medical Center	Trustee/Director	August 2017 to present
Tan Yan Kee Foundation	Trustee	December 2017 to present
Manila Hotel	ID	August 2018 to present
Toyota Motor Philippines	ID	March 2019 to present
Converge ICT	ID	June 17, 2020 to present
CIBI Information, Inc.	ID	June 26, 2020 to present
Belle Corporation	ID	December 4, 2017 to present
Foundation for Liberty and Prosperity	Trustee	May 20, 2019 to present

3. I possess all the qualifications and none of the disqualifications to serve as an ID of the Corporation, as provided for in Section 38 of the Securities Regulation Code (SRC), its Implementing Rules and Regulations (IRR) and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the SRC. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
Not applicable	Not applicable	Not applicable

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
	See Note[1] below	

6. I shall faithfully and diligently comply with my duties and responsibilities as ID under the SRC and its IRR, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five days from its occurrence.

[1] A criminal and administrative case (OMB-C-C-13-0092) against me with the Ombudsman was dismissed on May 13 2015. The dismissal was elevated to the Court of Appeals (CA) (CA-G.R. SP No. 144038), which sustained the dismissal on May 15, 2017. The CA's resolution was assailed with the Supreme Court (SC) (G.R. 234696) upon the filing of a Petition for Review dated November 29, 2017. As of the date of signing of this Certification, I have not received information that the SC has given due course to the said petition.

Done, this ________ day of MAR 05 2021, at Pasig City

Amando M. Tetangco, Jr.

SUBSCRIBED AND SWORN to before me this _____ day of MAR 05 2021 at Pasig City, affiant personally appeared before me and exhibited to me his Tax Identification Number (TIN) Card wit[redacted]

KRISTINE R. BONGCARON
Appointment No. 102 (2020-2021)
Notary Public for Pasig City
Until December 31,2021
Attorney's Roll No. 60559
33rd Floor The Orient Square F. Ortigas Jr. Road
Ortigas Center, Pasig City
PTR No. 7233524; 01.05.21; Pasig City
IBP No. 137818; 01.05.21; RSM
MCLE Compliance No. VI-0013199; 04.14.22

Doc. No. 220;
Page No. 045;
Book No. I;
Series of 2021;

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
INDEX TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
December 31, 2020

**These schedules have been omitted because they are either not required, not applicable or the information required to be presented is included in the Company's audited consolidated financial statements or the notes to audited consolidated financial statements.*

SM Prime Holdings, Inc.
10/F Mall of Asia Arena Annex Building,
Coral Way corner J.W. Diokno Boulevard,
Mall of Asia Complex, Pasay City 1300, Philippines

Statement of Management's Responsibility for Financial Statements

The management of SM Prime Holdings, Inc. and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of SM Prime Holdings, Inc. and Subsidiaries in accordance with the Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Henry T. Sy, Jr.
Chairman

Jeffrey C. Lim
President

John Nai Peng C. Ong
Chief Finance Officer

Signed this 15th of February, 2021

SUBSCRIBED AND SWORN to before me this FEB 1 5 2021 at CITY OF MANILA,
affiants exhibiting to me their Philippine passports, as follows:

NAME	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
HENRY T. SY, JR.	[redacted]		
JEFFREY C. LIM			
JOHN NAI PENG C. ONG			

Doc. No. 113;
Page No. 23;
Book No. IX;
Series of 2021.

CHESTER T. BORDEOS
Notary Public for and in the City of Manila
Until 30 June 2021 under SC Resolution
En Banc dated 12/01/20 (B.M. 3795)
Attorney's Roll No. 41934; TIN 904-465-536
PTR No. 9827232; 01/05/21; Manila
IBP Life Roll No. 07903; 01/08/09; Albay
MCLE Compliance No. VI-0015889 ; 12-13-18

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
SM Prime Holdings, Inc.
10th Floor, Mall of Asia Arena Annex Building
Coral Way cor. J.W. Diokno Blvd.
Mall of Asia Complex
Brgy. 76, Zone 10, CBP-1A, Pasay City, Philippines

Opinion

We have audited the consolidated financial statements of SM Prime Holdings, Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as at December 31, 2020 and 2019, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated balance sheets of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Accounting for Lease Concession

In 2020, the Company granted various lease concessions such as lease payment holidays or lease payment reduction to the lessees of its commercial spaces as a response to the laws and regulations issued by the government mandating the granting of certain lease concession during the coronavirus pandemic. The Company evaluated that the lease concessions do not qualify as a lease modification and accounted for these in the form of negative variable rent which the Company recorded when the concession is given regardless of the period to which the concession pertains. The Company's accounting of lease concession under PFRS 16 is significant to our audit because the Company has high volume of lease concessions granted during the period, the recorded amounts are material to the consolidated financial statements, and accounting for lease concession involves application of significant judgment and estimation in determining whether the lease concession will be accounted for as lease modification.

The disclosures related to the lease concession granted by the Company are included in Note 2 to the consolidated financial statements.

Audit Response

We obtained an understanding of the type, extent and periods covered of the various lease concessions granted by the Company, including the determination of the population of the lease contracts covered by the lease concession granted by the Company during the period.

We tested the population of lease agreements by comparing the number of locations per operations report against the lease contract database.

On a test basis, we inspected the communications of the Company in connection with the lease concessions granted to the lessees and traced these contractual terms and conditions to the calculation of the financial impact of lease concession prepared by the management. We test computed the lease concession impact prepared by management on a sample basis.

We obtained management assessment and a legal opinion from the Company's internal counsel supporting the assessment that the lease concession granted does not qualify as a lease modification. We involved our internal specialist in evaluating the legal basis supporting the management assessment and legal position.

Real Estate Revenue Recognition

The Company's real estate revenue recognition process, policies and procedures are significant to our audit because these involve application of significant judgment and estimation in the following areas: (1) assessment of the probability that the entity will collect the consideration from the buyer; (2) determination of the transaction price; (3) application of the output method as the measure of progress in determining revenue from sale of real estate; (4) determination of the actual costs incurred as cost of real estate sold; and (5) recognition of cost to obtain a contract.

In evaluating whether collectability of the amount of consideration is probable, the Company considers the significance of the buyer's initial payments in relation to the total contract price (or buyer's equity). Collectability is also assessed by considering factors such as past history with the buyer, age of the outstanding receivables and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs, after considering the impact of coronavirus pandemic, if it would still support its current threshold of buyer's equity before commencing revenue recognition.

In determining the transaction price, the Company considers the selling price of the real estate property and other fees collected from the buyers that are not held on behalf of other parties.

In measuring the progress of its performance obligation over time, the Company uses the output method. This method measures progress based on physical proportion of work done on the real estate project which requires technical determination by the Company's project engineers. This is based on the monthly project accomplishment report prepared by the third-party project managers as approved by the construction managers.

In determining the actual costs incurred to be recognized as cost of real estate sold, the Company estimates costs incurred on materials, labor and overhead which have not yet been billed by the contractor.

The Company identifies sales commissions after contract inception as cost of obtaining a contract. For contracts which qualified for revenue recognition, the Company capitalizes the total sales commissions due to sales agent as cost to obtain a contract and recognizes the related commissions payable. The Company uses percentage of completion (POC) method in amortizing sales commissions consistent with the Company's revenue recognition policy.

The disclosures related to the Company's revenue recognition are included in Note 3 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Company's real estate revenue recognition process.

For the buyer's equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales collections from buyers with accumulated payments above the collection threshold. We also considered the impact of the coronavirus pandemic to the level of cancellations during the year.

For the determination of the transaction price, we obtained an understanding of the nature of other fees charged to the buyers. For selected contracts, we agreed the amounts excluded from the transaction price against the expected amounts required to be remitted to the government based on existing tax rules and regulations (e.g., documentary stamp taxes, transfer taxes and real property taxes).

For the application of the output method, in determining revenue from sale of real estate, we obtained an understanding of the Company's processes for determining the POC, and performed tests of the relevant controls. We obtained the certified POC reports prepared by the third-party project managers and assessed their competence and objectivity by reference to their qualifications, experience and reporting responsibilities. For selected projects, we conducted ocular inspections, made relevant inquiries, including inquiries on how the coronavirus pandemic affected the POC during the period, and obtained the supporting details of POC reports showing the completion of the major activities of the project construction.

For the cost of real estate sold, we obtained an understanding of the Company's cost accumulation process and performed tests of the relevant controls. For selected projects, we traced costs accumulated, including those incurred but not yet billed costs, to supporting documents such as contractors billing invoices, certificates of progress acceptance, official receipts, among others.

For the recognition of cost to obtain a contract, we obtained an understanding of the sales commissions process. For selected contracts, we agreed the basis for calculating the sales commissions capitalized and portion recognized in profit or loss, particularly (a) the percentage of commissions due against contracts with sales agents, (b) the total commissionable amount (e.g., net contract price) against the related contract to sell, and, (c) the POC against the POC used in recognizing the related revenue from sale of real estate.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Sherwin V. Yason.

SYCIP GORRES VELAYO & CO.

Sherwin V. Yason
Partner
CPA Certificate No. 104921
SEC Accreditation No. 1514-AR-1 (Group A),
August 6, 2018, valid until August 5, 2021
Tax Identification No. 217-740-478
BIR Accreditation No. 08-001998-112-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534387, January 4, 2021, Makati City

February 15, 2021

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands)

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 20, 27 and 28)	**₱30,661,614**	₱34,599,959
Receivables and contract assets (Notes 8, 15, 20, 27 and 28)	**58,944,930**	53,636,921
Real estate inventories (Note 9)	**43,691,877**	43,946,109
Equity instruments at fair value through other comprehensive income (Notes 10, 20, 27 and 28)	**568,146**	659,077
Derivative assets (Notes 27 and 28)	**2,747**	–
Prepaid expenses and other current assets (Notes 11, 20, 27 and 28)	**23,205,662**	19,485,542
Total Current Assets	**157,074,976**	152,327,608
Noncurrent Assets		
Equity instruments at fair value through other comprehensive income - net of current portion (Notes 10, 20, 27 and 28)	**16,131,568**	20,420,959
Investment properties (Notes 13, 18 and 26)	**436,159,081**	410,639,578
Investments in associates and joint ventures (Note 14)	**27,735,239**	27,214,398
Property and equipment - net (Notes 12 and 26)	**1,311,208**	1,383,320
Deferred tax assets - net (Note 25)	**831,546**	903,845
Derivative assets - net of current portion (Notes 27 and 28)	**–**	826,315
Other noncurrent assets (Notes 15, 20, 24, 27 and 28)	**83,115,307**	53,563,651
Total Noncurrent Assets	**565,283,949**	514,952,066
	₱722,358,925	₱667,279,674
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Notes 16, 20, 27 and 28)	**₱10,900,000**	₱100,000
Accounts payable and other current liabilities (Notes 17, 20, 27 and 28)	**81,033,985**	70,125,750
Current portion of long-term debt (Notes 18, 20, 27 and 28)	**42,738,350**	23,521,373
Derivative liabilities (Notes 27 and 28)	**357,662**	–
Income tax payable	**957,906**	1,509,657
Total Current Liabilities	**135,987,903**	95,256,780
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 18, 20, 27 and 28)	**218,830,647**	214,333,050
Tenants' and customers' deposits - net of current portion (Notes 17, 26, 27 and 28)	**21,331,869**	21,646,217
Liability for purchased land - net of current portion (Notes 17, 27 and 28)	**1,251,227**	4,214,234
Deferred tax liabilities - net (Note 25)	**6,786,018**	4,179,154
Derivative liabilities - net of current portion (Notes 27 and 28)	**2,445,735**	711,617
Other noncurrent liabilities (Notes 15, 17, 24, 27 and 28)	**25,007,898**	24,422,348
Total Noncurrent Liabilities	**275,653,394**	269,506,620
Total Liabilities *(Carried Forward)*	**411,641,297**	364,763,400

(Forward)

	December 31	
	2020	2019
Total Liabilities *(Brought Forward)*	**₱411,641,297**	₱364,763,400
Equity Attributable to Equity Holders of the Parent		
Capital stock (Notes 19 and 29)	**33,166,300**	33,166,300
Additional paid-in capital - net (Notes 5 and 19)	**38,022,913**	38,007,668
Cumulative translation adjustment	**1,524,439**	1,344,274
Net fair value changes of equity instruments at fair value through other comprehensive income (Note 10)	**13,460,669**	17,840,990
Net fair value changes on cash flow hedges (Note 28)	**(1,769,030)**	(1,328,167)
Remeasurement loss on defined benefit obligation (Note 24)	**(587,796)**	(913,390)
Retained earnings (Note 19):		
Appropriated	**42,200,000**	42,200,000
Unappropriated	**186,251,267**	173,583,191
Treasury stock (Notes 19 and 29)	**(2,984,695)**	(2,984,695)
Total Equity Attributable to Equity Holders of the Parent	**309,284,067**	300,916,171
Non-controlling Interests (Note 19)	**1,433,561**	1,600,103
Total Equity	**310,717,628**	302,516,274
	₱722,358,925	₱667,279,674

See accompanying Notes to Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Per Share Data)

	Years Ended December 31		
	2020	2019	2018
REVENUE			
Rent (Notes 13, 20 and 26)	**₱32,013,024**	₱61,759,921	₱57,162,796
Sales:			
Real estate	**46,973,399**	44,465,454	35,872,552
Cinema and event ticket	**632,984**	5,548,469	5,218,434
Others (Notes 20 and 21)	**2,279,891**	6,537,646	5,826,783
	81,899,298	118,311,490	104,080,565
COSTS AND EXPENSES (Note 22)	**52,825,112**	61,619,162	55,753,334
INCOME FROM OPERATIONS	**29,074,186**	56,692,328	48,327,231
OTHER INCOME (CHARGES)			
Interest expense (Notes 20, 23, 27 and 28)	**(8,596,750)**	(8,832,770)	(7,540,045)
Interest and dividend income (Notes 6, 7, 8, 10, 11, 15, 20 and 23)	**1,207,227**	1,746,406	1,828,776
Others - net (Notes 7, 14, 17, 18, 20 and 28)	**779,078**	(443,970)	(649,787)
	(6,610,445)	(7,530,334)	(6,361,056)
INCOME BEFORE INCOME TAX	**22,463,741**	49,161,994	41,966,175
PROVISION FOR INCOME TAX (Note 25)			
Current	**1,761,051**	9,282,069	8,534,428
Deferred	**2,562,953**	1,091,252	520,618
	4,324,004	10,373,321	9,055,046
NET INCOME	**₱18,139,737**	₱38,788,673	₱32,911,129
Attributable to:			
Equity holders of the Parent (Notes 19 and 29)	**₱18,006,512**	₱38,085,601	₱32,172,886
Non-controlling interests (Note 19)	**133,225**	703,072	738,243
	₱18,139,737	₱38,788,673	₱32,911,129
Basic/Diluted earnings per share (Note 29)	**₱0.624**	₱1.320	₱1.115
Dividend per share (Note 19)	**₱0.185**	₱0.350	₱0.350

See accompanying Notes to Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2020	2019	2018
NET INCOME	**₱18,139,737**	₱38,788,673	₱32,911,129
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified to profit or loss in subsequent periods:			
Unrealized gain (loss) due to changes in fair value of financial assets at fair value through other comprehensive income (Note 10)	**(4,380,321)**	1,635,574	(5,287,209)
Remeasurement gain (loss) on defined benefit obligation (Note 24)	**329,172**	(567,868)	(152,405)
	(4,051,149)	1,067,706	(5,439,614)
Items that may be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustment	**180,165**	(611,725)	(154,746)
Net fair value changes on cash flow hedges (Note 28)	**(440,863)**	(486,069)	(530,669)
	(4,311,847)	(30,088)	(6,125,029)
TOTAL COMPREHENSIVE INCOME	**₱13,827,890**	₱38,758,585	₱26,786,100
Attributable to:			
Equity holders of the Parent (Notes 19 and 29)	**₱13,688,396**	₱38,058,471	₱26,050,908
Non-controlling interests (Note 5)	**139,494**	700,114	735,192
	₱13,827,890	₱38,758,585	₱26,786,100

See accompanying Notes to Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent											
	Capital Stock (Notes 19 and 29)	**Additional Paid-in Capital - Net** (Notes 5 and 19)	**Cumulative Translation Adjustment**	**Net fair value changes of equity instruments at fair value through other comprehensive income** (Note 10)	**Net Fair Value Changes on Cash Flow Hedges** (Note 28)	**Remeasurement Loss on Defined Benefit Obligation** (Note 24)	**Retained Earnings** (Note 19)		**Treasury Stock** (Notes 19 and 29)	**Total**	**Non-controlling Interests** (Note 19)	**Total Equity**
							Appropriated	**Unappropriated**				
At January 1, 2020	**₱33,166,300**	**₱38,007,668**	**₱1,344,274**	**₱17,840,990**	**(₱1,328,167)**	**(₱913,390)**	**₱42,200,000**	**₱173,583,191**	**(₱2,984,695)**	**₱300,916,171**	**₱1,600,103**	**₱302,516,274**
Net income for the year	–	–	–	–	–	–	–	**18,006,512**	–	**18,006,512**	**133,225**	**18,139,737**
Other comprehensive income (loss)	–	–	**180,165**	**(4,380,321)**	**(440,863)**	**322,903**	–	–	–	**(4,318,116)**	**6,269**	**(4,311,847)**
Total comprehensive income (loss) for the year	–	–	**180,165**	**(4,380,321)**	**(440,863)**	**322,903**	–	**18,006,512**	–	**13,688,396**	**139,494**	**13,827,890**
Cash dividends (Note 19)	–	–	–	–	–	–	–	**(5,342,658)**	–	**(5,342,658)**	–	**(5,342,658)**
Cash dividends received by a subsidiary	–	–	–	–	–	–	–	**4,222**	–	**4,222**	–	**4,222**
Cash dividends received by non-controlling interests	–	–	–	–	–	–	–	–	–	–	**(288,100)**	**(288,100)**
Acquisition of non-controlling interest - net (Notes 2 and 5)	–	**15,245**	–	–	–	**2,691**	–	–	–	**17,936**	**(17,936)**	–
At December 31, 2020	**₱33,166,300**	**₱38,022,913**	**₱1,524,439**	**₱13,460,669**	**(₱1,769,030)**	**(₱587,796)**	**₱42,200,000**	**₱186,251,267**	**(₱2,984,695)**	**₱309,284,067**	**₱1,433,561**	**₱310,717,628**
At January 1, 2019	₱33,166,300	₱39,953,218	₱1,955,999	₱19,084,597	(₱842,098)	(₱348,480)	₱42,200,000	₱143,118,153	(₱2,984,695)	₱275,302,994	₱3,774,968	₱279,077,962
Net income for the year	–	–	–	–	–	–	–	38,085,601	–	38,085,601	703,072	38,788,673
Transfer of unrealized gain on equity instruments at fair value through other comprehensive income	–	–	–	(2,879,181)	–	–	–	2,879,181	–	–	–	–
Other comprehensive income (loss)	–	–	(611,725)	1,635,574	(486,069)	(564,910)	–	–	–	(27,130)	(2,958)	(30,088)
Total comprehensive income (loss) for the year	–	–	(611,725)	(1,243,607)	(486,069)	(564,910)	–	40,964,782	–	38,058,471	700,114	38,758,585
Cash dividends (Note 19)	–	–	–	–	–	–	–	(10,507,731)	–	(10,507,731)	–	(10,507,731)
Cash dividends received by a subsidiary	–	–	–	–	–	–	–	7,987	–	7,987	–	7,987
Cash dividends received by non-controlling interests	–	–	–	–	–	–	–	–	–	–	(633,700)	(633,700)
Acquisition of non-controlling interest - net (Notes 2 and 5)	–	(1,945,550)	–	–	–	–	–	–	–	(1,945,550)	(2,241,279)	(4,186,829)
At December 31, 2019	₱33,166,300	₱38,007,668	₱1,344,274	₱17,840,990	(₱1,328,167)	(₱913,390)	₱42,200,000	₱173,583,191	(₱2,984,695)	₱300,916,171	₱1,600,103	₱302,516,274

	Equity Attributable to Equity Holders of the Parent											
	Capital Stock (Notes 19 and 29)	Additional Paid-in Capital - Net (Notes 5 and 19)	Cumulative Translation Adjustment	Net fair value changes of equity instruments at fair value through other comprehensive income (Note 10)	Net Fair Value Changes on Cash Flow Hedges (Note 28)	Remeasurement Gain (Loss) on Defined Benefit Obligation (Note 24)	Retained Earnings (Note 19) Appropriated	Retained Earnings (Note 19) Unappropriated	Treasury Stock (Notes 19 and 29)	Total	Non-controlling Interests (Note 19)	Total Equity
At January 1, 2018	₱33,166,300	₱ 39,662,168	₱2,110,745	₱25,489,705	(₱311,429)	(₱199,126)	₱42,200,000	₱120,125,945	(₱3,287,087)	₱258,957,221	₱3,916,693	₱262,873,914
Net income for the year	–	–	–	–	–	–	–	32,172,886	–	32,172,886	738,243	32,911,129
Transfer of unrealized gain on equity instruments at fair value through other comprehensive income	–	–	–	(1,117,899)	–	–	–	1,117,899	–	–	–	–
Other comprehensive income (loss)	–	–	(154,746)	(5,287,209)	(530,669)	(149,354)	–	–	–	(6,121,978)	(3,051)	(6,125,029)
Total comprehensive income (loss) for the year	–	–	(154,746)	(6,405,108)	(530,669)	(149,354)	–	33,290,785	–	26,050,908	735,192	26,786,100
Cash dividends (Note 19)	–	–	–	–	–	–	–	(10,307,731)	–	(10,307,731)	–	(10,307,731)
Cash dividends received by a subsidiary	–	–	–	–	–	–	–	9,154	–	9,154	–	9,154
Cash dividends received by non-controlling interests	–	–	–	–	–	–	–	–	–	–	(576,200)	(576,200)
Sale of treasury shares held by subsidiary	–	282,816	–	–	–	–	–	–	302,392	585,208	–	585,208
Sale (acquisition) of non-controlling interests (Notes 2 and 5)	–	8,234	–	–	–	–	–	–	–	8,234	(300,717)	(292,483)
At December 31, 2018	₱33,166,300	₱39,953,218	₱1,955,999	₱19,084,597	(₱842,098)	(₱348,480)	₱42,200,000	₱143,118,153	(₱2,984,695)	₱275,302,994	₱3,774,968	₱279,077,962

See accompanying Notes to Consolidated Financial Statements.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱22,463,741**	₱49,161,994	₱41,966,175
Adjustments for:			
Depreciation and amortization (Notes 22 and 26)	**10,341,611**	10,825,078	9,655,426
Interest expense (Note 23)	**8,596,750**	8,832,770	7,540,045
Interest and dividend income (Notes 6, 7, 8, 10, 11, 15, 20 and 23)	**(1,207,227)**	(1,746,406)	(1,828,776)
Equity in net earnings of associates and joint ventures (Note 14)	**(694,473)**	(1,492,093)	(1,297,528)
Loss (gain) on unrealized foreign exchange and fair value changes on derivatives - net	**(45,610)**	209,624	557,067
Operating income before working capital changes	**39,454,792**	65,790,967	56,592,409
Decrease (increase) in:			
Receivables and contract assets	**(27,104,505)**	(17,302,352)	(11,618,774)
Real estate inventories	**2,409,763**	(1,514,160)	(2,124,966)
Prepaid expenses and other current assets	**(3,702,091)**	(4,368,606)	(557,890)
Increase (decrease) in:			
Accounts payable and other liabilities	**8,783,131**	15,222,583	9,552,450
Tenants' and customers' deposits	**(334,662)**	3,045,680	2,306,209
Cash generated from operations	**19,506,428**	60,874,112	54,149,438
Income tax paid	**(2,316,144)**	(9,146,530)	(8,185,024)
Net cash provided by operating activities	**17,190,284**	51,727,582	45,964,414
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	**1,009,478**	1,438,318	1,417,478
Dividends received	**385,916**	615,349	577,014
Additions to:			
Investment properties (Note 13)	**(37,559,444)**	(51,267,038)	(40,351,989)
Property and equipment - net (Note 12)	**(113,073)**	(136,560)	(126,355)
Equity instruments at FVOCI (Note 10)	**–**	(4)	(5,826)
Proceeds from sale of equity instruments and financial assets at FVOCI	**–**	4,100,955	3,023,585
Investments in associates and joint ventures and acquisition of a subsidiary - net of cash acquired (Note 14)	**–**	15,867	(509,282)
Increase in bonds and deposits and other noncurrent assets (Note 15)	**(7,666,858)**	(3,382,131)	(28,102,681)
Net cash used in investing activities	**(43,943,981)**	(48,615,244)	(64,078,056)

(*Forward)*

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of bank loans and long-term debt (Notes 16 and 18)	**₱91,403,912**	₱42,393,638	₱54,115,835
Payments of:			
Long-term debt (Note 18)	**(28,993,349)**	(25,466,777)	(26,737,233)
Bank loans (Note 16)	**(25,700,000)**	(519,400)	(475,000)
Interest	**(8,469,609)**	(8,712,493)	(7,193,222)
Dividends (Note 19)	**(5,338,436)**	(11,133,444)	(10,874,777)
Lease liabilities (Notes 17 and 26)	**(85,013)**	(80,437)	–
Acquisition of non-controlling interest - net (Note 5)	–	(4,186,829)	–
Proceeds from:			
Maturity of derivatives	–	395,722	3,212,542
Reissuance of treasury shares	–	–	585,207
Net cash provided by (used in) financing activities	**22,817,505**	(7,310,020)	12,633,352
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(2,153)**	31,174	(124,777)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(3,938,345)**	(4,166,508)	(5,605,067)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**34,599,959**	38,766,467	44,371,534
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱30,661,614**	₱34,599,959	₱38,766,467

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

SM Prime Holdings, Inc. (SMPH or the Parent Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on January 6, 1994. SMPH and its subsidiaries (collectively known as the "Company") are incorporated to acquire by purchase, exchange, assignment, gift or otherwise, and to own, use, improve, subdivide, operate, enjoy, sell, assign, transfer, exchange, lease, let, develop, mortgage, pledge, traffic, deal in and hold for investment or otherwise, including but not limited to real estate and the right to receive, collect and dispose of, any and all rentals, dividends, interest and income derived therefrom; the right to vote on any proprietary or other interest on any shares of stock, and upon any bonds, debentures, or other securities; and the right to develop, conduct, operate and maintain modernized commercial shopping centers and all the businesses appurtenant thereto, such as but not limited to the conduct, operation and maintenance of shopping center spaces for rent, amusement centers, movie or cinema theatres within the compound or premises of the shopping centers, to construct, erect, manage and administer buildings such as condominium, apartments, hotels, restaurants, stores or other structures for mixed use purposes.

