

COVER SHEET

for
SEC FORM 20-IS

SEC Registration Number

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Company Name

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

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Form Type

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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address

--

Company's Telephone Number/s

8831-1000

Mobile Number

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No. of Stockholders

2,346

Annual Meeting
Month/Day

--

Fiscal Year
Month/Day

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

John Nai Peng C. Ong

Email Address

john.ong@smprime.com

Telephone Number/s

8831-1000

Mobile Number

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Contact Person's Address

10 th 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
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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 25, 2023 | 2:30p.m.
Forbes Ballroom 1 and 2, Conrad Manila
Seaside Blvd. corner Coral Way, Mall of Asia Complex, Pasay City**

Dear Stockholders:

The Annual Stockholders' Meeting of **SM PRIME HOLDINGS, INC.** (the **Company**) will be held on **April 25, 2023 (Tuesday), 2:30 p.m.** at **Forbes Ballroom 1 and 2, Conrad Manila Seaside Blvd. corner Coral Way, Mall of Asia Complex, Pasay City**, and will be livestreamed for stockholders participating remotely.

AGENDA

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of Minutes of the Annual Meeting of Stockholders held on April 25, 2022
4. Approval of Annual Report for 2022
5. Open Forum
6. General Ratification of Acts of the Board of Directors, Board Committees and Management
7. Election of Directors for 2023-2024
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

Annex A provides 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 17, 2023** 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.

If you intend to attend the meeting remotely, kindly notify the Corporate Secretary by registering at asmregister.smprime.com and submit the required information on or before **April 20, 2023**. All information received will be subject to verification by the Company.

You may also accomplish a proxy form (which need not be notarized) and send the original to the office of the Corporate Secretary at on or before **2:30 p.m. on April 22, 2023 (Saturday)** to the Office of the Corporate Secretary at 1105 Tower 2 High Street South Corporate Plaza, 26th Street Bonifacio Global City, Taguig City pursuant to the Company's By-laws. Sample formats of the proxy forms for individual and corporate stockholders are attached for reference.

Stockholders participating remotely can then cast their votes *in absentia* through the Company's secure online voting facility and access the live streaming of the meeting. Detailed log-in instructions will be sent to the email provided by each shareholder to the Company. The registration and voting procedures are set forth in the "**Guidelines for Remote Participation and Voting in Absentia**", appended to the Definitive Information Statement posted on the Company's website and PSE EDGE.

For further information, please visit www.smprime.com/annual-stockholders-meeting.

Thank you.

Taguig City, February 26, 2023.



ELMER B. SERRANO
Corporate Secretary

Rationale for Agenda Items:

Agenda Item No. 3: Approval of Minutes of the Annual Stockholders' Meeting Held on April 25, 2022

The draft minutes of the Annual Stockholders' Meeting held on April 25, 2022 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.

Agenda Item No. 4: Approval of Annual Report for the Year 2022

The Company's 2022 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 2022. The AFS, as audited by the external auditor Sycip Gorres Velayo & Co. (SGV & Co.) which expressed an unqualified opinion therefore, 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 2022 Annual Report may do so through the Company's Investor Relations Office. The 2022 Annual Report is also posted on the Company's website.

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

The Company's performance in 2022, 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.

Agenda Item No. 6: Election of Directors for 2023-2024

The profiles of pre-qualified 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 2023-2024 will be elected during this stockholders' meeting.

Agenda Item No. 7: Appointment of External Auditor

With the endorsement of the Audit Committee, the Board approved the reappointment of SGV & Co. as the Company's external auditor for 2023. 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 25, 2023 and any adjournments thereof for the purpose of acting on the following matters:

1. Approval of minutes of previous meeting held on April 25, 2022
____ Yes ____ No ____ Abstain

2. Approval of 2022 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 **22 APRIL 2023 (2:30 P.M.)**, AS PROVIDED IN THE BY-LAWS TO THE OFFICE OF THE CORPORATE SECRETARY AT 1105 TOWER 2 HIGH STREET SOUTH CORPORATE PLAZA, 26TH STREET BONIFACIO GLOBAL CITY, TAGUIG 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 25 April 2023, 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;

RESOLVED, FURTHER, that the power and authority hereby granted shall remain valid and effective until such time as the same is withdrawn by the Corporation through notice in writing delivered to the Corporate Secretary of SMPH before the date of any such meeting or until the last day of the fifth year from the date hereof, whichever comes first, and that SMPH may rely on the continuing validity of this resolution until receipt of such written certification of its revocation."

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 2023.

Profiles of the Nominees for Election to the Board of Directors for 2023 - 2024

NAME : HENRY T. SY, JR.
AGE : 69 YRS.
DESIGNATIONS : Non-Executive Director/Chairman of the Board



EDUCATION/ EXPERIENCE: 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., Vice Chairman of The National Grid Corporation of the Philippines and Chairman of the Board of Synergy Grid & Development Phils., Inc. He holds a Bachelor's Degree in Management from De La Salle University.

POSITIONS IN OTHER PLCs :

Synergy Grid & Development Phils., Inc.	Chairman of the Board
SM Investments Corporation	Vice Chairman

2022 BOARD ATTENDANCE : 100%; 9 of 9 Board Meetings
DATE OF FIRST APPOINTMENT : April 1994
NO. OF YEARS ON THE BOARD : 29 Years
SHAREHOLDINGS : 1.2714%
OTHER INFORMATION : No conflict of interest transactions in the past year.

NAME : AMANDO M. TETANGCO, JR.
AGE : 70 YRS.
DESIGNATIONS : Independent Director/Vice-Chairman of the Board /Lead Independent Director



EDUCATION/ EXPERIENCE: Amando M. Tetangco, Jr. was elected as Vice Chairman and Independent Director of the Board of Directors of SM Prime in April 2021. He is concurrently an independent director of Belle Corporation, Converge ICT Solutions, Inc. and Pilipinas Shell Petroleum Corporation. He also currently holds directorates in Manila Hotel, Toyota Motor Philippines, and CIBI Information, Inc. He is also a trustee of St. Luke's Medical Center, Tan Yan Kee Foundation and Foundation for Liberty and Prosperity.

Mr. Tetangco was the third Governor of the Bangko Sentral ng Pilipinas (BSP) and Chairman of the Monetary Board, and served for two consecutive 6-year terms from July 2005 to July 2017. He was a career central banker for over four decades, having joined the Central Bank of the Philippines (the predecessor of BSP) on 25 March 1974. During his term as Governor, he held other government positions, such as the Chairman of the Anti-Money Laundering Council, the Financial Stability Coordination Council, and the Philippine International Convention Center. He was also Vice-Chair of the Agriculture Credit Policy Council; and a member of the Capital Markets Development Council and the Export Development Council. Prior to his first appointment as Governor in 2005, he was Deputy

Governor in-charge of the Banking Services Sector, Economic Research and Treasury of the BSP. He also was the Alternate Executive Director of the International Monetary Fund in Washington, D.C. from 1992 to 1994. Before joining the Central Bank, he worked briefly at the Management Services Division of SGV and Co. in 1973-74.

Overseas, he was the country's representative to the ASEAN Central Bank Forum; the Executives' Meeting of East Asia and Pacific Central Banks; the South East Asia Central Banks; the South East Asia, New Zealand and Australia; and the Center for Latin American Monetary Studies. He was the Governor for the Philippines at the International Monetary Fund and the Alternate Governor at the World Bank and the Asian Development Bank. At the Bank for International Settlements, he was Chair of the Meeting of Small Open Economies. He also chaired various international committees -- the BIS Asian Consultative Council; the Financial Stability Board Regional Consultative Group for Asia; and the Alliance for Financial Inclusion Steering Committee.

He was conferred the Order of Lakandula with the Rank of Bayani by the President of the Philippines in 2009 and the Order of the Rising Sun, Gold and Silver Star by the Emperor of Japan in 2019. He also received multiple recognition by a number of international organizations as one of the best central bank governors and chosen as MAP Management Man of the Year in 2015.

Mr. Tetangco graduated from Ateneo de Manila University with an AB Economics degree (cum laude), and obtained his Masters in Public Policy and Administration (Development Economics) at the University of Wisconsin at Madison, Wisconsin, USA, as a BSP scholar. He attended various training programs at different institutions, including the Harvard Business School and the New York Institute of Finance.

POSITIONS IN OTHER PLCs :

Belle Corporation	Independent Director
Converge ICT Solutions, Inc.	Independent Director
Pilipinas Shell Petroleum Corporation	Independent Director

2022 BOARD ATTENDANCE :	100%; 9 of 9 Board Meetings
	100%; 4 of 4 Audit Committee Meetings
	100%; 4 of 4 Board Risk Oversight Committee Meetings
	100%; 4 of 4 Corporate Governance Committee Meetings
	100%; 1 of 1 Related Party Transactions Committee Meeting

DATE OF FIRST APPOINTMENT :	April 2021
NO. OF YEARS ON THE BOARD :	1 Year
SHAREHOLDINGS :	0.0000%
OTHER INFORMATION :	No conflict of interest transactions in the past year.

NAME : HANS T. SY
AGE : 67 YRS.
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

2022 BOARD ATTENDANCE	:	100%; 9 of 9 Board Meetings
DATE OF FIRST APPOINTMENT	:	April 1994
NO. OF YEARS ON THE BOARD	:	29 Years
SHAREHOLDINGS	:	2.3621%
OTHER INFORMATION	:	No conflict of interest transactions in the past year.

NAME	:	HERBERT T. SY
AGE	:	66 YRS.
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 Supervalu 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 35 Years. He is likewise actively involved in the SM Group's Supermarket Operations, which include acquisition, evaluation and negotiation for potential sites. He holds a Bachelor's degree in Management from De La Salle University.

POSITIONS IN OTHER PLCs :

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

2022 BOARD ATTENDANCE	:	100%; 9 of 9 Board Meetings
DATE OF FIRST APPOINTMENT	:	April 1994
NO. OF YEARS ON THE BOARD	:	29 Years
SHAREHOLDINGS	:	2.3095%
OTHER INFORMATION	:	No conflict of interest transactions in the past year.

NAME : DARLENE MARIE B. BERBERABE
AGE : 54 YRS.
DESIGNATION : Independent Director



EDUCATION/ EXPERIENCE : Darlene Marie B. Berberabe was elected as an Independent Director of the Board of Directors of SM Prime in April 2021. She is a lawyer, management consultant, and currently holds directorates in Joy-Nostalg Solaris Inc., Palm Concepcion Power Corporation, PA Alvarez and Katapult Digital Corp. She is also a faculty member of the Philippine Judicial Academy. She is also elected to the Board of Trustees of The Outstanding Women in Nation Service, Philippine Heart Association and UP Law Alumni Foundation. She was an associate lawyer in Quisumbing Torres Law Firm with specialization on labor law. Post law firm, she joined Procter & Gamble Philippines where she was a Senior Counsel and member of the Leadership Team. In 2010, she was appointed by the President of the Republic of the Philippines as the CEO of Pag-IBIG Fund. She was a recipient of a number of awards including Outstanding CEO in Asia by the ADFIAP, Outstanding CEO in the public sector by Asia CEO, one of the The Outstanding Women in Nation Service in 2013, and one of the 100 Most Influential Filipino Women in 2014. She graduated with a degree in Philosophy from UP, summa cum laude and class valedictorian of the College of Social Sciences and Philosophy in 1989. She was the first female Philosophy instructor in the same school where she taught for 10 years, and has a Masters in Philosophy. She was a working student and graduated salutatorian of her class in UP Law in 1999.

POSITIONS IN OTHER PLCs : None

2022 BOARD ATTENDANCE : 100%; 9 of 9 Board Meetings
100%; 4 of 4 Audit Committee Meetings
100%; 4 of 4 Corporate Governance Committee Meetings
100%; 1 of 1 Related Party Transactions Committee Meeting

DATE OF FIRST APPOINTMENT : April 2021
NO. OF YEARS ON THE BOARD : 1 Year
SHAREHOLDINGS : 0.0000%
OTHER INFORMATION : No conflict of interest transactions in the past year.

NAME : JORGE T. MENDIOLA
AGE : 63 YRS.
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

2022 BOARD ATTENDANCE : 100%; 9 of 9 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 Meeting

DATE OF FIRST APPOINTMENT : December 2012
NO. OF YEARS ON THE BOARD : 10 Years
SHAREHOLDINGS : 0.0024%
OTHER INFORMATION : No conflict of interest transactions in the past year.

NAME : J. CARLITOS G. CRUZ
AGE : 62 YRS.
DESIGNATION : Independent Director



EDUCATION/ EXPERIENCE : J. Carlitos G. Cruz was elected as an Independent Director of the Board of Directors of SM Prime in April 2021. He is concurrently an independent director of Transnational Diversified Group, Inc., Federal Land, Inc., Solar Philippines Power Project Holdings, Inc., Asialink Finance Corporation and Global Dominion Financing Incorporated and MarCoPay Inc.'s subsidiaries such as MCP Finance, Inc., MCP Insurance Management and Agency, Inc., and an independent trustee of the MPIC Beneficial Trust Fund. He is also an independent director of Solar Philippines New Energy Corporation (formerly Solar Philippines Nueva Ecija Corporation) and Vivant Corporation (both of which are listed companies). He is also a member of the Board of Trustees of the Makati Business Club, Inc. Mr. 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. 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 :

Vivant Corporation	Independent Director
Solar Philippines New Energy Corporation (formerly Solar Philippines Nueva Ecija Corporation)	Independent Director

2022 BOARD ATTENDANCE : 100%; 9 of 9 Board Meetings
100%; 4 of 4 Audit Committee Meetings
100%; 4 of 4 Board Risk Oversight Committee Meetings
100%; 4 of 4 Corporate Governance Committee Meetings

DATE OF FIRST APPOINTMENT : April 2021
NO. OF YEARS ON THE BOARD : 1 Year
SHAREHOLDINGS : 0.0000%
OTHER INFORMATION : No conflict of interest transactions in the past year.

NAME : JEFFREY C. LIM
AGE : 61 YRS.
DESIGNATION : Executive Director



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
2022 BOARD ATTENDANCE : 100%; 9 of 9 Board Meetings
DATE OF FIRST APPOINTMENT : April 2016
NO. OF YEARS ON THE BOARD : 7 Years
SHAREHOLDINGS : 0.0002%
OTHER INFORMATION : No conflict of interest transactions in the past year.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
- [] Preliminary Information Statement
- [✓] Definitive Information Statement
2. Name of Registrant as specified in its charter **SM PRIME HOLDINGS, INC.**
3. **PHILIPPINES**
Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number **AS094-000088**
5. BIR Tax Identification Code **003-058-789**
6. **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
Address of principal office Postal Code
7. Registrant's telephone number, including area code **(632) 8831-1000**
8. **April 25, 2023, 2:30 P.M. Forbes Ballroom 1 and 2, Conrad Manila, Seaside Blvd.**
corner Coral Way, Mall of Asia Complex, Pasay City
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:
March 17, 2023
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):
- A. Shares of stock as of February 28, 2023
- | | |
|-----------------------------|------------------------------|
| <u>Common shares</u> | <u>28,879,231,694</u> |
|-----------------------------|------------------------------|
- B. Debt Securities outstanding as February 28, 2023
- | | |
|----------------------------|--------------------------------|
| <u>Retail Bonds</u> | <u>₱119,632,740,000</u> |
|----------------------------|--------------------------------|
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 25, 2023
	Time	:	2:30 p.m.
	Place	:	Forbes Ballroom 1 and 2, Conrad Manila, Seaside Blvd. corner Coral Way, Mall of Asia Complex, Pasay City (with livestreaming for stockholders who successfully registered their intention to participate remotely)
	Mailing Address of Registrant	:	SM Prime Holdings, Inc. 10 th 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

(b) Approximate date on which the Information Statement will be sent or given to the stockholders is on **March 17, 2023**.

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)** entitled to notice of, and to vote, during the Annual Stockholders' Meeting is March 17, 2023 (**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).

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. Stockholders are entitled to cumulative voting in the election of directors as provided under Section 23 of the Revised Corporation Code, where one (1) share is entitled to as many votes as there are directors to be elected. Each stockholder entitled to vote 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.

In light of prevailing situation, the Company will comply with government-issued regulations to ensure the safety and welfare of stockholders and everyone involved.

The Company, though its Board of Directors, likewise adopted resolutions to still allow stockholders to participate in the Annual Stockholders' Meeting via remote communication and to exercise their right to vote *in absentia*. The meeting will be broadcasted via livestreaming, accessible to successfully registered stockholders.

Stockholders as of Record Date who intend to attend in the meeting remotely must inform the Corporate Secretary of their intention to participate in the meeting and to vote *in absentia* by registering at asmregister.smprime.com on or before **April 20, 2023 (Thursday)**. All information received will be subject to verification and validation by the Corporate Secretary. Stockholders who registered shall be considered present for purposes of quorum for the meeting. Voting through the Company's secure online voting facility shall be 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 Remote Participation and Voting in Absentia” appended as Annex to this Information Statement.

The Company will record the proceedings and maintain a copy with the office of the Corporate Secretary.

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;
- (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 this year's 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

(1) Number of Common Shares Outstanding

The Company has 28,879,231,694 (net of 4,287,068,381 treasury shares) common shares outstanding as of February 28, 2023. Out of the aforesaid outstanding common shares as of February 28, 2023, 6,861,822,844 common shares are held by non-Filipinos.

(2) Record Date

All stockholders of record as of March 17, 2023 are entitled to notice of, and to vote at, the Annual Stockholders' Meeting.