SMPH's shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

As at December 31, 2020, SMPH is 49.70% and 25.85% directly-owned by SM Investments Corporation (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".

The registered office and principal place of business of the Parent Company is at 10th Floor, Mall of Asia Arena Annex Building, Coral Way cor. J.W. Diokno Blvd., Mall of Asia Complex, Brgy. 76, Zone 10, CBP-1A, Pasay City, Philippines.

The accompanying consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on February 15, 2021.

2. Basis of Preparation

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

The accompanying consolidated financial statements have been prepared under the going concern assumption. The Company believes that its business would remain relevant despite the challenges posed by the coronavirus 2019 (COVID-19) pandemic. While the pandemic may adversely impact the short-term business results, long-term prospects remain attractive.

Statement of Compliance
The accompanying consolidated financial statements have been prepared in compliance with PFRS, which include the availment of the reliefs granted by the SEC under Memorandum Circular No. 14, Series of 2018 and Memorandum Circular No. 3, Series of 2019, to defer the implementation of the following accounting pronouncements until December 31, 2020. These accounting pronouncements address the issues of PFRS 15, *Revenue from Contracts with Customers*, affecting the real estate industry.

- *Deferral of the following provisions of Philippine Interpretations Committee (PIC) Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry*

    a. Assessing if the transaction price includes a significant financing component (as amended by PIC Q&A 2020-04);
    b. Treatment of land in the determination of the percentage-of-completion (POC);
    c. Treatment of uninstalled materials in the determination of the POC (as amended by PIC Q&A 2020-02); and
    d. Accounting for Common Usage Service Area (CUSA) charges

- *Deferral of the adoption of PIC Q&A 2018-14: Accounting for Cancellation of Real Estate Sales (as amended by PIC Q&A 2020-05)*

The consolidated financial statements also include the availment of relief under SEC Memorandum Circular No. 4, Series of 2020, to defer the adoption of *IFRIC Agenda Decision on Over Time Transfers of Constructed Goods under PAS 23, Borrowing Cost,* (the IFRIC Agenda Decision on Borrowing Cost) until December 31, 2020.

In December 2020, the SEC issued Memorandum Circular No. 34, Series of 2020, allowing the further deferral of the adoption of provisions (a) and (b) above of *PIC Q&A 2018-12* and the IFRIC Agenda Decision on Borrowing Cost, for another other (three) 3 years or until December 31, 2023.

The details and the impact of the adoption of the above financial reporting reliefs are discussed in Note 3 to the consolidated financial statements.

Basis of Consolidation
The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries:

Company	Country of Incorporation	Percentage of Ownership	
		2020	2019
Mall			
First Asia Realty Development Corporation	Philippines	**74.2**	74.2
Premier Central, Inc. and Subsidiary (PCI)	- do -	**100.0**	100.0
Consolidated Prime Dev. Corp.	- do -	**100.0**	100.0
Premier Southern Corp. (PSC)	- do -	**100.0**	100.0
San Lazaro Holdings Corporation	- do -	**100.0**	100.0
Southernpoint Properties Corp.	- do -	**100.0**	100.0
First Leisure Ventures Group Inc. (FLVGI)	- do -	**50.0**	50.0
CHAS Realty and Development Corporation and Subsidiaries	- do -	**100.0**	100.0
Affluent Capital Enterprises Limited and Subsidiaries (Affluent)*	British Virgin Islands (BVI)	**-**	100.0
Mega Make Enterprises Limited and Subsidiaries (Mega Make)*	- do -	**-**	100.0
Springfield Global Enterprises Limited	- do -	**100.0**	100.0

Company	Country of Incorporation	Percentage of Ownership	
		2020	2019
Simply Prestige Limited and Subsidiaries	- do -	**100.0**	100.0
SM Land (China) Limited and Subsidiaries (SM Land China)	Hong Kong	**100.0**	100.0
Rushmore Holdings, Inc.	Philippines	**100.0**	100.0
Prime_Commercial Property Management Corp. and Subsidiaries (PCPMC)	- do -	**100.0**	100.0
Magenta Legacy, Inc.	- do -	**100.0**	100.0
Associated Development Corporation	- do -	**100.0**	100.0
Prime Metroestate, Inc. and Subsidiary (PMI)	- do -	**100.0**	100.0
SM Arena Complex Corporation	- do -	**100.0**	100.0
Mindpro Incorporated (Mindpro)	- do -	**70.0**	70.0
A. Canicosa Holdings, Inc.	- do -	**100.0**	100.0
AD Canicosa Properties, Inc.	- do -	**100.0**	100.0
Cherry Realty Development Corporation	- do -	**100.0**	100.0
Supermalls Transport Services, Inc. (STSI)	- do -	**100.0**	100.0
Residential			
SM Development Corporation and Subsidiaries (SMDC)	- do -	**100.0**	100.0
Highlands Prime Inc. (HPI)	- do -	**100.0**	100.0
Costa del Hamilo, Inc. and Subsidiary (Costa)	- do -	**100.0**	100.0
Commercial			
Tagaytay Resort Development Corporation	- do -	**100.0**	100.0
MOA Esplanade Port, Inc.	- do -	**100.0**	100.0
Premier Clark Complex, Inc.	- do -	**100.0**	100.0
SM Smart City Infrastructure and Development Corporation	- do -	**100.0**	-
Hotels and Convention Centers			
SM Hotels and Conventions Corp. and Subsidiaries	- do -	**100.0**	100.0

**Entities folded under SM Land China through intra-group restructuring (Note 5)*

FLVGI is accounted for as a subsidiary by virtue of control, as evidenced by the majority members of the BOD representing the Parent Company.

The individual financial statements of the Parent Company and its subsidiaries, which are prepared for the same reporting period using their own set of accounting policies, are adjusted to the accounting policies of the Company when the consolidated financial statements are prepared. All intracompany balances, transactions, income and expenses, and profits and losses resulting from intracompany transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and when the Company has the ability to affect those returns through its power over the investee. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Company and are presented separately in the consolidated statements of income and within equity section in the consolidated balance sheets, separately from equity attributable to equity holders of the parent.

Significant Accounting Judgments, Estimates and Assumptions
The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Existence of a Contract. The Company's primary document for a contract with a customer is a signed contract to sell or the combination of its other signed documentation such as reservation agreement, official receipts, quotation sheets and other documents, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Company before revenue recognition is to assess the probability that the Company will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the buyer's initial payments in relation to the total contract price.

Measure of Progress. The Company has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Company's performance in transferring control of real estate development to the customers.

Operating Lease Commitments - as Lessor. The Company has entered into commercial property leases in its investment property portfolio. Management has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of the properties and thus accounts for the contracts as operating leases. The ownership of the asset is not transferred to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable, and, the lease term is not for the major part of the asset's economic life.

Rent income amounted to ₱32,013 million, ₱61,760 million and ₱57,163 million for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 26).

Lease Modification - as Lessor. Throughout the government-imposed community quarantine, the Company waived rentals and other charges amounting to ₱23,299 million which significantly reduced rental income. Such rental waivers are not accounted as a lease modification under PFRS 16 since COVID-19 is a force majeure under the general law.

Before January 1, 2019

Operating Lease Commitments - as Lessee. The Company has entered into various lease agreements as a lessee. Management has determined that all the significant risks and benefits of ownership of these properties, which the Company leases under operating lease arrangements, remain with the lessor. Accordingly, the leases were accounted for as operating leases.

Rent expense amounted to ₱1,730 million in December 31, 2018 (see Note 22).

On or after January 1, 2019

Determining the Lease Term of Contract. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate its lease contracts with extension and/or termination options. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. The Company typically exercises its option to renew its leases of various parcels of land since its lease term periods are generally covered by an automatic renewal option. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Determining Taxable Profit, Tax Bases, Unused Tax Losses, Unused Tax Credits and Tax Rates. Upon adoption of the Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments,* the Company has assessed whether it has any uncertain tax position. The Company applies significant judgment in identifying uncertainties over its income tax treatments. The Company determined based on its assessment, in consultation with its tax counsel, that it is probable that its income tax treatments (including for its subsidiaries) will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the consolidated financial statements of the Company.

Estimates and Assumptions

The key estimates and assumptions that may have significant risks of causing material adjustments to the carrying amounts of assets and liabilities within the next financial period are discussed below.

Revenue Recognition Method and Measure of Progress. The Company concluded that revenue from sale of real estate is to be recognized over time because (a) the Company's performance does not create an asset with an alternative use and; (b) the Company has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Company's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date.

The Company has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Company's performance in transferring control of real estate development to the customers.

Revenue from sale of real estate amounted to ₱46,973 million, ₱44,465 million and ₱35,873 million for the years ended December 31, 2020, 2019, and 2018, respectively, while the cost of real estate sold amounted to ₱20,578 million, ₱20,794 million and ₱17,769 million for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 22).

Provision for Expected Credit Losses (ECL) of Receivables and Contract Assets (or referred also in the consolidated financial statements as "Unbilled revenue from sale of real estate"). The Company maintains an allowance for impairment loss at a level considered adequate to provide for potential uncollectible receivables. The Company uses a provision matrix for rent and other receivables and vintage approach for receivable from sale of real estate (billed and unbilled) to calculate ECLs. The Company performs a regular review of the age and status of these accounts, designed to identify accounts for impairment. The assessment of the correlation between historical observed default rates, forecasted economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

The allowance for ECLs amounted to ₱1,066 million and ₱1,054 million as at December 31, 2020 and December 31, 2019, respectively (see Note 8).

Net Realizable Value of Real Estate Inventories. The Company writes down the carrying value of real estate inventories when the net realizable value becomes lower than the carrying value due to changes in market prices or other causes. The net realizable value is assessed with reference to market price at the balance sheet date for similar completed property, less estimate cost to complete the construction and estimated cost to sell. The carrying value is reviewed regularly for any decline in value.

The carrying values of real estate inventories amounted to ₱43,692 million and ₱43,946 million as at December 31, 2020 and 2019, respectively (see Note 9).

Estimated Useful Lives of Property and Equipment and Investment Properties (except for Right-of-use Asset). The useful life of each of the Company's property and equipment and investment properties, excluding right-of-use asset (ROUA), is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of the asset. It is possible, however, that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any property and equipment and investment properties, excluding ROUA, would increase the recorded costs and expenses and decrease noncurrent assets.

The aggregate carrying values of property and equipment and investment properties, excluding ROUA, amounted to ₱412,971 million and ₱390,356 million as at December 31, 2020 and 2019, respectively (see Notes 12 and 13).

Impairment of Other Nonfinancial Assets. The Company assesses at each reporting date whether there is an indication that an item of investments in associates and joint ventures, property and equipment, investment properties and other noncurrent assets (excluding time deposits) may be impaired. Determining the value in use of the assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Company to conclude that these assets are impaired. Any resulting impairment loss could have a material impact on the consolidated financial position and performance.

The preparation of the estimated future cash flows involves judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and may lead to future impairment charges.

There was no impairment on other nonfinancial assets for each of the three years in the period ended December 31, 2020. The aggregate carrying values of investments in associates and joint ventures, property and equipment, investment properties and other noncurrent assets (excluding time deposits) amounted to ₱546,964 million and ₱490,388 million as at December 31, 2020 and 2019, respectively (see Notes 12, 13, 14 and 15).

Realizability of Deferred Tax Assets. The Company's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and net operating loss carryover (NOLCO) is based on the projected taxable income in future periods. Based on the projection, not all deductible temporary differences and carryforward benefits of excess MCIT and NOLCO will be realized.

Deferred tax assets - net recognized in the consolidated balance sheets amounted to ₱832 million and ₱904 million as at December 31, 2020 and 2019, respectively (see Note 25).

Fair Value of Assets and Liabilities. The Company carries and discloses certain assets and liabilities at fair value, which requires extensive use of accounting judgments and estimates. The significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates and volatility rates). The amount of changes in fair value would differ if the Company utilized different valuation methodologies and assumptions. Any changes in the fair value of these assets and liabilities that are carried in the consolidated financial statements would directly affect consolidated statements of income and consolidated other comprehensive income.

The fair value of assets and liabilities are discussed in Notes 13 and 28.

Contingencies. The Company is currently involved in various legal and administrative proceedings. The estimate of the probable costs for the resolution of these proceedings has been developed in consultation with in-house as well as outside legal counsel handling defense in these matters and is based upon an analysis of potential results. The Company currently does not believe that these proceedings will have a material adverse effect on its consolidated financial position and performance. It is possible, however, that future consolidated financial performance could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings. No provisions were made in relation to these proceedings.

On or after January 1, 2019

Estimating Incremental Borrowing Rate for Leases. The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain the asset of similar value in a similar economic environment. The Company estimates the IBR using the available market interest rates adjusted with the Company's credit rating.

3. Summary of Significant Accounting and Financial Reporting Policies

<u>Changes in Accounting Policies and Disclosures</u>

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2020.

Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

- Amendments to PFRS 3, *Definition of a Business*, clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

  These amendments will apply on future business combinations of the Company.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments*, *Interest Rate Benchmark Reform,* provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

  The Company adopted these amendments to its floating rate loans linked to United States Dollar (USD) London Inter-Bank Offered Rate (LIBOR) which the Company designated as hedged items in cash flow hedges using cross-currency swaps and interest rate swaps. The amendments permit continuation of hedge accounting even though there is uncertainty about the timing and amount of the hedged cash flows due to interest rate benchmark reforms.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*, provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *Leases, COVID-19-Related Rent Concessions*, provide relief to the lessees for applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;

- Any reduction in lease payments affects only payments originally on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concessions in the same way it would account for a change that is not a lease modification, i. e., as a variable lease payment.

The amendments are effective for annual reporting periods on or after June 1, 2020.

The Company adopted the amendments beginning January 1, 2020. Adoption of these amendments for rent concessions on certain land leases of the Company due to COVID-19. Rental concession for the year ended December 31, 2020 was recorded as reduction to rent expense.

- *Adoption of PIC Q&A 2020-03, Q&A No. 2018-12-D: STEP 3 - On the Accounting of the Difference When the Percentage of Completion is Ahead of the Buyer's Payment.* PIC Q&A 2020-03 was issued by the PIC on September 30, 2020 aims to provide an additional option to the preparers of financial statements to present as receivables, the difference between the POC and the buyer's payment, with the POC being ahead. This PIC Q&A is consistent with the PIC guidance issued to the real estate industry in September 2019.

<u>Future Changes in Accounting Policies and Disclosures</u>
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform - Phase 2,* provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Company shall also disclose information about:
  - The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

  The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply prospectively, however, the Company is not required to restate prior periods.

  The following amendments to the hedge designation documentations (allowed until the end of the reporting period during which a change in the interest basis is made) will not result in the discontinuance of their hedge accounting: (1) designating RFR as the hedged risk; and

(2) description of the hedged item and/or hedging instrument to reflect the RFR. When the description of the hedged item is amended, amounts accumulated in cash flow hedge reserve are deemed to be based on RFR, i.e., amount will be released to profit or loss in the same period or periods in which the hedged RFR cash flows affect profit or loss.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework,* intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions*, *Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*, prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract,* specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

Annual Improvements to PFRSs 2018-2020 Cycle

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter,* permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

- Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*, clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The standard will be applicable to future accounting for modifications of financial liabilities of the Company.

- Amendments to PAS 41, *Agriculture, Taxation in Fair Value Measurements,* removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

  An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current,* clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The standard will affect the future classification of liabilities as current or noncurrent when there are future deferral of settlement of the Company's financial liabilities.

- PFRS 17, *Insurance Contracts,* a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:
  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

Deferred Effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

- Deferral of Certain Provisions of PIC Q&A 2018-12, *PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04).* On February 14, 2018, the PIC issued PIC Q&A 2018-12 (PIC Q&A) which provides guidance on some implementation issues of PFRS 15 affecting real estate industry. On October 25, 2018 and February 8, 2019, the Philippine SEC issued SEC Memorandum Circular No. 14, Series of 2018, and SEC Memorandum Circular No. 3, Series of 2019, respectively, providing relief to the real estate industry by deferring the application of the following provisions of the above PIC Q&A for a period of 3 years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC Memorandum Circular No. 34, Series of 2020, which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023. A summary of the PIC Q&A provisions covered by the SEC deferral and the related deferral period follows:

		Deferral Period
a.	Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023
b.	Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E	Until December 31, 2023
c.	Treatment of uninstalled materials in the determination of the POC discussed in PIC Q&A 2018-12-E (as amended by PIC Q&A 2020-02)	Until December 31, 2020
d.	Accounting for CUSA Charges discussed in PIC Q&A No. 2018-12-H	Until December 31, 2020

In November 2020, the PIC issued the following Q&As which provide additional guidance on the real estate industry issues covered by the above SEC deferrals:

- PIC Q&A 2020-04, which provides additional guidance on determining whether the transaction price includes a significant financing component.
- PIC Q&A 2020-02, which provides additional guidance on determining which uninstalled materials should not be included in calculating the POC.

After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

The Company availed of the deferral of adoption of the above specific provisions, except for land exclusion in determination of POC. Had these provisions been adopted, it would have impacted retained earnings, revenue from real estate sales, cost of real estate sold, other income and real estate inventories.

- *IFRIC Agenda Decision on Over Time Transfer of Constructed Good (PAS 23, Borrowing Costs).* In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under paragraph 35(c) of IFRS 15 (PFRS 15). IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under PAS 23, *Borrowing Costs,* considering that these inventories are ready for their intended sale in their current condition.

  On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4, Series of 2020, providing relief to the real estate industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Further, on December 15, 2020, the Philippine SEC issued SEC MC No. 34, Series of 2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the real estate industry until December 31, 2023. Effective January 1, 2024, the real estate industry will adopt the IFRIC Agenda Decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC Agenda Decision.

  The Company opted to avail of the relief as provided by the SEC. The adoption of the IFRIC Agenda Decision is not expected to have significant impact on the consolidated financial statements.

- Deferral of PIC Q&A 2018-14*, Accounting for Cancellation of Real Estate Sales (as amended by PIC Q&A 2020-05).* On June 27, 2018, PIC Q&A 2018-14 was issued providing guidance on accounting for cancellation of real estate sales. Under SEC Memorandum Circular No. 3, Series of 2019, the adoption of PIC Q&A No. 2018-14 was deferred until December 31, 2020. After the deferral period, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

  On November 11, 2020, PIC Q&A 2020-05 was issued which supersedes PIC Q&A 2018-14. This PIC Q&A adds a new approach where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost. PIC Q&A 2020-05 will have to be applied prospectively from approval date of the Financial Reporting Standards Council which was November 11, 2020.

  The Company availed of the SEC relief to defer the adoption of this PIC Q&A until December 31, 2020. The adoption of this PIC Q&A is not expected to have significant impact on the consolidated financial statements.

As prescribed by SEC Memorandum Circular No. 34, Series of 2020, for financial reporting periods beginning on or after January 1, 2021, the availment of the above deferral will impact the Company's financial reporting during the period of deferral.

Upon full adoption of the above deferred guidance, the accounting policies will have to be applied using full retrospective approach following the guidance under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.*

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from acquisition date and are subject to an insignificant risk of change in value.

Determination of Fair Value
Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company determines the policies and procedures for both recurring and non-recurring fair value measurements. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

The Company recognizes transfers into and transfers out of fair value hierarchy levels by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) as at the date of the event or change in circumstances that caused the transfer.

"Day 1" Difference. Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset or liability. In cases where unobservable data is used, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference amount.

Financial Instruments - Initial Recognition and Subsequent Measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Initial recognition and measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement. For purposes of subsequent measurement, financial assets are classified in four categories:

- *Financial assets at amortized cost (debt instruments)*: The Company measures financial assets at amortized cost if both of the following conditions are met:

    - The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and

    - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes cash and cash equivalents, receivables, cash in escrow (included under "Prepaid expenses and other current assets" account) and time deposits (included under "Other noncurrent assets" account). Other than those financial assets at amortized cost whose carrying values are reasonable approximation of fair values, the aggregate carrying values of financial assets under this category amounted to ₱1,356 million and ₱2,413 million as at December 31, 2020 and 2019, respectively (see Note 28).

- *Financial assets at FVOCI (debt instruments):* The Company measures debt instruments at FVOCI if both of the following conditions are met:

  - The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and

  - Selling and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- *Financial assets at FVTPL.* Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

  Financial assets at FVTPL are carried in the consolidated balance sheet at fair value with net changes in fair value recognized in the consolidated statement of income.

  This category includes derivative instruments. The carrying values of financial assets classified under this category amounted to ₱3 million and ₱826 million as at December 31, 2020 and 2019, respectively (see Note 28).

  A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVTPL. Embedded derivatives are measured at fair value with changes in FVTPL. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVTPL category.

  A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVTPL.

- *Financial assets at FVOCI (equity instruments).* Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation*, and are not held for trading. The classification is determined on an instrument-by-instrument basis.

  Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized in the consolidated statements of income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income (OCI). Equity instruments at FVOCI are not subject to impairment assessment.

  The Company elected to classify irrevocably its investments in equity instruments under this category.

  Classified under this category are the investments in shares of stocks of certain companies. The carrying values of financial assets classified under this category amounted to ₱16,700 million and ₱21,080 million as at December 31, 2020 and 2019, respectively (see Note 28).

Modification of financial assets. The Company derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded. The Company considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

Derecognition. A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized (i.e., removed from the Company's consolidated balance sheet) when:

- The rights to receive cash flows from the asset have expired, or,
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognized an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets. The Company recognizes an allowance for ECLs for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The Company uses a provision matrix for rent and other receivables, vintage approach for receivables from sale of real estate (billed and unbilled) and general approach for treasury assets to calculate ECLs.

The Company applies provision matrix and has calculated ECLs based on lifetime ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date, adjusted for forward-looking factors specific to the debtors and the economic environment.

Vintage approach accounts for expected credit losses by calculating the cumulative loss rates of a given real estate receivable pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the probability model. It allows the evaluation of the loan activity from its origination period until the end of the contract period. In addition to life of loan loss data, primary drivers like macroeconomic indicators of qualitative factors such as, but not limited to, forward-looking data on inflation rate was added to the expected loss calculation to reach a forecast supported by both quantitative and qualitative data points. The probability of default is applied to the estimate of the loss arising on default which is based on the difference between the contractual cash flows due and those that the Company would expect to receive, including from the repossession of the subject real estate property, net of cash outflows. For purposes of calculating loss given default, accounts are segmented based on the type of unit. In calculating the recovery rates, the Company considered collections of cash and/or cash from resale of real estate properties after foreclosure, net of direct costs of obtaining and selling the real estate properties after the default event such as commission, refurbishment, payment required under Maceda law, cost to complete (for incomplete units). As these are future cash flows, these are discounted back to the time of default using the appropriate effective interest rate, usually being the original EIR or an approximation thereof.

The Company considers a financial asset in default generally when contractual payments are 120 days past due or when the sales are cancelled supported by a notarized cancellation letter executed by the Company and unit buyer. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities

Initial recognition and measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings and payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement. The Company classifies its financial liabilities in the following categories:

- *Financial liabilities at FVTPL.* Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

  Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Derivatives, including any separated derivatives, are also classified under liabilities at FVTPL, unless these are designated as hedging instruments in an effective hedge or financial guarantee contracts. Gains or losses on liabilities held for trading are recognized in the consolidated statement of income under "Others - net" account. Classified as financial liabilities at FVTPL are the Company's derivative liabilities amounting to ₱2,803 million and ₱712 million as at December 31, 2020 and 2019, respectively (see Note 28).

- *Loans and borrowings.* This category pertains to financial liabilities that are not held for trading or not designated as at FVTPL upon the inception of the liability. These include liabilities arising from operations or borrowings. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statement of income when the loans and borrowings are derecognized, as well as through the amortization process. Loans and borrowings are included under current liabilities if settlement is within twelve months from reporting period. Otherwise, these are classified as noncurrent liabilities.

  Classified under this category are loans payable, accounts payable and other current liabilities, long-term debt, tenants' deposits, liability for purchased land and other noncurrent liabilities (except for taxes payables and other payables covered by other accounting standards). Other than those other financial liabilities whose carrying values are reasonable approximation of fair values, the aggregate carrying values of financial liabilities under this category amounted to ₱257,361 million and ₱258,681 million as at December 31, 2020 and 2019, respectively (see Note 28).

Derecognition. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

<u>Offsetting Financial Instruments</u>
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross in the consolidated balance sheet.

Classification of Financial Instruments Between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Debt Issue Costs

Debt issue costs are presented as reduction in long-term debt and are amortized over the terms of the related borrowings using the effective interest method.

Derivative Financial Instruments

Initial recognition and subsequent measurement. The Company uses derivative financial instruments, such as non-deliverable forwards, cross currency swaps, interest rate swaps and principal only swaps contracts to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The Company only has hedges classified as cash flow hedges. These hedge the exposures to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge effectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is ‘an economic relationship’ between the hedged item and the hedging instrument.
- The effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges. The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the net fair value changes on cash flow hedges, while any ineffective portion is recognized immediately in the consolidated statement of income. The net fair value changes on cash flow hedges is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Company uses cross currency swaps, interest rate swaps and principal only swaps contracts to hedge its foreign currency risks and interest rate risks.

Changes in the fair value of the cross currency swaps, interest rate swaps and principal only swaps contracts are recognized in OCI and accumulated as a separate component of equity under "Net fair value changes on cash flow hedges".

The Company designates only the elements of the cross currency swaps, interest rate swaps and principal only swaps contracts as hedging instruments to achieve its risk management objective. These elements are recognized in OCI and accumulated in a separate component of equity under net fair value changes on cash flow hedges.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

Real Estate Inventories

Real estate inventories are stated at the lower of cost and net realizable value. Net realizable value is the selling price in the ordinary course of business, less costs to complete and the estimated cost to make the sale. Real estate inventories include properties being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation.

Cost incurred for the development and improvement of the properties includes the following:

- Land cost;
- Amounts paid to contractors for construction and development; and
- Planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

Prepaid Expenses and Other Current Assets
Other current assets consist of advances to suppliers and contractors, advances for project development, input tax, creditable withholding taxes, deposits, cash in escrow, prepayments, supplies and inventories and others. Advances to suppliers and contractors and advances for project developments are carried at cost. These represent advance payments to contractors for the construction and development of the projects. These are recouped upon every progress billing payment depending on the percentage of accomplishment. Advances for project development represent advances made for the purchase of land and is stated initially at cost. Advances for project development are subsequently measured at cost, net of any impairment. Prepaid taxes and other prepayments are carried at cost less amortized portion. These include prepayments for taxes and licenses, rent, advertising and promotions and insurance.

Property Acquisitions and Business Combinations
When property is acquired, through corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business.

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

Business combinations are accounted for using the acquisition method. Applying the acquisition method requires the (a) determination whether the Company will be identified as the acquirer, (b) determination of the acquisition date, (c) recognition and measurement of the identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquiree and (d) recognition and measurement of goodwill or a gain from a bargain purchase.

The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Company measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in the costs and expenses.

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

If the business combination is achieved in stages, the acquisition date fair value of the Company's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Company is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognized in accordance with PFRS 9 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled and final difference is recognized within equity.

Common Control Business Combinations
Business combinations involving entities or businesses under common control are business combinations in which all of the entities or businesses are ultimately controlled by the same party or

parties both before and after the business combination, and that control is not transitory. Business combinations under common control are accounted for similar to pooling of interests method. Under the pooling of interests method:

- The assets, liabilities and equity of the acquired companies for the reporting period in which the common control business combinations occur and for the comparative periods presented, are included in the consolidated financial statements at their carrying amounts as if the consolidation had occurred from the beginning of the earliest period presented in the financial statements, regardless of the actual date of the acquisition;
- No adjustments are made to reflect the fair values, or recognize any new assets or liabilities at the date of the combination. The only adjustments would be to harmonize accounting policies between the combining entities;
- No 'new' goodwill is recognized as a result of the business combination;
- The excess of the cost of business combinations over the net carrying amounts of the identifiable assets and liabilities of the acquired companies is considered as equity adjustment from business combinations, included under "Additional paid-in capital - net" account in the equity section of the consolidated balance sheet; and
- The consolidated statement of income in the year of acquisition reflects the results of the combining entities for the full year, irrespective of when the combination took place.

Acquisition of Non-controlling Interests
Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e., transactions with owners in their capacity as owners). In such circumstances, the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid shall be recognized directly in equity and included under "Additional paid-in capital - net" account in the equity section of the consolidated balance sheet.

Property and Equipment
The Company's property and equipment consist of land, building, equipment and ROUA. Property and equipment, except land and construction in progress, is stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment at the time that cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs necessary in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation and interest incurred during the construction period on funds borrowed to finance the construction of the projects. When each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. Expenditures incurred after the item has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have improved the condition of the asset beyond the originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the assets:

Land improvements	5 years	
Buildings	10–25 years	
Leasehold improvements	5–10 years	or term of the lease, whichever is shorter
Data processing equipment	5–8 years	
Transportation equipment	5–6 years	
Furniture, fixtures and equipment	5–10 years	
ROUA – Office spaces	10–25 years	or term of the lease whichever is shorter

The residual values, useful lives and method of depreciation and amortization of the assets are reviewed and adjusted, if appropriate, at each reporting period.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is credited or charged to current operations.

An item of property and equipment is derecognized when either it has been disposed or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gains or losses arising on the retirement and disposal of an item of property and equipment are recognized in the consolidated statements of income in the period of retirement or disposal.

Investment Properties

These consist of commercial spaces/properties held for rental and/or capital appreciation, ROUA and land held for future development. These accounts are measured initially at cost. The cost of a purchased investment property comprises of its purchase price and any directly attributable costs. Subsequently, these accounts, except land and construction in progress, are measured at cost, less accumulated depreciation and amortization and accumulated impairment in value, if any. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

Property under construction or development for future use as an investment property is classified as investment property.

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the assets:

Land improvements	5 years	
Buildings and improvements	20–40 years	
Building equipment, furniture and others	3–15 years	
Building and leasehold improvements	5 years	or term of the lease, whichever is shorter
ROUA – land	Remaining lease term	

The residual values, useful lives and method of depreciation and amortization of the assets are reviewed and adjusted, if appropriate, at each reporting period.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction, property and equipment, and other direct costs. Cost also includes interest on borrowed funds incurred during the construction period. Construction in progress is not depreciated until such time that the relevant assets are completed and are ready for use.

Investment property is derecognized when either it has been disposed or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the period of retirement or disposal.

Transfers are made from investment property to inventories when, and only when, there is a change in use, as evidenced by an approved plan to construct and develop condominium and residential units for sale. Transfers are made to investment property from inventories when, and only when, there is change in use, as evidenced by commencement of an operating lease to a third party or change in the originally approved plan. The cost of property for subsequent accounting is its carrying value at the date of change in use.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property, the cost of property for subsequent accounting is its carrying value at the date of change in use. If the property occupied by the Company as an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investments in Associates and Joint Ventures
An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Company's investments in shares of stocks of associates and joint ventures are accounted for under the equity method of accounting.

Under the equity method, investment in an associate or a joint venture is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Company's share in the net asset of the associate or joint venture. The consolidated statements of income reflect the share in the result of operations of the associate or joint venture under "Others-net" account. Where there has been a change recognized directly in the equity of the associate or joint venture, the Company recognizes its share in any changes and discloses this, when applicable, in the consolidated statement of income. Profit and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture. After application of the equity method, the Company determines whether it is necessary to recognize any additional impairment loss with respect to the Company's net investment in the associate or joint venture. An investment in associate or joint venture is accounted for using the equity method from the date when it becomes an associate or joint venture. On acquisition of the investment, any difference between the cost of the investment and the investor's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for as follows:

- Goodwill relating to an associate or joint venture is included in the carrying amount of the investment. However, amortization of that goodwill is not permitted and is therefore not included in the determination of the Company's share in the associate's or joint venture's profits or losses.

- Any excess of the Company's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the investor's share in the associate's or joint venture's profit or loss in the period in which the investment is acquired.

Also, appropriate adjustments to the Company's share of the associate's or joint venture's profit or loss after acquisition are made to account for the depreciation of the depreciable assets based on their fair values at the acquisition date and for impairment losses recognized by the associate or joint venture.

The Company discontinues the use of equity method from the date when it ceases to have significant influence or joint control over an associate or joint venture and accounts for the investment in accordance with PFRS 9, from that date, provided the associate or joint venture does not become a subsidiary. Upon loss of significant influence or joint control over the associate or joint venture, the Company measures and recognizes any remaining investment at its fair value. Any difference in the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the remaining investment and proceeds from disposal is recognized in the consolidated statement of income. When the Company's interest in an investment in associate or joint venture is reduced to zero, additional losses are provided only to the extent that the Company has incurred obligations or made payments on behalf of the associate or joint venture to satisfy obligations of the investee that the Company has guaranteed or otherwise committed. If the associate or joint venture subsequently reports profits, the Company resumes recognizing its share of the profits if it equals the share of net losses not recognized.

The financial statements of the associates and joint ventures are prepared for the same reporting period as the Company. The accounting policies of the associates and joint ventures conform to those used by the Company for like transactions and events in similar circumstances.

<u>Other Noncurrent Assets</u>
Other noncurrent assets consist of bonds and deposits, receivables from sale of real estate - net of current portion, land use rights, time deposits, deferred input tax and others. Other noncurrent assets are carried at cost.

<u>Impairment of Nonfinancial Assets</u>
The carrying values of investments in associates and joint ventures, property and equipment, investment properties and other noncurrent assets (excluding time deposits) are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The

recoverable amount of the asset is the greater of fair value less costs to sell or value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's-length transaction between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income. After such a reversal, the depreciation or amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

<u>Tenants' Deposits</u>
Tenants' deposits are measured at amortized cost. Tenants' deposits refer to security deposits received from various tenants upon inception of the respective lease contracts on the Company's investment properties. At the termination of the lease contracts, the deposits received by the Company are returned to tenants, reduced by unpaid rental fees, penalties and/or deductions from repairs of damaged leased properties, if any. The related lease contracts usually have a term of more than twelve months.

<u>Customers' Deposits</u>
Customers' deposits mainly represent reservation fees and advance payments. These deposits will be recognized as revenue in the consolidated statement of income as the related obligations to the real estate buyers are fulfilled.

<u>Capital Stock and Additional Paid-in Capital</u>
Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as "Additional paid-in capital - net" account.

<u>Retained Earnings</u>
Retained earnings represent accumulated net profits, net of dividend distributions and other capital adjustments.

<u>Treasury Stock</u>
Own equity instruments which are acquired (treasury shares) are deducted from equity and accounted for at cost. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issuance or cancellation of own equity instruments.

Dividends
Dividends on common shares are recognized as liability and deducted from equity when declared and approved by the BOD. Dividends for the year that are approved after balance sheet date are dealt with as an event after the reporting period.

Revenue Recognition
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or as an agent. The Company has concluded that it is acting as principal in majority of its revenue arrangements. The following specific recognition criteria, other than those disclosed in Note 2 to the consolidated financial statements, must also be met before revenue is recognized:

The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 2.

Rent. Revenue is recognized on a straight-line basis over the lease term or based on the terms of the lease as applicable.

Sale of Amusement Tickets and Merchandise. Revenue is recognized upon receipt of cash from the customer which coincides with the rendering of services or the delivery of merchandise. Revenue from sale of amusement tickets and merchandise are included in the "Revenue - Others" account in the consolidated statement of income.

Dividend. Revenue is recognized when the Company's right as a shareholder to receive the payment is established. These are included in the "Interest and dividend income" account in the consolidated statement of income.

Management and Service Fees. Revenue is recognized when earned in accordance with the terms of the agreements.

Interest. Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

Room Rentals, Food and Beverage, and Others. Revenue from room rentals is recognized on actual occupancy, food and beverage sales when orders are served, and other operated departments when the services are rendered. Revenue from other operated departments include, among others, business center, laundry service, and telephone service. Revenue from food and beverage sales and other hotel revenue are included under the "Revenue - Others" account in the consolidated statement of income.

Revenue and Cost from Sale of Real Estate. The Company derives its real estate revenue from sale of lots, house and lot and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Company uses output method. The Company recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date/milestones reached/time elapsed. This is based on the monthly project accomplishment report prepared by the third-party project managers as approved by the construction managers which integrates the surveys of performance to date of the construction activities.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as receivables from sale of real estate, under trade receivables, is accounted for as unbilled revenue from sale of real estate.

Any excess of collections over the total of recognized installment real estate receivables is included in the contract liabilities (or referred also in the consolidated financial statements as “Unearned revenue from sale of real estate”).

Information about the Company’s performance obligation. The Company entered into contracts to sell with one identified performance obligation which is the sale of the real estate unit together with the services to transfer the title to the buyer upon full payment of contract price. The amount of consideration indicated in the contract to sell is fixed and has no variable consideration.

Payment commences upon signing of the contract to sell and the consideration is payable in cash or under a financing scheme entered with the customer. The financing scheme would include payment of certain percentage of the contract price spread over a certain period (e.g. one to three years) at a fixed monthly payment with the remaining balance payable in full at the end of the period either through cash or external financing. The amount due for collection under the amortization schedule for each of the customer does not necessarily coincide with the progress of construction.

The Company has a quality assurance warranty which is not treated as a separate performance obligation.

Cost of Real Estate Sold. The Company recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land and connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation and permits and licenses. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of real estate sold while the portion allocable to the unsold area being recognized as part of real estate inventories. In addition, the Company recognizes as an asset only costs that give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered.

Contract Balances

Receivables. A receivable represents the Company’s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets. These pertain to unbilled revenue from sale of real estate. This is the right to consideration that is conditional in exchange for goods or services transferred to the customer. This is reclassified as trade receivable from sale of real estate when the monthly amortization of the customer is already due for collection.

Contract liabilities. These pertain to unearned revenue from sale of real estate. This is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. These also include customers’ deposits related to sale of real estate. These are recognized as revenue when the Company performs its obligation under the contract.

Costs to obtain contract. The incremental costs of obtaining a contract with a customer are recognized as an asset if the Company expects to recover them. The Company has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Costs and expenses" account in the consolidated statement of income. Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Contract fulfillment assets. Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Company firstly considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15.

If other standards are not applicable to contract fulfillment costs, the Company applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of this criteria requires the application of judgment, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

The Company's contract fulfillment assets mainly pertain to land acquisition costs (included under real estate inventories).

Amortization, derecognition and impairment of contract fulfillment assets and capitalized costs to obtain a contract. The Company amortizes contract fulfillment assets and capitalized costs to obtain a contract to cost of sales over the expected construction period using POC following the pattern of real estate revenue recognition. The amortization is included within cost of real estate sold.

A contract fulfillment asset or capitalized costs to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Company determines whether there is an indication that contract fulfillment asset or cost to obtain a contract maybe impaired. If such indication exists, the Company makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Company expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Company uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs are demonstrating indicators of impairment, judgment is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets.

Management Fees
Management fees are recognized as expense in accordance with the terms of the agreements.

General, Administrative and Other Expenses
Costs and expenses are recognized as incurred.

Pension Benefits
The Company is a participant in the SM Corporate and Management Companies Employer.

Retirement Plan. The plan is a funded, noncontributory defined benefit retirement plan administered by a Board of Trustees covering all regular full-time employees. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees' projected salaries. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, if any, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit pension costs comprise the following:

- Service cost
- Net interest on the net defined benefit obligation or asset
- Remeasurements of net defined benefit obligation or asset

Service cost which includes current service costs, past service costs and gains or losses on non-routine settlements are recognized as part of "Costs and expenses" under "Administrative" account in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit obligation or asset is the change during the period in the net defined benefit obligation or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit obligation or asset is recognized as part of "Costs and expenses" under "Administrative" account in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit obligation) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Foreign Currency-denominated Transactions

The consolidated financial statements are presented in Philippine peso, which is SMPH's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency rate of exchange at reporting period. Nonmonetary items denominated in foreign currency are translated using the exchange rates as at the date of initial recognition. All differences are taken to the consolidated statements of income.

Foreign Currency Translation
The assets and liabilities of foreign operations are translated into Philippine peso at the rate of exchange ruling at reporting period and their respective statements of income are translated at the weighted average rates for the year. The exchange differences arising on the translation are included in the consolidated statements of comprehensive income and are presented within the "Cumulative translation adjustment" account in the consolidated statements of changes in equity. On disposal of a foreign entity, the deferred cumulative amount of exchange differences recognized in equity relating to that particular foreign operation is recognized in the profit or loss.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Company as Lessor. Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases are recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Lease Modification. Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).

A lessor shall account for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. If a change in lease payments does not meet the definition of a lease modification, that change would generally be accounted for as a negative variable lease payment. In the case of an operating lease, a lessor recognizes the effect of the rent concession by recognizing lower income from leases.

Effective beginning on or after January 1, 2019

Company as Lessee. The Company applies a single recognition and measurement approach for all the leases except for low-value assets and short-term leases. The Company recognizes lease liabilities to make lease payments and ROUA representing the right to use the underlying asset.

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments which includes in substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is adjusted to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Company also recognized ROUA in property and equipment (office spaces) and investment properties (land lease and land use rights). Prior to that date, all of the Company's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the consolidated balance sheet. The Company recognizes ROUA at the commencement date of the lease (i.e., the date the underlying asset is available for use). The initial cost of ROUA includes the amount of lease liabilities recognized less any lease payments made at or before the commencement date.

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of bridgeway, machineries and equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

The Company recognizes deferred tax asset and liability based from the lease liability and ROUA, respectively, on a gross basis, as of balance sheet date.

Effective before January 1, 2019

Company as Lessee. Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the consolidated statement of income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Leases which do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statement of income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset as part of the cost of that asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use or sale. Borrowing costs are capitalized when it is probable that they will result in future economic benefits to the Company. For borrowing associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowings is used.

Borrowing costs include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest cost. The Company limits exchange losses taken as amount of borrowing costs to the extent that the total borrowing costs capitalized do not exceed the amount of borrowing costs that would be incurred on functional currency equivalent borrowings. The amount of foreign exchange differences eligible for capitalization is determined for each period separately. Foreign exchange losses that did not meet the criteria for capitalization in previous years are not capitalized in subsequent years. All other borrowing costs are expensed as incurred.

Taxes

Current Tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at reporting period.

Deferred Tax. Deferred tax is provided, using the balance sheet liability method, on temporary differences at reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of excess MCIT and NOLCO, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefits of excess MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at reporting period.

Income tax relating to items recognized directly in the consolidated statement of comprehensive income is recognized in the consolidated statement of comprehensive income and not in the consolidated statement of income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value Added Tax (VAT). Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as part of “Accounts payable and other current liabilities” account in the consolidated balance sheets. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as part of “Prepaid expenses and other current assets” account in the consolidated balance sheets to the extent of the recoverable amount.

Business Segments
The Company is organized and managed separately according to the nature of business. The four operating business segments are mall, residential, commercial and hotels and convention centers. These operating businesses are the basis upon which the Company reports its segment information presented in Note 4 to the consolidated financial statements.

Basic/Diluted Earnings Per Common Share (EPS)
Basic EPS is computed by dividing the net income for the period attributable to owners of the Parent by the weighted-average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

For the purpose of computing diluted EPS, the net income for the period attributable to owners of the Parent and the weighted-average number of issued and outstanding common shares are adjusted for the effects of all dilutive potential ordinary shares, if any.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Events after the Reporting Period
Post year-end events that provide additional information about the Company’s financial position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. **Segment Information**

For management purposes, the Company is organized into business units based on their products and services, and has four reportable operating segments as follows: mall, residential, commercial and hotels and convention centers.

Mall segment develops, conducts, operates and maintains the business of modern commercial shopping centers and all businesses related thereto such as the conduct, operation and maintenance of shopping center spaces for rent, amusement centers, or cinema theaters within the compound of the shopping centers.

Residential and commercial segments are involved in the development and transformation of major residential, commercial, entertainment and tourism districts through sustained capital investments in buildings and infrastructure.

Hotels and convention centers segment engages in and carry on the business of hotel and convention centers and operates and maintains any and all services and facilities incident thereto.

Management, through the Executive Committee, monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with the operating profit or loss in the consolidated financial statements.