(3) Manner of Voting and Election of Directors (Cumulative Voting)

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.

While this year's meeting will be held in person, the Board of Directors has adopted a resolution still allowing stockholders to participate remotely and to vote *in absentia* if unable to attend physically. SMPH provides and maintains its own online voting facility where registered stockholders can cast their votes. Stockholders who wish to vote *in absentia* are required to register at asmregister.smpprime.com and will be given access to the secure online voting portal. *The detailed guidelines for remote participation and voting in absentia for this meeting are set forth in the "Guidelines for Remote Participation and Voting in Absentia" annexed to this Information Statement.*

Registration and voting procedures are further detailed in Item 19.

(4) Security Ownership of Certain Record and Beneficial Owners as of February 28, 2023

The following are the stockholders owning more than 5% of total outstanding common shares of stock of the Company as of February 28, 2023:

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 Corporation ³ (PCNC) ³ 37F Tower 1, The Enterprise Center, Ayala Ave., Makati City	PCD Participants ⁴	Filipino – 10.60% Non-Filipino – 23.75%	9,920,442,028 (r)	34.3515

¹ The following are the individuals holding the direct beneficial ownership of SMIC: Henry T. Sy, Jr.-6.29%, Hans T. Sy-8.59%, Herbert T. Sy-8.11%, Harley T. Sy-7.67%, Teresita T. Sy-7.03% and Elizabeth T. Sy-6.31%.

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 lodged in PDTC.

(5) Security Ownership of Management as of February 28, 2023

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	Henry T. Sy, Jr.	F	367,161,915 (D&I)	V	1.2714
-do-	Hans T. Sy	F	682,162,901 (D&I)	V	2.3621
-do-	Teresita T. Sy	F	667,272,021 (D&I)	V	2.3106
-do-	Elizabeth T. Sy	F	667,166,537 (D&I)	V	2.3102
-do-	Herbert T. Sy	F	666,953,011 (D&I)	V	2.3095
-do-	Jorge T. Mendiola	F	703,167 (D&I)	V	0.0024
-do-	Jeffrey C. Lim	F	50,000 (I)	V	0.0002
-do-	Amando M. Tetangco, Jr.	F	1,000 (D)	V	0.0000
-do-	J Carlitos G. Cruz	F	100 (I)	V	0.0000
-do-	Darlene Marie B. Berberabe	F	100 (I)	V	0.0000
-do-	Steven T. Tan	F	52,700 (I)	V	0.0002
-do-	Glenn D. Ang	F	46,300 (I)	V	0.0002
-do-	Jose Mari H. Banzon	F	25,000 (I)	V	0.0001
-do-	Antonio Felix L. Ortiga	F	5,000 (I)	V	0.0000
-do-	Joana B. Tiangco	F	3,600 (I)	V	0.0000
	All directors and executive officers as a group		3,051,603,352		10.5668

There are no persons holding more than 5% of a class under a voting trust or any similar agreements as of February 28, 2023.

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.

ITEM 5. Directors and Executive Officers of the Registrant

DIRECTORS AND EXECUTIVE OFFICERS

Office	Name	Citizenship	Age
Chairman	Henry T. Sy, Jr.	Filipino	69
Vice Chairman and Lead Independent Director	Amando M Tetangco, Jr.	Filipino	70
Independent Director	J. Carlitos G. Cruz	Filipino	62
Independent Director	Darlene Marie B. Berberabe	Filipino	54
Director and President	Jeffrey C. Lim	Filipino	61
Director	Hans T. Sy	Filipino	67
Director	Herbert T. Sy	Filipino	66
Director	Jorge T. Mendiola	Filipino	63
Adviser to the Board of Directors	Teresita T. Sy	Filipino	72
Adviser to the Board of Directors	Elizabeth T. Sy	Filipino	70
Corporate Secretary/Alternate Compliance Officer	Elmer B. Serrano	Filipino	55
Assistant Corporate Secretary and Alternate Corporate Information Officer	Arthur A. Sy	Filipino	53
Chief Finance Officer/Corporate Information Officer	John Nai Peng C. Ong	Filipino	53
Vice President - Internal Audit	Christopher S. Bautista	Filipino	63
Chief Risk Officer/Chief Compliance Officer	Marvin Perrin L. Pe	Filipino	44
President, Malls	Steven T. Tan	Filipino	53

Office	Name	Citizenship	Age
President, Residential (Primary)	Jose Mari H. Banzon	Filipino	62
EVP, Residential (Leisure)	Shirley C. Ong	Filipino	61
VP, Commercial	Antonio Felix L. Ortiga	Filipino	44
EVP, Hotels and Convention Centers	Ma. Luisa E. Angeles	Filipino	64
President, SM Smart City	Glenn D. Ang	Filipino	59

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 SMIC and all its subsidiaries (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 (SMDC), Chairman of Pico de Loro Beach and Country Club Inc., Vice Chairman of The National Grid Corporation of the Philippines and Chairman of the Board of Synergy Grid & Development Phils., Inc. He holds a Bachelor's Degree in Management from De La Salle University.

Amando M. Tetangco, Jr.* was elected as Vice Chairman and Independent Director of the Board of Directors of SM Prime in April 2021. He is concurrently an independent director of Belle Corporation, Converge ICT Solutions, Inc. and Pilipinas Shell Petroleum Corporation. He also currently holds directorates in Manila Hotel, Toyota Motor Philippines and CIBI Information, Inc. He is also a trustee of St. Luke's Medical Center, Tan Yan Kee Foundation and Foundation for Liberty and Prosperity.

Mr. Tetangco was the third Governor of the Bangko Sentral ng Pilipinas (BSP) and Chairman of the Monetary Board, and served for two consecutive 6-year terms from July 2005 to July 2017. He was a career central banker for over four decades, having joined the Central Bank of the Philippines (the predecessor of BSP) on March 25 1974. During his term as Governor, he held other government positions, such as the Chairman of the Anti-Money Laundering Council, the Financial Stability Coordination Council, and the Philippine International Convention Center. He was also Vice-Chair of the Agriculture Credit Policy Council; and a member of the Capital Markets Development Council and the Export Development Council. Prior to his first appointment as Governor in 2005, he was Deputy Governor in-charge of the Banking Services Sector, Economic Research and Treasury of the BSP. He also was the Alternate Executive Director of the International Monetary Fund in Washington, D.C. from 1992 to 1994. Before joining the Central Bank, he worked briefly at the Management Services Division of SGV & Co. in 1973 to 1974.

Overseas, he was the country's representative to the ASEAN Central Bank Forum; the Executives' Meeting of East Asia and Pacific Central Banks; the South East Asia Central Banks; the South East Asia, New Zealand and Australia; and the Center for Latin American Monetary Studies. He was the Governor for the Philippines at the International Monetary Fund and the Alternate Governor at the World Bank and the Asian Development Bank. At the Bank for International Settlements, he was Chair of the Meeting of Small Open Economies. He also chaired various international committees -- the BIS Asian Consultative Council; the Financial Stability Board Regional Consultative Group for Asia; and the Alliance for Financial Inclusion Steering Committee.

He was conferred the Order of Lakandula with the Rank of Bayani by the President of the Philippines in 2009 and the Order of the Rising Sun, Gold and Silver Star by the Emperor of Japan in 2019. He also received multiple recognition by a number of international organizations as one of the best central bank governors and chosen as MAP Management Man of the Year in 2015.

Mr. Tetangco graduated from Ateneo de Manila University with an AB Economics degree (cum laude), and obtained his Masters in Public Policy and Administration (Development Economics) at the University of Wisconsin at Madison, Wisconsin, USA, as a BSP scholar. He attended various training

programs at different institutions, including the Harvard Business School and the New York Institute of Finance.

J. Carlitos G. Cruz* was elected as an Independent Director of the Board of Directors of SM Prime in April 2021. He is concurrently an independent director of Transnational Diversified Group, Inc., Federal Land, Inc., Solar Philippines Power Project Holdings, Inc., Asialink Finance Corporation, South Asialink Finance Corporation, Global Dominion Financing Incorporated, MarCoPay Inc. and its subsidiaries such as MCP Finance, Inc., MCP Insurance Management and Agency, Inc., and an independent trustee of the MPIC Beneficial Trust Fund. He is also an independent director of Solar Philippines New Energy Corporation (formerly Solar Philippines Nueva Ecija Corporation) and Vivant Corporation (both of which are listed companies). He is also a member of the Board of Trustees of the Makati Business Club, Inc. Mr. Cruz joined SGV & Co. in 1981 and was admitted to the partnership in 1995. He was later on appointed Chairman and Managing Partner in 2017 until 2019. Concurrent with his role as SGV Chairman and Managing Partner, he was also Chairman and President of the SGV Foundation. He also became President of 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. 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.

Darlene Marie B. Berberabe* was elected as an Independent Director of the Board of Directors of SM Prime in April 2021. She is a lawyer, management consultant, and currently holds directorates in Joy-Nostalg Solaris Inc., Palm Concepcion Power Corporation, PA Alvarez and Katapult Digital Corp. She is also a faculty member of the Philippine Judicial Academy. She is also elected to the Board of Trustees of The Outstanding Women in Nation Service, Philippine Heart Association and University of the Philippines (UP) Law Alumni Foundation. She was an associate lawyer in Quisumbing Torres Law Firm with specialization on labor law. Post law firm, she joined Procter & Gamble Philippines where she was a Senior Counsel and member of the Leadership Team. In 2010, she was appointed by the President of the Republic of the Philippines as the CEO of Pag-IBIG Fund. She was a recipient of a number of awards including Outstanding CEO in Asia by the ADFIAP, Outstanding CEO in the public sector by Asia CEO, one of the The Outstanding Women in Nation Service in 2013, and one of the 100 Most Influential Filipino Women in 2014. She graduated with a degree in Philosophy from UP, summa cum laude and class valedictorian of the College of Social Sciences and Philosophy in 1989. She was the first female Philosophy instructor in the same school where she taught for 10 years, and has a Masters in Philosophy. She was a working student and graduated salutatorian of her class in UP Law in 1999.

** Independent director – The Independent Directors of the Company are Messrs. **Amando M. Tetangco, Jr. and J. Carlitos G. Cruz, and Ms. Darlene Marie B. Berberabe.** The Company has complied and will comply with the Guidelines set forth by 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 SMPH'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 SMIC, Chairman of China Banking Corporation, and Chairman of National University. Mr. Sy holds a B.S. Mechanical Engineering degree from De La Salle University.

Herbert T. Sy has been a director of the SM Prime since 1994. He is also an Adviser to the Board of SMIC and is currently the Chairman of Supervalu Inc., Super Shopping Market Inc. and Sanford Marketing Corporation and Director of Alfamart Trading Philippines Inc. and China Banking Corporation. He also sits in the Board of several companies within the SM Group and has worked with SM companies engaged in food retail for more than 35 years. He is likewise actively involved in the SM Group's Supermarket Operations, which include acquisition, evaluation and negotiation for potential sites. He holds a Bachelor's degree in Management from De La Salle University.

Jorge T. Mendiola has been a director of 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 since November 2014. Mr. Serrano is a practicing lawyer specializing in corporate law and is the Managing Partner of the law firm SERRANO LAW. Mr. Serrano has been awarded "Asia Best Lawyer" by the International Financial Law Review (IFLR), "Leading Lawyer-Highly Regarded" by IFLR 1000, and named "Leading Individual" by the Legal 500 Asia Pacific.

Mr. Serrano is a director of 2GO Group, Inc. and an Independent Director of Philippine Telegraph and Telephone Corporation. He is Corporate Secretary of some of the largest and most respected publicly listed companies in the Philippines, including SMIC, Atlas Consolidated Mining and Development Corporation and Premium Leisure Corp. as well as subsidiaries of BDO Unibank, Inc. He is also Corporate Secretary of, or counsel to, prominent financial industry organizations, such as the Bankers Association of the Philippines and the Philippine Payments Management, Inc. and the PDS Group of Companies.

Mr. Serrano is a Certified Associate Treasury Professional and was among the top graduates of the Trust Institute of the Philippines in 2001. Mr. Serrano holds a Juris Doctor degree from the Ateneo de Manila University and a BS Legal Management degree from the same university.

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, Corporate Information 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.

Marvin Perrin L. Pe is the Chief Risk Officer and Chief Compliance Officer. 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. Mr. Tan began his career in Howard Plaza Hotel at Taipei, Taiwan from 1990 to 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 President / CEO of Highlands Prime Inc., and the President / Chairman of Costa del Hamilo. 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 29 years of experience, 25 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.

Antonio Felix L. Ortiga is the Business Unit Head for Commercial. He joined the Costa Del Hamilo, Inc. (CDHI) team in 2014. In his more than 8 years with CDHI, he has been appointed to oversee numerous functions, including Head of Projects, Head of Sales, and Head of Property Operations. Before joining SM Group, he had local and international experience with well-established and recognized companies. A graduate of Georgetown University's McDonough School of Business in Washington DC, USA with a degree of Bachelor of Science in Business Administration, Double Major in Finance and Marketing, Magna Cum Laude, he also completed his Masters of Business Administration with focus on Finance Concentration in 2007 at the Hong Kong University of Science and Technology.

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 UP. She has more than 40 years of work expertise in the hotel management industry specifically in the field of sales, marketing, revenue management, operations, project development and management.

Glenn D. Ang is the President of SM Smart City Infrastructure and Development Corporation. He previously held the position of Senior Vice President for Operations of SM Supermalls where he joined the company since 1992. He is a Certified Public Accountant and holds a Bachelor's degree in Accounting from San Beda University. He received his Post Graduate Certificate in Management Development Program from the Asian Institute of Management. Mr. Ang worked for SGV & Co. prior to joining the Company.

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.

<i>Name of Corporation</i>	<i>Position</i>
Synergy Grid & Development Phils., Inc.	Chairman of the Board
SM Investments Corporation	Vice Chairman

Amando M. Tetangco, Jr.

<i>Name of Corporation</i>	<i>Position</i>
Belle Corporation.....	Independent Director
Converge ICT Solutions, Inc.....	Independent Director
Pilipinas Shell Petroleum Corporation.....	Independent Director

J. Carlitos G. Cruz

<i>Name of Corporation</i>	<i>Position</i>
Vivant Corporation.....	Independent Director
Solar Philippines New Energy Corporation	Independent Director

Hans T. Sy

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

Herbert T. Sy

<i>Name of Corporation</i>	<i>Position</i>
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
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Elmer B. Serrano***Name of Corporation******Position***

Dominion Holdings, Inc. (formerly BDO Leasing Finance, Inc.)... ..	Chairman
2GO Group, Inc.....	Director
DFNN, Inc.....	Director
Philippine Telegraph and Telephone Corporation.....	Independent Director

Board Committees

The members of the Audit Committee are:

AMANDO M. TETANGCO, JR.	-	Chairman (Independent Director)
DARLENE MARIE B. BERBERABE	-	Member (Independent Director)
J. CARLITOS G. CRUZ	-	Member (Independent Director)
JORGE T. MENDIOLA	-	Member
JOSE T. SIO	-	Adviser

The members of the Corporate Governance Committee are:

DARLENE MARIE B. BERBERABE	-	Chairperson (Independent Director)
J. CARLITOS G. CRUZ	-	Member (Independent Director)
AMANDO M. TETANGCO, JR.	-	Member (Independent Director)

The members of the Risk Oversight Committee are:

J. CARLITOS G. CRUZ	-	Chairman (Independent Director)
AMANDO M. TETANGCO, JR.	-	Member (Independent Director)
JORGE T. MENDIOLA	-	Member
JOSE T. SIO	-	Adviser

The members of the Related Party Transactions Committee are:

DARLENE MARIE B. BERBERABE	-	Chairperson (Independent Director)
AMANDO M. TETANGCO, JR.	-	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. Amando M. Tetangco, Jr. is the Company's Lead Independent Director.

Directors and Officers for 2023-2024

The Corporate Governance Committee, confirmed by the Board, pre-qualified the following nominee for election as directors for 2023-2024 at the forthcoming Annual Stockholders' Meeting:

HENRY T. SY, JR.	-	Chairman
AMANDO M. TETANGCO, JR.	-	Vice-Chairman (Lead Independent Director)
J. CARLITOS G. CRUZ	-	Independent Director
DARLENE MARIE B. BERBERABE	-	Independent Director
HANS T. SY	-	Director
HERBERT T. SY	-	Director
JORGE T. MENDIOLA	-	Director
JEFFREY C. LIM	-	Director

Mr. Martin Jerald P. Juco, among others, nominated to the Board for inclusion in the Final List of Candidates for Independent Directors the following stockholders:

Amando M. Tetangco, Jr.
J. Carlitos G. Cruz
Darlene Marie B. Berberabe

Mr. Juco is not related to Messrs. Amando M. Tetangco, Jr and J. Carlitos G. Cruz, and Ms. Darlene Marie B. 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.

No Director has resigned or declined to stand for re-election to the Board since the date of the last meeting because of disagreement with the Company on any matter relating to the Company's operations, policies or practices.