The amount of segment assets and liabilities and segment profit or loss are based on measurement principles that are similar to those used in measuring the assets and liabilities and profit or loss in the consolidated financial statements, which is in accordance with PFRS.

Inter-segment Transactions
Transfer prices between business segments are set on an arm's length basis similar to transactions with nonrelated parties. Such transfers are eliminated in the consolidated financial statements.

Business Segment Data

	2020					
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
			(In Thousands)			
Revenue:						
External customers	₱28,133,013	₱47,476,884	₱4,709,187	₱1,580,214	₱–	₱81,899,298
Inter-segment	129,575	–	69,958	2,672	(202,205)	–
	₱28,262,588	₱47,476,884	₱4,779,145	₱1,582,886	(₱202,205)	₱81,899,298
Segment results:						
Income (loss) before income tax	₱3,397,809	₱16,910,196	₱3,629,553	(₱1,019,638)	(₱454,179)	₱22,463,741
Provision for income tax	(1,053,609)	(3,089,875)	(180,520)	–	–	(4,324,004)
Net income	₱2,344,200	₱13,820,321	₱3,449,033	(₱1,019,638)	(454,179))	₱18,139,737
Net income (loss) attributable to:						
Equity holders of the Parent	₱2,210,183	₱13,821,113	₱3,449,033	(₱1,019,638)	(₱454,179)	₱18,006,512
Non-controlling interests	134,017	(792)	–	–	–	133,225
Segment assets	₱393,412,575	₱254,869,649	₱61,567,161	₱14,067,315	(₱1,557,775)	₱722,358,925
Segment liabilities	₱258,218,748	₱147,833,429	₱6,230,590	₱916,305	(₱1,557,775)	₱411,641,297
Other information:						
Capital expenditures	₱26,033,777	₱24,823,848	₱7,393,535	₱1,337,054	₱–	₱59,588,214
Depreciation and amortization	8,872,299	149,450	680,133	639,729	–	10,341,611

	2019					
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
			(In Thousands)			
Revenue:						
External customers	₱63,540,287	₱45,213,765	₱4,510,820	₱5,046,618	₱–	₱118,311,490
Inter-segment	85,072	–	74,100	13,662	(172,834)	–
	₱63,625,359	₱45,213,765	₱4,584,920	₱5,060,280	(₱172,834)	₱118,311,490
Segment results:						
Income before income tax	₱30,418,637	₱15,020,332	₱3,661,683	₱1,074,405	(₱1,013,063)	₱49,161,994
Provision for income tax	(7,020,933)	(2,428,262)	(658,358)	(265,768)	–	(10,373,321)
Net income	₱23,397,704	₱12,592,070	₱3,003,325	₱808,637	(₱1,013,063)	₱38,788,673
Net income attributable to:						
Equity holders of the Parent	₱22,701,115	₱12,585,587	₱3,003,325	₱808,637	(₱1,013,063)	₱38,085,601
Non-controlling interests	696,589	6,483	–	–	–	703,072
Segment assets	₱388,653,151	₱217,788,016	₱51,340,770	₱13,573,854	(₱4,076,117)	₱667,279,674
Segment liabilities	₱237,486,362	₱124,277,871	₱5,982,687	₱1,092,597	(₱4,076,117)	₱364,763,400
Other information:						
Capital expenditures	₱29,283,828	₱27,578,564	₱10,216,823	₱1,618,631	₱–	₱68,697,846
Depreciation and amortization	9,514,073	143,438	560,854	606,713	–	10,825,078

	2018					
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
			(In Thousands)			
Revenue:						
External customers	₱59,188,798	₱36,519,311	₱3,504,224	₱4,868,232	₱–	₱104,080,565
Inter-segment	88,489	–	73,856	85	(162,430)	–
	₱59,277,287	₱36,519,311	₱3,578,080	₱4,868,317	(₱162,430)	₱104,080,565
Segment results:						
Income before income tax	₱27,413,548	₱10,664,058	₱2,864,711	₱1,179,145	(₱155,287)	₱41,966,175
Provision for income tax	(6,816,792)	(1,448,652)	(510,274)	(279,328)	–	(9,055,046)
Net income	₱20,596,756	₱9,215,406	₱2,354,437	₱899,817	(₱155,287)	₱32,911,129
Net income attributable to:						
Equity holders of the Parent	₱19,869,360	₱9,204,559	₱2,354,437	₱899,817	(₱155,287)	₱32,172,886
Non-controlling interests	727,396	10,847	–	–	–	738,243
Segment assets	₱366,324,387	₱186,098,844	₱40,308,522	₱12,278,302	(₱875,737)	₱604,134,318
Segment liabilities	₱212,781,100	₱108,996,681	₱3,163,510	₱990,802	(₱875,737)	₱325,056,356
Other information:						
Capital expenditures	₱28,991,530	₱57,128,644	₱4,213,470	₱820,890	₱–	₱91,154,534
Depreciation and amortization	8,495,514	156,599	446,646	556,667	–	9,655,426

For the years ended December 31, 2020, 2019 and 2018, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers. The main revenues of the Company are substantially earned from the Philippines.

The Company disaggregates its revenue information in the same manner as it reports its segment information.

<u>Seasonality</u>
Except for the significant impact of COVID-19 pandemic to the Company's operations starting March 2020, there were no other trends, events or uncertainties that have had or that are reasonably expected to have a material impact on net sales or revenues or income from continuing operations.

5. **Acquisition of Non-controlling Interest and Business Combinations**

Business Combination
In December 2020, the Parent Company entered into a Share Purchase Agreement with its wholly owned subsidiary, SM Land China, and transferred its 100% interest in Affluent and Mega Make in exchange for SM Land China's 1,000 ordinary shares and 1 ordinary share, respectively. The Company recorded the additional investment in SM Land China at the carrying value of the asset given up and treated the transaction as common control business combination.

Acquisition of Non-controlling Interest
In December 2020, the Company (through Landfactors Incorporated, a wholly owned subsidiary of SMDC) purchased additional 12,500 common shares of Greenmist Property Management Corporation for a total consideration of ₱2 million increasing its ownership from 91.67% to 100%. The transaction was accounted for as an equity transaction since there was no change in control.

In December 2019, the Parent Company acquired the remaining 49% stake in STSI for ₱25 million, increasing the total ownership of the Company to 100%.

In August 2019, the Parent Company acquired the remaining 40% of the outstanding common stock of PMI from SMIC for a total consideration of ₱4,106 million. The valuation of the non-controlling interest was based on the appraised values of the real estate assets of PMI as at January 25, 2019. The acquisition resulted to equity reserve adjustment, included under "Additional paid-in capital-net" account in the equity section of the consolidated balance sheets amounting to ₱1,946 million.

6. **Cash and Cash Equivalents**

This account consists of:

	2020	2019
	(In Thousands)	
Cash on hand and in banks (see Note 20)	**₱12,484,610**	₱4,564,399
Temporary investments (see Note 20)	**18,177,004**	30,035,560
	₱30,661,614	₱34,599,959

Cash in banks earn interest at the respective bank deposit rates. Temporary investments are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn interest at the respective temporary investment rates.

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

Interest income earned from cash in banks and temporary investments amounted to ₱900 million, ₱1,304 million and ₱1,297 million for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 23).

7. Financial Assets at FVOCI

This account consisted of investments in listed common shares, which were disposed in 2018.

In 2018, mark-to-market loss on changes in fair value of financial assets at FVOCI amounting to ₱4 million was recognized in other comprehensive income.

Dividend income earned amounted to ₱18 million for the year ended December 31, 2018.

8. Receivables and Contract Assets

This account consists of:

	2020	2019
	(In Thousands)	
Trade (billed and unbilled):		
Sale of real estate*	**₱97,140,164**	₱66,604,837
Rent:		
Third parties	**5,161,293**	6,347,182
Related parties (see Note 20)	**2,249,505**	3,733,761
Others (see Note 20)	**28,429**	40,754
Nontrade	**50,548**	241,413
Accrued interest (see Note 20)	**129,226**	128,743
Others (see Note 20)	**2,068,588**	2,474,556
	106,827,753	79,571,246
Less allowance for ECLs	**1,066,130**	1,053,549
	105,761,623	78,517,697
Less noncurrent portion of trade receivables from sale of real estate (see Note 15)	**46,816,693**	24,880,776
	₱58,944,930	₱53,636,921

**Includes unbilled revenue from sale of real estate amounting to ₱86,631 million and ₱59,903 million as at December 31, 2020 and 2019, respectively.*

The terms and conditions of the above receivables are as follows:

- Trade receivables from tenants are noninterest-bearing and are normally collectible on a 30 to 90 days' term. Trade receivables from sale of real estate pertain to sold real estate inventories at various terms of payments, which are noninterest-bearing.

  The Company assigned billed and unbilled receivables from sale of real estate on a without recourse basis to local banks amounting to ₱7,170 million and ₱7,689 million for the years ended December 31, 2020 and 2019, respectively (see Note 20).

  The Company also has assigned billed and unbilled receivables from real estate on a with recourse basis to local banks with outstanding balance of ₱1,809 million and ₱1,986 million as at December 31, 2020 and 2019, respectively. The related liability from assigned receivables, which is of equal amount with the assigned receivables, bear interest rates of 4.25% to 4.50% both in 2020 and 2019. The fair value of the assigned receivables and liability from assigned receivables approximates their costs.

- Accrued interest and other receivables are normally collected throughout the financial period.

Interest income earned from receivables totaled ₱65 million, ₱92 million and ₱75 million for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 23).

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.

There is no allowance for ECLs on unbilled revenue from sale of real estate. The movements in the allowance for ECLs related to receivables from sale of real estate and other receivables are as follows:

	2020	2019
	(In Thousands)	
At beginning of year	**₱1,053,549**	₱1,034,040
Provision - net	**12,581**	19,509
At end of year	**₱1,066,130**	₱1,053,549

The aging analysis of receivables and unbilled revenue from sale of real estate as at December 31 are as follows:

	2020	2019
	(In Thousands)	
Neither past due nor impaired	**₱92,546,447**	₱70,428,499
Past due but not impaired:		
Less than 30 days	**1,476,075**	3,000,288
31–90 days	**2,162,134**	2,890,044
91–120 days	**3,692,283**	650,958
Over 120 days	**5,884,684**	1,547,908
Impaired	**1,066,130**	1,053,549
	₱106,827,753	₱79,571,246

Receivables, except for those that are impaired, are assessed by the Company's management as not impaired, good and collectible.

The transaction price allocated to the remaining performance obligations totaling ₱28,108 million and ₱11,424 million as at December 31, 2020 and 2019, respectively are expected to be recognized over the construction period ranging from one to five years.

9. Real Estate Inventories

The movements in this account are as follows:

	Land and Development	Condominium Units for Sale	Residential Units and Subdivision Lots	Total
		(In Thousands)		
Balance as at December 31, 2018	₱29,486,964	₱7,939,941	₱148,198	₱37,575,103
Development cost incurred	22,263,906	–	–	22,263,906
Cost of real estate sold (see Note 22)	(14,632,001)	(6,006,765)	(155,594)	(20,794,360)

(Forward)

	Land and Development	Condominium Units for Sale	Residential Units and Subdivision Lots	Total
		(In Thousands)		
Transfers	(₱4,089,397)	₱3,947,179	₱142,218	₱–
Reclassifications from investment properties (see Note 13)	5,002,450	–	–	5,002,450
Translation adjustment and others	(100,990)	–	–	(100,990)
Balance as at December 31, 2019	37,930,932	5,880,355	134,822	43,946,109
Development cost incurred	18,139,127	–	–	18,139,127
Cost of real estate sold (see Note 22)	(18,447,010)	(2,057,496)	(73,900)	(20,578,406)
Transfers	(4,850,263)	4,849,029	1,234	–
Reclassifications from investment properties (see Note 13)	2,031,711	–	–	2,031,711
Translation adjustment and others	123,820	–	29,516	153,336
Balance as at December 31, 2020	**₱34,928,317**	**₱8,671,888**	**₱91,672**	**₱43,691,877**

Land and development pertains to the Company's on-going residential units and condominium projects. Estimated cost to complete the projects amounted to ₱106,679 million and ₱74,238 million as at December 31, 2020 and 2019, respectively.

Condominium and residential units for sale pertain to completed projects. These are stated at cost as at December 31, 2020 and 2019.

Contract fulfillment assets, included under land and development, mainly pertain to unamortized portion of land cost totaling ₱1,745 million and ₱720 million as at December 31, 2020 and 2019, respectively.

10. Equity Instruments at FVOCI

This account consists of investments in:

	2020	2019
	(In Thousands)	
Shares of stock:		
Listed (see Note 20)	**₱16,696,333**	₱21,076,655
Unlisted	**3,381**	3,381
	16,699,714	21,080,036
Less noncurrent portion	**16,131,568**	20,420,959
	₱568,146	₱659,077

- Listed shares of stock pertain to investments in publicly-listed companies.
- Unlisted shares of stock pertain to stocks of private corporations.

In August 2019, the Parent Company sold a portion of its listed shares to SMIC based on 30-day volume-weighted average price as of July 26, 2019 resulting to a realized gain amounting to ₱2,879 million directly recognized in retained earnings.

Dividend income from investments at FVOCI amounted to ₱197 million, ₱314 million and ₱394 million for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 20).

The movements in the "Net fair value changes of equity instruments at FVOCI" account are as follows:

	2020	2019
	(In Thousands)	
At beginning of the year	**₱17,840,990**	₱19,084,597
Unrealized loss due to changes in fair value - net of transfers	**(4,380,321)**	(1,243,607)
At end of the year	**₱13,460,669**	₱17,840,990

11. **Prepaid Expenses and Other Current Assets**

This account consists of:

	2020	2019
	(In Thousands)	
Input and creditable withholding taxes	**₱9,655,119**	₱6,781,180
Advances and deposits	**9,052,663**	8,261,828
Prepaid taxes and other prepayments	**3,839,114**	3,905,472
Supplies and inventories	**407,203**	370,330
Cash in escrow and others (see Notes 20 and 27)	**251,563**	166,732
	₱23,205,662	₱19,485,542

- Input tax represents VAT paid to suppliers that can be claimed as credit against the future output VAT liabilities without prescription. Creditable withholding tax is the tax withheld by the withholding agents from payments to the Company which can be applied against the income tax payable.

- Advances and deposits pertain to downpayments made to suppliers or contractors to cover preliminary expenses of the contractors in construction projects. The amounts are noninterest-bearing and are recouped upon every progress billing payment depending on the percentage of accomplishment. This account also includes construction bonds, rental deposits and deposits for utilities and advertisements.

- Prepaid taxes and other prepayments consist of prepayments for insurance, real property taxes, rent, and other expenses which are normally utilized within the next financial period.

- Cash in escrow pertains to the amounts deposited in the account of an escrow agent as required by the Housing and Land Use Regulatory Board (HLURB) in connection with the incentive compliance provisions of the Urban Development and Housing Act (UDHA).

  Interest income earned from the cash in escrow amounted to ₱2 million, ₱4 million and ₱2 million for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 23).

12. **Property and Equipment - net**

The movements in this account are as follows:

	Land and Improvements	Buildings and Leasehold Improvements	Data Processing Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	ROUA- Office spaces	Construction in Progress	Total
					(In Thousands)			
Cost								
Balance at December 31, 2018	₱249,324	₱1,821,876	₱314,751	₱90,813	₱687,164	₱–	₱1,557	₱3,165,485
Effect of PFRS 16 adoption (see Note 13)	–	–	–	–	–	10,290	–	10,290
Additions	13,220	42,768	34,128	9,401	36,716	–	381	136,614
Disposals/retirements	–	(3,827)	(312)	(3,967)	(149)	–	–	(8,255)
Reclassifications	–	1,830	–	–	–	–	(1,830)	–
Balance at December 31, 2019	262,544	1,862,647	348,567	96,247	723,731	10,290	108	3,304,134
Additions	10,312	44,289	30,183	5,650	20,298	–	8,357	119,089
Disposals/retirements	–	(7,543)	(455)	–	(705)	–	–	(8,703)
Reclassifications	–	6,564	–	–	–	–	(6,564)	–
Balance at December 31, 2020	₱272,856	₱1,905,957	₱378,295	₱101,897	₱743,324	₱10,290	₱1,901	₱3,414,520
Accumulated Depreciation and Amortization								
Balance at December 31, 2018	₱7,687	₱864,695	₱250,075	₱78,122	₱545,795	₱–	₱–	₱1,746,374
Depreciation and amortization (see Note 22)	3,017	100,283	28,974	3,634	44,313	2,420	–	182,641
Disposals/retirements	–	(3,827)	(301)	(3,924)	(149)	–	–	(8,201)
Balance at December 31, 2019	10,704	961,151	278,748	77,832	589,959	2,420	–	1,920,814
Depreciation and amortization (see Note 22)	4,274	104,434	25,787	5,968	41,324	3,398	–	185,185
Disposals/retirements	–	(1,937)	(421)	–	(329)	–	–	(2,687)
Balance at December 31, 2020	₱14,978	₱1,063,648	₱304,114	₱83,800	₱630,954	₱5,818	₱–	₱2,103,312
Net Book Value								
As at December 31, 2019	₱251,840	₱901,496	₱69,819	₱18,415	₱133,772	₱7,870	₱108	₱1,383,320
As at December 31, 2020	**₱257,878**	**₱842,309**	**₱74,181**	**₱18,097**	**₱112,370**	**₱4,472**	**₱1,901**	**₱1,311,208**

13. **Investment Properties**

The movements in this account are as follows:

	Land Held for Future Development	Land and Improvements	Buildings and Improvements	Building Equipment, Furniture and Others	ROUA - Land	Construction in Progress	Total
				(In Thousands)			
Cost							
Balance as at December 31, 2018	₱49,844,246	₱66,877,711	₱224,775,902	₱39,780,170	₱–	₱38,740,171	₱420,018,200
Effect of PFRS 16 adoption	–	(145,995)	–	–	19,761,645	–	19,615,650
Additions	22,801,889	6,760,551	2,156,348	1,863,980	3,000,000	29,076,123	65,658,891
Reclassifications (see Note 9)	(1,803,370)	(3,173,524)	12,679,149	1,261,397	–	(13,966,102)	(5,002,450)
Translation adjustment	–	(67,417)	(1,976,026)	(157,843)	(556,102)	(69,322)	(2,826,710)
Disposals	–	(4,012)	(18,639)	(159,680)	(2,073)	(1,153)	(185,557)
Balance as at December 31, 2019	70,842,765	70,247,314	237,616,734	42,588,024	22,203,470	53,779,717	497,278,024
Additions	6,585,159	3,535,214	2,045,713	1,478,530	3,276,229	24,409,153	41,329,998
Reclassifications (see Note 9)	(1,829,378)	(628,379)	7,517,657	862,027	–	(7,953,638)	(2,031,711)
Translation adjustment	–	15,655	469,724	37,418	111,741	42,657	677,195
Disposals	(4,113,632)	(44,242)	(80)	(121,219)	–	–	(4,279,173)
Balance as at December 31, 2020	₱71,484,914	₱73,125,562	₱247,649,748	₱44,844,780	₱25,591,440	₱70,277,889	₱532,974,333
Accumulated Depreciation and Amortization							
Balance as at December 31, 2018	₱–	₱2,070,849	₱50,214,470	₱24,314,019	₱–	₱–	₱76,599,338
Depreciation and amortization (see Note 22)	–	229,686	6,807,228	3,055,683	549,840	–	10,642,437
Reclassifications	–	7,563	(7,563)	–	–	–	–
Translation adjustment	–	(35,053)	(355,546)	(88,474)	(4,416)	–	(483,489)
Disposals	–	(2,883)	(10,454)	(105,893)	(610)	–	(119,840)
Balance as at December 31, 2019	–	2,270,162	56,648,135	27,175,335	544,814	–	86,638,446
Depreciation and amortization (see Note 22)	–	236,598	7,024,320	2,349,180	546,328	–	10,156,426
Translation adjustment	–	12,180	111,470	25,372	5,042	–	154,064
Disposals	–	(26,301)	(7)	(107,376)	–	–	(133,684)
Balance as at December 31, 2020	₱–	₱2,492,639	₱63,783,918	₱29,442,511	₱1,096,184	₱–	₱96,815,252
Net Book Value							
As at December 31, 2019	₱70,842,765	₱67,977,152	₱180,968,599	₱15,412,689	₱21,658,656	₱53,779,717	₱410,639,578
As at December 31, 2020	**71,484,914**	**70,632,923**	**183,865,830**	**15,402,269**	**24,495,256**	**70,277,889**	**436,159,081**

In 2020, SMDC sold its 100% interest in Summerhills Estate Holdings, Inc. (SEHI), a wholly owned subsidiary of SMDC, for a total consideration of ₱80 million. SEHI's net assets totaled to ₱82 million, including land held for future development amounting to ₱4,114 million. The loss on disposal of subsidiary amounting to ₱2 million is recognized in the consolidated statement of income under "Others - net" account.

In 2019, the Company adopted PFRS 16 which resulted to the recognition of ROUA amounting to ₱19,626 million, including land use rights of ₱9,976 million previously presented as part of "other noncurrent assets". These were presented under "investment properties" and "property and equipment - net" accounts in the consolidated balance sheet as of January 1, 2019.

Portions of investment properties located in China with total carrying value of ₱1,738 million as at December 31, 2019 are mortgaged as collaterals to secure domestic borrowings which matured in June 2020 (see Note 18).

Consolidated rent income from investment properties amounted to ₱32,013 million, ₱61,760 million and ₱57,163 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Consolidated costs and expenses from investment properties, which generate income, amounted to ₱25,404 million, ₱34,060 million and ₱31,684 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Construction in progress includes shopping mall complex under construction and landbanking and commercial building constructions amounting to ₱70,278 million and ₱53,780 million as at December 31, 2020 and 2019, respectively.

Construction contracts with various contractors related to the construction of the above-mentioned projects amounted to ₱65,458 million and ₱55,155 million as at December 31, 2020 and 2019, respectively, inclusive of overhead, cost of labor and materials and all other costs necessary for the proper execution of the works. The outstanding contracts are valued at ₱22,641 million and ₱24,676 million as at December 31, 2020 and 2019, respectively.

Interest capitalized to the construction of investment properties amounted to ₱3,540 million, ₱3,143 million and ₱2,681 million for the years ended December 31, 2020, 2019 and 2018, respectively. Capitalization rates used range from 2.35% to 4.70%, from 2.35% to 5.13%, and from 2.35% to 5.04% for the years ended December 31, 2020, 2019 and 2018, respectively.

The most recent fair value of investment properties amounted to ₱1,305,810 million as determined by an independent appraiser who holds a recognized and relevant professional qualification. The valuation of investment properties was based on market values using income approach and market value approach. The fair value represents the amount at which the assets can be exchanged between a knowledgeable, willing seller and a knowledgeable, willing buyer in an arm's length transaction at the date of valuation, in accordance with International Valuation Standards as set out by the International Valuation Standards Committee. The significant assumptions used in the valuation are discount rates and capitalization rates of 4.00% to 6.00% with an average growth rate of 1.00% to 5.00%.

Investment properties are categorized under Level 3 fair value measurement.

The Company's management believes that there is no impairment loss on the Company's investment properties and there is no significant change in the fair value of the investment properties from that determined on September 30, 2018.

Management also believes that the carrying values of additions to investment properties subsequent to the most recent valuation date would approximate their fair values.

The Company has no restriction on the realizability of its investment properties and no obligation to either purchase, construct or develop or for repairs, maintenance and enhancements.