As to Officers for 2023-2024, 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
Amando M. Tetangco, Jr.	Vice Chairman and Lead Independent Director
Jeffrey C. Lim	President
John Nai Peng C. Ong	Chief Finance Officer/ Corporate Information Officer/ Chief Compliance Officer
Elmer B. Serrano	Corporate Secretary/Alternate Compliance Officer
Arthur A. Sy	Assistant Corporate Secretary/Alternate Corporate Information Officer
Marvin Perrin L. Pe	Chief Audit Executive
Joana B. Tiangco	Chief Risk Officer
Steven T. Tan	President, Malls
Jose Mari H. Banzon	President, Residential (Primary)
Shirley C. Ong	EVP, Residential (Leisure)
Antonio Felix L. Ortiga	VP, Commercial
Ma. Luisa E. Angeles	EVP, Hotels and Convention Centers
Glenn D. Ang	President, SM Smart City

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

Except as disclosed, 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 Securities and Exchange Commission (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 Highly Compensated Executive Officers	2023 (estimate)	174	29
	2022 (actual)	161	26
	2021(actual)	149	25
All other officers* as a group unnamed	2023 (estimate)	442	75
	2022 (actual)	409	68
	2021 (actual)	355	59

**Managers & up*

(A.) Compensation of Directors

In 2022, 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
Amando M. Tetangco, Jr. (Independent Director)	₱ 6,000,000
J. Carlitos G. Cruz (Independent Director)	₱ 5,000,000
Darlene Marie B. Berberabe (Independent Director)	₱ 4,800,000
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 2022 allocated among directors does not exceed 10% of the total income of the Company before tax for 2022 in accordance with the Company's By-laws and relevant laws and regulations.

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

There are no other employees who are not Executive Officers who are expected by Company to make significant contribution to its business.

(B.) Certain Relationships and Related Transactions

The Company, in the regular course of trade or business, enters into transactions with affiliates/ related companies principally consisting of leasing agreements, management fees and cash placements. Generally, leasing and management agreements are renewed on an annual basis and are made at normal market prices. Outstanding balances at year-end are unsecured, noninterest-bearing and generally settled within 30 to 90 days. In addition, the Company also has outstanding borrowings/ placements from/ to related banks. There have been no guarantees/collaterals provided or received for any related party receivables or payables. For the year ended December 31, 2022, 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.

Please refer to Note 19 of the attached 2022 audited consolidated financial statements of the Company for the description of related party transactions of SMPH. These are non-material transactions and arrangements in the ordinary course of business and include lease agreements for office and commercial spaces with related companies such as SM Retail, BDO Unibank and China Banking Corporation, among others, the provision of manpower and other services to affiliates, as well as treasury transactions (e.g. maintenance of depository accounts, cash placements and loan availments in the ordinary course of business with BDO Unibank and China Bank) which are all on an arms' length basis in accordance with the Company's *Revised Related Party Transactions Policy* and priced based on prevailing market rates.

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

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

ITEM 7. Independent Public Accountants

SGV & Co., the external auditor of the Company for the current year, is subject to re-appointment as the Company's external auditor for 2023 with the endorsement of the Audit Committee and approval of the Board of Directors. SGV's appointment for 2023 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 seven (7) years of engagement with a two-year cooling off period for the re-engagement of the same signing partner, Ms. Belinda T. Beng Hui of SGV & Co. assumed as its engagement partner in 2021 after the five-year term of Mr. Sherwin V. Yason from 2016-2020. Ms. Beng Hui last served as SGV's engagement partner for SMPH from 2011-2015.

The fees to SGV & Co. and Ernst & Young (EY) for assurance services for the years ended December 31, 2022 and 2021 amounted to ₱15.49 million and ₱11.37 million, respectively. Services rendered include audit of year-end financial statements and supplementary schedules for submission to SEC and BIR. Other professional fees rendered by SGV & Co. and EY for non-assurance services including the review of the Company's financial statements in connection with its bond issuance and advisory services amounted to ₱3.44 million and ₱5.47 million for the years ended December 31, 2022 and 2021, respectively.

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 Management Report and the Company's audited consolidated financial statements for the years ended December 31, 2022, 2021 and 2020 are herein attached as reference.

ITEM 12. Mergers, Consolidations Acquisitions and Similar Matters

No action will be presented for stockholders' approval at the annual meeting in respect of (i) any merger or consolidation of SMPH into or with any other person, or of any other person into or with SMPH, (ii) any acquisition by SMPH or any of its shareholders of securities of another person, (iii) any acquisition by SMPH of any other going business or of the assets thereof, (iv) the sale or transfer of 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 April 25, 2022.
- (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; and
- (c) Appointments of signatories and amendments thereof.

Appended to this Information Statement are the abovementioned minutes of the Annual Stockholders' Meeting of the Company held on April 25, 2022 which fully reflect the proceedings during the meeting in accordance with Section 49 of the Revised Corporation Code, 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, duly certified to by the Corporate Secretary, verified by the Company's Stock Transfer Agent, BDO Stock Transfer, and validated by SGV & Co. The office of the Corporate Secretary has in its custody the full list and names of stockholders who participated in the hybrid 2022 Annual Stockholders' Meeting.

These minutes were posted in the Company's website within twenty-four (24) hours from adjournment of the meeting. In compliance with rules of the SEC, the Company's Definitive Information Statement (DIS) for the 2022 Annual Meeting were uploaded via PSE EDGE on March 17, 2022 and posted on the Company's website and published in the Business Sections of Manila Bulletin and the Philippine Daily Inquirer, in print and online formats prior to the 2022 Annual Meeting. This DIS contains detailed discussions on the material information on the current stockholders, and their voting rights. The same information are found in this Information on Item 1 (Voting Securities), Item 4 (Voting Securities and Principal Holders Thereof), Item 19 (Voting Procedures) and Item 20 (Market for Registrant's Common Equity and Related Stockholders Matters).

The list of stockholders entitled to vote at the upcoming Meeting is also available for inspection at the Company's principal office on business days within reasonable hours.

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

For 2022, below is the summary of attendance of incumbent directors, indicating the attendance of each of the meetings of the board and its committees and in last regular stockholders' meeting:

Name of Director	% of Attendance in Board Meetings	% of Attendance in Committee Meetings
Henry T. Sy, Jr.	100%	100%
Amando M. Tetangco, Jr.	100%	100%
Darlene Marie B. Berberabe	100%	100%
J. Carlitos G. Cruz	100%	100%
Hans T. Sy	100%	100%
Herbert T. Sy	100%	100%
Jorge T. Mendiola	100%	100%
Jeffrey C. Lim	100%	100%

All directors were also present during the 2022 Annual Meeting of the Company.

The Board and its Committees annually conducts self-evaluation to assess their performance as a body. The Board gives its annual assessment of its performance of the Chairman, individual directors and Committees. Every three (3) years, the assessment is conducted by an external facilitator in accordance with the Company's Manual of Corporate Governance.

For the period ended December 31, 2022, there were no self-dealings or related party transactions by any director which require disclosure.

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

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 the Minutes of Annual Stockholders' Meeting held on April 25, 2022;
- (b) Ratification of the Acts of Board of Directors, Board Committees and Management during their term;
- (c) Approval of the Annual Report for 2022;
- (d) Election of directors for 2023-2024; and
- (e) Appointment of external auditor for 2023.

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(3) 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. However, election of directors will be conducted by ballot if so requested by voting stockholders. For election of directors, the stockholders are entitled to cumulate their votes as discussed in Part B, Item 4(c) of this Information Statement.

Stockholders may vote be by personally attending the meeting or through their appointed proxies.

Proxies

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, or no later than **2:30 p.m. on April 22, 2023 (Saturday)**, at the Office of the Corporate Secretary at 1105 Tower 2 High Street South Corporate Plaza, 26th Street, Bonifacio Global City, Taguig City. 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 2023 Proxy" to the Company's Investor Relations Division at info@smprime.com.

Voting In Absentia

Stockholders may also vote *in absentia* and pre-cast their votes through the Company's secure online voting facility for this meeting. *The detailed guidelines for remote participation and voting in absentia for this meeting are set forth in the "Guidelines for Remote Participation and Voting in Absentia" annexed to this Information Statement.*

Stockholders as of Record Date who have successfully registered their intention to participate remotely 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 or their proxies can then cast their votes on specific matters for approval via the online voting portal, including the election of directors.

Tabulation of Votes

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. Pre-casted votes will be automatically tabulated and counted at the close of registration and *in absentia* voting period on **April 20, 2023**.

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.

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

CASH DIVIDEND PER SHARE - ₱0.097 in 2022, ₱0.082 in 2021 and ₱0.185 in 2020.

As of the date of this report, cash dividends for 2023 have not yet been declared. This will be discussed in a Board meeting prior to the annual stockholders' meeting.

Stock Prices	2022		2021	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
First Quarter	₱39.90	₱33.10	₱41.95	₱33.55
Second Quarter	40.05	33.30	40.05	31.80
Third Quarter	39.00	29.70	37.55	31.45
Fourth Quarter	37.00	29.80	37.50	32.55

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

As of February 28, 2023, the closing price of the Company's shares of stock is ₱34.05/share. For the month ending February 28, 2023, stock prices of SMPH were at a high of ₱38.90/share and a low of ₱34.05/share.

The number of shareholders of record as of February 28, 2023 was 2,344. Capital stock issued and outstanding as of February 28, 2023 was 28,879,231,694.

In 2022, the Board of Directors approved the declaration of cash dividend of ₱0.097 per share or ₱2,801 million to stockholders of record as of May 11, 2022, ₱2 million of which was received by SMDC. This was paid on May 24, 2022. In 2021, the Board of Directors approved the declaration of cash dividends of ₱0.082 per share or ₱2,368 million to stockholders of record as of May 5, 2021. This was paid on May 19, 2021.

The policy of the Company is to provide a sustainable dividend stream to its shareholders. The Board of Directors determines the dividend payout taking into consideration the Company's operating results, cash flows, capital investment needs and debt servicing requirements. Dividends shall be paid within thirty (30) days from the date of declaration.

As of December 31, 2022, and 2021, there are no restrictions that would limit the ability of the Company to pay dividends to the common stockholders, except with respect to Note 18 of the consolidated financial statements.

The top 20 stockholders of the Company as of February 28, 2023 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)	6,859,065,434	23.7509
3.	PCD Nominee Corp. (Filipino)	3,061,376,594	10.6006
4.	Harley T. Sy	691,378,895	2.3940
5.	Teresita T. Sy	662,687,582	2.2947
6.	Elizabeth T. Sy	662,582,098	2.2943
7.	Herbert T. Sy	662,368,571	2.2936
8.	Hans T. Sy	656,870,518	2.2745
9.	Syntrix Holdings, Inc.	316,434,740	1.0957
10.	Sysmart Corporation	265,302,884	0.9187
11.	Cutad, Inc.	19,694,544	0.0682
12.	HSBB, Inc.	19,694,400	0.0682
13.	Henry T. Sy, Jr.	6,842,082	0.0237
14.	Lucky Securities, Inc.	1,810,000	0.0063
15.	William T. Gabaldon	1,500,000	0.0052
16.	Henry III Tamesis Sy	912,575	0.0032
17.	Jose T. Tan &/or Pacita L. Tan	892,126	0.0031
18.	Jasmin T. Sy	855,607	0.0030
19.	Senen Mendiola	800,763	0.0028
20.	Deborah Pe	781,909	0.0027

The Company registered with the SEC the ₱30.00 billion fixed rate bonds issued on April 22, 2022. The issue consists of the 5-year or Series P Bonds amounting to ₱10.92 billion with a fixed interest equivalent to 5.6141% per annum due on 2027, the 7-year or Series Q Bonds amounting to ₱13.03 billion with a fixed interest equivalent to 6.1175% per annum due on 2029 and the 10-year or Series R Bonds amounting to ₱6.05 billion with a fixed interest equivalent to 6.5432% per annum due on 2032.

The Company registered with the SEC the ₱10.0 billion fixed rate bonds issued on November 15, 2021. The issue consists of the 7-year or Series O Bonds amounting to ₱10.00 billion with a fixed interest equivalent to 5.0994% per annum due on 2028.

The Company also registered with the SEC the ₱10.00 billion fixed rate bonds issued on February 5, 2021. The issue consists of the 2.5-year or Series M Bonds amounting to ₱7.50 billion with a fixed interest equivalent to 2.4565% per annum due on 2023 and 5-year or Series N Bonds amounting to ₱2.50 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 likewise no existing or planned stock options for the Company. There are no registered securities subject to redemption or call. There are no existing or planned stock warrant offerings.

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 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. The Company is fully compliant with the Manual and thus, does not have any deviation from the said Manual.

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 (3) 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 orientation program of the Human Resources Department (HRD) 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

The Company conducts regular monitoring of its and its directors and officers' compliance with the Manual of Corporate Governance. The Company submits every year its Integrated Annual Corporate Governance Report, which shows that it has complied with the recommendations under the Code of Corporate Governance for Publicly-Listed Companies.

The Company also keeps itself abreast of relevant regulatory issuances and requirements and global best practices and familiarizes itself with updates and trends even before they are required by local regulations. This is part of the continuing efforts to improve corporate governance of SMPH.

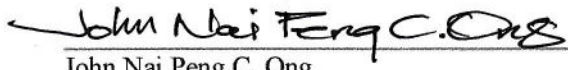
NOTE: SMPH will provide to its stockholders free of charge printed copies of the Company's Annual Report (SEC Form 17-A) upon written request addressed to Mr. John Nai Peng C. Ong, Chief Finance Officer, at 10th Floor, Mall of Asia Arena Annex Building, Coral Way cor. J.W. Diokno Blvd., Mall of Asia 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 9, 2023.

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


John Nai Peng C. Ong
Chief Finance Officer

MANAGEMENT REPORT

A. 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**). 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 1300.

The subsidiaries of the Company are as follows:

Company	Country of Incorporation	Percentage of Ownership	
		2022	2021
Malls			
First Asia Realty Development Corporation (FARDC)	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
Springfield Global Enterprises Limited	- do -	100.0	100.0
Simply Prestige Limited and Subsidiaries	- do -	100.0	100.0
SM Land (China) Limited and Subsidiaries (SM Land China)	Hong Kong	100.0	100.0
Rushmore Holdings, Inc.	Philippines	100.0	100.0
Prime_Commercial Property Management Corp. and Subsidiaries	- do -	100.0	100.0
Magenta Legacy, Inc.	- do -	100.0	100.0
Associated Development Corporation	- do -	100.0	100.0
Prime Metroestate, Inc. and Subsidiary	- do -	100.0	100.0
SM Arena Complex Corporation	- do -	100.0	100.0
Mindpro, Incorporated	- do -	70.0	70.0
A. Canicosa Holdings, Inc.	- do -	100.0	100.0
AD Canicosa Properties, Inc.	- do -	100.0	100.0
Cherry Realty Development Corporation	- do -	100.0	100.0
Supermalls Transport Services, Inc.	- do -	100.0	100.0
Britannia Trading Corp. and Subsidiaries (BTC)	- do -	100.0	—
Residential			
SM Development Corporation and Subsidiaries (SMDC)	- do -	100.0	100.0
Highlands Prime Inc. and Subsidiary	- do -	100.0	100.0
Costa del Hamilo Inc. and Subsidiary	- do -	100.0	100.0
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	100.0
Hotels and Convention Centers			
SM Hotels and Conventions Corp. and Subsidiaries	- do -	100.0	100.0

Malls

SM Prime's mall business unit operates and maintains 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, including cinema ticket sales and amusement income from bowling and ice skating. As of December 31, 2022, the mall business unit has eighty-two shopping malls in the Philippines with 9.0 million square meters of GFA and seven shopping malls in China with 1.4 million square meters of GFA.

In 2022, SM Prime's mall business unit opened four malls in the Philippines namely, SM City Roxas in Capiz, SM City Tanza in Cavite, SM City Sorsogon City and SM City Tuguegarao in Tuguegarao City. The Company intends to launch three new malls in the Philippines in 2023 namely SM City Bataan, SM Center San Pedro, SM City Sto. Tomas. These new malls, plus the expansion of the Company's existing malls, will provide an addition of almost 0.2 million square meters of GFA. The Company also intends to launch one new mall in Yangzhou, China in 2023 which will provide an addition of almost 0.2 million square meters of GFA.

Residential

SM Prime's revenues from residential business is derived largely from the sale of condominium units. As of December 31, 2022, residential business unit has sixty-four residential projects, forty-six of which are in Metro Manila and eighteen 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, 2022, SM Prime has eighteen office buildings with a combined GFA of 1.5 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, 2022, the hotels and convention centers business unit is composed of nine hotels with over 2,200 saleable rooms; six convention centers and two trade halls.

B. Changes in and disagreements with accountants on accounting and financial disclosure

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

C. Management's Discussion and Analysis or Plan of Operation

Income Statements

(in ₱ thousands)	Years Ended December 31			
	2022	2021	Increase (Decrease)	
	(Audited)		in ₱	in %
REVENUE				
Rent	₱58,243,913	₱34,694,185	₱23,549,728	68%
Real estate sales	39,046,514	45,116,120	(6,069,606)	(13%)
Others	8,495,208	2,505,179	5,990,029	239%
	105,785,635	82,315,484	23,470,151	29%
COSTS AND EXPENSES	56,542,322	49,900,933	6,641,389	13%
	49,243,313	32,414,551	16,828,762	52%
INCOME FROM OPERATIONS				
OTHER INCOME (CHARGES)				
				23%
Interest expense	(11,465,787)	(9,357,616)	(2,108,171)	
Interest and dividend income	1,775,740	1,025,066	750,674	73%
Others – net	(839,262)	3,651,524	(4,490,786)	(123%)
	(10,529,309)	(4,681,026)	(5,848,283)	125%
INCOME BEFORE INCOME TAX	38,714,004	27,733,525	10,980,479	40%
PROVISION FOR INCOME TAX				
				141%
Current	6,783,913	2,816,720	3,967,193	
Deferred	1,186,962	3,005,402	(1,818,440)	(61%)
	7,970,875	5,822,122	2,148,753	37%
NET INCOME	₱30,743,129	₱21,911,403	₱8,831,726	40%
Attributable to				
				38%
Equity holders of the Parent	₱30,099,799	₱21,786,516	₱8,313,283	
Non-controlling interests	643,330	124,887	518,443	415%
	₱30,743,129	₱21,911,403	₱8,831,726	40%

Revenues

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

Rent

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

Real Estate Sales

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

Other Revenues

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

Costs and Expenses

SM Prime recorded consolidated costs and expenses of ₱56.54 billion in 2022, an increase of 13% from ₱49.90 billion in the same period in 2021, as a result of the following:

Costs of Real Estate

Consolidated costs of real estate decreased by 10% to ₱16.90 billion in 2022 from ₱18.69 billion in the same period in 2021. Gross profit margin on real estate sales is 57% in 2022 from 59% in 2021.