14. Investments in Associates and Joint Ventures

Investments in Associates
This pertains mainly to investments in the following companies:

- Ortigas Land Corporation (OLC) (formerly OCLP Holdings, Inc.)
- Feihua Real Estate (Chongqing) Company Ltd. (FHREC)

On May 7, 2015, SMPH acquired 39.96% collective ownership interest in OLC, through acquisition of 100% interest in six (6) holding entities, for a total consideration of ₱15,433 million, which approximates the proportionate share of SMPH in the fair values of the identifiable net assets of OLC. OLC owns strategic residential, commercial and landbank areas in key cities in Metro Manila.

As at December 31, 2020, OLC's total assets, total liabilities and total equity amounted to ₱39,948 million, ₱30,008 million and ₱9,940 million, respectively. The carrying value of investment in OLC amounted to ₱17,835 million, which consists of its proportionate share in the net assets of OLC amounting to ₱4,063 million and fair value adjustments and others totaling ₱13,772 million.

As at December 31, 2019, OLC's total assets, total liabilities and total equity amounted to ₱40,023 million, ₱30,735 million and ₱9,288 million, respectively. The carrying value of investment in OLC amounted to ₱17,639 million, which consists of its proportionate share in the net assets of OLC amounting to ₱3,867 million and fair value adjustments and others totaling ₱13,772 million.

The share in profit, net of dividend received of OLC amounted to ₱196 million, ₱719 million and ₱727 million for the years ended December 31, 2020, 2019 and 2018, respectively. There is no share in other comprehensive income for the years ended December 31, 2020, 2019 and 2018.

On April 10, 2012, SMPH, through Tennant Range Corporation (TRC), entered into a Memorandum of Agreement with Trendlink Holdings Limited (THL), a third party, wherein FHREC, a company incorporated in China and 100% subsidiary of TRC, issued new shares to THL equivalent to 50% equity interest. In addition, THL undertakes to pay for the difference between cash invested and the 50% equity of FHREC and the difference between the current market value and cost of the investment properties of FHREC. Management assessed that FHREC is an associate of SMPH by virtue of the agreement with the shareholders of THL.

The carrying value of investment in FHREC amounted to ₱1,291 million and ₱1,276 million as at December 31, 2020 and 2019, respectively. This consists of the acquisition cost amounting to ₱282 million and ₱292 million and cumulative equity in net earnings amounting to ₱1,009 million and ₱984 million as at December 31, 2020 and 2019, respectively. The share in profit amounted to nil, nil and ₱61 million for the years ended December 31, 2020, 2019 and 2018, respectively. There is no share in other comprehensive income for the years ended December 31, 2020, 2019 and 2018.

Investment in Joint Ventures

On January 7, 2013, SMPH entered into Shareholders Agreement and Share Purchase Agreement for the acquisition of 51% ownership interest in the following companies (collectively, Waltermart):

- Winsome Development Corporation
- Willin Sales, Inc.
- Willimson, Inc.
- Waltermart Ventures, Inc.
- WM Development, Inc.

On July 12, 2013, the Deeds of Absolute Sale were executed between SMPH and shareholders of Waltermart. Waltermart is involved in shopping mall operations and currently owns 34 malls across Metro Manila and Luzon. The investment in Waltermart is accounted as joint venture using equity method of accounting because the contractual arrangement between the parties establishes joint control.

The aggregate carrying values of investment in Waltermart amounted to ₱6,785 million and ₱6,675 million as at December 31, 2020 and 2019, respectively. These consist of the acquisition costs totaling ₱5,145 million and cumulative equity in net earnings, net of dividends received totaling ₱1,640 million and ₱1,530 million as at December 31, 2020 and 2019, respectively. The aggregate share in profit and total comprehensive income, net of dividends received amounted to ₱110 million, ₱371 million and ₱326 million for the years ended December 31, 2020, 2019 and 2018, respectively.

In June 2016, SMDC entered into a shareholder's agreement through ST 6747 Resources Corporation (STRC) for the development of a high-end luxury residential project. Under the provisions of the agreement, each party shall have 50% ownership interest and is required to maintain each party's equal equity interest in STRC. The carrying value of investment in STRC amounted to ₱1,678 million and ₱1,500 million as at December 31, 2020 and 2019, respectively. The aggregate share in profit and total comprehensive income amounted to ₱178 million for the year ended December 31, 2020. The investment in STRC is accounted as joint venture using equity method of accounting because the contractual arrangement between the parties establishes joint control. The project was launched in 2019.

In 2016, PSC entered into a joint venture agreement through Metro Rapid Transit Services, Inc. (MRTSI) for the establishment and operation of a high quality public transport system. The investment in MRTSI is accounted as joint venture using equity method of accounting because the contractual arrangement between the parties establishes joint control. The carrying values of investment in MRTSI amounted to ₱46 million and ₱79 million as at December 31, 2020 and 2019, respectively. These consist of the acquisition costs totaling ₱86 million and cumulative equity in net loss totaling ₱40 million and ₱7 million as at December 31, 2020 and 2019, respectively. There is no share in other comprehensive income for the years ended December 31, 2020 and 2019.

The Company has no outstanding contingent liabilities or capital commitments related to its investments in associates and joint ventures as at December 31, 2020 and 2019.

15. **Other Noncurrent Assets**

This account consists of:

	2020	2019
	(In Thousands)	
Receivables from sale of real estate - net of current portion* (see Note 8)	**₱46,816,693**	₱24,880,776
Bonds and deposits	**32,433,867**	23,659,284
Time deposits (see Notes 20 and 28)	**1,356,442**	2,412,972
Deferred input tax	**1,111,000**	1,144,582
Land use rights and others (see Note 24)	**1,397,305**	1,466,037
	₱83,115,307	₱53,563,651

**Pertains to noncurrent portion of unbilled revenue from sale of real estate (see Note 8).*

Bonds and Deposits
Bonds and deposits consist of deposits to contractors and suppliers to be applied throughout construction and advances, deposits paid for leased properties to be applied at the last term of the lease and advance payments for land acquisitions which will be applied against the purchase price of the properties upon fulfillment by both parties of certain undertakings and conditions.

Time Deposits
Time deposits with various maturities within one year were used as collateral for use of credit lines obtained by the Company from related party banks. Interest income earned amounted to ₱43 million, ₱32 million and ₱42 million for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 23).

Land use rights and others
Included under “Land use rights and others” account are certain parcels of real estate properties planned for residential development in accordance with the cooperative contracts entered into by SMPH with Grand China International Limited (Grand China) and Oriental Land Development Limited (Oriental Land) in March 2007. The value of these real estate properties were not part of the consideration paid by SMPH to Grand China and Oriental Land. Accordingly, the assets were recorded at their carrying values under “Other noncurrent assets” account and a corresponding liability equivalent to the same amount, which is shown as part of “Other noncurrent liabilities” account in the consolidated balance sheets.

16. **Loans Payable**

This account consists of unsecured Philippine peso-denominated loans obtained from local banks amounting to ₱10,900 million and ₱100 million as at December 31, 2020 and 2019, respectively, with due dates of less than one year. These loans bear interest rates of 3.15% to 4.00% in 2020 and 4.30% in 2019.

Interest expense incurred from loans payable amounted to ₱189 million, ₱28 million and ₱21 million for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 23).

17. **Accounts Payable and Other Current Liabilities**

This account consists of:

	2020	2019
	(In Thousands)	
Trade:		
Third parties	**₱37,994,767**	₱33,593,152
Related parties (see Note 20)	**490,247**	98,765
Tenants' and customers' deposits* (see Note 26)	**37,540,373**	34,514,623
Lease liabilities	**11,076,316**	11,213,547
Accrued operating expenses:		
Third parties	**9,863,058**	9,270,065
Related parties (see Note 20)	**407,443**	455,154
Liability for purchased land	**8,608,649**	8,983,584
Deferred output VAT	**8,228,236**	4,797,328
Accrued interest (see Note 20)	**2,237,044**	1,991,323
Payable to government agencies	**1,268,136**	1,216,212
Nontrade	**400,110**	360,582
Liability from assigned receivables and others (see Note 8)	**4,447,540**	4,634,033
	122,561,919	111,128,368
Less noncurrent portion	**41,527,934**	41,002,618
	₱81,033,985	₱70,125,750

** Includes unearned revenue from sale of real estate amounting to ₱7,615 million and ₱6,023 million as at December 31, 2020 and 2019, respectively.*

The terms and conditions of the above liabilities follow:

- Trade payables primarily consist of liabilities to suppliers and contractors, which are noninterest-bearing and are normally settled within a 30-day term.

- Accrued operating expenses pertain to accrued selling, general and administrative expenses which are normally settled throughout the financial period. Accrued operating expenses - third parties consist of:

	2020	2019
	(In Thousands)	
Payable to contractors	**₱4,045,630**	₱3,381,980
Utilities	**2,532,449**	2,888,920
Marketing and advertising and others	**3,284,979**	2,999,165
	₱9,863,058	₱9,270,065

- Tenants' deposits refer to security deposits received from various tenants upon inception of the respective lease contracts on the Company's investment properties. At the termination of the lease contracts, the deposits received by the Company are returned to tenants, reduced by unpaid rental fees, penalties and/or deductions from repairs of damaged leased properties, if any. Customers' deposits mainly represent excess of collections from buyers over the related revenue recognized based on the percentage of completion method. This also includes nonrefundable reservation fees by prospective buyers which are to be applied against the receivable upon recognition of revenue. The amount of revenue recognized in 2020 and 2019 from amounts included in unearned revenue from sale of real estate at the beginning of the year amounted to ₱3,689 million and ₱2,769 million, respectively.

- Deferred output VAT represents output VAT on unpaid portion of recognized receivable from sale of real estate. This amount is reported as output VAT upon collection of the receivables.

- Liability for purchased land, payable to government agencies, accrued interest and other payables are normally settled throughout the financial period.

- Lease liabilities included in "Other noncurrent liabilities" amounted to ₱11,009 million and ₱11,151 million as at December 31, 2020 and December 31, 2019, respectively (see Note 28). Interest on lease liabilities included under "Others - net" in the consolidated statements of income amounted to ₱323 million and ₱317 million as at December 31, 2020 and December 31, 2019, respectively.

18. Long-term Debt

This account consists of:

	Availment Date	Maturity Date	Interest Rate	Condition	Outstanding Balance	
					2020	2019
					(In Thousands)	
Parent Company						
Philippine peso-denominated loans						
Retail bonds	September 1, 2014 - March 25, 2020	March 1, 2020 - March 25, 2027	4.20% - 6.22%	Unsecured	**₱99,964,260**	₱100,000,000
Other bank loans	January 12, 2012 - December 14, 2020	January 12, 2022 - December 14, 2025	Floating BVAL + margin; Fixed 4.51% - 6.74%	Unsecured	**31,548,000**	22,048,400
U.S. dollar-denominated loans*	July 30, 2018 - November 10, 2020	October 2, 2022 - June 14, 2023	LIBOR + spread; quarterly	Unsecured	**10,084,830**	5,569,850
Subsidiaries						
Philippine peso-denominated loans	June 3, 2013 - December 29, 2020	June 3, 2020 - August 7, 2029	Floating BVAL + margin; Fixed - 3.61% - 6.37%	Unsecured	**78,992,080**	74,511,969
U.S. dollar-denominated loans**	March 21, 2016 - September 23, 2020	January 29, 2021 - April 5, 2024	LIBOR + spread; semi-annual/quarterly	Unsecured	**39,669,574**	34,179,449
China yuan renminbi-denominated loans	January 14, 2016 - October 16, 2017	June 1, 2020 - October 16, 2022	CBC rate less 10%; quarterly; Fixed - 5.85%	Unsecured/ Secured***	**2,559,639**	2,670,803
					262,818,383	238,980,471
Less debt issue cost					**1,249,386**	1,126,048
					261,568,997	237,854,423
Less current portion					**42,738,350**	23,521,373
					₱218,830,647	₱214,333,050

LIBOR – London Interbank Offered Rate
BVAL – Bloomberg Valuation Service
CBC – Central Bank of China
**Hedged against foreign exchange risks using cross-currency swaps*
***Hedged against foreign exchange and interest rate risks using cross-currency swaps, principal-only swaps and interest rate swaps*
****Long-term debt secured by portions of investment properties located in China matured in June 2020 (see Note 13)*

The loan agreements of the Company provide certain restrictions and requirements principally with respect to maintenance of required financial ratios (i.e., current ratio of not less than 1.00:1.00, debt to equity ratio of not more than 0.70:0.30 to 0.80:0.20 and interest coverage ratio of not less than 2.50:1.00 and material change in ownership or control. As at December 31, 2020 and 2019, the Company is in compliance with the terms of its loan covenants.

The re-pricing frequencies of floating rate loans of the Company range from three to six months.

Interest expense incurred from long-term debt amounted to ₱8,224 million, ₱8,663 million and ₱7,451 million for the years ended December 31, 2020, 2019 and 2018, respectively (see Note 23).

Debt Issue Cost

The movements in unamortized debt issue cost of the Company follow:

	2020	2019
	(In Thousands)	
Balance at beginning of the year	**₱1,126,048**	₱1,136,169
Additions	**540,881**	386,742
Amortization	**(417,543)**	(396,863)
Balance at end of the year	**₱1,249,386**	₱1,126,048

Amortization of debt issuance costs is recognized in the consolidated statements of income under “Others - net” account.

Repayment and Debt Issue Cost Schedule

The repayments of long-term debt are scheduled as follows:

	Gross	Debt Issue Cost	Net
		(In Thousands)	
Within 1 year	₱42,738,350	(₱416,274)	₱42,322,076
More than 1 year to 5 years	203,516,574	(813,111)	202,703,463
More than 5 years	16,563,459	(20,001)	16,543,458
	₱262,818,383	(₱1,249,386)	₱261,568,997

19. **Equity**

Capital Stock

As at December 31, 2020 and 2019, the Company has an authorized capital stock of 40,000 million with a par value of ₱1 a share, of which 33,166 million shares were issued. The Company has 28,856 million outstanding shares as at December 31, 2020 and 2019.

The following summarizes the information on SMPH's registration of securities under the Securities Regulation Code:

Date of SEC Approval/ Notification to SEC	Authorized Shares	No. of Shares Issued	Issue/Offer Price
March 15, 1994	10,000,000,000	–	₱–
April 22, 1994	–	6,369,378,049	5.35
May 29, 2007	10,000,000,000	–	–
May 20, 2008	–	912,897,212	11.86
October 14, 2010	–	569,608,700	11.50
October 10, 2013	20,000,000,000	15,773,765,315	19.50

SMPH declared stock dividends in 2012, 2007, 1996 and 1995. The total number of shareholders is 2,395 as at December 31, 2020.

Additional Paid-in Capital - Net
Following represents the nature of the consolidated "Additional paid-in capital - net":

	2020	2019
	(In Thousands)	
Paid-in subscriptions in excess of par value	**₱33,549,808**	₱33,549,808
Net equity adjustments from common control business combinations	**9,309,730**	9,309,730
Arising from acquisition of non-controlling interests (see Note 5)	**(4,836,625)**	(4,851,870)
As presented in the consolidated balance sheets	**₱38,022,913**	₱38,007,668

Retained Earnings
In 2020, the BOD approved the declaration of cash dividend of ₱0.185 per share or ₱5,343 million to stockholders of record as of June 30, 2020, ₱4 million of which was received by SMDC. This was paid on July 14, 2020. In 2019, the BOD 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 BOD approved the declaration of cash dividend 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.

As at December 31, 2020 and 2019, the amount of retained earnings appropriated for the corporate and mall expansions amounted to ₱42,200 million. This represents appropriation for land banking activities and planned construction projects for the next two to three years. The appropriation is being fully utilized to cover part of the annual capital expenditure requirement of the Company. Approval of malls expansions and new projects is delegated by the BOD to the Executive Committee of the Company.

For the year 2021, the Company expects to incur capital expenditures of approximately ₱80 billion.

The retained earnings account is restricted for the payment of dividends to the extent of ₱104,746 million and ₱91,773 million as at December 31, 2020 and 2019, respectively, representing the cost of shares held in treasury (₱2,985 million as at December 31, 2020 and 2019) and accumulated equity in net earnings of SMPH subsidiaries, associates and joint ventures ₱101,761 million and ₱88,788 million as at December 31, 2020 and 2019, respectively. The accumulated equity in net earnings of subsidiaries is not available for dividend distribution until such time that the Parent Company receives the dividends from its subsidiaries, associates and joint ventures.

Treasury Stock
As at December 31, 2020 and 2019, this includes 4,310 million reacquired capital stock and shares held by a subsidiary stated at acquisition cost of ₱2,985 million.

20. Related Party Transactions

Parties are considered to be related if one party has the ability, directly and indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

Terms and Conditions of Transactions with Related Parties
There have been no guarantees/collaterals provided or received for any related party receivables or payables. For the years ended December 31, 2020 and 2019, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial period through examining the financial position of the related party and the market in which the related party operates. Settlement of the outstanding balances normally occur in cash. The Company has approval process and established limits when entering into material related party transactions.

The significant related party transactions entered into by the Company with its related parties and the amounts included in the accompanying consolidated financial statements with respect to these transactions follow:

	Amount of Transactions			Outstanding Amount [Asset (Liability)]			
	2020	2019	2018	**2020**	2019	Terms	Conditions
			(In Thousands)				
Ultimate Parent							
Rent income	**₱54,752**	₱46,314	₱45,391	**₱–**	₱–		
Rent receivable	**–**	–	–	**4,426**	4,846	Noninterest-bearing	Unsecured; not impaired
Management fee income	**2,790**	3,183	2,885	**–**	–		
Service income	**48,000**	57,600	57,600	**–**	–		
Service fee receivable	**–**	–	–	**4,480**	14,080	Noninterest-bearing	Unsecured; not impaired
Rent expense	**92,484**	113,152	105,583	**–**	–		
Accrued rent payable	**–**	–	–	**–**	(8)	Noninterest-bearing	Unsecured
Trade payable	**11,887**	7,955	6,539	**(36,646)**	(24,759)	Noninterest-bearing	Unsecured
Equity instruments at FVOCI	**–**	–	–	**153,263**	152,386		
Dividend income	**621**	1,332	1,198	**–**	–		
Bank and Retail Affiliates							
Cash and cash equivalents	**118,698,095**	123,976,281	160,983,099	**17,670,812**	21,375,689	Interest bearing based on prevailing rates	Unsecured; not impaired
Rent income	**10,067,227**	17,103,118	16,079,276	**–**	–		
Rent receivable	**–**	–	–	**2,221,901**	3,712,435	Noninterest-bearing	Unsecured; not impaired
Service income	**31,233**	19,895	28,559	**–**	–		
Management fee income	**–**	256	999	**–**	–		
Management fee receivable	**–**	–	–	**8,441**	16,882	Noninterest-bearing	Unsecured; not impaired
Interest income	**435,107**	862,812	374,432	**–**	–		
Accrued interest receivable	**–**	–	–	**12,049**	51,668	Noninterest-bearing	Unsecured; not impaired
Receivable financed	**7,170,156**	7,689,986	1,663,822	–	–	Without recourse	Unsecured
Time deposits	**–**	30,375	–	**1,356,442**	2,412,972	Interest-bearing	Unsecured

(Forward)

	Amount of Transactions			Outstanding Amount [Asset (Liability)]			
	2020	2019	2018	**2020**	2019	Terms	Conditions
			(In Thousands)				
Loans payable and long-term debt	**₱2,500,412**	₱2,500,330	₱9,205,385	**(₱10,538,976)**	(₱12,277,815)	Interest-bearing	Unsecured
Interest expense	**711,528**	714,250	252,296	**–**	–		
Accrued interest payable	**–**	–	–	**(53,452)**	(57,229)	Noninterest-bearing	Unsecured
Rent expense	**38**	461	634	**–**	–		
Trade payable	**225,008**	–	38,510	**(288,144)**	(63,136)	Noninterest-bearing	Unsecured
Management fee expense	**3,620**	3,425	11,217	**–**	–		
Equity instruments at FVOCI	**–**	–	–	**9,614,605**	14,223,854		
Cash in escrow	**25,952**	149,038	157,719	**144,209**	117,985	Interest bearing based on prevailing rates	Unsecured; not impaired
Dividend income	**108,029**	186,098	225,357	**–**	–		
Other Related Parties							
Rent income	**153,434**	187,219	178,572	**–**	–		
Rent receivable	**–**	–	–	**23,178**	16,480	Noninterest-bearing	Unsecured; not impaired
Service income	**86,038**	92,823	77,579	**–**	–		
Service fee receivable	**–**	–	–	**–**	1,963	Noninterest-bearing	Unsecured; not impaired
Management fee income	**2,404**	15,491	6,859	**–**	–		
Management fee receivable	**–**	–	–	**6,862**	6,862	Noninterest-bearing	Unsecured; not impaired
Rent expense	**5,638**	8,602	8,311	**–**	–		
Accrued expenses	**–**	–	–	**(407,443)**	(455,146)	Noninterest-bearing	Unsecured
Trade payable	**154,587**	–	–	**(165,457)**	(10,870)	Noninterest-bearing	Unsecured
Dividend income	**–**	–	88,266	**–**	–		

Affiliate refers to an entity that is neither a parent, subsidiary, nor an associate, with stockholders common to the SM Group or under common control.

Below are the nature of the Company's transactions with the related parties:

Rent
The Company has existing lease agreements for office and commercial spaces with related companies (SM Retail (Retail Affiliates), BDO Unibank, Inc. (BDO) and China Banking Corporation (China Bank) (Bank Affiliates) and other affiliates).

Service Fees
The Company provides manpower and other services to affiliates.

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

Cash Placements and Loans
The Company has certain bank accounts and cash placements that are maintained with BDO and China Bank. Such accounts earn interest based on prevailing market interest rates (see Note 6).

The Company also availed of bank loans and long-term debt from BDO and China Bank and pays interest based on prevailing market interest rates (see Notes 16 and 18).

The Company also entered into financing arrangements with BDO and China Bank. There were no assigned receivables on a with recourse basis to BDO and China Bank in 2020 and 2019 (see Note 8).

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

Compensation of Key Management Personnel
The aggregate compensation and benefits related to key management personnel for the years ended December 31, 2020, 2019 and 2018 consist of short-term employee benefits amounting to ₱1,126 million, ₱1,179 million and ₱1,104 million, respectively, and post-employment benefits (pension benefits) amounting to ₱274 million, ₱182 million and ₱165 million, respectively.

21. **Other Revenue**

Details of other revenue follows:

	2020	2019	2018
		(In Thousands)	
Food and beverages	**₱438,755**	₱1,733,424	₱1,668,705
Net merchandise sales	**223,432**	973,897	902,730
Amusement and others	**182,994**	925,485	911,580
Advertising income	**72,788**	220,331	214,473
Bowling and ice skating fees	**56,035**	291,909	253,911
Others	**1,305,887**	2,392,600	1,875,384
	₱2,279,891	₱6,537,646	₱5,826,783

Others include service fees, parking terminal, sponsorships, commissions and membership revenue.

22. **Costs and Expenses**

This account consists of:

	2020	2019	2018
		(In Thousands)	
Cost of real estate sold (see Note 9)	**₱20,578,406**	₱20,794,360	₱17,769,208
Depreciation and amortization (see Notes 12 and 13)	**10,341,611**	10,825,078	9,655,426
Administrative (see Notes 20 and 24)	**8,945,926**	12,100,309	11,329,111
Marketing and selling	**5,152,576**	6,408,579	5,530,794
Business taxes and licenses	**5,082,801**	4,819,840	4,790,129
Insurance	**611,317**	542,349	518,168
Rent (see Notes 20 and 26)	**564,602**	1,255,788	1,729,671
Film rentals	**355,055**	3,048,427	2,829,629
Others	**1,192,818**	1,824,432	1,601,198
	₱52,825,112	₱61,619,162	₱55,753,334

Rent expense pertain to variable payments for various lease agreements.

Others include bank charges, donations, dues and subscriptions, services fees and transportation and travel.