Operating Expenses

SM Prime's consolidated operating expenses increased by 27% to ₱39.64 billion in 2022 compared to last year's ₱31.21 billion. Out of the total operating expenses, 68% is contributed by the malls. Operating expenses include depreciation and amortization, taxes and licenses, marketing and selling expenses, utilities and manpower costs.

Other Income (Charges)

Interest Expense

SM Prime's consolidated interest expense increased by 23% to ₱11.47 billion in 2022 compared to ₱9.36 billion in the same period in 2021 mainly due to the issuance of retail bonds in 2021 and 2022, 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, Dividend and Others - net

Interest, dividend and others - net decreased to ₱0.94 billion in 2022 from last year's ₱4.68 billion. This mainly consists of interest income from cash and cash equivalents, dividend income from equity instruments, equity in net earnings from associates and joint ventures and foreign exchange gains and losses.

Provision for income tax - net

SM Prime's consolidated provision for income tax - net increased to ₱7.97 billion in 2022 compared to ₱5.82 billion in the same period in 2021.

Net income attributable to non-controlling interests

SM Prime's consolidated net income attributable non-controlling interest increased to ₱0.64 billion in 2022 as compared to ₱0.12 billion in the same period in 2021.

Net income attributable to Parent

SM Prime's consolidated net income attributable to Parent increased by 38% to ₱30.10 billion in 2022 as compared to ₱21.79 billion in the same period in 2021.

Income Statements

(in ₱ thousands)	Years Ended December 31			
	2021	2020	Increase (Decrease)	
	(Audited)		in ₱	in %
REVENUE				
Real estate sales	₱45,116,120	₱46,973,399	(₱1,857,279)	(4%)
Rent	34,694,185	32,013,024	2,681,161	8%
Others	2,505,179	2,912,875	(407,696)	(14%)
	82,315,484	81,899,298	416,186	1%
COSTS AND EXPENSES	49,900,933	52,825,112	(2,924,179)	(6%)
INCOME FROM OPERATIONS	32,414,551	29,074,186	3,340,365	11%
OTHER INCOME (CHARGES)				
Interest expense	(9,357,616)	(8,596,750)	(760,866)	9%
Interest and dividend income	1,025,066	1,207,227	(182,161)	(15%)
Others – net	3,651,524	779,078	2,872,446	369%
	(4,681,026)	(6,610,445)	1,929,419	(29%)
				23%
INCOME BEFORE INCOME TAX	27,733,525	22,463,741	5,269,784	
PROVISION FOR INCOME TAX				
Current	2,816,720	1,761,051	1,055,669	60%
Deferred	3,005,402	2,562,953	442,449	17%
	5,822,122	4,324,004	1,498,118	35%
NET INCOME	₱21,911,403	₱18,139,737	₱3,771,666	21%
Attributable to				
Equity holders of the Parent	₱21,786,516	₱18,006,512	₱3,780,004	21%
Non-controlling interests	124,887	133,225	(8,338)	(6%)
	₱21,911,403	₱18,139,737	₱3,771,666	21%

Revenues

SM Prime recorded consolidated revenues of ₱82.32 billion in 2021, an increase of 1% compared to ₱81.90 billion in the same period of 2020, primarily due to the following:

Rent

SM Prime recorded consolidated revenues from rent of ₱34.69 billion in 2021, an 8% increase from ₱32.01 billion in the same period of 2020. Out of the total rental revenues, 83% is contributed by the malls and the rest from offices and hotels and convention centers. Rent revenues of ₱10.91 billion in the last quarter of 2021 increased by 46% from the ₱7.48 billion in the same period in 2020 as the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF) and local government unit (LGU) eased ECQ restrictions during the fourth quarter of 2021, relaxing age mobility restrictions and allowing more tenants to operate.

Real Estate Sales

SM Prime recorded real estate sales of ₱45.12 billion in 2021, slightly lower from ₱46.97 billion in 2020. Reservation sales in 2021 is flat at ₱98.9 billion. Revenues are recognized in the books based on percentage of completion.

Other Revenues

SM Prime's other revenues improved to ₱0.95 billion in the last quarter of 2021 compared to ₱0.63 billion in the same period in 2020. However, it decreased by 14% to ₱2.51 billion in 2021 from ₱2.91 billion in the same period in 2020 as pandemic condition started in March 2020. Other revenues in 2021 include cinema and event ticket sales, sponsorships and advertising revenues, bowling operations and sale of food and beverages in hotels.

Costs and Expenses

SM Prime recorded consolidated costs and expenses of ₱49.90 billion in 2021, a decrease of 6% from ₱52.83 billion in the same period in 2020, as a result of the following:

Costs of Real Estate

Consolidated costs of real estate decreased by 9% to ₱18.69 billion in 2021 from ₱20.58 billion in the same period in 2020 due to decrease in real estate sales, net of savings as a result of improving cost efficiencies. Gross profit margin on real estate sales improved to 59% in 2021 from 56% in 2020.

Operating Expenses

SM Prime's consolidated operating expenses decreased by 3% to ₱31.21 billion in 2021 compared to last year's ₱32.25 billion. Out of the total operating expenses, 64% is contributed by the malls. Operating expenses include depreciation and amortization, taxes and licenses, marketing and selling expenses, utilities and manpower costs.

Other Income (Charges)

Interest Expense

SM Prime's consolidated interest expense increased by 9% to ₱9.36 billion in 2021 compared to ₱8.60 billion in the same period in 2020 mainly due to ₱20.00 billion retail bonds issued in 2021 and new bank loans availed for working capital and capital expenditure requirements, net of the capitalized interest on proceeds spent for construction and development of investment properties.

Interest, Dividend and Others - net

Interest, dividend and others - net increased to ₱4.68 billion in 2021 from last year's ₱1.99 billion. This mainly consists of interest income from cash and cash equivalents, dividend income from equity instruments, equity in net earnings from associates and joint ventures and foreign exchange gains and losses.

Provision for income tax - net

SM Prime's consolidated provision for income tax - net increased to ₱5.82 billion in 2021 compared to ₱4.32 billion in the same period in 2020. The Company recognized one-time impact of CREATE amounting to ₱0.29 billion.

Net income attributable to Parent

SM Prime's consolidated net income attributable to Parent increased by 21% to ₱21.79 billion in 2021 as compared to ₱18.01 billion in the same period in 2020.

(in ₱ thousands)	Years Ended December 31			
	2020	2019	Increase (Decrease)	
	(Audited)		in ₱	in %
REVENUE				
Real estate sales	₱46,973,399	₱44,465,454	₱2,507,945	6%
Rent	32,013,024	61,759,921	(29,746,897)	(48%)
Others	2,912,875	12,086,115	(9,173,240)	(76%)
	81,899,298	118,311,490	(36,412,192)	(31%)
COSTS AND EXPENSES	52,825,112	61,619,162	(8,794,050)	(14%)
INCOME FROM OPERATIONS	29,074,186	56,692,328	(27,618,142)	(49%)
OTHER INCOME (CHARGES)				
Interest expense	(8,596,750)	(8,832,770)	236,020	(3%)
Interest and dividend income	1,207,227	1,746,406	(539,179)	(31%)
Others - net	779,078	(443,970)	1,223,048	(275%)
	(6,610,445)	(7,530,334)	919,889	(12%)
INCOME BEFORE INCOME TAX	22,463,741	49,161,994	(26,698,253)	(54%)
PROVISION FOR INCOME TAX				
Current	1,761,051	9,282,069	(7,521,018)	(81%)
Deferred	2,562,953	1,091,252	1,471,701	135%
	4,324,004	10,373,321	(6,049,317)	(58%)
NET INCOME	₱18,139,737	₱38,788,673	(₱20,648,936)	(53%)
Attributable to				
Equity holders of the Parent	₱18,006,512	₱38,085,601	(₱20,079,089)	(53%)
Non-controlling interests	133,225	703,072	(569,847)	(81%)
	₱18,139,737	₱38,788,673	(₱20,648,936)	(53%)

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.

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

(in ₦ thousands)	December 31, 2022	December 31, 2021	Increase (Decrease)	
			in ₦	in %
	(Audited)			
ASSETS				
Current Assets				
Cash and cash equivalents	₦42,060,082	₦39,775,852	₦2,284,230	6%
Receivables and contract assets	82,560,354	73,019,966	9,540,388	13%
Real estate inventories	70,500,025	56,575,047	13,924,978	25%
Equity instruments at fair value through other comprehensive income (FVOCI)	534,865	547,041	(12,176)	(2%)
Derivative assets	585,576	753,506	(167,930)	(22%)
Prepaid expenses and other current assets	25,767,334	24,993,357	773,977	3%
Total Current Assets	222,008,236	195,664,769	26,343,467	13%
Noncurrent Assets				
Equity instruments at FVOCI - net of current portion	17,077,198	17,400,372	(323,174)	(2%)
Investment properties	489,266,042	467,391,988	21,874,054	5%
Investments in associates and joint ventures	30,578,320	29,187,435	1,390,885	5%
Property and equipment	1,399,840	1,372,276	27,564	2%
Deferred tax assets - net	931,366	734,975	196,391	27%
Derivative assets - net of current portion	6,752,744	1,043,670	5,709,074	547%
Other noncurrent assets	106,200,906	91,607,795	14,593,111	16%
Total Noncurrent Assets	652,206,416	608,738,511	43,467,905	7%
	₦874,214,652	₦804,403,280	₦69,811,372	9%
LIABILITIES AND EQUITY				
Current Liabilities				
Loans payable	₦5,422,524	₦6,487,427	(₦1,064,903)	(16%)
Accounts payable and other current liabilities	88,122,597	91,377,717	(3,255,120)	(4%)
Current portion of long-term debt	50,839,776	42,261,601	8,578,175	20%
Derivative liabilities	19,496	335,367	(315,871)	(94%)
Income tax payable	765,909	563,387	202,522	36%
Total Current Liabilities	145,170,302	141,025,499	4,144,803	3%
Noncurrent Liabilities				
Long-term debt – net of current portion	296,134,836	264,969,216	31,165,620	12%
Tenants' and customers' deposits – net of current portion	23,799,162	21,458,281	2,340,881	11%
Liability for purchased land – net of current portion	1,129,719	2,540,050	(1,410,331)	(56%)
Deferred tax liabilities – net	11,140,040	9,688,555	1,451,485	15%
Derivative liabilities – net of current portion	294,403	1,748,186	(1,453,783)	(83%)
Other noncurrent liabilities	31,394,584	28,612,720	2,781,864	10%
Total Noncurrent Liabilities	363,892,744	329,017,008	34,875,736	11%
Total Liabilities	509,063,046	470,042,507	39,020,539	8%

Equity Attributable to Equity Holders of the Parent				
Capital stock	33,166,300	33,166,300	–	0%
Additional paid-in capital – net	38,124,193	38,056,016	68,177	0%
Cumulative translation adjustment	3,435,171	3,083,184	351,987	11%
Net fair value changes of equity instruments at FVOCI	14,232,514	14,708,368	(475,854)	(3%)
Net fair value changes on cash flow hedges	2,984,605	(432,883)	3,417,488	789%
Remeasurement loss on defined benefit obligation	(928,882)	(548,643)	(380,239)	69%
Retained earnings:				
Appropriated	42,200,000	42,200,000	–	0%
Unappropriated	232,972,284	205,671,557	27,300,727	13%
Treasury stock	(2,984,695)	(2,984,695)	–	0%
Total Equity Attributable to Equity Holders of the Parent	363,201,490	332,919,204	30,282,286	9%
Non-controlling Interests	1,950,116	1,441,569	508,547	35%
Total Equity	365,151,606	334,360,773	30,790,833	9%
	₱874,214,652	₱804,403,280	69,811,372	9%

SM Prime's total assets amounted to ₱874.21 billion and ₱804.40 billion as of December 31, 2022 and December 31, 2021, respectively.

Cash and cash equivalents increased by 6% to ₱42.06 billion from ₱39.78 billion as of December 31, 2022 and December 31, 2021, respectively, mainly due to improved collections, proceeds from the issuance of bonds and availment of new loans, net of payments for capital expenditure projects during the period and debt servicing.

Receivables and contract assets increased by 13% to ₱82.56 billion from ₱73.02 billion as of December 31, 2022 and December 31, 2021, respectively, due to increase in rental receivables from new malls and expansions and increase in sale of residential units.

Real estate inventories increased by 25% to ₱70.50 billion from ₱56.58 billion as of December 31, 2022 and December 31, 2021, respectively, due to construction accomplishments for the period, net of cost of sold units.

Derivatives improved to ₱7.02 billion net asset from ₱0.29 billion net liability as of December 31, 2022 and December 31, 2021, respectively, mainly due to foreign exchange and net fair value changes on swap transactions during the period. This also resulted to the increase in net fair value changes on cash flow hedges to ₱2.98 billion unrealized gain from ₱0.43 billion unrealized loss as of December 31, 2022 and December 31, 2021, respectively.

Investment properties increased by 5% to ₱489.27 billion from ₱467.39 billion as of December 31, 2022 and December 31, 2021, respectively, primarily due to landbanking, ongoing new mall projects, redevelopment of SM Mall of Asia and other existing malls, and construction of commercial buildings, net of depreciation expense for the period.

Investments in associates and joint ventures increased by 5% to ₱30.58 billion from ₱29.19 billion as of December 31, 2022 and December 31, 2021, respectively, due to equity in net earnings of associates and joint ventures.

Other noncurrent assets, which includes bonds and deposits for real estate acquisitions and noncurrent portion of receivables from sale of real estate, increased by 16% to ₱106.20 billion from ₱91.61 billion as of December 31, 2022 and December 31, 2021, respectively.

Loans payable decreased by 16% to ₱5.42 billion from ₱6.49 billion as of December 31, 2022 and December 31, 2021, respectively, due to payments, net of availment for the period.

Income tax payable increased by 36% to ₱0.77 billion from ₱0.56 billion as of December 31, 2022 and December 31, 2021, respectively, mainly due provisions for the year, net of payments.

Long-term debt increased by 13% to ₱346.97 billion from ₱307.23 billion as of December 31, 2022 and December 31, 2021, respectively, mainly due to issuance of retail bonds and new loan availments, net of payments of matured loans during the period.

Tenants' and customers' deposits increased by 11% to ₱23.80 billion from ₱21.46 billion as of December 31, 2022 and December 31, 2021, respectively, mainly due to the new malls and office building tenants.

Liability for purchased land decreased to ₱1.13 billion from ₱2.54 billion as of December 31, 2022 and December 31, 2021, respectively, due to payments made during the period.

Deferred tax liabilities - net increased by 15% to ₱11.14 billion from ₱9.69 billion as of December 31, 2022 and December 31, 2021, respectively, mainly due to unrealized gross profit on sale of real estate for income tax purposes. Deferred tax assets - net increased by 27% to ₱0.93 billion from ₱0.73 billion as of December 31, 2022 and December 31, 2021 mainly due to actuarial loss for the year.

Other noncurrent liabilities increased by 10% to ₱31.39 billion from ₱28.61 billion as of December 31, 2022 and December 31, 2021, respectively, due to increase in noncurrent portion of lease liabilities and deferred output VAT related to sale of residential projects.

Cumulative translation adjustment increased by 11%, to ₱3.44 billion from ₱3.08 billion as of December 31, 2022 and December 31, 2021, respectively, as a result of foreign exchange. While remeasurement loss on defined benefit obligation increased by 69% to ₱0.93 billion from ₱0.55 billion as of December 31, 2022 and December 31, 2021, respectively, due to actuarial loss for the year.

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

As at December 31, 2022 and December 31, 2021, the amount of retained earnings appropriated for the continuous corporate and mall expansions amounted to ₱42.20 billion. This represents a continuing appropriation for land banking activities and planned construction projects. The appropriation is being fully utilized to cover part of the annual capital expenditure requirement of the Company.

For the year 2023, the Company expects to incur capital expenditures of around ₱80 billion. This will be funded with internally generated funds and external borrowings.

Balance Sheet

(in ₱ thousands)	December 31, 2021	December 31, 2020	Increase (Decrease)	
			in ₱	in %
	(Audited)			
ASSETS				
Current Assets				
Cash and cash equivalents	₱39,775,852	₱30,661,614	₱9,114,238	30%
Receivables and contract assets	73,019,966	58,944,930	14,075,036	24%
Real estate inventories	56,575,047	43,691,877	12,883,170	29%
Equity instruments at fair value through other comprehensive income (FVOCI)	547,041	568,146	(21,105)	(4%)
Derivative assets	753,506	2,747	750,759	27,327%
Prepaid expenses and other current assets	24,993,357	23,205,662	1,787,695	8%
Total Current Assets	195,664,769	157,074,976	38,589,793	25%
Noncurrent Assets				
Equity instruments at FVOCI - net of current portion	17,400,372	16,131,568	1,268,804,	8%
Investment properties	467,391,988	436,159,081	31,232,907	7%
Investments in associates and joint ventures	29,187,435	27,735,239	1,452,196	5%
Property and equipment	1,372,276	1,311,208	61,068	5%
Deferred tax assets - net	734,975	831,546	(96,571)	(12%)
Derivative assets - net of current portion	1,043,670	—	1,043,670	100%
Other noncurrent assets	91,607,795	83,115,307	8,492,488	10%
Total Noncurrent Assets	608,738,511	565,283,949	43,454,562	8%
	₱804,403,280	₱722,358,925	₱82,044,355	11%
LIABILITIES AND EQUITY				
Current Liabilities				
Loans payable	₱6,487,427	₱10,900,000	(₱4,412,573)	(40%)
Accounts payable and other current liabilities	91,377,717	81,033,985	10,343,732	13%
Current portion of long-term debt	42,261,601	42,738,350	(476,749)	(1%)
Derivative liabilities	335,367	357,662	(22,295)	(6%)
Income tax payable	563,387	957,906	(394,519)	(41%)
Total Current Liabilities	141,025,499	135,987,903	5,037,596	4%
Noncurrent Liabilities				
Long-term debt – net of current portion	264,969,216	218,830,647	46,138,569	21%
Tenants' and customers' deposits – net of current portion	21,458,281	21,331,869	126,412	1%
Liability for purchased land – net of current portion	2,540,050	1,251,227	1,288,823	103%
Deferred tax liabilities – net	9,688,555	6,786,018	2,902,537	43%
Derivative liabilities – net of current portion	1,748,186	2,445,735	(697,549)	(29%)
Other noncurrent liabilities	28,612,720	25,007,898	3,604,822	14%
Total Noncurrent Liabilities	329,017,008	275,653,394	53,363,614	19%
Total Liabilities	470,042,507	411,641,297	58,401,210	14%

Equity Attributable to Equity Holders of the Parent				
Capital stock	33,166,300	33,166,300	–	0%
Additional paid-in capital – net	38,056,016	38,022,913	33,103	0%
Cumulative translation adjustment	3,083,184	1,524,439	1,558,745	102%
Net fair value changes of equity instruments at FVOCI	14,708,368	13,460,669	1,247,699	9%
Net fair value changes on cash flow hedges	(432,883)	(1,769,030)	1,336,147	(76%)
Remeasurement loss on defined benefit obligation	(548,643)	(587,796)	39,153	(7%)
Retained earnings:				
Appropriated	42,200,000	42,200,000	–	0%
Unappropriated	205,671,557	186,251,267	19,420,290	10%
Treasury stock	(2,984,695)	(2,984,695)	–	0%
Total Equity Attributable to Equity Holders of the Parent	332,919,204	309,284,067	23,635,137	8%
Non-controlling Interests	1,441,569	1,433,561	8,008	1%
Total Equity	334,360,773	310,717,628	23,643,145	8%
	₱804,403,280	₱722,358,925	82,044,355	11%

SM Prime's total assets amounted to ₱804.40 billion and ₱722.36 billion as of December 31, 2021 and December 31, 2020, respectively.

Cash and cash equivalents increased by 30% from ₱30.66 billion to ₱39.78 billion as of December 31, 2020 and December 31, 2021, respectively, mainly due to improved collections, proceeds from the issuance of bonds and availment of new loans, net of payments for capital expenditure projects during the period and debt servicing.

Receivables and contract assets increased by 24% from ₱58.94 billion to ₱73.02 billion as of December 31, 2020 and December 31, 2021, respectively, due to sale of residential units.

Real estate inventories increased by 29% from ₱43.69 billion to ₱56.58 billion as of December 31, 2020 and December 31, 2021, respectively, due to construction accomplishments for the period, net of cost of sold units.

Equity instruments at fair value through other comprehensive income increased by 7% from ₱16.70 billion to ₱17.95 billion as of December 31, 2020 and December 31, 2021, respectively, with equivalent increase of 9% in net fair value changes of equity instruments at FVOCI, from ₱13.46 billion to ₱14.71 billion as of December 31, 2020 and December 31, 2021, respectively, due to changes in fair values under this portfolio.

Prepaid expenses and other current assets increased by 8% from ₱23.21 billion to ₱24.99 billion as of December 31, 2020 and December 31, 2021, respectively, due to increase in input and creditable withholding taxes and deposits and advances to contractors related to construction projects.

Investment properties increased by 7% from ₱436.16 billion to ₱467.39 billion as of December 31, 2020 and December 31, 2021, respectively, primarily due to landbanking, ongoing new mall projects, redevelopment of SM Mall of Asia and other existing malls, and construction of commercial buildings, net of depreciation expense for the period.

Investments in associates and joint ventures increased by 5% from ₱27.74 billion to ₱29.19 billion as of December 31, 2020 and December 31, 2021, respectively, due to equity in net earnings of associates and joint ventures.

Property and equipment increased by 5% from ₱1.31 billion to ₱1.37 billion as of December 31, 2020 and December 31, 2021, respectively, primarily due to acquisitions, net of depreciation during the period.

Other noncurrent assets, which includes bonds and deposits for real estate acquisitions and noncurrent portion of receivables from sale of real estate, increased by 10% from ₱83.12 billion to ₱91.61 billion as of December 31, 2020 and December 31, 2021, respectively.

Loans payable decreased by 40% from ₱10.90 billion to ₱6.49 billion as of December 31, 2020 and December 31, 2021, respectively, due to payments, net of avilment for the period.

Accounts payable and other current liabilities increased by 13% from ₱81.03 billion to ₱91.38 billion as of December 31, 2020 and December 31, 2021, 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 17% from ₱261.57 billion to ₱307.23 billion as of December 31, 2020 and December 31, 2021, respectively, mainly due to the issuance of ₱20.00 billion retail bonds in 2021 and new loan availments, net of payments of maturing loans.

Derivative liabilities - net decreased from ₱2.80 billion to ₱0.29 billion as of December 31, 2020 and December 31, 2021, respectively, as a result of foreign exchange and net fair value changes on swap transactions, as well as maturity in January 2021 of certain principal only swap and interest rate swap transactions entered into to hedge the Company's foreign exchange currency exposure on dollar denominated long-term debts. This also resulted to the 76% decrease in net fair value changes on cash flow hedges from ₱1.77 billion to ₱0.43 billion as of December 31, 2020 and December 31, 2021, respectively.

Liability for purchased land increased from ₱1.25 billion to ₱2.54 billion as of December 31, 2020 and December 31, 2021, respectively, due to acquisitions.

Deferred tax liabilities - net increased by 43% from ₱6.79 billion to ₱9.69 billion as of December 31, 2020 and December 31, 2021, respectively, mainly due to unrealized gross profit on sale of real estate for income tax purposes. Deferred tax assets - net decreased by 12% from ₱0.83 billion to ₱0.73 billion as of December 31, 2020 and December 31, 2021.

Other noncurrent liabilities increased by 14% from ₱25.01 billion to ₱28.61 billion as of December 31, 2020 and December 31, 2021, respectively, due to increase in noncurrent portion of lease liabilities and deferred output VAT related to sale of residential projects.

Cumulative translation adjustment increased by 102%, from ₱1.52 billion to ₱3.08 billion as of December 31, 2020 and December 31, 2021, respectively, as a result of foreign exchange. While remeasurement loss on defined benefit obligation decreased by 7% from ₱0.59 billion to ₱0.55 billion as of December 31, 2020 and December 31, 2021, respectively, due to actuarial gain for the year.

As at December 31, 2021 and December 31, 2020, the amount of retained earnings appropriated for the continuous corporate and mall expansions amounted to ₱42.20 billion. This represents a continuing appropriation for land banking activities and planned construction projects. The appropriation is being fully utilized to cover part of the annual capital expenditure requirement of the Company.

For the year 2022, the Company expects to incur capital expenditures of around ₱80 billion. This will be funded with internally generated funds and external borrowings.

Balance Sheet

(in ₪ thousands)	December 31, 2020	December 31, 2019	Increase (Decrease)	
			in ₪	in %
	(Audited)			
ASSETS				
Current Assets				
Cash and cash equivalents	₪30,661,614	₪34,599,959	(₪3,938,345)	(11%)
Receivables and contract assets	58,944,930	53,636,921	5,308,009	10%
Real estate inventories	43,691,877	43,946,109	(254,232)	(1%)
Equity instruments at fair value through other comprehensive income (FVOCI)	568,146	659,077	(90,931)	(14%)
Derivative assets	2,747	–	2,747	100%
Prepaid expenses and other current assets	23,205,662	19,485,542	3,720,120	19%
Total Current Assets	157,074,976	152,327,608	4,747,368	3%
Noncurrent Assets				
Equity instruments at FVOCI - net of current portion	16,131,568	20,420,959	(4,289,391)	(21%)
Investment properties	436,159,081	410,639,578	25,519,503	6%
Investments in associates and joint ventures	27,735,239	27,214,398	520,841	2%
Property and equipment	1,311,208	1,383,320	(72,112)	(5%)
Deferred tax assets - net	831,546	903,845	(72,299)	(8%)
Derivative assets - net of current portion	–	826,315	(826,315)	(100%)
Other noncurrent assets	83,115,307	53,563,651	29,551,656	55%
Total Noncurrent Assets	565,283,949	514,952,066	50,331,883	10%
	₪722,358,925	₪667,279,674	₪55,079,251	8%
LIABILITIES AND EQUITY				
Current Liabilities				
Loans payable	₪10,900,000	₪100,000	₪10,800,000	10,800%
Accounts payable and other current liabilities	81,033,985	70,125,750	10,908,235	16%
Current portion of long-term debt	42,738,350	23,521,373	19,216,977	82%
Derivative liabilities	357,662	–	357,662	100%
Income tax payable	957,906	1,509,657	(551,751)	(37%)
Total Current Liabilities	135,987,903	95,256,780	40,731,123	43%
Noncurrent Liabilities				
Long-term debt - net of current portion	218,830,647	214,333,050	4,497,597	2%
Tenants' and customers' deposits - net of current portion	21,331,869	21,646,217	(314,348)	(1%)
Liability for purchased land - net of current portion	1,251,227	4,214,234	(2,963,007)	(70%)
Deferred tax liabilities - net	6,786,018	4,179,154	2,606,864	62%
Derivative liabilities - net of current portion	2,445,735	711,617	1,734,118	244%
Other noncurrent liabilities	25,007,898	24,422,348	585,550	2%
Total Noncurrent Liabilities	275,653,394	269,506,620	6,146,774	2%
Total Liabilities	411,641,297	364,763,400	46,877,897	13%
Equity Attributable to Equity Holders of the Parent				
Capital stock	33,166,300	33,166,300	–	0%
Additional paid-in capital - net	38,022,913	38,007,668	15,245	0%
Cumulative translation adjustment	1,524,439	1,344,274	180,165	13%

Net fair value changes of equity instruments at FVOCI	13,460,669	17,840,990	(4,380,321)	(25%)
Net fair value changes on cash flow hedges	(1,769,030)	(1,328,167)	(440,863)	33%
Remeasurement loss on defined benefit obligation	(587,796)	(913,390)	325,594	(36%)
Retained earnings:				
Appropriated	42,200,000	42,200,000	–	0%
Unappropriated	186,251,267	173,583,191	12,668,076	7%
Treasury stock	(2,984,695)	(2,984,695)	–	0%
Total Equity Attributable to Equity Holders of the Parent	309,284,067	300,916,171	8,367,896	3%
Non-controlling Interests	1,433,561	1,600,103	(166,542)	(10%)
Total Equity	310,717,628	302,516,274	8,201,354	3%
	₱722,358,925	₱667,279,674	₱55,079,251	8%

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, with equivalent decrease of 25% in net fair value changes of equity instruments at FVOCI, from ₱17.84 billion to ₱13.46 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.

Property and equipment decreased by 5% from ₱1.38 billion to ₱1.31 billion as of December 31, 2019 and December 31, 2020, respectively, primarily due to depreciation, net of additions during 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. This also resulted to the 33% increase in net fair value changes on cash flow hedges, from ₱1.33 billion to ₱1.77 billion as of December 31, 2019 and December 31, 2020, respectively.

Other noncurrent assets increased by 55% from ₱53.56 billion to ₱83.12 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.

Cumulative translation adjustment increased by 13% from ₱1.34 billion to ₱1.52 billion as of December 31, 2019 and December 31, 2020, respectively, as a result of foreign exchange. While remeasurement loss on defined benefit obligation decreased by 36% from ₱0.91 billion to ₱0.59 billion as of December 31, 2019 and December 31, 2020, respectively, due to actuarial gain for the year.

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.

KEY PERFORMANCE INDICATORS

The following are the major financial ratios of the Company as at and for the years ended December 31, 2022, 2021, and 2020:

	Year ended December 31		
	2022	2021	2020
Current ratio	1.53	1.39	1.16
Acid test ratio	0.87	0.81	0.66
Solvency ratio	1.72	1.71	1.75
Debt to equity	49:51	49:51	47:53
Net debt to equity	46:54	45:55	44:56
Return on equity	9%	7%	6%
Net income margin	28%	26%	22%
Debt to EBITDA	5.77	7.28	6.94
Asset to equity ratio	2.41	2.42	2.34
Interest service coverage ratio	5.33	4.61	4.57
Return on investment properties	7%	6%	5%

The Company's key financial indicators are measured in terms of the following:

- (1) Current ratio which measures the ratio of total current assets to total current liabilities;
- (2) Acid test ratio which measures total current assets less real estate inventories and prepaid expenses to total current liabilities;
- (3) Solvency ratio which measures the ratio of total assets to total liabilities;
- (4) Debt to equity ratio which measures the ratio of interest-bearing liabilities to equity attributable to equity holders of the Parent;
- (5) Net debt to equity which measures the ratio of interest-bearing liabilities net of cash and cash equivalents to equity attributable to equity holders of the Parent;
- (6) Return on equity which measures the ratio of net income attributable to the equity holders of the Parent to average total equity attributable to the equity holders of the Parent;
- (7) Net income margin which measures the ratio of net income attributable to the equity holders of the Parent to total revenue;
- (8) Asset to equity ratio which measures the ratio of total assets to total equity attributable to equity holders of the Parent;
- (9) Interest service coverage ratio which measures the ratio of EBITDA to interest expense; and
- (10) Debt to EBITDA which measures the ratio of EBITDA to total interest-bearing liabilities;
- (11) Return on investment properties which measures the ratio of net income attributable to the equity holders of the Parent to total average investment properties (excluding construction in progress).

As of December 31, 2022, 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, uncertainties or elements that are expected to affect the Company's continuing operations. The Company has no material commitments for capital expenditures except for those disclosed in Note 12 of the audited consolidated financial statements.

SIGNIFICANT SUBSIDIARIES

The following subsidiaries contribute at least 5% of the Company's net income for the years ended December 31, 2022, 2021, and 2020:

	Contribution to Consolidated Net Income		
	2022	2021	2020
SM Land China	5%	12%	5%
SMDC	14%	48%	69%
FARDC	7%	3%	3%

The remaining undisclosed subsidiaries comprise of only a minimal percentage of the Company's consolidated net income.

The key performance indicators of the significant subsidiaries as at and for the years ended December 31, 2022, 2021, and 2020 are as follows:

	SM Land China			SMDC			FARDC		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Current ratio	1.06	0.89	0.58	2.28	2.51	2.22	1.55	0.87	0.79
Debt to Equity	58:42	58:42	70:30	50:50	46:54	46:54	9:91	18:82	16:84
Net Debt to Equity	54:46	47:53	60:40	50:50	45:55	45:55	-21:121	13:87	12:88
Return on Equity	5%	11%	6%	4%	10%	14%	33%	13%	10%
Return on Assets	2%	3%	1%	2%	4%	6%	20%	8%	6%



2023 ANNUAL STOCKHOLDERS' MEETING

April 25, 2023 at 2:30 pm

Guidelines for Remote Participation and Voting *in Absentia*

Registration

Stockholders who intend to attend the meeting remotely must notify the Corporate Secretary by no later than **April 20, 2023**, 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 their intention to attend the meeting remotely 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 online 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 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 2023 Open Forum" to info@smprime.com on or before April 24, 2023. 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)
TAGUIG CITY) SS.

SECRETARY'S CERTIFICATE

I, **ELMER B. SERRANO**, of legal age, Filipino and with office address at 1105 Tower High Street South Corporate Plaza, 26th Street, Bonifacio Global City, Taguig City, after having duly sworn certify that:

1. I am the duly appointed and incumbent 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-1-A, 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 set my hand this day of FEB 27 2023 in Taguig City, Metro Manila Philippines.


ELMER B. SERRANO
Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE ME, a duly authorized notary public for and in the above-named jurisdiction, on this FEB 27 2023 at Taguig City, affiant exhibiting to me his TIN [REDACTED]

Doc No.: 45;
Page No.: 10;
Book No.: II;
Series of 2023.