23. Interest Income and Interest Expense

The details of the sources of interest income and interest expense follow:

	2020	2019	2018
		(In Thousands)	
Interest income on:			
Cash and cash equivalents (see Note 6)	**₱899,615**	₱1,304,094	₱1,297,364
Time deposits (see Note 15)	**43,101**	32,149	42,160
Others (see Notes 8 and 11)	**67,245**	96,017	76,924
	₱1,009,961	₱1,432,260	₱1,416,448
Interest expense on:			
Long-term debt (see Note 18)	**₱8,223,671**	₱8,663,340	₱7,451,159
Loans payable (see Note 16)	**189,244**	28,055	21,054
Others	**183,835**	141,375	67,832
	₱8,596,750	₱8,832,770	₱7,540,045

24. Pension Benefits

The Company has funded defined benefit pension plans covering all regular and permanent employees. The benefits are based on employees' projected salaries and number of years of service. The latest actuarial valuation report is as at December 31, 2020.

The following tables summarize the components of the pension plan as at December 31:

Net Pension Cost (included under "Costs and expenses" account under "Administrative")

	2020	2019	2018
		(In Thousands)	
Current service cost	**₱446,968**	₱327,853	₱296,007
Interest - net and others	**34,321**	(9,973)	(13,279)
	₱481,289	₱317,880	₱282,728

Net Pension Asset (included under "Other noncurrent assets" account)

	2020	2019
	(In Thousands)	
Fair value of plan assets	**₱207,458**	₱226,448
Defined benefit obligation	**(115,900)**	(149,375)
Effect of asset ceiling limit	**(10,691)**	(11,186)
Net pension asset	**₱80,867**	₱65,887

Net Pension Liability (included under "Other noncurrent liabilities" account)

	2020	2019
	(In Thousands)	
Defined benefit obligation	**₱3,120,026**	₱3,591,858
Fair value of plan assets	**(2,682,509)**	(2,876,419)
Net pension liability	**₱437,517**	₱715,439

The changes in the present value of the defined benefit obligation are as follows:

	2020	2019
	(In Thousands)	
Balance at beginning of the year	**₱3,741,233**	₱2,499,818
Actuarial loss (gain) on:		
Changes in financial assumptions	**(420,558)**	601,169
Experience adjustments	**(390,767)**	180,426
Changes in demographic assumptions	**2,890**	22,494
Current service cost	**446,968**	327,853
Interest cost and others	**206,376**	193,627
Benefits paid	**(343,525)**	(79,068)
Transfer from the plan	**(6,691)**	(5,086)
Balance at end of the year	**₱3,235,926**	₱3,741,233

The above present value of defined benefit obligation are broken down as follows:

	2020	2019
	(In Thousands)	
Related to pension asset	**₱115,900**	₱149,375
Related to pension liability	**3,120,026**	3,591,858
	₱3,235,926	₱3,741,233

The changes in the fair value of plan assets are as follows:

	2020	2019
	(In Thousands)	
Balance at beginning of year	**₱3,102,867**	₱2,451,424
Contributions	**343,507**	498,788
Interest income	**172,683**	204,775
Benefits paid from assets	**(343,525)**	(79,068)
Transfer from the plan	**(6,691)**	(5,086)
Remeasurement gain (loss)	**(378,874)**	32,034
Balance at end of year	**₱2,889,967**	₱3,102,867

The changes in the fair value of plan assets are broken down as follows:

	2020	2019
	(In Thousands)	
Related to pension asset	**₱207,458**	₱226,448
Related to pension liability	**2,682,509**	2,876,419
	₱2,889,967	₱3,102,867

The changes in the effect of asset ceiling limit are as follows:

	2020	2019
	(In Thousands)	
Asset ceiling limit at beginning of year	**₱11,186**	₱15,148
Remeasurement gain	**(1,123)**	(5,137)
Interest cost	**628**	1,175
	₱10,691	₱11,186

The carrying amounts and fair values of the plan assets as at December 31, 2020 and 2019 are as follows:

	2020		2019	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
		(In Thousands)		
Cash and cash equivalents	**₱42,936**	**₱42,936**	₱18,228	₱18,228
Investments in:				
Common trust funds	**1,147,925**	**1,147,925**	1,237,861	1,237,861
Government securities	**1,068,491**	**1,068,491**	1,069,767	1,069,767
Debt and other securities	**588,723**	**588,723**	727,017	727,017
Equity securities	**29,653**	**29,653**	31,603	31,603
Other financial assets	**12,239**	**12,239**	18,391	18,391
	₱2,889,967	**₱2,889,967**	₱3,102,867	₱3,102,867

- Cash and cash equivalents includes regular savings and time deposits;
- Investments in common trust funds pertain to unit investment trust fund;
- Investments in government securities consist of retail treasury bonds which bear interest ranging from 2.63% to 6.25% and have maturities ranging from 2023 to 2025;
- Investments in debt and other securities consist of short-term and long-term corporate loans, notes and bonds which bear interest ranging from 2.58% to 7.51% and have maturities ranging from 2021 to 2026;
- Investments in equity securities consist of listed and unlisted equity securities; and
- Other financial assets include accrued interest income on cash deposits held by the Retirement Plan.

Debt and other securities, equity securities and government securities have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse instruments and do not have any concentration of risk.

The following table summarizes the outstanding balances and transactions of the pension plan with BDO, an affiliate, as at and for the years ended December 31:

	2020	2019
	(In Thousands)	
Cash and cash equivalents	**₱42,936**	₱18,228
Interest income from cash and cash equivalents	**960**	5,314
Investments in common trust funds	**1,147,925**	1,237,861
Gain (loss) from investments in common trust funds	**(72,170)**	4

The principal assumptions used in determining pension obligations for the Company's plan are shown below:

	2020	2019	2018
Discount rate	**3.0%–4.4%**	5.5%–5.6%	7.4%–7.8%
Future salary increases	**2.0%–9.0%**	3.0%–9.0%	3.0%–9.0%

Remeasurement effects recognized in other comprehensive income at December 31 follow:

	2020	2019	2018
		(In Thousands)	
Actuarial (gain) loss	**(₱429,561)**	₱772,055	₱227,809
Remeasurement gain - excluding amounts recognized in net interest cost	**(1,123)**	(5,137)	(15,271)
	(₱430,684)	₱766,918	₱212,538

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2020 and 2019, respectively, assuming all other assumptions were held constant:

	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation
		(In Thousands)
2020		
Discount rates	**50**	**(₱146,942)**
	(50)	**160,226**
Future salary increases	**100**	**311,481**
	(100)	**(270,495)**
2019		
Discount rates	50	(₱170,376)
	(50)	185,129
Future salary increases	100	370,345
	(100)	(320,998)

The Company and the pension plan has no specific matching strategies between the pension plan assets and the defined benefit obligation under the pension plan.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2020 and 2019, respectively:

Year 2020	**Amount**
	(In Thousands)
2021	**₱633,747**
2022	**228,286**
2023–2024	**556,135**
2025–2030	**2,005,553**

Year 2019	Amount
	(In Thousands)
2020	₱579,542
2021	461,929
2022–2023	618,296
2024–2029	2,421,611

The Company expects to contribute about ₱432 million to its defined benefit pension plan in 2021.

The weighted average duration of the defined benefit obligation is 9.6 years and 9.4 years as of December 31, 2020 and 2019, respectively.

25. **Income Tax**

The current provision for income tax presented in the consolidated statements of income represents RCIT and MCIT.

The details of the Company's deferred tax assets and liabilities are as follows:

	2020	2019
	(In Thousands)	
Deferred tax assets:		
Lease liabilities	**₱1,993,521**	₱2,019,512
NOLCO	**965,328**	413,026
Unrealized foreign exchange losses	**408,353**	408,342
Excess of fair value over cost of investment properties and others	**331,415**	347,763
Excess MCIT over RCIT	**324,262**	17,088
Provision for ECLs on receivables	**122,272**	105,450
Unamortized past service cost	**17,624**	27,895
Deferred rent income	–	4,073
Others	**536,864**	1,054,832
	4,699,639	4,397,981
Deferred tax liabilities:		
Unrealized gross profit on sale of real estate	**(6,405,984)**	(3,924,038)
Undepreciated capitalized interest, unrealized foreign exchange gains and others	**(2,442,990)**	(1,996,511)
Right-of-use assets	**(1,595,884)**	(1,597,089)

(Forward)

	2020	2019
Pension asset	**(₱71,718)**	(₱28,861)
Others	**(137,535)**	(126,791)
	(1,805,137)	(7,673,290)
Net deferred tax liabilities	**(₱5,954,472)**	(₱3,275,309)

The net deferred tax assets and liabilities are presented in the consolidated balance sheets as follows:

	2020	2019
	(In Thousands)	
Deferred tax assets - net	**₱831,546**	₱903,845
Deferred tax liabilities - net	**(6,786,018)**	(4,179,154)
	(₱5,954,472)	(₱3,275,309)

As at December 31, 2020 and 2019, unrecognized deferred tax assets amounted to ₱184 million and ₱174 million, respectively, bulk of which pertains to NOLCO from SM China.

On September 30, 2020, the Bureau of Internal Revenue issued Revenue Regulations No. 25-2020 implementing Section 4(bbb) of "Bayanihan to Recover As One Act ("Bayanihan Act")" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss. The Company has incurred NOLCO amounting to ₱2,085 million in taxable year 2020.

The reconciliation between the statutory tax rates and the effective tax rates on income before income tax as shown in the consolidated statements of income follows:

	2020	2019	2018
Statutory tax rate	**30.0%**	30.0%	30.0%
Income tax effects of:			
Equity in net earnings of associates and joint ventures	**(0.9)**	(0.9)	(0.9)
Availment of income tax holiday	**(3.4)**	(4.1)	(4.0)
Interest income subjected to final tax and dividend income exempt from income tax	**(1.5)**	(0.8)	(1.2)
Nondeductible expenses and others	**(4.9)**	(3.1)	(2.3)
Effective tax rates	**19.3%**	21.1%	21.6%

The Company's certain real estate sales are registered with the Philippine Board of Investments as a new developer of low-cost mass housing projects. Under such registration, the Company is entitled to a three to four-year income tax holiday incentive for certain projects.

26. Lease Agreements

Company as Lessor

The Company's lease agreements with its mall tenants are generally granted for a term of one year, with the exception of some of the larger tenants operating nationally, which are granted initial lease terms of five years, renewable on an annual basis thereafter. Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits. Tenants likewise pay either a fixed monthly rent, which is calculated by reference to a fixed sum per square meter of area leased, or pay rent on a percentage rental basis, which comprises of a basic monthly amount and a percentage of gross sales or a minimum set amount, whichever is higher.

Also, the Company's lease agreements with its commercial property tenants are generally granted for a term of one year, with the exception of some tenants, which are granted initial lease terms of 2 to 20 years, renewable on an annual basis thereafter. Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits. Tenants pay either a fixed monthly rent or a percentage of sales, depending on the terms of the lease agreements, whichever is higher.

The Company's future minimum rent receivables for the noncancellable portions of the operating commercial property leases follow:

	2020	2019
	(In Millions)	
Within one year	**₱6,263**	₱3,630
After one year but not more than five years	**14,102**	12,802
After more than five years	**6,648**	7,747
	₱27,013	₱24,179

Consolidated rent income amounted to ₱32,013 million, ₱61,760 million and ₱57,163 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Company as Lessee
The Company also leases certain parcels of land where some of their malls are situated or constructed. The terms of the lease are for periods ranging from 10 to 50 years, renewable for the same period under the same terms and conditions. Rental payments are generally computed based on a certain percentage of the gross rental income or a certain fixed amount, whichever is higher.

Also, the Company has various operating lease commitments with third party and related parties. The noncancellable periods of the lease range from 2 to 30 years, mostly containing renewal options. Several lease contracts provide for the payment of additional rental based on certain percentage of sales of the tenants.

Depreciation expense on ROUA, interest expense on lease liabilities and rent expense on other leases amounting to ₱550 million, ₱323 million and ₱565 million, respectively, and ₱552 million, ₱317 million and ₱1,256 million, respectively, are recognized in the consolidated statements of income for the years ended December 31, 2020 and 2019, respectively (see Notes 12, 13, 17 and 22).

The maturity analysis of the undiscounted lease payments as at December 31, 2020 and December 31, 2019, respectively are presented in Note 27 to the consolidated financial statements.

27. Financial Risk Management Objectives and Policies

The Company's principal financial instruments, other than derivatives, comprise of cash and cash equivalents, accrued interest and other receivables, equity instruments at FVOCI and bank loans. The main purpose of these financial instruments is to finance the Company's operations. The Company has other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Company also enters into derivative transactions, principally, cross currency swaps, principal only swaps, interest rate swaps and non-deliverable forwards. The purpose is to manage the interest rate and foreign currency risks arising from the Company's operations and its sources of finance (see Note 28).

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and equity price risk. The Company's BOD and management review and agree on the policies for managing each of these risks and they are summarized in the following tables.

Interest Rate Risk

The Company's policy is to manage its interest cost using a mix of fixed and floating rate debts. To manage this mix in a cost-efficient manner, it enters into interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to economically hedge underlying debt obligations. As at December 31, 2020 and 2019, after taking into account the effect of interest rate swaps, approximately 80% and 81%, respectively, of its long-term borrowings, are at a fixed rate of interest (see Note 28).

Interest Rate Risk

The following tables set out the carrying amount, by maturity, of the Company’s long-term financial liabilities that are exposed to interest rate risk as at December 31, 2020 and 2019:

				2020			
	Interest Rate	**1–<2 Years**	**2–<3 Years**	**3–<4 Years**	**4–<5 Years**	**=>5 Years**	**Total**
Floating Rate							
Philippine peso-denominated loans	**BVAL+margin%**	**₱1,268,600**	**₱12,273,600**	**₱19,247,600**	**₱3,795,600**	**₱15,701,400**	**52,286,800**
Less debt issue cost							**219,732**
							₱52,067,068

				2019			
	Interest Rate	1–<2 Years	2–<3 Years	3–<4 Years	4–<5 Years	=>5 Years	Total
Floating Rate							
Philippine peso-denominated loans	BVAL+margin%	₱1,325,100	₱3,150,100	₱8,235,100	₱18,209,100	₱15,241,000	46,160,400
China yuan renminbi-denominated loan	CBC rate less 10%	¥19,382	¥–	¥347,900	¥–	¥–	2,670,803
							48,831,203
Less debt issue cost							220,142
							₱48,611,061

BVAL – Bloomberg Valuation Services
CBC - Central Bank of China

Interest Rate Risk Sensitivity Analysis. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant of the Company's income before income tax.

	Increase (Decrease) in Basis Points	Effect on Income Before Income Tax
		(In Thousands)
2020	**100**	**(₱34,417)**
	50	**(17,209)**
	(100)	**34,417**
	(50)	**17,209**
2019	100	(₱35,221)
	50	(17,611)
	(100)	35,221
	(50)	17,611

Fixed rate debts, although subject to fair value interest rate risk, are not included in the sensitivity analysis as these are carried at amortized costs. The assumed movement in basis points for interest rate sensitivity analysis is based on currently observable market environment, showing a significantly higher volatility as in prior years.

Foreign Currency Risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's policy is to manage its foreign currency risk mainly from its debt issuances which are denominated in U.S. dollars by entering into foreign currency swap contracts, cross-currency swaps, foreign currency call options, non-deliverable forwards and foreign currency range options aimed at reducing and/or managing the adverse impact of changes in foreign exchange rates on financial performance and cash flow.

The Company's foreign currency-denominated monetary assets amounted to US$25 million (₱1,179 million) as at December 31, 2020 and US$33 million (₱1,655 million) as at December 31, 2019.

In translating the foreign currency-denominated monetary assets and liabilities to peso amounts, the exchange rates used were ₱48.02 to US$1.00 and ₱50.64 to US$1.00, the Philippine peso to U.S. dollar exchange rate as at December 31, 2020 and 2019, respectively.

Foreign Currency Risk Sensitivity Analysis. The following table demonstrates the sensitivity to a reasonably possible change in U.S. dollar to Philippine peso exchange rate with all other variables held constant, of the Company's income before income tax (due to changes in the fair value of monetary assets, including the impact of derivative instruments). There is no impact on the Company's equity.

	Appreciation (Depreciation) of $	Effect on Income Before Tax
		(In Thousands)
2020	**1.50**	**₱9,210**
	1.00	**6,140**

	Appreciation (Depreciation) of $	Effect on Income Before Tax
		(In Thousands)
	(1.50)	**(₱9,210)**
	(1.00)	**(6,140)**
2019	1.50	12,254
	1.00	8,169
	(1.50)	(12,254)
	(1.00)	(8,169)

Liquidity Risk

Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments or that a market for derivatives may not exist in some circumstance.

The Company seeks to manage its liquidity profile to be able to finance capital expenditures and service maturing debts. To cover its financing requirements, the Company intends to use internally generated funds and proceeds from debt and equity issues.

As part of its liquidity risk management program, the Company regularly evaluates its projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives. These initiatives may include bank loans and debt capital and equity market issues.

The Company's financial assets, which have maturities of less than 12 months and used to meet its short-term liquidity needs, include cash and cash equivalents and equity instruments at FVOCI amounting to ₱30,662 million and ₱568 million, respectively, as at December 31, 2020 and ₱34,600 million and ₱659 million, respectively, as at December 31, 2019 (see Notes 6 and 10). The Company also has readily available credit facility with banks and affiliates to meet its long-term financial liabilities.

The tables below summarize the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments as at December 31:

	2020			
	Within 1 Year	**More than 1 Year to 5 Years**	**More than 5 Years**	**Total**
		(In Thousands)		
Loans payable	**₱10,956,069**	**₱–**	**₱–**	**₱10,956,069**
Accounts payable and other current liabilities*	**63,449,508**	**–**	**–**	**63,449,508**
Long-term debt (including current portion)	**51,645,867**	**228,715,038**	**17,274,810**	**297,635,715**
Derivative liabilities	**357,662**	**2,445,735**	**–**	**2,803,397**
Liability for purchased land - net of current portion**	**–**	**1,251,227**	**–**	**1,251,227**
Tenants' deposits - net of current portion	**–**	**21,023,323**	**54,549**	**21,077,872**
Lease liabilities	**655,840**	**2,636,354**	**22,131,323**	**25,423,517**
Other noncurrent liabilities***	**–**	**4,397,581**	**794,710**	**5,192,291**
	₱127,064,946	**₱260,469,258**	**₱40,255,392**	**₱427,789,596**

	2019			
	Within 1 Year	More than 1 Year to 5 Years	More than 5 Years	Total
		(In Thousands)		
Loans payable	₱100,000	₱–	₱–	₱100,000
Accounts payable and other current liabilities*	55,618,612	–	–	55,618,612
Long-term debt (including current portion)	30,199,771	209,574,775	95,275,297	335,049,843
Derivative liabilities	–	711,617	–	711,617
Liability for purchased land - net of current portion	–	4,214,234	–	4,214,234
Tenants' deposits - net of current portion**	–	20,797,637	–	20,797,637
Lease liabilities	662,887	2,625,786	22,943,876	26,232,549
Other noncurrent liabilities***	–	8,184,737	–	8,184,737
	₱86,581,270	₱246,108,786	₱118,219,173	₱450,909,229

* *Excluding nonfinancial liabilities and lease liabilities amounting to ₱17,585 million and ₱14,507 million as at December 31, 2020 and 2019, respectively.*
** *Excluding residential customers' deposits amounting to ₱254 million and ₱849 million as at December 31, 2020 and 2019, respectively.*
*** *Excluding nonfinancial liabilities and lease liabilities amounting to ₱19,815 million and ₱5,086 million as at December 31, 2020 and 2019, respectively.*

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments (see Notes 6, 8, 10 and 11).

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The fair values of these financial assets are disclosed in Note 28. For receivables from real estate sale, the title of the real estate property is only transferred to the customer if the consideration had been fully paid. In case of default, after enforcement activities, the Company has the right to cancel the sale and enter into another contract to sell to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed. Given this, based on the experience of the Company, the maximum exposure to credit risk at the reporting date is nil considering that fair value less cost to repossess of the real estate projects is higher than the exposure at default. The Company evaluates the concentration of risk with respect to trade receivables and unbilled revenue from sale of real estate as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

The changes in the gross carrying amount of receivables and unbilled revenue from sale of real estate during the year and impact of COVID-19 pandemic did not materially affect the allowance for ECLs.

As at December 31, 2020 and 2019, the financial assets, except for certain receivables, are generally viewed by management as good and collectible considering the credit history of the counterparties (see Note 8). Past due or impaired financial assets are very minimal in relation to the Company's consolidated total financial assets.

Credit Quality of Financial Assets. The credit quality of financial assets is managed by the Company using high quality and standard quality as internal credit ratings.

High Quality. Pertains to counterparty who is not expected by the Company to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions, companies and government agencies.

Standard Quality. Other financial assets not belonging to high quality financial assets are included in this category.

As at December 31, 2020 and 2019, the credit quality of the Company's financial assets is as follows:

	2020			
	Neither Past Due nor Impaired		Past Due	
	High Quality	Standard Quality	but not Impaired	Total
	(In Thousands)			
Financial assets at amortized cost				
Cash and cash equivalents*	**₱30,560,051**	**₱–**	**₱–**	**₱30,560,051**
Receivables**	**129,226**	**1,328,309**	**13,215,176**	**14,672,711**
Cash in escrow (included under "Prepaid expenses and other current assets")	**144,209**	**–**	**–**	**144,209**
Time deposits (included under "Other noncurrent assets")	**1,356,442**	**–**	**–**	**1,356,442**
Financial assets at FVTPL				
Derivative assets	**2,747**	**–**	**–**	**2,747**
Financial assets at FVOCI				
Equity instruments	**16,696,333**	**3,381**	**–**	**16,699,714**
	₱48,889,008	**₱1,331,690**	**₱13,215,176**	**₱63,435,874**

* *Excluding cash on hand amounting to ₱102 million*
** *Excluding nonfinancial assets amounting to ₱44,272 million*

	2019			
	Neither Past Due nor Impaired		Past Due	
	High Quality	Standard Quality	but not Impaired	Total
	(In Thousands)			
Financial assets at amortized cost				
Cash and cash equivalents*	₱34,399,825	₱–	₱–	₱34,399,825
Receivables**	128,743	10,632,459	8,089,198	18,850,400
Cash in escrow (included under "Prepaid expenses and other current assets")	117,985	–	–	117,985
Time deposits (included under "Other noncurrent assets")	2,412,972	–	–	2,412,972
Financial assets at FVTPL				
Derivative assets	826,315	–	–	826,315
Financial assets at FVOCI				
Equity instruments	21,076,655	3,381	–	21,080,036
	₱58,962,495	₱10,635,840	₱8,089,198	₱77,687,533

* *Excluding cash on hand amounting to ₱200 million*
** *Excluding nonfinancial assets amounting to ₱34,787 million*

Equity Price Risk

Equity price risk arises from the changes in the levels of equity indices and the value of individual stocks traded in the stock exchange.

As a policy, management monitors its equity price risk pertaining to its investments in quoted equity securities which are classified as equity instruments designated at FVOCI in the consolidated balance sheets based on market expectations. Material equity investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by management.

The effect on equity after income tax (as a result of change in fair value of equity instruments at FVOCI as at December 31, 2020 and 2019) due to a possible change in equity indices, based on historical trend of PSE index, with all other variables held constant is as follows:

	2020	
	Change in Equity Price	**Effect on Equity**
		(In Millions)
Equity instruments at FVOCI	**+1.19%**	**₱53**
	-1.19%	**(53)**

	2019	
	Change in Equity Price	Effect on Equity
		(In Millions)
Equity instruments at FVOCI	+2.86%	₱133
	-2.86%	(133)

Capital Management

Capital includes equity attributable to the owners of the Parent.