MELISSA JEAN G. HIPOLITO
Appointment No. 25 (2022-2023)
Notary Public for Taguig City
Until December 31, 2023
Attorney's Roll No. 70077
1105 Tower 2 High Street South Corporate Plaza
26th Street Bonifacio Global City, Taguig City
PTR No. 5075504; 01.04.23; Taguig City
IBP Receipt No. 266967; 01.04.23; Pampanga
MCLE Compliance No. VI-0019878; 4.14.22*
*until April 14, 2023, per Supreme Court En Banc
Resolution dated February 15, 2022

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

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Belle Corporation	Independent Director	December 2017 to present
Pilipinas Shell Petroleum Corporation	Independent Director	May 2021 to present
St. Luke's Medical Center	Trustee	August 2017 to present
Tan Yan Kee Foundation	Trustee	December 2017 to present
Manila Hotel	Independent Director	August 2018 to present
Toyota Motor Philippines	Independent Director	March 2019 to present
Converge ICT Solutions, Inc.	Independent Director	June 2020 to present
CIBI Information, Inc.	Independent Director	June 2020 to present
Foundation for Liberty and Prosperity	Trustee	May 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		

5. To the best of my knowledge, I disclose that I am the subject of the following criminal/administrative investigation or proceeding:

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
See Notes below		

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. In its Resolution dated October 3, 2022, the Supreme Court denied the Petition for Review of the petitioners and affirmed the May 15, 2017 Decision and October 4, 2017 Resolution of the Court of Appeals.

² A complaint for damages was filed by Mr. Antonio Tiu, et al. against the others and I in connection with the Report of the Anti-Money Laundering Council (AMLC), which served as the basis of AMLCs ex-parte petition for the issuance of Freeze Order issued by the Court of Appeals in CA G.R. AMLA No. 00134 dated 11 May 2015. The others and I were impleaded in their official capacity as members and/or officers of the AMLC.

In an order dated 27 March 2020, the Regional Trial Court of Quezon City dismissed the Complaint for Damages (Civil Case No. R-QZN-15-04513-CV) as to plaintiff Spouses James and Ann Lorraine Tiu against me, Ms. Teresita Herbosa, Mr. Emmanuel Doc, and Ms. Julia Abad; and ordered Mr. Antonio Tiu to amend his complaint. Plaintiffs filed a Motion for Reconsideration, to which the Office of the Solicitor General (in representation of defendants Tetangco, et al) filed its Comment. In an Order dated 9 February 2021, the trial court denied the Motion for Reconsideration filed by the Spouses Tiu and upheld its earlier 27 March 2020 Order dismissing the case. Aggrieved Tiu, et al filed a Petition for Certiorari with the Court of Appeals (CA-G.R. SP No. 169478), assailing the 27 March 2020 and 09 February 2021 Orders. The case remains pending as of date.

³ A Subpoena dated November 8, 2022 was reportedly issued by the Office of the City Prosecutor - Manila in connection with the Joint Complaint-Affidavit filed by Perry Y. Uy and Cesar M. Mayo, Jr. against me and several other respondents including former members of the Monetary Board, for alleged violation of the Central Bank Act, as amended (R.A. 7653 as amended by R.A. 11211). As of this date, no official service of subpoena or complaint has been made on me.

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.

Done, this 20 day of Feb 2023, at TAGUIG CITY


AMANDO M. TETANGCO, JR.
Affiant

SUBSCRIBED AND SWORN to before me this FEB 20 2023 day of TAGUIG CITY
affiant personally appeared before me and exhibited to me his Philippine Passport No. [REDACTED]
issued at [REDACTED] valid until July 21, 2029.

Doc. No. 41;
Page No. 10;
Book No. 1;
Series of 2023.


MELISSA JEAN G. HIPOLITO
Appointment No. 25 (2022-2023)
Notary Public for Taguig City
Until December 31, 2023
Attorney's Roll No. 70077
1105 Tower 2 High Street South Corporate Plaza
28th Street Bonifacio Global City, Taguig City
PTR No. 5675504; 01.04.23; Taguig City
IBP Receipt No. 266967; 01.04.23; Pampanga
MCLE Compliance No. VI-0019878; 4.14.22*
*until April 14, 2023, per Supreme Court En Banc
Resolution dated February 15, 2022

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
Joy-Nostalg Solaris Inc.	Director (BOD)	2022 – present
Philippine Judicial Academy	Faculty	2022 – present
The Outstanding Women in Nation Service	Trustee	2021 – present
UP Law Alumni Foundation	Trustee	2019 – present
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
Phil. Heart Association	Trustee	2017 – 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.

Done, this FEB 20 2023 day of _____, at TAGUIG CITY.

Darlene Marie B. Berberabe

DARLENE MARIE B. BERBERABE

Affiant

SUBSCRIBED AND SWORN to before me this _____ day of FEB 20 2023 at TAGUIG CITY
affiant personally appeared before me and exhibited to me her Driver's License No. [REDACTED]
issued at [REDACTED] valid until June 14, 2023.

Doc. No. 42;
Page No. 10;
Book No. II;
Series of 3029;

Melissa Jean G. Hipolito
MELISSA JEAN G. HIPOLITO

Appointment No. 25 (2022-2023)

Notary Public for Taguig City

Until December 31, 2023

Attorney's Roll No. 70077

1105 Tower 2 High Street South Corporate Plaza

26th Street Bonifacio Global City, Taguig City

PTR No. 5675504; 01.04.23; Taguig City

IBP Receipt No. 266967; 01.04.23; Pampanga

MCLE Compliance No. VI-0019878; 4.14.22*

*until April 14, 2023, per Supreme Court En Banc
Resolution dated February 15, 2022

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **L. CARLITOS G. CRUZ**, 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:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
MPIC Beneficial Trust Fund	Independent Trustee	Less than a year
Solar Philippines New Energy Corporation (PLC)	Lead Independent Director	1 year
Vivant Corporation (PLC)	Independent Director	1 year
Asialink Finance Corporation	Independent Director	1 year
Global Dominion Financing Incorporated	Independent Director	1 year
South Asialink Finance Corporation	Independent Director	1 year
MarCoPay Inc.	Independent Director	1 year
MCP Finance, Inc.	Independent Director	1 year
MCP Insurance Management and Agency, Inc.,	Independent Director	1 year
Transnational Diversified Group, Inc.	Independent Director	2 years
Federal Land, Inc.	Independent Director	2 years
Solar Philippines Power Project Holdings, Inc.	Independent Director	2 years
Makati Business Club	Board of Trustee	3 years & 6 months
Philippines-Thailand Business Council	Co-Chair	6 years
Association of CPAs in Public Practice	Member	12 years
Management Association of the Philippines	Member	22 years
Philippine Institute of Certified Public Accountants	Member	40 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.

Done, this MAR 2 2023 day of _____, at MAKATI CITY.


J. CARLITOS G. CRUZ
 Affiant

SUBSCRIBED AND SWORN to before me this MAR 2 2023 day of _____ at MAKATI CITY
 affiant personally appeared before me and exhibited to me his [REDACTED] valid until [REDACTED].

Doc. No. 203;
 Page No. 41;
 Book No. 11;
 Series of 2023;


ATTY. REINIER S. QUIAMBAO
 NOTARY PUBLIC
 UNTIL DECEMBER 31, 2024
 PTR NO. 9563695 / 01.03.23 / MAKATI CITY
 IBP NO. 256831 / 01.01.23 / TARLAC CITY
 TIN 238-251-699 ROLL NO. 62283
 MCLE NO. VII - 0016570 / 04.28.22

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
INDEX TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
December 31, 2022

Consolidated Financial Statements

- A. Statement of Management's Responsibility for Financial Statements
- B. Independent Auditor's Report
- C. Consolidated Balance Sheets as of December 31, 2022 and 2021
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For the Years ended December 31, 2022, 2021 and 2020
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SM PRIME HOLDINGS, INC.
10/F Mall of Asia Arena Annex Building,
Coral Way corner J.W. Diokno Boulevard,
Mall of Asia Complex, Pasay City 1300, Philippines

Statement of Management's Responsibility for Financial Statements

The management of SM Prime Holdings, Inc. and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatements, whether due to fraud or error.

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

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

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

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

Henry T. Sy, Jr.
Chairman

Jeffrey C. Lim
President

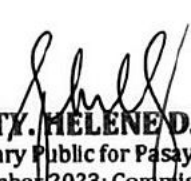
John Nai Peng C. Ong
Chief Finance Officer

Signed this 20th of February, 2023

SUBSCRIBED AND SWORN to before me this FEB 20 2023 at PASAY CITY,
affiants exhibiting to me their Philippine passports, as follows:

NAME	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
HENRY T. SY, JR.		January 16, 2020	
JEFFREY C. LIM		November 23, 2021	
JOHN NAI PENG C. ONG		September 13, 2018	

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Page No. 23 :
Book No. III :
Series of 2025


ATTY. HELENE D. GO

Notary Public for Pasay City

Until 31 December 2023; Commission No. 22-03

IBP OR No. 262125 MD 2023 Roll No. 55874

PTR OR No. PC 8067132 1/04/23 TIN# 284-270-554

MCLE Compliance No. VII-0017244 valid until April 14, 2025

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of SM Prime Holdings, Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as at December 31, 2022 and 2021, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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



Real Estate Revenue and Cost Recognition

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

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

In determining the transaction price, the Company considers whether the selling price of the real estate property includes significant financing component.

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

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

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

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

Audit Response

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

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



For the determination of the transaction price, we obtained an understanding of the Company's process in the determination of the population of contracts with customers related to real estate sale and election of available practical expedient. We selected sample contracts from the sales contract database and identified their payment terms. We traced these selected contracts to the financing component calculation prepared by management, which covers the calculation on whether the financing component of the Company's contract with customers is significant. For selected contracts, we traced the underlying data and assumptions used in the financing component calculation such as transaction price, cash discount, payment scheme, payment amortization table, percentage of completion to the contract provision and projected percentage of completion schedule. We evaluated the Company's application of portfolio approach in the financing component calculation by understanding the rationale and basis of the parameters used (i.e., grouping of performance obligation based on percentage of completion, grouping of contracts based on payment scheme). We test computed the financing component of each portfolio as prepared by management.

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

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

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditor's report.

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

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



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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

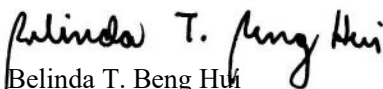
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Belinda T. Beng Hui.

SYCIP GORRES VELAYO & CO.



Belinda T. Beng Hui
Partner

CPA Certificate No. 88823

Tax Identification No. 153-978-243

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 88823-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-078-2020, December 3, 2020, valid until December 2, 2023

PTR No. 9369781, January 3, 2023, Makati City

February 20, 2023



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

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6, 19, 26 and 27)	₱42,060,082	₱39,775,852
Receivables and contract assets (Notes 7, 14, 19, 26 and 27)	82,560,354	73,019,966
Real estate inventories (Note 8)	70,500,025	56,575,047
Equity instruments at fair value through other comprehensive income (FVOCI) (Notes 9, 19, 26 and 27)	534,865	547,041
Derivative assets (Notes 26 and 27)	585,576	753,506
Prepaid expenses and other current assets (Notes 10 and 19)	25,767,334	24,993,357
Total Current Assets	222,008,236	195,664,769
Noncurrent Assets		
Equity instruments at FVOCI - net of current portion (Notes 9, 19, 26 and 27)	17,077,198	17,400,372
Investment properties (Notes 12, 17, 25 and 27)	489,266,042	467,391,988
Investments in associates and joint ventures (Note 13)	30,578,320	29,187,435
Property and equipment (Notes 11 and 25)	1,399,840	1,372,276
Deferred tax assets - net (Note 24)	931,366	734,975
Derivative assets - net of current portion (Notes 26 and 27)	6,752,744	1,043,670
Other noncurrent assets (Notes 14, 19, 23, 26 and 27)	106,200,906	91,607,795
Total Noncurrent Assets	652,206,416	608,738,511
	₱874,214,652	₱804,403,280
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Notes 15, 26 and 27)	₱5,422,524	₱6,487,427
Accounts payable and other current liabilities (Notes 16, 19, 26 and 27)	88,122,597	91,377,717
Current portion of long-term debt (Notes 17, 19, 26 and 27)	50,839,776	42,261,601
Derivative liabilities (Notes 26 and 27)	19,496	335,367
Income tax payable	765,909	563,387
Total Current Liabilities	145,170,302	141,025,499
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 17, 19, 26 and 27)	296,134,836	264,969,216
Tenants' and customers' deposits - net of current portion (Notes 16, 25, 26 and 27)	23,799,162	21,458,281
Liability for purchased land - net of current portion (Notes 16, 26 and 27)	1,129,719	2,540,050
Deferred tax liabilities - net (Note 24)	11,140,040	9,688,555
Derivative liabilities - net of current portion (Notes 26 and 27)	294,403	1,748,186
Other noncurrent liabilities (Notes 16, 23, 26 and 27)	31,394,584	28,612,720
Total Noncurrent Liabilities	363,892,744	329,017,008
Total Liabilities (Carried Forward)	509,063,046	470,042,507



	December 31	
	2022	2021
Total Liabilities (<i>Brought Forward</i>)	₱509,063,046	₱470,042,507
Equity Attributable to Equity Holders of the Parent		
Capital stock (Notes 18 and 28)	33,166,300	33,166,300
Additional paid-in capital - net (Notes 5 and 18)	38,124,193	38,056,016
Cumulative translation adjustment	3,435,171	3,083,184
Net fair value changes of equity instruments at FVOCI (Note 9)	14,232,514	14,708,368
Net fair value changes on cash flow hedges (Note 27)	2,984,605	(432,883)
Remeasurement loss on defined benefit obligation (Note 23)	(928,882)	(548,643)
Retained earnings (Note 18):		
Appropriated	42,200,000	42,200,000
Unappropriated	232,972,284	205,671,557
Treasury stock (Notes 18 and 28)	(2,984,695)	(2,984,695)
Total Equity Attributable to Equity Holders of the Parent	363,201,490	332,919,204
Non-controlling Interests (Note 18)	1,950,116	1,441,569
Total Equity	365,151,606	334,360,773
	₱874,214,652	₱804,403,280

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2022	2021	2020
REVENUE			
Rent (Notes 12, 19 and 25)	₱58,243,913	₱34,694,185	₱32,013,024
Real estate sales	39,046,514	45,116,120	46,973,399
Others (Notes 19 and 20)	8,495,208	2,505,179	2,912,875
	105,785,635	82,315,484	81,899,298
COSTS AND EXPENSES (Notes 19, 21 and 23)	56,542,322	49,900,933	52,825,112
INCOME FROM OPERATIONS	49,243,313	32,414,551	29,074,186
OTHER INCOME (CHARGES)			
Interest expense (Notes 15, 17, 19, 22, 26 and 27)	(11,465,787)	(9,357,616)	(8,596,750)
Interest and dividend income			
(Notes 6, 7, 9, 14, 19 and 22)	1,775,740	1,025,066	1,207,227
Others - net (Notes 12, 13, 16, 17, 19 and 27)	(839,262)	3,651,524	779,078
	(10,529,309)	(4,681,026)	(6,610,445)
INCOME BEFORE INCOME TAX	38,714,004	27,733,525	22,463,741
PROVISION FOR INCOME TAX (Note 24)			
Current	6,783,913	2,816,720	1,761,051
Deferred	1,186,962	3,005,402	2,562,953
	7,970,875	5,822,122	4,324,004
NET INCOME	₱30,743,129	₱21,911,403	₱18,139,737
Attributable to:			
Equity holders of the Parent (Notes 18 and 28)	₱30,099,799	₱21,786,516	₱18,006,512
Non-controlling interests (Note 18)	643,330	124,887	133,225
	₱30,743,129	₱21,911,403	₱18,139,737
Basic/Diluted earnings per share (Note 28)	₱1.043	₱0.755	₱0.624
Dividend per share (Note 18)	₱0.097	₱0.082	₱0.185

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2022	2021	2020
NET INCOME	₱30,743,129	₱21,911,403	₱18,139,737
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 9)	(475,854)	1,247,699	(4,380,321)
Remeasurement gain (loss) on defined benefit obligation (Note 23)	(383,448)	38,020	329,172
	(859,302)	1,285,719	(4,051,149)
Items that may be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustment	351,987	1,558,745	180,165
Net fair value changes on cash flow hedges (Note 27)	3,417,488	1,336,147	(440,863)
	2,910,173	4,180,611	(4,311,847)
TOTAL COMPREHENSIVE INCOME	₱33,653,302	₱26,092,014	₱13,827,890
Attributable to:			
Equity holders of the Parent (Note 18)	₱33,013,181	₱25,968,260	₱13,688,396
Non-controlling interests (Note 5)	640,121	123,754	139,494
	₱33,653,302	₱26,092,014	₱13,827,890

See accompanying Notes to Consolidated Financial Statements.



SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent											
	Capital Stock (Notes 18 and 28)	Additional Paid-in Capital - Net (Notes 5 and 18)	Cumulative Translation Adjustment	Net fair value changes of equity instruments at fair value through other comprehensive income (Note 9)	Net Fair Value Changes on Cash Flow Hedges (Note 27)	Remeasurement Loss on Defined Benefit Obligation (Note 23)	Retained Earnings (Note 18)		Treasury Stock (Notes 18 and 28)	Total	Non-controlling Interests (Note 18)	Total Equity
							Appropriated	Unappropriated				
At January 1, 2022, as previously reported	₱33,166,300	₱38,056,016	₱3,083,184	₱14,708,368	(₱432,883)	(₱548,643)	₱42,200,000	₱205,671,557	(₱2,984,695)	₱332,919,204	₱1,441,569	₱334,360,773
Effect of common control business combination (Note 5)	—	44,330	—	—	—	—	—	—	—	44,330	3,277	47,607
At January 1, 2022, as adjusted	₱33,166,300	₱38,100,346	₱3,083,184	₱14,708,368	(₱432,883)	(₱548,643)	₱42,200,000	₱205,671,557	(₱2,984,695)	₱332,963,534	₱1,444,846	₱334,408,380
Net income for the year	—	—	—	—	—	—	—	30,099,799	—	30,099,799	643,330	30,743,129
Other comprehensive income (loss)	—	—	351,987	(475,854)	3,417,488	(380,239)	—	—	—	2,913,382	(3,209)	2,910,173
Total comprehensive income (loss) for the year	—	—	351,987	(475,854)	3,417,488	(380,239)	—	30,099,799	—	33,013,181	640,121	33,653,302
Cash dividends (Note 18)	—	—	—	—	—	—	—	(2,801,286)	—	(2,801,286)	—	(2,801,286)
Cash dividends received by a subsidiary	—	—	—	—	—	—	—	2,214	—	2,214	—	2,214
Cash dividends received by non-controlling interests	—	—	—	—	—	—	—	—	—	—	(144,050)	(144,050)
Sale of non-controlling interest (see Note 2)	—	23,847	—	—	—	—	—	—	—	23,847	9,199	33,046
At December 31, 2022	₱33,166,300	₱38,124,193	₱3,435,171	₱14,232,514	₱2,984,605	(₱928,882)	₱42,200,000	₱232,972,284	(₱2,984,695)	₱363,201,490	₱1,950,116	₱365,151,606
At January 1, 2021	₱33,166,300	₱38,022,913	₱1,524,439	₱13,460,669	(₱1,769,030)	(₱587,796)	₱42,200,000	₱186,251,267	(₱2,984,695)	₱309,284,067	₱1,433,561	₱310,717,628
Net income for the year	—	—	—	—	—	—	—	21,786,516	—	21,786,516	124,887	21,911,403
Other comprehensive income (loss)	—	—	1,558,745	1,247,699	1,336,147	39,153	—	—	—	4,181,744	(1,133)	4,180,611
Total comprehensive income (loss) for the year	—	—	1,558,745	1,247,699	1,336,147	39,153	—	21,786,516	—	25,968,260	123,754	26,092,014
Cash dividends (Note 18)	—	—	—	—	—	—	—	(2,368,097)	—	(2,368,097)	—	(2,368,097)
Cash dividends received by a subsidiary	—	—	—	—	—	—	—	1,871	—	1,871	—	1,871
Cash dividends received by non-controlling interests	—	—	—	—	—	—	—	—	—	—	(129,050)	(129,050)
Sale of non-controlling interest (Note 2)	—	33,103	—	—	—	—	—	—	—	33,103	13,304	46,407
At December 31, 2021	₱33,166,300	₱38,056,016	₱3,083,184	₱14,708,368	(₱432,883)	(₱548,643)	₱42,200,000	₱205,671,557	(₱2,984,695)	₱332,919,204	₱1,441,569	₱334,360,773



Equity Attributable to Equity Holders of the Parent												
	Capital Stock (Notes 18 and 28)	Additional Paid-in Capital - Net (Notes 5 and 18)	Cumulative Translation Adjustment	Net fair value changes of equity instruments at fair value through other comprehensive income (Note 9)	Net Fair Value Changes on Cash Flow Hedges (Note 27)	Remeasurement Gain (Loss) on Defined Benefit Obligation (Note 23)	Retained Earnings (Note 18)		Treasury Stock (Notes 18 and 28)	Total	Non-controlling Interests (Note 18)	Total Equity
							Appropriated	Unappropriated				
At January 1, 2020	₱33,166,300	₱38,007,668	₱1,344,274	₱17,840,990	(₱1,328,167)	(₱913,390)	₱42,200,000	₱173,583,191	(₱2,984,695)	₱300,916,171	₱1,600,103	₱302,516,274
Net income for the year	—	—	—	—	—	—	—	18,006,512	—	18,006,512	133,225	18,139,737
Other comprehensive income (loss)	—	—	180,165	(4,380,321)	(440,863)	322,903	—	—	—	(4,318,116)	6,269	(4,311,847)
Total comprehensive income (loss) for the year	—	—	180,165	(4,380,321)	(440,863)	322,903	—	18,006,512	—	13,688,396	139,494	13,827,890
Cash dividends (Note 18)	—	—	—	—	—	—	—	(5,342,658)	—	(5,342,658)	—	(5,342,658)
Cash dividends received by a subsidiary	—	—	—	—	—	—	—	4,222	—	4,222	—	4,222
Cash dividends received by non-controlling interests	—	—	—	—	—	—	—	—	—	—	(288,100)	(288,100)
Acquisition of non-controlling interest - net (Notes 2 and 5)	—	15,245	—	—	—	2,691	—	—	—	17,936	(17,936)	—
At December 31, 2020	₱33,166,300	₱38,022,913	₱1,524,439	₱13,460,669	(₱1,769,030)	(₱587,796)	₱42,200,000	₱186,251,267	(₱2,984,695)	₱309,284,067	₱1,433,561	₱310,717,628

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING			
ACTIVITIES			
Income before income tax	₱38,714,004	₱27,733,525	₱22,463,741
Adjustments for:			
Depreciation and amortization (Notes 11, 12, 21 and 25)	12,487,762	10,816,869	10,341,611
Interest expense (Notes 15, 17 and 22)	11,465,787	9,357,616	8,596,750
Interest and dividend income (Notes 6, 7, 9, 14, 19 and 22)	(1,775,740)	(1,025,066)	(1,207,227)
Equity in net earnings of associates and joint ventures (Note 13)	(1,720,116)	(1,187,419)	(694,473)
Loss (gain) on:			
Retirement and sale of investment properties (see Note 12)	105,701	(551,974)	–
Unrealized foreign exchange and fair value changes on derivatives – net	826,855	(623,782)	(45,610)
Operating income before working capital changes	60,104,253	44,519,769	39,454,792
Decrease (increase) in:			
Receivables and contract assets	(8,760,236)	(16,304,309)	(27,104,505)
Real estate inventories	(12,462,748)	(4,696,521)	2,409,763
Prepaid expenses and other current assets	(762,618)	(1,639,817)	(3,702,091)
Increase (decrease) in:			
Accounts payable and other liabilities	1,070,155	12,048,707	8,783,131
Tenants' and customers' deposits	2,328,183	(28,558)	(334,662)
Cash generated from operations	41,516,989	33,899,271	19,506,428
Income tax paid	(6,583,777)	(3,232,110)	(2,316,144)
Net cash provided by operating activities	34,933,212	30,667,161	17,190,284
CASH FLOWS FROM INVESTING			
ACTIVITIES			
Interest received	1,197,311	648,143	1,009,478
Dividends received	596,672	292,898	385,916
Proceeds from sale of investment properties (Note 12)	85,767	453,298	–
Additions to:			
Investment properties (Note 12)	(38,766,369)	(39,294,964)	(37,559,444)
Property and equipment (Note 11)	(198,012)	(168,077)	(113,073)
Increase in bonds and deposits and other noncurrent assets (Note 14)	(15,159,670)	(6,044,976)	(7,666,858)
Net cash used in investing activities	(52,244,301)	(44,113,678)	(43,943,981)

(Forward)



	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of bank loans and long-term debt (Notes 15 and 17)	₱94,325,945	₱86,849,381	₱91,403,912
Payments of:			
Long-term debt (Note 17)	(43,863,022)	(35,336,466)	(28,993,349)
Bank loans (Note 15)	(19,994,859)	(15,959,528)	(25,700,000)
Interest	(11,029,498)	(9,837,833)	(8,469,609)
Dividends (Note 18)	(2,943,122)	(2,675,277)	(5,338,436)
Lease liabilities (Notes 16 and 25)	(84,292)	(47,933)	(85,013)
Proceeds from (payments of) matured derivatives	3,274,591	(368,799)	–
Net cash provided by financing activities	19,685,743	22,623,545	22,817,505
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(90,424)	(62,790)	(2,153)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,284,230	9,114,238	(3,938,345)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	39,775,852	30,661,614	34,599,959
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱42,060,082	₱39,775,852	₱30,661,614

See accompanying Notes to Consolidated Financial Statements.



SM PRIME HOLDINGS, INC. AND SUBSIDIARIES

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).

The Company’s ultimate parent company is SM Investments Corporation (SMIC). SMIC is a Philippine corporation whose common shares is listed with the PSE in 2005. SMIC and all its subsidiaries are herein referred to as the “SM Group”.

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

The accompanying consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on February 20, 2023.

2. Basis of Preparation

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

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



Statement of Compliance

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

Basis of Consolidation

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

Company	Country of Incorporation	Percentage of Ownership	
		2022	2021
<i>Mall</i>			
First Asia Realty Development Corporation	Philippines	74.2	74.2
Premier Central, Inc. and Subsidiary	- do -	100.0	100.0
Consolidated Prime Dev. Corp.	- do -	100.0	100.0
Premier Southern Corp.	- do -	100.0	100.0
San Lazaro Holdings Corporation	- do -	100.0	100.0
Southernpoint Properties Corp.	- do -	100.0	100.0
First Leisure Ventures Group Inc. (FLVGI)	- do -	50.0	50.0
CHAS Realty and Development Corporation and Subsidiaries	- do -	100.0	100.0
Springfield Global Enterprises Limited	- do -	100.0	100.0
Simply Prestige Limited and Subsidiaries	- do -	100.0	100.0
SM Land (China) Limited and Subsidiaries (SM Land China)	Hong Kong	100.0	100.0
Rushmore Holdings, Inc.	Philippines	100.0	100.0
Prime Commercial Property Management Corp. and Subsidiaries	- do -	100.0	100.0
Magenta Legacy, Inc.	- do -	100.0	100.0
Associated Development Corporation	- do -	100.0	100.0
Prime Metroestate, Inc. and Subsidiary	- do -	100.0	100.0
SM Arena Complex Corporation	- do -	100.0	100.0
Mindpro Incorporated	- do -	70.0	70.0
A. Canicosa Holdings, Inc.	- do -	100.0	100.0
AD Canicosa Properties, Inc.	- do -	100.0	100.0
Cherry Realty Development Corporation	- do -	100.0	100.0
Supermalls Transport Services, Inc.	- do -	100.0	100.0
Britannia Trading Corp. and Subsidiaries (BTC)	- do -	100.0	—
<i>Residential</i>			
SM Development Corporation and Subsidiaries (SMDC)	- do -	100.0	100.0
Highlands Prime Inc. and Subsidiary	- do -	100.0	100.0
Costa del Hamilo, Inc. and Subsidiary	- do -	100.0	100.0
<i>Commercial</i>			
Tagaytay Resort Development Corporation	- do -	100.0	100.0
MOA Esplanade Port, Inc.	- do -	100.0	100.0
Premier Clark Complex, Inc.	- do -	100.0	100.0
SM Smart City Infrastructure and Development Corporation	- do -	100.0	100.0
<i>Hotels and Convention Centers</i>			
SM Hotels and Conventions Corp. and Subsidiaries	- do -	100.0	100.0

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



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

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

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

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

Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. Uncertainty about these estimates and assumptions could result in outcomes that require an adjustment to the carrying amount of the affected asset or liability in the future period.

Judgments

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

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

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



Measure of Progress. The Company has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Company's performance in transferring control of real estate development, which include customized uninstalled materials, to the customers. The Company determined that in the case of customized materials, the Company is not just providing a simple procurement service to the customer as it is significantly involved in the design and details of the manufacture of the materials.

Determining Transaction Price of Sale of Real Estate. The Company determines whether a contract contains a significant financing component using portfolio approach by considering (1) the difference, if any, between the amount of promised considerations and the cash selling price of the promised goods or services; and (2) the effect of the expected length of time between when the entity transfers the promised goods or service to the customer and when the customer pays for those goods or services and the prevailing effective interest rate (EIR). The Company applied practical expedient by not adjusting the effect of financing component when the period when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. The Company determined that its transaction price on sale of real estate recognized over time do not include a significant financing component.

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

Rent income amounted to ₱58,244 million, ₱34,694 million and ₱32,013 million for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 25).

Lease Modification - as Lessor. Throughout the government-imposed community quarantine, the Company waived rentals and other charges amounting to ₱6,247 million and ₱20,781 million for the years ended December 31, 2022 and 2021, respectively, which reduced rental income. Such rental waivers are not accounted as a lease modification under PFRS 16 since COVID-19 is a force majeure under the general law.

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

Determining Taxable Profit, Tax Bases, Unused Tax Losses, Unused Tax Credits and Tax Rates. The Company applies significant judgment in identifying uncertainties over its income tax treatments. The Company determined based on its assessment, in consultation with its tax counsel, that it is probable that its income tax treatments, including for its subsidiaries, will be accepted by the taxation authorities.



Estimates and Assumptions

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

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

Revenue from sale of real estate amounted to ₱39,047 million, ₱45,116 million and ₱46,973 million for the years ended December 31, 2022, 2021, and 2020, respectively, while the cost of real estate sold amounted to ₱16,899 million, ₱18,687 million and ₱20,578 million for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 21).

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

The allowance for ECLs amounted to ₱721 million and ₱723 million as at December 31, 2022 and 2021, respectively (see Note 7).

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

The carrying values of real estate inventories amounted to ₱70,500 million and ₱56,575 million as at December 31, 2022 and 2021, respectively (see Note 8).

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



equipment and investment properties, excluding ROUA, would increase the recorded costs and expenses and decrease noncurrent assets.

The aggregate carrying values of property and equipment and investment properties, excluding ROUA, amounted to ₱465,030 million and ₱442,271 million as at December 31, 2022 and 2021, respectively (see Notes 11 and 12).

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

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

There was no impairment on other nonfinancial assets for each of the three years in the period ended December 31, 2022. The aggregate carrying values of investments in associates and joint ventures, property and equipment, investment properties and other noncurrent assets (excluding escrow and time deposits) amounted to ₱622,340 million and ₱585,654 million as at December 31, 2022 and 2021, respectively (see Notes 11, 12, 13 and 14).

Realizability of Deferred Tax Assets. The Company's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and net operating loss carryover (NOLCO) is based on the projected taxable income in future periods.

Deferred tax assets recognized in the consolidated balance sheets amounted to ₱3,864 million and ₱3,901 million as at December 31, 2022 and 2021, respectively (see Note 24). Unrecognized deferred tax assets pertain to NOLCO, amounted to ₱133 million and ₱196 million as at December 31, 2022 and 2021, respectively.

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

The fair value of assets and liabilities are discussed in Note 27.

Contingencies. The Company is currently involved in various legal and administrative proceedings. The estimate of the probable costs for the resolution of these proceedings has been developed in consultation with in-house as well as outside legal counsel handling defense in these matters and is



based upon an analysis of potential results. The Company currently does not believe that these proceedings will have a material adverse effect on its consolidated financial position and performance and no provisions were made in relation to these proceedings. It is possible, however, that future consolidated financial performance could be affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings.

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

3. Summary of Significant Accounting and Financial Reporting Policies

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2022. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

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

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

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

The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

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



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

Annual Improvements to PFRSs 2018-2020 Cycle

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards*, *Subsidiary as a first-time adopter*, permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.
- Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*, clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

Future Changes in Accounting Policies and Disclosures

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented.

- Amendments to PAS 8, *Definition of Accounting Estimates*, introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.



- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*, provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:
 - Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies; and
 - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to the Practice Statement provide non-mandatory guidance. Early application is permitted but should be disclosed.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*, clarify:
 - That only covenants with which an entity must comply on or before reporting date will affect a liability’s classification as current or non-current.
 - That classification is unaffected by the likelihood that an entity will exercise its deferral right
 - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments must be applied retrospectively.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*, specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

The amendments must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

Effective beginning on or after January 1, 2025

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

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 requires comparative figures. Early application is permitted.



Deferred Effectivity

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

Cash and Cash Equivalents

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

Determination of Fair Value

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

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

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

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

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

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

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

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

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

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

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by



re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period and recognizes transfers as at the date of the event or change in circumstances that caused the transfer.

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

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

Financial Instruments - Initial Recognition and Subsequent Measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Initial recognition and measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through profit or loss (FVTPL), and FVOCI.

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

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

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

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



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

- *Financial assets at amortized cost (debt instruments):* The Company measures financial assets at amortized cost if both of the following conditions are met:
 - The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
 - The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

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

The Company's financial assets at amortized cost includes cash and cash equivalents, receivables and escrow and time deposits (included under "Other noncurrent assets" account). Other than those financial assets at amortized cost whose carrying values are reasonable approximation of fair values, the aggregate carrying values of financial assets under this category amounted to ₱5,105 million and ₱3,906 million as at December 31, 2022 and 2021, respectively (see Note 27).

- *Financial assets at FVOCI (debt instruments):* The Company measures debt instruments at FVOCI if both of the following conditions are met:
 - The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
 - Selling and the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

As at December 31, 2022 and 2021, the Company has no debt instruments classified as financial assets at FVOCI.

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

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

This category includes derivative instruments. The carrying values of financial assets classified under this category amounted to ₱7,338 million and ₱1,797 million as at December 31, 2022 and 2021, respectively (see Note 27).