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Company monitors capital using the following gearing ratios as at December 31:

Interest-bearing Debt to Total Capital plus Interest-bearing Debt

	2020	2019
	(In Thousands)	
Loans payable	**₱10,900,000**	₱100,000
Current portion of long-term debt	**42,738,350**	23,521,373
Long-term debt - net of current portion	**218,830,647**	214,333,050
Total interest-bearing debt (a)	**272,468,997**	237,954,423
Total equity attributable to equity holders of the parent	**309,284,067**	300,916,171
Total interest-bearing debt and equity attributable to equity holders of the parent (b)	**₱581,753,064**	₱538,870,594
Gearing ratio (a/b)	**47%**	44%

Net Interest-bearing Debt to Total Capital plus Net Interest-bearing Debt

	2020	2019
	(In Thousands)	
Loans payable	**₱10,900,000**	₱100,000
Current portion of long-term debt	**42,738,350**	23,521,373
Long-term debt - net of current portion	**218,830,647**	214,333,050
Less cash and cash equivalents	**(30,661,614)**	(34,599,959)
Total net interest-bearing debt (a)	**241,807,383**	203,354,464
Total equity attributable to equity holders of the parent	**309,284,067**	300,916,171
Total net interest-bearing debt and equity attributable to equity holders of the parent (b)	**₱551,091,450**	₱504,270,635
Gearing ratio (a/b)	**44%**	40%

28. **Financial Instruments**

Fair Values

The following table sets forth the carrying values and estimated fair values of financial assets and liabilities, by category and by class, other than those whose carrying values are reasonable approximations of fair values, as at December 31:

	December 31, 2020				
	Carrying Value	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
			(In Thousands)		
Financial Assets					
Financial assets at FVTPL:					
Derivative assets	**₱2,747**	**₱2,747**	**₱–**	**₱2,747**	**₱–**
Financial assets at amortized cost:					
Time deposits (included under "Other noncurrent assets - net")	**1,356,442**	**1,356,442**	**–**	**1,356,442**	**–**
Financial assets at FVOCI:					
Equity instruments	**16,699,714**	**16,699,714**	**16,696,333**	**–**	**3,381**
	₱18,058,903	**₱18,058,903**	**₱16,696,333**	**₱1,359,189**	**₱3,381**
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	**₱2,803,397**	**₱2,803,397**	**₱–**	**₱2,803,397**	**₱–**
Loans and borrowings:					
Liability for purchased land - net of current portion	**1,251,227**	**1,204,295**	**–**	**–**	**1,204,295**
Long-term debt - net of current portion	**218,830,647**	**214,950,879**	**–**	**–**	**214,950,879**
Lease liability - net of current portion	**11,009,422**	**11,009,422**	**–**	**–**	**11,009,422**
Tenants' deposits - net of current portion	**21,077,872**	**20,772,115**	**–**	**–**	**20,772,115**
Other noncurrent liabilities*	**5,192,291**	**5,147,613**	**–**	**–**	**5,147,613**
	₱260,164,856	**₱255,887,721**	**₱–**	**₱2,803,397**	**₱253,084,324**

**Excluding nonfinancial liabilities amounting to ₱8,806 million as at December 31, 2020.*

	December 31, 2019				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
			(In Thousands)		
Financial Assets					
Financial assets at FVTPL:					
Derivative assets	₱826,315	₱826,315	₱–	₱826,315	₱–
Financial assets at amortized cost:					
Time deposits (included under "Other noncurrent assets")	2,412,972	2,412,972	–	2,412,972	–
Financial assets at FVOCI:					
Equity instruments	21,080,036	21,080,036	21,076,655	–	3,381
	₱24,319,323	₱24,319,323	₱21,076,655	₱3,239,287	₱3,381
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	₱711,617	₱711,617	₱–	₱711,617	₱–
Loans and borrowings:					
Liability for purchased land - net of current portion	4,214,234	3,895,885	–	–	3,895,885
Long-term debt - net of current portion	214,333,050	210,364,038	–	–	210,364,038
Lease liability - net of current portion	11,151,217	11,151,217	–	–	11,151,217
Tenants' deposits - net of current portion	20,797,637	20,598,862	–	–	20,598,862
Other noncurrent liabilities*	8,184,737	7,973,701	–	–	7,973,701
	₱259,392,492	₱254,695,320	₱–	₱711,617	₱253,983,703

**Excluding nonfinancial liabilities amounting to ₱5,086 million as at December 31, 2019.*

<u>Fair Value Hierarchy</u>
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted prices in active markets for identical assets or liabilities, except for related embedded derivatives which are either classified as Level 2 or 3;

Level 2: Those measured using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and,

Level 3: Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the years ended December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Derivative Instruments. The fair values are based on quotes obtained from counterparties.

Equity Instruments at FVOCI. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business.

Long-term Debt. Fair value is based on the following:

Debt Type	Fair Value Assumptions
Fixed Rate Loans	Estimated fair value is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discount rates used range from 1.24% to 4.67% and from 2.96% to 6.48% as at December 31, 2020 and 2019, respectively.
Variable Rate Loans	For variable rate loans that re-price every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates. For variable rate loans that re-price every six months, the fair value is determined by discounting the principal amount plus the next interest payment amount using the prevailing market rate for the period up to the next repricing date. Discount rates used was 3.72% to 4.44% and 6.95% to 6.99% as at December 31, 2020 and 2019, respectively.

Tenants' Deposits, Liability for Purchased Land, Lease Liabilities and Other Noncurrent Liabilities. The estimated fair value is based on the discounted value of future cash flows using the applicable rates. The discount rates used range from 2.13% to 8.03% and 4.41% to 7.86% as at December 31, 2020 and 2019, respectively.

The Company assessed that the carrying values of cash and cash equivalents, receivables, cash in escrow, bank loans and accounts payable and other current liabilities approximate their fair values due to the short-term nature and maturities of these financial instruments.

There were no financial instruments subject to an enforceable master netting arrangement that were not set-off in the consolidated balance sheets.

Financial Instruments Accounted for as Cash Flow Hedges

The table below shows information on the Company's cross currency swap transactions to hedge both the foreign currency and interest rate exposures on its U.S. dollar-denominated loans.

Year Obtained	Maturity	Hedged Loan	Outstanding Notional Amount	Agreed Equivalent	Receive	Pay	Aggregate Fair Value	
							2020	2019
			(In Thousands)				*(In Thousands)*	
2020	2022	Four - year term loans	$100,000	₱4,828,000	3 months LIBOR+margin%	2.88%	**(₱40,795)**	₱–
2020	2024	Four - year term loans	$150,000	₱7,277,500	3 months LIBOR+margin%	3.64% - 3.70%	**(206,455)**	–
2019	2024	Five - year term loans	$286,000	¥1,919,208	3 months LIBOR+margin%	3.86% - 3.97%	**(778,539)**	368,426
2018	2023	Five - year term syndicated loans	$110,000	₱5,865,700	3 months LIBOR+margin%	6.37% - 6.39%	**(1,109,138)**	(711,617)
2018	2022	Five - year term loans	$100,000	¥671,715	3 months LIBOR+margin%	4.95% - 5.43%	**(310,808)**	2,117
							(₱2,445,735)	(₱341,074)

Principal only Swaps. In 2016 and 2017, SM Land (China) Limited entered into principal only swap transactions to hedge the foreign currency exposures amounting to $420 million of five-year term syndicated loans and advances obtained on January 11, 2016 to March 22, 2016 and January 11-17, 2017 (see Note 18). Under the principal only swap, it effectively converted the hedged US dollar-denominated loans and advances into China renminbi-denominated loans.

As at December 31, 2020 and 2019, SM Land (China) Limited's outstanding principal only swaps have notional amounts totaling US$270 million which were fixed to US$:¥ exchange rates ranging from 6.458 to 6.889 and will mature on January 29, 2021. The outstanding principal swaps has a fair value of negative ₱300 million as at December 31, 2020 and ₱387 million as at December 31, 2019.

Interest Rate Swaps. In 2017 and 2016, SM Land (China) Limited entered into US$ interest rate swap agreement with notional amount of US$150 million and US$270 million, respectively. Under the agreement, SM Land (China) Limited effectively converts the floating rate U.S. dollar-denominated loan into fixed rate loan (see Note 18). Interest rate swaps agreement with the notional amount of US$150 million matured in April 2019. Fair value of the outstanding interest rate swaps amounted to negative ₱55 million as at December 31, 2020 and positive ₱69 million as at December 31, 2019.

As the terms of the swaps have been negotiated to match the terms of the hedged loans, the hedges were assessed to be highly effective. No ineffectiveness was recognized in the consolidated statement of income for the year ended December 31, 2020.

Cumulative fair value changes recognized in equity under other comprehensive income from the matured interest rate swaps amounting to nil and ₱18 million gain was recognized in the consolidated statements of income for the years ended December 31, 2020 and 2019.

Below is the maturity profile of derivative financial instruments accounted for as cash flow hedges as at December 31, 2020 and 2019:

	2020			
Hedge Instruments*	**Within 1 year**	**2 to 3 years**	**4 to 5 years**	**Total**
	(amounts in thousands)			
Cross currency swaps	**USD–**	**USD460,000**	**USD286,000**	**USD746,000**
Principal only swaps	**270,000**	**–**	**–**	**270,000**
Interest rate swaps	**270,000**	**–**	**–**	**270,000**
	USD540,000	**USD460,000**	**USD286,000**	**USD1,286,000**

	2019			
Hedge Instruments*	Within 1 year	2 to 3 years	4 to 5 years	Total
	(amounts in thousands)			
Cross currency swaps	USD–	USD110,000	USD386,000	USD496,000
Principal only swaps	–	270,000	–	270,000
Interest rate swaps	–	270,000	–	270,000
	USD–	USD650,000	USD386,000	USD1,036,000

**Notional amounts of hedge instruments are US dollar-denominated.*

Assessment of Hedge Effectiveness

There is an economic relationship between the hedged items and the hedging instruments as the terms of the cross-currency swaps, principal only swaps and interest rate swaps match the terms of the hedged items (i.e., notional amount and expected payment date). The Company has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the cross-currency swaps, principal only swaps and interest rate swaps are identical to the hedged risk components. To test the hedge effectiveness, the Company uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from differences in the timing of the cash flows of the hedged items and the hedging instruments and the counterparties' credit risk differently impacting the fair value movements of the hedging instruments.

Hedge Effectiveness Results
The fair value of the outstanding cross-currency swaps, principal only swaps and interest rate swaps amounting to negative ₱2,801 million as at December 31, 2020 and positive ₱115 million as at December 31, 2019, respectively, was taken to equity under other comprehensive income. For the years ended December 31, 2020 and 2019, no ineffectiveness was recognized in the consolidated statement of income. Foreign currency translation arising from the hedged loan amounting to ₱2,474 million gain in 2020, ₱477 million loss in 2019 and ₱2,247 million gain in 2018 was recognized under other comprehensive income. Foreign exchange gain equivalent to the same amounts were recycled from equity to the consolidated statement of income during the same year.

Derivative Financial Instruments Accounted for as Not Designated as Hedges

Forward Swaps. In 2018, SM Land (China) Limited entered into forward swap transactions to cap the foreign currency exposures on its U.S. dollar-denominated three-year term syndicated loans (the hedged loans) obtained on March 14, 2018 to May 25, 2018 (see Note 18). Fair value changes from the matured swaps in 2019, amounting to ₱22 million gain, was recognized in the consolidated statement of comprehensive income.

Fair Value Changes on Derivatives
The net movements in fair value of all derivative instruments are as follows:

	2020	2019
	(In Thousands)	
Balance at beginning of year	**₱114,698**	₱517,925
Net changes in fair value during the year	**(2,915,348)**	(109,736)
Fair value of settled derivatives	–	(293,491)
Balance at end of year	**(₱2,800,650)**	₱114,698

29. **EPS Computation**

Basic/diluted EPS is computed as follows:

	2020	2019	2018
	(In Thousands, Except Per Share Data)		
Net income attributable to equity holders of the parent (a)	**₱18,006,512**	₱38,085,601	₱32,172,886
Common shares issued	**33,166,300**	33,166,300	33,166,300
Less weighted average number treasury stock (see Note 19)	**4,309,888**	4,309,888	4,311,949
Weighted average number of common shares outstanding (b)	**28,856,412**	28,856,412	28,854,351
Earnings per share (a/b)	**₱0.624**	₱1.320	₱1.115

30. Change in Liabilities Arising from Financing Activities

Movements in loans payable, long-term debt and lease liabilities accounts are as follows (see Notes 16, 17 and 18):

	2020			2019		
	Loans Payable	**Long-term Debt**	**Lease Liabilities**	Loans Payable	Long-term Debt	Lease Liabilities
	(In Thousands)					
Balance at beginning of year	**₱100,000**	**₱237,854,423**	**₱11,213,547**	₱39,400	₱222,771,886	₱–
Effect of PFRS 16 adoption	**–**	**–**	**–**	–	–	11,293,984
Availments	**36,500,000**	**54,903,912**	–	580,000	41,813,638	–
Payments	**(25,700,000)**	**(28,993,349)**	**(85,013)**	(519,400)	(25,466,777)	(80,437)
Cumulative translation adjustment	**–**	**366,233**	–	–	(1,823,229)	–
Foreign exchange movement	**–**	**(2,443,642)**	–	–	548,786	–
Loan refinancing	**–**	–	–	–	–	–
Others	–	**(118,580)**	**(52,218)**	–	10,119	–
Balance at end of year	**₱10,900,000**	**₱261,568,997**	**₱11,076,316**	₱100,000	₱237,854,423	₱11,213,547

There are no non-cash changes in accrued interest and dividends payable. Others include debt issue cost additions and rental concession on certain land leases due to COVID-19.

31. Other Matters

COVID-19 Pandemic

The declaration of COVID-19 by the World Health Organization (WHO) as a pandemic and declaration of nationwide state of calamity and implementation of community quarantine measures throughout the country starting March 16, 2020 have caused disruptions in the Company's business activities. There are increased market activities with the easing of the quarantine measures in key areas in the Philippines. Easing of the quarantine restrictions and rollout of the national vaccination program will further improve market activities.

Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE"

On February 1, 2021, the Bicameral Conference Committee, under the 18th Congress of the Philippines, approved the reconciled version of the House Bill No. 4157 and Senate Bill No.1357 (the CREATE). The general features of the CREATE bill are the following:

- Reduction in current income tax rate effective July 1, 2020;
- Proprietary educational institutions and hospitals which are nonprofit previously subject to a tax of 10% on their taxable income, shall be imposed a tax rate of 1% beginning July 1, 2020 until June 30, 2023;
- Regional operating headquarters of multinational companies previously subject to a tax of 10% on their taxable shall be subject to the regular corporate income tax effective December 31, 2020; and
- Effective July 1, 2020 until June 30,2023, the MCIT rate shall be one percent 1%.

As at February 15, 2021, the harmonized copy of the CREATE bill has been transmitted to the Office of the President for signing or approval into law.

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
SM Prime Holdings, Inc.
10th Floor, Mall of Asia Arena Annex Building
Coral Way cor. J.W. Diokno Blvd.
Mall of Asia Complex
Brgy. 76, Zone 10, CBP-1A, Pasay City, Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SM Prime Holdings, Inc. and its Subsidiaries (the "Company") as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, included in this Form 17-A, and have issued our report thereon dated February 15, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Sherwin V. Yason
Partner
CPA Certificate No. 104921
SEC Accreditation No. 1514-AR-1 (Group A),
August 6, 2018, valid until August 5, 2021
Tax Identification No. 217-740-478
BIR Accreditation No. 08-001998-112-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534387, January 4, 2021, Makati City

February 15, 2021

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
SM Prime Holdings, Inc.
10th Floor, Mall of Asia Arena Annex Building
Coral Way cor. J.W. Diokno Blvd.
Mall of Asia Complex
Brgy. 76, Zone 10, CBP-1A, Pasay City, Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SM Prime Holdings, Inc. and its Subsidiaries (the "Company") as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated February 15, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's consolidated financial statements as at December 31, 2020 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Sherwin V. Yason
Partner
CPA Certificate No. 104921
SEC Accreditation No. 1514-AR-1 (Group A),
August 6, 2018, valid until August 5, 2021
Tax Identification No. 217-740-478
BIR Accreditation No. 08-001998-112-2020,
November 27, 2020, valid until November 26, 2023
PTR No. 8534387, January 4, 2021, Makati City

February 15, 2021

Annex I

SM Prime Holdings, Inc.
10th Floor Mall of Asia Arena Annex Building, Coral Way cor. J.W. Diokno Blvd.
Mall of Asia Complex, Brgy. 76 Zone 10, CBP-1A, Pasay City, Philippines

Reconciliation of Retained Earnings Available for Dividend Declaration
December 31, 2020

Unappropriated retained earnings as at January 1, 2020		₱170,367,434,940
Adjustments for:		
Non-actual/unrealized income, net of applicable tax:		
Equity in net earnings of subsidiaries, associates and joint ventures	(104,710,606,269)	
Treasury stock	(2,613,650,429)	(107,324,256,698)
Unappropriated retained earnings as at January 1, 2020, available for dividend declaration		63,043,178,242
Net income closed to retained earnings in 2020	17,628,322,425	
Adjustments for:		
Non-actual/unrealized income, net of applicable tax:		
Equity in net earnings of subsidiaries, associates and joint ventures	(15,360,484,426)	
Net income actually earned in 2020		2,267,837,999
Less: Cash dividends in 2020		(5,342,657,852)
Retained earnings as at December 31, 2020 available for dividend declaration		**₱59,968,358,389**

Schedule A

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
Financial Assets
As at December 31, 2020
(Amounts in Thousands except for Number of Shares)

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet as at December 31, 2020	Income Received and Accrued
Financial Assets at Amortized Cost*			
Temporary investments:			
Banco de Oro (BDO)	PHP 13,406,506	PHP 13,406,506	
China Banking Corporation (CHIB)	PHP 316,532	316,532	
China Merchants Bank	RMB 277,000	2,037,999	
Industrial and Commercial Bank of China	RMB 200,400	1,474,422	
Bank of East Asia Ltd	RMB 115,000	846,101	
China Industrial Bank	RMB 6,000	44,144	
Others	PHP 51,300	51,300	
Time deposits on hold:			
BDO	PHP 1,300,000	1,300,000	
CHIB	PHP 56,442	56,442	
Cash in escrow:			
CHIB	PHP 137,899	137,899	
BDO	PHP 6,310	6,310	
		PHP 19,677,655	PHP 938,366
Financial Assets at FVPL			
Tagaytay Midlands Golf Club, Inc.	33 shares	PHP 21,902	
The Country Club at Tagaytay Highlands	7 shares	1,400	
Tagaytay Highlands International Golf Club Inc	1 share	804	
Derivative assets	PHP 3	3	
		PHP 24,109	PHP 0
Financial Assets at FVOCI			
BDO Unibank, Inc.	90,024,395 shares	PHP 9,614,605	
Ayala Corporation	7,690,430 shares	6,359,986	
Shang Properties, Inc.	189,550,548 shares	513,682	
SM Investments Corporation	146,104 shares	153,263	
Republic Glass Holdings Corporation	14,230,000 shares	43,402	
Picop Resources, Inc.	40,000,000 shares	8,200	
Philippine Long Distance Telephone Company	253,270 shares	2,533	
Export & Industry Bank	7,829,000 shares	2,036	
Prime Media Holdings, Inc.	500,000 shares	430	
Benguet Corporation	266,757 shares	827	
Others	964 shares	750	
		PHP 16,699,714	PHP 197,266
		PHP 36,401,478	**PHP 1,135,632**

**Excluding cash on hand and in banks.*

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
As at December 31, 2020

(Amounts in Thousands)

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at End of Period
SM Land (China) Limited and Subsidiaries	₱6,125,544	2,163,446	(₱507,820)	₱–	₱–	₱7,781,170	**₱7,781,170**
San Lazaro Holdings Corporation	1,361,697	60	(7)	–	–	1,361,750	**1,361,750**
Costa del Hamilo, Inc. and Subsidiary	850,750	9,636	(16,382)	–	–	844,004	**844,004**
SM Development Corporation and Subsidiaries	654,322	214,141	(215,512)	–	–	652,951	**652,951**
Premier Central, Inc.	372,387	346,218	(88,499)	–	–	630,106	**630,106**
Prime_Commercial Property Management Corporation and Subsidiaries	156,058	314,432	(41,726)	–	–	428,764	**428,764**
Mindpro Inc.	325,920	1,434	(1,127)	–	–	326,227	**326,227**
SM Prime Holdings, Inc. (Parent)	424,633	3,889,836	(4,172,818)	–	–	141,651	**141,651**
SM Hotels and Conventions Corp. and Subsidiaries	67,473	619,131	(616,009)	–	–	70,595	**70,595**
Associated Development Corporation	169,500	–	(114,750)	–	–	54,750	**54,750**
SM Arena Complex Corporation	19,782	39,538	(9,797)	–	–	49,523	**49,523**
Tagaytay Resort and Development Corporation	36,521	–	–	–	–	36,521	**36,521**
First Asia Realty Development Corporation	65,893	27,406	(64,518)	–	–	28,781	**28,781**
Consolidated Prime Dev. Corp.	22,545	88,547	(92,415)	–	–	18,677	**18,677**
Premier Southern Corp.	17,551	116,018	(115,542)	–	–	18,027	**18,027**
Southernpoint Properties Corp.	11,218	61,218	(65,574)	–	–	6,862	**6,862**
First Leisure Ventures Group Inc.	2,538	3,474	–	–	–	6,012	**6,012**
CHAS Realty and Development Corporation and Subsidiaries	5,588	25,353	(28,796)	–	–	2,145	**2,145**
MOA Esplanade Port, Inc.	1,482	644	–	–	–	2,126	**2,126**
Prime Metroestate, Inc. and Subsidiary	532	481	(174)	–	–	839	**839**
Highlands Prime Inc.	643	–	(643)	–	–	–	**–**
Supermalls Transport Services, Inc.	6,981	16,411	(23,392)	–	–	–	**–**
	₱10,699,558	₱7,937,424	(₱6,175,501)	₱–	₱–	₱12,461,481	**₱12,461,481**

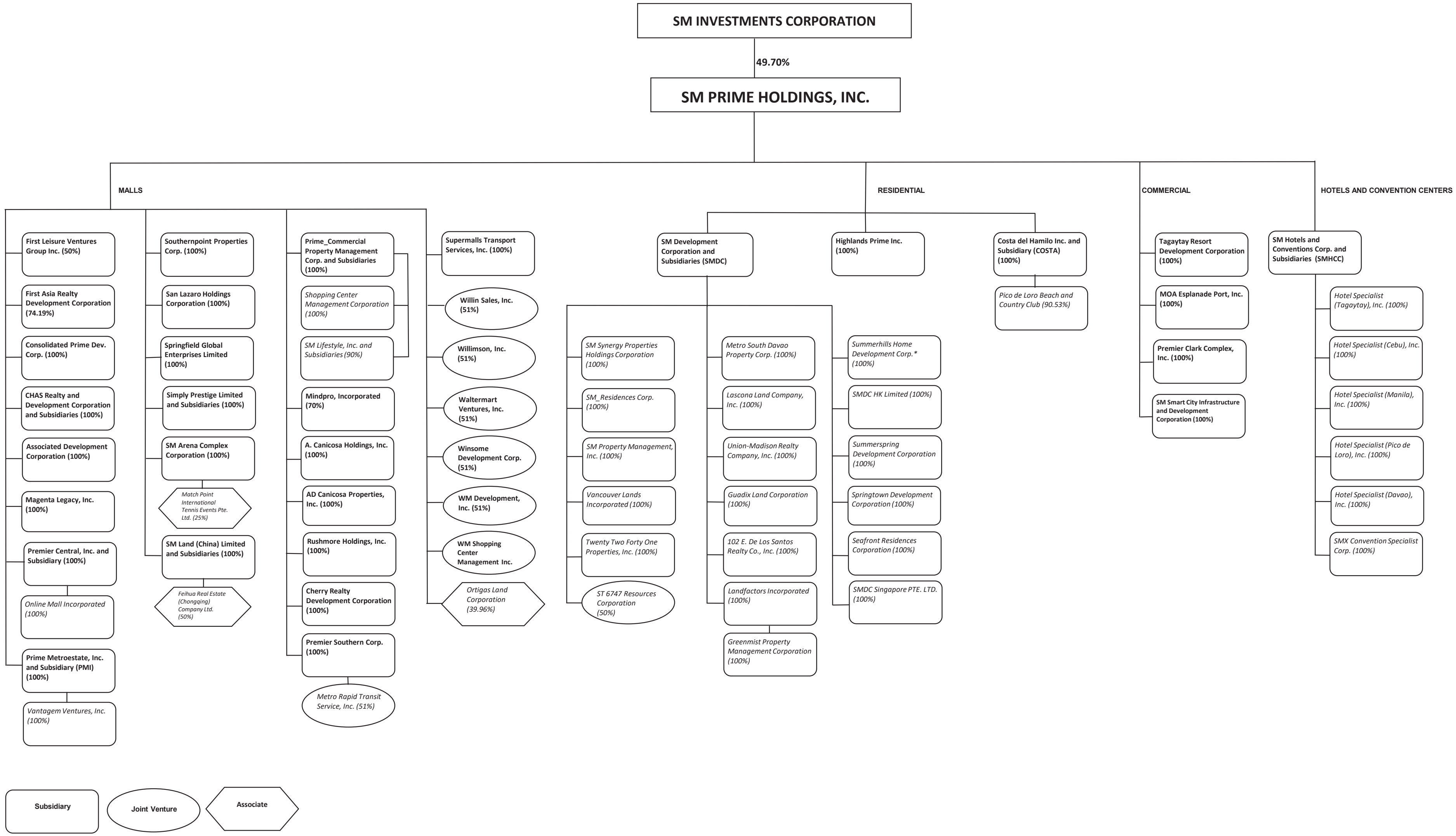
Schedule H

SM PRIME HOLDINGS, INC.
Capital Stock
As at December 31, 2020
(Shares in Thousands)

Title of Issue	Number of Shares Authorized	Number of Shares Issued as Shown Under Related Balance Sheet Caption	Number of Shares Outstanding as Shown Under Related Balance Sheet Caption	Number of Shares Held by Related Parties	Directors, Officers and Employees	Others
Common	40,000,000	33,166,300	28,879,232	16,202,238	3,349,636	9,327,358

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
As of December 31, 2020

Annex III



* Summerhills Home Development Corp. is 79.6% owned by SMDC and 20.4% owned by SMPH
**Affluent Capital Enterprises Limited and Subsidiaries and Mega Make Enterprises Limited and Subsidiaries are now subsidiaries of SM Land (China) Limited .

Note: % Refers to Effective Ownership

Annex IV

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS OF DECEMBER 31, 2020

Ratio	Formula	December 31, 2020	December 31, 2019
Current ratio	Total current assets / Total current liabilities	1.16	1.60
Acid - Test Ratio	Total current assets less inventory and prepaid expenses / Total current liabilities	0.66	0.93
Solvency Ratio	Total assets / Total liabilities	1.75	1.83
Debt-to-equity ratio	Total interest-bearing liabilities / Total equity attributable to equity holders of the parent	47:53	44:56
Asset to equity ratio	Total assets / Total equity attributable to equity holders of the parent	2.34	2.22
Interest rate coverage ratio	Earnings before interest, income taxes depreciation and amortization (EBITDA) / Interest expense	4.57	7.56
Return on equity	Net income attributable to equity holders of the parent / Total average equity attributable to equity holders of the parent	6%	13%
Return on assets	Net income attributable to equity holders of the parent / Total average investment properties and inventories	4%	9%
Net income margin	Net income attributable to equity holders of the parent / Total revenue	22%	32%
Other ratios:			
Debt to EBITDA	Total interest-bearing liabilities / EBITDA	6.94	3.56
Net debt-to-equity ratio	Total interest-bearing liabilities less cash and cash equivalents and investment securities / Total equity attributable to equity holders of the parent	44:56	40:60

SCHEDULE FOR LISTED COMPANIES WITH A RECENT OFFERING OF SECURITIES TO THE PUBLIC

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
Retail Bond – Series K and L Bonds
As of December 31, 2020

(1) <u>Gross and Net Proceeds as Disclosed in the Final Prospectus</u>

Gross Proceeds	₱15,000,000,000
Estimated Expenses	(242,098,391)
Net Proceeds	₱14,757,901,609

(2) <u>Actual Gross and Net Proceeds</u>

Gross Proceeds	₱15,000,000,000
Actual Expenses	(180,615,165)
Net Proceeds	₱14,819,384,835

(3) <u>Each Expenditure Item where the Proceeds were Used</u>

The net proceeds was used to finance capital expenditures of the following:

Projects	Amounts in million
SM City Tuguegarao	₱2,455
SM City Grand Central	1,672
SM City Roxas	1,527
SM City Sta. Rosa Expansion	1,481
SM City Tanza	1,187
SM City Sto. Tomas	1,123
SM City Bataan	1,095
SM City Sorsogon	992
SM City Daet	784
SM Sta. Rosa Yulo	608
SM City Urdaneta Central 3L Expansion	479
SM San Jose Nueva Ecija	432
SM Bagumbong, North Caloocan	260
SM City Masinag Carpark Building	204
SM Center San Pedro	155
SM City Butuan	150
Sucat Building B Redevelopment	122
SM City Masinag Exp Bridgelink Redevelopment	55
NU Baliwag	35
SM Zamboanga	3
TOTAL	**₱14,819**

(4) As of December 31, 2020, ₱14,819 million was used in financing capital expenditures for the expansion and construction of mall projects.

MINUTES OF THE ANNUAL MEETING OF THE
STOCKHOLDERS OF

SM PRIME HOLDINGS, INC.

On 15 June 2020
(via Remote Communication)

DIRECTORS PRESENT:

HENRY T. SY, JR.	Chairman of the Board Member, Executive Committee
JOSE L. CUISIA, JR.	Vice Chairman and Lead Independent Director Chairman, Audit Committee Member, Risk Oversight Committee Member, Corporate Governance Committee
GREGORIO U. KILAYKO	Independent Director Chairman, Risk Oversight Committee Member, Corporate Governance Committee Member, Related Party Transactions Committee Member, Audit Committee
JOSELITO H. SIBAYAN	Independent Director Chairman, Corporate Governance Committee Chairman, Related Party Transactions Committee Member, Audit Committee
HANS T. SY	Director Chairman, Executive Committee
HERBERT T. SY	Director Member, Executive Committee
JORGE T. MENDIOLA	Non-Executive Director Member, Audit Committee Member, Risk Oversight Committee Member, Related Party Transactions Committee
JEFFREY C. LIM	Director and President Member, Executive Committee

ALSO PRESENT:

TERESITA T. SY-COSON	Adviser to the Board

ELIZABETH T. SY	Adviser to the Board
JOSE T. SIO	Adviser, Audit Committee and Risk Committees
JOHN NAI PENG C. ONG	Chief Finance Officer/ Compliance Officer
ELMER B. SERRANO	Corporate Secretary
ARTHUR A. SY.	Assistant Corporate Secretary
TERESA CECILIA H. REYES	Vice President-Finance
MARVIN PERRIN L. PE	Chief Risk Officer
ALEXANDER D. POMENTO	Vice-President – Investor Relations
CHRISTOPHER S. BAUTISTA	Vice-President – Internal Audit
Stockholders present in person or represented by proxy	24,771,312,215 shares (Please see Record of Attendance here attached as **Annex A**)

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1. Call to Order

The meeting opened with an invocation followed by the Philippine National Anthem. The host then acknowledged the presence of all directors and key officers of **SM Prime Holdings, Inc.** (the **Company**), with certain directors and officers attending the meeting from various locations in the Mall of Asia Complex and some directors joining remotely.

Mr. Henry T. Sy, Jr., Chairman of the Board, welcomed stockholders and guests to the first ever virtual Annual Stockholders' Meeting of the Company, streaming live via Zoom Webinar. The Chairman thanked the stockholders for registering online, for joining the meeting and for voting. The Chairman remarked that the Company trusts that its stakeholders fully understand that everyone has to comply with the Government's directive on social distancing for the safety of all the people involved.

The Chairman also announced that the chat box of the livestream platform has been opened for stockholders to raise their questions and comments. He explained that the Company through its Investor Relations team will endeavor to answer questions not addressed during the meeting via email.

The Chairman then called the meeting to order. Atty. Elmer B. Serrano, Corporate Secretary, recorded the minutes of meeting.

2. Certification of Notice and Quorum

Before proceeding with the meeting, the Chairman requested the Corporate Secretary to certify to the posting and publication and existence of a quorum.

The Corporate Secretary certified that, in compliance with the rules issued by the Securities and Exchange Commission, notice of the meeting, the Definitive Information Statement, along with the Company's "Guidelines for Participation via Remote Communication and Voting *in Absentia*" were uploaded via PSE EDGE and posted on the Company's website on 21 May 2020. Further, the Corporate Secretary certified that the same notice of meeting was published in the following newspapers of general circulation, both in print and online formats: (1) on 17 May 2020, at the

Business Sections of Manila Bulletin and Philippine Star; and (2) on 18 May 2020, at the Business Section of the Philippine Daily Inquirer and at the Banking & Finance Section of Business World.

The Corporate Secretary also certified that based on record of attendance, stockholders attending by proxy and stockholders who have registered to remotely join the virtual meeting represent 24,771,312,215 common shares, representing 85.78% of the issued and outstanding capital stock of the Company as of record date of 20 May 2020. He then certified that a quorum was present for the transaction of business by the stockholders.

The Corporate Secretary announced that SyCip Gorres Velayo & Co. has been engaged as third party tabulator of votes cast for the meeting. He also informed participants that the meeting will be recorded.

3. Approval of Minutes of the Annual Stockholders' Meeting held on 23 April 2019

The Chairman proceeded to the next item in the agenda which is the approval of the minutes of the annual meeting of stockholders held on 23 April 2019. A copy of the minutes was posted on the Company's website soon after last year's annual meeting adjourned. The minutes have also been appended to the Definitive Information Statement for this meeting.

The Corporate Secretary stated for the record that unqualified votes cast for each item for approval shall be counted in favor of the matter under consideration.

The Corporate Secretary then presented the tabulation of votes for the approval of the minutes:

In Favor		**Against**		**Abstain**	
No. of Shares	%	No. of Shares	%	No. of Shares	%
24,771,312,215	**100%**	0	0	0	0

With the above votes in favor, the following resolution was passed and adopted:

> "**RESOLVED**, that the minutes of the annual meeting of stockholders held on 23 April 2019 are approved."

4. Approval of 2019 Annual Report and 2019 Audited Financial Statements

The Chairman then requested Mr. Jeffrey C. Lim, President, to render his report on the results of operations for 2019. The President reported as follows:

> "Good afternoon, ladies and gentlemen. I hope you are all well and safe as you listen to your company's live broadcast via the Internet of SM Prime's 2020 Annual Stockholders' Meeting.
>
> It is very unusual for us to meet this way to deliver to you our 2019's performance.

The year 2019 marked the Silver Anniversary of your company. In my 25 years of service at SM Prime Holdings Inc., it has grown from a mall developer to being one of the leading integrated property developers in the Philippines and Southeast Asia.

The success of your company is a reflection of your support and trust that you put to our employees, management and Board of Directors.

In 2019, your company sustained a double-digit growth in its consolidated net income recording an 18% increase to PHP38.1 billion from PHP32.2 billion in 2018. This is fueled by our strong consolidated revenue of PHP118.3 billion, 14% higher than a year ago. These remarkable results that we achieved are the fruits of our collective efforts, highlighted by the strategic consolidation of our property assets in 2013.

Since 2013, we have almost doubled our consolidated revenue from PHP59 billion in 2013 to PHP118 billion with a compounded annual growth rate of 12%. Our consolidated net income of PHP16 billion in 2013 has increased to PHP38 billion in 2019, with a compounded annual growth rate of 15%. Since the integration, our total assets of PHP336 billion in 2013 has doubled to PHP667 billion in 2019.

SM Prime’s mall business contributed 54% to consolidated revenues, followed by residential business with 38%, while the rest came from our growing other businesses such as offices, hotels and convention centers.

Through our continuous and strategic expansion, the mall business generated PHP63.6 billion in rental revenues in 2019, a 7% increase from the previous year.

Our residential business unit, led by SM Development Corporation (SMDC), continued to grow in 2019, registering a revenue growth of 24% to PHP45.2 billion from the prior year. In addition, SMDC’s reservation sales increased to PHP90 billion in the same year being reported.

SM Prime’s other business segments contributed PHP9.6 billion to the consolidated revenues, 14% higher from the previous year’s PHP8.4 billion.

The 2019 Coronavirus outbreak and implementation of enhanced community quarantine (ECQ) measures in most parts of the country last March have caused severe disruptions to the company's business activities. Despite the difficulties due to the pandemic, the SM Supermalls continued to operate to allow tenants to provide basic necessities and serve our communities.

Your company, SM Prime, has extended more than Php 10billion support in form of cash donations, medical equipment and facilities, waived rent in our malls, and salaries paid during the period of enhanced community quarantine. This benefited our various stakeholders and front liners from communities, business partners, employees and service contractors such janitors and security guards.

Since the start of the general community quarantine, our core businesses have gradually resumed operations, strictly observing safety protocols, and in compliance with guidelines issued by the government. We expect the operating environment will continue to be challenging given the so called new normal. However, we are hopeful that as more stores are allowed to open, business will improve. The residential segment's preparation to resume construction on residential projects is also on full swing, while selling activities continued online even during the stricter quarantine. On the other hand, the office segment remained in operation throughout the quarantine period. While business is not back to normal operations, we remain optimistic about an eventual recovery.

Your Management and Board are working not only to sustain the business amid this pandemic, but we are also on the lookout for opportunities that will give long-term value. We have maintained a robust balance sheet despite the revenue setbacks in the last 2-3 months as a result of the healthy balance between recurring and developmental income streams within the company's portfolio. With this, and our governance principles on conservative use of debt and prudent risk management, we are re-assessing the company's business plans to ensure resources are allocated where they will deliver sustainable and long-term growth.

With all these, we, in the Management and the Board of Directors, are confident that we will be able to withstand the adverse effects of this pandemic.

Allow me to express my gratitude to you, our dear stakeholders, for your continuous support in these times of difficulties. Together with our employees and frontliners who are bravely facing each day of this crisis with unwavering dedication, may we all work together in facing this crisis with strength and perseverance.

Lastly, I would like to thank the Sy Family, for their immense care and support to all SM employees. We value the acts of kindness and assistance you've continually given us as we face these trials.

Let us all strive as we continue to rise from this adversity and heal as one. Again, good afternoon to everyone. Maraming salamat po."

After the report, the video presentation on "Safe Malling" prepared by SM Supermalls was shown, which is a reminder to all mallgoers and clients that they are safe and welcome in the Company's malls and commercial establishments.

The Chairman thanked the President for his report and asked the Corporate Secretary to announce the results of voting. The Corporate Secretary presented the tabulation of votes:

In Favor		**Against**		**Abstain**	
No. of Shares	%	No. of Shares	%	No. of Shares	%
24,754,802,808	99.93	0	0	16,509,407	0.07

With the above votes in favor, the following resolution was passed and adopted:

> "**RESOLVED**, that the 2019 Annual Report and the 2019 Audited Financial Statements are approved."

5. Announcement of Cash Dividends

The Chairman then announced that at the regular meeting of the Board of Directors just adjourned, the Board approved a cash dividend declaration of 15% of the Company's 2019 Net Income. This amounts to Php0.185 or approximately Php5.34 Billion of cash dividends declared in favor of all stockholders of record as of 30 June 2020, and payable on 14 July 2020. Participants applauded the announcement.

Mr. Jose L. Cuisia, Jr., Vice Chairman and Lead Independent Director, commended the SM Group and the Company's Management for their timely and generous response to the COVID-19 pandemic, which shows their concern for the safety and well-being of the Company's employees, mall tenants, occupants of residences, and all customers. Through the efforts of the SM Foundation and the SM Group, as well as the efforts Company, medical frontliners in various public and private hospitals have been provided with personal protective equipment and medical supplies, communities have been provided with critical food and medical assistance. Further, the SM Group has collaborated with government agencies to set up much-needed quarantine and testing facilities. Through these, Mr. Cuisia remarked that the SM Group has clearly shown humanitarian concern not only for their own people, but also for those in need, and has reinforced commitment to work in solidarity with the Filipino people. On behalf of the Independent Directors, Mr. Cuisia expressed his appreciation to the SM Group and the Company's Management for their exemplary leadership Finally, Mr. Cuisia congratulated Management for the Company's excellent performance in 2019.

The Chairman thereafter thanked Mr. Cuisia for his kind words.

6. Approval and Ratification of the Acts of the Board of Directors and Management

The next item in the agenda is the ratification of all acts, transactions and contracts entered into, as well as resolutions made and adopted by the Board of Directors and carried out by Management during their term, or from the date of the last annual stockholders' meeting up to this meeting. These corporate acts are detailed in the Definitive Information Statement provided to all stockholders of record.

The Corporate Secretary presented the tabulation of votes:

In Favor		Against		Abstain	
No. of Shares	%	No. of Shares	%	No. of Shares	%
24,747,731,167	99.90	4,852,041	0.02	18,729,007	0.08

With the above votes in favor of approval, the following resolution was passed and adopted:

> "**RESOLVED**, that the acts of the Board of Directors and Management during their term or from the date of the last annual stockholders' meeting up to this meeting are ratified and approved."

7. Election of Directors for 2020-2021

The next item in the agenda is the election of directors for the year 2020-2021. The Chairman requested the Mr. Joselito H. Sibayan, Chairman of the Corporate Governance Committee, to present the nominees to the Board.

Mr. Sibayan stated that the Corporate Governance Committee has pre-screened and short-listed candidates qualified to be elected to the Board of Directors. He then announced the names of the following nominees to the Board for 2020-2021:

Mr. Henry T. Sy, Jr.
Mr. Hans T. Sy
Mr. Herbert T. Sy
Mr. Jorge T. Mendiola
Mr. Jeffrey C. Lim

Independent Directors

Mr. Jose L. Cuisia, Jr.
Mr. Gregorio U. Kilayko
Mr. Joselito H. Sibayan

The Corporate secretary thereafter presented the number of votes garnered by each of the nominees:

Nominee	No. of Votes
Henry T. Sy, Jr.	24,582,922,782
Hans T. Sy	23,907,475,596
Herbert T. Sy	23,907,363,596
Jorge T. Mendiola	23,873,530,071
Jeffrey C. Lim	24,671,967,102
Jose L. Cuisia, Jr.	24,504,394,914
Gregorio U. Kilayko	24,561,309,567
Joselito H. Sibayan	23,763,437,457

The Corporate Secretary then announced that since there are only eight (8) nominees and with the votes received, all nominees have obtained sufficient votes for election. The following resolution was therefore passed and adopted:

> "**RESOLVED**, that following are elected to the Board of Directors of SM Prime Holdings, Inc. for 2020-2021, to serve as such directors until their successors have been duly qualified and elected:
>
> Henry T. Sy, Jr.
> Hans T. Sy
> Herbert T. Sy
> Jorge T. Mendiola
> Jeffrey C. Lim
>
> Independent Directors
>
> Jose L. Cuisia, Jr.
> Gregorio U. Kilayko
> Joselito H. Sibayan

8. Appointment of External Auditor

The next item in the agenda is the appointment of the Company's external auditor for 2020. The Chairman informed the stockholders that the Audit Committee processed and screened the nominees for external auditor and recommended, as confirmed by the Board of Directors, the appointment of SyCip, Gorres, Velayo & Co. as external auditor for 2020.

The Corporate Secretary then announced the results of voting:

In Favor		**Against**		**Abstain**	
No. of Shares	%	No. of Shares	%	No. of Shares	%
24,698,670,868	99.71	72,423,247	0.29	218,100	0.00

With the above votes in favor of approval, the following resolution was passed and adopted:

> "**RESOLVED**, that the appointment of SyCip, Gorres, Velayo & Co. as external auditor for 2020 is approved."

9. Open Forum

The Chairman then proceeded with the Question and Answer portion of the meeting. He explained that all stockholders of record were allowed to submit questions in advance via email to info@smprime.com, and through the chat box of the meeting livestream. The Chairman thanked the stockholders for sending their questions and comments.

The Chairman requested the Corporate Secretary to read some of the questions received from the stockholders.

The Corporate Secretary began by reading questions sent by email. The first question came from Mr. Gilbert Niverba, which reads, "[o]ther companies have already reduced their CAPEX programs for the year. Why is SM not reducing its CAPEX budget for the year?"

The Chairman answered that the Company has faced a lot of challenging times in the past, such as the socio-political unrest when Ninoy Aquino was assassinated, and Asian Financial Crisis at the end of the 90's. The Chairman noted that during these times, the Company saw that people still went to SM malls due to the Company's flight to quality.

Today, the Company sees the same trend, as evidenced by the surge in condominium sales. The Chairman believes that this is due to the fact that the Company gives the best quality for money, which is what SM stands for. The Chairman added that the Company is more prepared, responsive and resilient because of its people who continuously strategize for business growth. The Chairman concluded that the Company is committed to providing better facilities such as stronger wifi connection and "safer malling" that give regard to the safety of its stakeholders.

The Corporate Secretary then read the next question which sent by Ms. Charisse Balmaceda. The question reads, "[h]ow does e-commerce affect SM shopping malls? Are there plans to incorporate e-commerce in the malls?"

The Chairman requested the President to answer the question. The President responded that the Company acknowledges the growing popularity of e-commerce, especially during this pandemic. Thus, the Company is allocating up to Php100 Million to accelerate its online presence through its e-commerce platform. The Company will start with "Click and Collect", which will enable its tenants and customers to meet virtually in the platform. The President added that the Company sees e-commerce as a complement to its business.

The Corporate Secretary read the last question received via email from Mr. Daniel Bautista, which was similar to a live question posted in the chat box. It reads, "[s]ince the implementation of the General Community Quarantine in the NCR and in most parts of the country, what are the malls operating now?"

The President answered that the Company has opened all seventy-four (74) malls across the country since 15 May 2020. He added that the essential goods and services establishments continue to be open, while other stores, such as department stores, hardware, and other non-leisure shops are gradually opening to serve the communities. The President stressed that the Company has put in place safety protocols in compliance with Government-issued guidelines.

The Chairman thanked the Corporate Secretary and the President for reading and answering the questions.

10. Other Matters

The Chairman inquired if there were other matters that could properly be taken up at the meeting. The Corporate Secretary confirmed that there were none.

11. Adjournment

There being no further business to transact, the Chairman thanked everyone who joined the meeting wished everyone good health. Thereafter, the meeting was adjourned.

CERTIFIED CORRECT:

ELMER B. SERRANO
Corporate Secretary

ATTESTED BY:

HENRY T. SY, JR.
Chairman

Annex A

SM Prime Holdings, Inc.
Annual Stockholders' Meeting
15 June 2020, 2:30 p.m.

Record of Attendance

Total number of voting shares outstanding	28,879,231,694
Total number of shares present by proxy	23,405,516,779
Total number of shares participating remotely	1,365,795,436
Total number of shares represented	24,771,312,215
Attendance percentage	**85.78%**