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

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

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

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

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

Classified under this category are the investments in shares of stocks of certain companies. The carrying values of financial assets classified under this category amounted to ₱17,612 million and ₱17,947 million as at December 31, 2022 and 2021, respectively (see Note 27).

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

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

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

- The rights to receive cash flows from the asset have expired, or,
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a



‘pass-through’ arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

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

The Company considers a financial asset in default generally when contractual payments are 120 days past due or when the sales are cancelled supported by a notarized cancellation letter executed by the Company and unit buyer. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to



receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

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

Financial Liabilities

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

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

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

- *Financial liabilities at FVTPL.* Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Derivatives, including any separated derivatives, are also classified under liabilities at FVTPL, unless these are designated as hedging instruments in an effective hedge or financial guarantee contracts. Gains or losses on liabilities held for trading are recognized in the consolidated statement of income under “Others - net” account. Classified as financial liabilities at FVTPL are the Company’s derivative liabilities amounting to ₱314 million and ₱2,084 million as at December 31, 2022 and 2021, respectively (see Note 27).

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

Classified under this category are loans payable, accounts payable and other current liabilities, long-term debt, tenants’ deposits, liability for purchased land and other noncurrent liabilities (except for taxes payables and other payables covered by other accounting standards). Other than those other financial liabilities whose carrying values are reasonable approximation of fair values, the aggregate carrying values of financial liabilities under this category amounted to ₱327,175 million and ₱294,523 million as at December 31, 2022 and 2021 respectively (see Note 27).

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



Offsetting Financial Instruments

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

Classification of Financial Instruments Between Liability and Equity

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

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

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

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

Debt Issue Costs

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

Derivative Financial Instruments

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

The Company's derivative financial instruments are accounted for as either cash flow hedges or transactions not designated as hedges (see Note 27). These hedge the exposures to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

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



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

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

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

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

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

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

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

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

Other Derivative Instruments Not Accounted for as Hedges. Certain freestanding derivative instruments that provide economic hedges under the Company’s policies either do not qualify for hedge accounting or are not designated as accounting hedges. Changes in the fair values of derivative instruments not designated as hedges are recognized immediately under “Others - net” account in the consolidated statements of income (see Note 27). Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.



Real Estate Inventories

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

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

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

Prepaid Expenses and Other Current Assets

Other current assets consist of advances to suppliers and contractors, advances for project development, input tax, creditable withholding taxes, deposits, prepayments, supplies and inventories and others. Advances to suppliers and contractors are carried at cost. These represent advance payments to contractors for the construction and development of the projects. These are recouped upon every progress billing payment depending on the percentage of accomplishment. Prepaid taxes and other prepayments are carried at cost less amortized portion. These include prepayments for taxes and licenses, rent, advertising and promotions and insurance.

Property Acquisitions and Business Combinations

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

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

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

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

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

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



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

Common Control Business Combinations

Business combinations involving entities or businesses under common control are business combinations in which all of the entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Business combinations under common control are accounted for similar to pooling of interests method. Under the pooling of interests method:

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

Acquisition of Non-controlling Interests

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

Property and Equipment

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

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs necessary in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation and interest incurred during the construction period on funds borrowed to finance the construction of the projects. When each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. Expenditures



incurred after the item has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have improved the condition of the asset beyond the originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.

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

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

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

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

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

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

Investment Properties

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

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



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

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

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

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

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

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

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

Investments in Associates and Joint Ventures

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

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

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

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



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

- Goodwill relating to an associate or joint venture is included in the carrying amount of the investment. However, amortization of that goodwill is not permitted and is therefore not included in the determination of the Company's share in the associate's or joint venture's profits or losses.
- Any excess of the Company's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the investor's share in the associate's or joint venture's profit or loss in the period in which the investment is acquired.

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

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

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

Other Noncurrent Assets

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



Impairment of Nonfinancial Assets

The carrying values of investments in associates and joint ventures, property and equipment, investment properties and other noncurrent assets (excluding escrow and time deposits) are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell or value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's-length transaction between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

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

Customers' Deposits

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

Capital Stock and Additional Paid-in Capital

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

Retained Earnings

Retained earnings represent accumulated net profits, net of dividend distributions and other capital adjustments.

Treasury Stock

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

Dividends

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



Revenue Recognition

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

Contract Balances

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

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

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

Costs to obtain contract. The incremental costs of obtaining a contract with a customer are recognized as an asset if the Company expects to recover them. The Company has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the



related revenue is recognized as earned. Commission expense is included in the “Costs and expenses” account in the consolidated statement of income. Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

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

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

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

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

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

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

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

Management Fees

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

General, Administrative and Other Expenses

Costs and expenses are recognized as incurred.

Pension Benefits

The Company is a participant in the SM Corporate and Management Companies Multi-Employer Retirement Plan.

Retirement Plan. The plan is a funded, noncontributory defined benefit retirement plan administered by a Board of Trustees covering all regular full-time employees. The cost of providing benefits under



the defined benefit plan is determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees' projected salaries. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, if any, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit pension costs comprise the following:

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

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

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

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

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

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

Foreign Currency-denominated Transactions

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



Foreign Currency Translation

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

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Company as Lessor. Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases are recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Lease Modification. Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).

A lessor shall account for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. If a change in lease payments does not meet the definition of a lease modification, that change would generally be accounted for as a negative variable lease payment. In the case of an operating lease, a lessor recognizes the effect of the rent concession by recognizing lower income from leases.

Company as Lessee. The Company applies a single recognition and measurement approach for all the leases except for low-value assets and short-term leases. The Company recognizes lease liabilities to make lease payments and ROUA representing the right to use the underlying asset.

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments which includes in substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the IBR at the lease commencement date. After the commencement date, the amount of lease liabilities is adjusted to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.



The Company also recognized ROUA in property and equipment (office spaces) and investment properties (land lease and land use rights) at the commencement date of the lease (i.e., the date the underlying asset is available for use). The initial cost of ROUA includes the amount of lease liabilities recognized less any lease payments made at or before the commencement date.

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of bridgeway, machineries and equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

The Company recognizes deferred tax asset and liability based from the lease liability and ROUA, respectively, on a gross basis, as of balance sheet date.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset as part of the cost of that asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use or sale. Borrowing costs are capitalized when it is probable that they will result in future economic benefits to the Company.

The interest capitalized is calculated using the Company's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross interest incurred on those borrowings less any investment income arising on the temporary investment of those borrowings. Interest is capitalized from the commencement of the development work until the date of practical completion, i.e., when substantially all of the development work is completed.

Borrowing costs include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest cost. The Company limits exchange losses taken as amount of borrowing costs to the extent that the total borrowing costs capitalized do not exceed the amount of borrowing costs that would be incurred on functional currency equivalent borrowings. The amount of foreign exchange differences eligible for capitalization is determined for each period separately. Foreign exchange losses that did not meet the criteria for capitalization in previous years are not capitalized in subsequent years. All other borrowing costs are expensed as incurred.



Taxes

Current Tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at reporting period.

Current income tax relating to item recognized directly in equity is recognized in equity and not in the profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax. Deferred tax is provided, using the balance sheet liability method, on temporary differences at reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of excess MCIT and NOLCO, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefits of excess MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at reporting period.

Income tax relating to items recognized directly in the consolidated statement of comprehensive income is recognized in the consolidated statement of comprehensive income and not in the consolidated statement of income.



Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value Added Tax (VAT). Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as part of “Accounts payable and other current liabilities” account in the consolidated balance sheets. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as part of “Prepaid expenses and other current assets” account in the consolidated balance sheets to the extent of the recoverable amount.

Business Segments

The Company is organized and managed separately according to the nature of business. The four operating business segments are mall, residential, commercial and hotels and convention centers. These operating businesses are the basis upon which the Company reports its segment information presented in Note 4 to the consolidated financial statements.

Basic/Diluted Earnings Per Common Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to owners of the Parent by the weighted-average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

For the purpose of computing diluted EPS, the net income for the period attributable to owners of the Parent and the weighted-average number of issued and outstanding common shares are adjusted for the effects of all dilutive potential ordinary shares, if any.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Events after the Reporting Period

Post year-end events that provide additional information about the Company’s financial position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. Segment Information

For management purposes, the Company is organized into business units based on their products and services, and has four reportable operating segments as follows: mall, residential, commercial and hotels and convention centers.



Mall segment develops, conducts, operates and maintains the business of modern commercial shopping centers and all businesses related thereto such as the conduct, operation and maintenance of shopping center spaces for rent, amusement centers, or cinema theaters within the compound of the shopping centers.

Residential and commercial segments are involved in the development and transformation of major residential, commercial, entertainment and tourism districts through sustained capital investments in buildings and infrastructure.

Hotels and convention centers segment engages in and carry on the business of hotel and convention centers and operates and maintains any and all services and facilities incident thereto.

Management, through the Executive Committee, monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with the operating profit or loss in the consolidated financial statements.

The amount of segment assets and liabilities and segment profit or loss are based on measurement principles that are similar to those used in measuring the assets and liabilities and profit or loss in the consolidated financial statements, which is in accordance with PFRS.

Inter-segment Transactions

Transfer prices between business segments are set on an arm's length basis similar to transactions with nonrelated parties. Such transfers are eliminated in the consolidated financial statements.

Business Segment Data

	2022					
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
	<i>(In Thousands)</i>					
Revenue:						
External customers	₱55,379,678	₱40,077,157	₱5,996,483	₱4,332,317	₱-	₱105,785,635
Inter-segment	160,890	5,417	126,801	11,631	(304,739)	-
	₱55,540,568	₱40,082,574	₱6,123,284	₱4,343,948	(₱304,739)	₱105,785,635
Segment results:						
Income before income tax	₱24,291,544	₱10,905,230	₱3,969,174	₱402,171	(₱854,115)	₱38,714,004
Provision for income tax	(4,857,306)	(2,000,690)	(1,013,584)	(99,295)	-	(7,970,875)
Net income	₱19,434,238	₱8,904,540	₱2,955,590	₱302,876	(₱854,115)	₱30,743,129
Net income attributable to:						
Equity holders of the Parent	₱18,800,574	₱8,894,874	₱2,955,590	₱302,876	(₱854,115)	₱30,099,799
Non-controlling interests	633,664	9,666	-	-	-	643,330
Segment assets	₱461,547,075	₱317,089,509	₱81,047,183	₱16,296,204	(₱1,765,319)	₱874,214,652
Segment liabilities	₱320,311,592	₱180,624,978	₱8,524,126	₱1,367,669	(₱1,765,319)	₱509,063,046
Other information:						
Capital expenditures	₱25,786,080	₱36,345,071	₱12,194,451	₱1,093,268	₱-	₱75,418,870
Depreciation and amortization	10,373,095	138,188	1,347,108	629,371	-	12,487,762



2021						
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
<i>(In Thousands)</i>						
Revenue:						
External customers	P29,919,619	P45,895,228	P4,920,521	P1,580,116	P-	P82,315,484
Inter-segment	159,270	1,799	89,389	7,364	(257,822)	-
	P30,078,889	P45,897,027	P5,009,910	P1,587,480	(257,822)	P82,315,484
Segment results:						
Income (loss) before income tax	P6,649,817	P19,175,121	P3,244,353	(P924,580)	(P411,186)	P27,733,525
Provision for income tax	(1,122,152)	(3,948,973)	(750,997)	-	-	(5,822,122)
Net income (loss)	P5,527,665	P15,226,148	P2,493,356	(P924,580)	(P411,186)	P21,911,403
Net income (loss) attributable to:						
Equity holders of the Parent	P5,406,970	P15,221,956	P2,493,356	(P924,580)	(P411,186)	P21,786,516
Non-controlling interests	120,695	4,192	-	-	-	124,887
Segment assets	P429,925,281	P291,750,749	P69,761,727	P14,930,876	(P1,965,353)	P804,403,280
Segment liabilities	P297,139,809	P166,632,085	P7,395,124	P840,842	(P1,965,353)	P470,042,507
Other information:						
Capital expenditures	P26,005,686	P33,710,404	P3,659,529	P1,542,416	P-	P64,918,035
Depreciation and amortization	9,006,617	120,416	1,046,814	643,022	-	10,816,869
2020						
	Mall	Residential	Commercial	Hotels and Convention Centers	Eliminations	Consolidated Balances
<i>(In Thousands)</i>						
Revenue:						
External customers	P28,167,017	P47,476,884	P4,677,139	P1,578,258	P-	P81,899,298
Inter-segment	129,575	-	69,958	2,672	(202,205)	-
	P28,296,592	P47,476,884	P4,747,097	P1,580,930	(P202,205)	P81,899,298
Segment results:						
Income before income tax	P3,920,670	P16,910,196	P3,104,126	(P1,017,072)	(P454,179)	P22,463,741
Provision for income tax	(1,053,610)	(3,089,875)	(180,519)	-	-	(4,324,004)
Net income	P2,867,060	P13,820,321	P2,923,607	(P1,017,072)	(P454,179)	P18,139,737
Net income attributable to:						
Equity holders of the Parent	P2,733,043	P13,821,113	P2,923,607	(P1,017,072)	(P454,179)	P18,006,512
Non-controlling interests	134,017	(792)	-	-	-	133,225
Segment assets	P380,986,657	P254,869,649	P73,994,647	P14,065,747	(P1,557,775)	P722,358,925
Segment liabilities	P258,190,621	P147,833,429	P6,258,717	P916,305	(P1,557,775)	P411,641,297
Other information:						
Capital expenditures	P26,033,777	P24,823,848	P7,393,535	P1,337,054	P-	P59,588,214
Depreciation and amortization	8,659,470	149,450	893,658	639,033	-	10,341,611

For the years ended December 31, 2022, 2021 and 2020, there were no revenue transactions with a single external customer which accounted for 10% or more of the consolidated revenue from external customers. The main revenues of the Company are substantially earned from the Philippines.

The Company disaggregates its revenue information in the same manner as it reports its segment information.

Seasonality

There were no other trends, events or uncertainties that have had or that are reasonably expected to have a material impact on net sales or revenues or income from continuing operations.



5. Acquisition of Non-controlling Interest and Business Combinations

Business Combination

In January 2022, the Parent Company acquired 100% of the outstanding shares of BTC. BTC is under common control by the Sy Family. Thus, the acquisition was accounted for using pooling of interest method. No restatement of prior period was made due to immateriality. Assets acquired and liabilities assumed in January 2022 is ₱1,593 million and ₱1,612 million, respectively. The acquisition resulted to equity reserve adjustment amounting to ₱44 million included under Additional Paid-in Capital - Net account in the equity section of the balance sheet (see Note 18).

In December 2020, the Parent Company entered into a Share Purchase Agreement with its wholly owned subsidiary, SM Land China, and transferred its 100% interest in Affluent Capital Enterprises Limited and Subsidiaries and Mega Make Enterprises Limited and Subsidiaries in exchange for SM Land China's 1,000 ordinary shares and 1 ordinary share, respectively. The Company recorded the additional investment in SM Land China at the carrying value of the asset given up and treated the transaction as common control business combination.

Acquisition of Non-controlling Interest

In December 2020, the Company (through Landfactors Incorporated, a wholly owned subsidiary of SMDC) purchased additional 12,500 common shares of Greenmist Property Management Corporation for a total consideration of ₱2 million increasing its ownership from 91.67% to 100%. The transaction was accounted for as an equity transaction since there was no change in control.

6. Cash and Cash Equivalents

This account consists of:

	2022	2021
	<i>(In Thousands)</i>	
Cash on hand and in banks (see Note 19)	₱8,595,584	₱15,297,181
Temporary investments (see Note 19)	33,464,498	24,478,671
	₱42,060,082	₱39,775,852

Cash in banks earn interest at the respective bank deposit rates. Temporary investments are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn interest at the respective temporary investment rates.

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

Interest income earned from cash in banks and temporary investments amounted to ₱1,070 million, ₱627 million and ₱900 million for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 22).



7. Receivables and Contract Assets

This account consists of:

	2022	2021
	(In Thousands)	
Trade (billed and unbilled):		
Sale of real estate*	₱114,005,269	₱110,916,242
Rent:		
Third parties	10,217,117	6,517,038
Related parties (see Note 19)	3,427,264	2,466,874
Accrued interest (see Note 19)	442,377	320,350
Nontrade and others (see Note 19)	4,119,332	3,041,759
	132,211,359	123,262,263
Less allowance for ECLs	721,482	723,319
	131,489,877	122,538,944
Less noncurrent portion of trade receivables from sale of real estate (see Note 14)	48,929,523	49,518,978
	₱82,560,354	₱73,019,966

*Includes unbilled revenue from sale of real estate amounting to ₱100,157 million and ₱98,589 million as at December 31, 2022 and 2021, respectively.

The terms and conditions of the above receivables are as follows:

- Trade receivables from tenants are non-interest bearing and are normally collectible on a 30 to 90 days' term. Trade receivables from sale of real estate pertain to sold real estate inventories at various terms of payments, which are non-interest bearing.

The Company assigned billed and unbilled receivables from sale of real estate on a without recourse basis to local banks amounting to nil and ₱359 million for the years ended December 31, 2022 and 2021, respectively (see Note 19).

The Company also has assigned billed and unbilled receivables from real estate on a with recourse basis to local banks with outstanding balance of ₱1,182 million and ₱324 million as at December 31, 2022 and 2021, respectively. The related liability from assigned receivables, which is of equal amount with the assigned receivables, bear interest rates of 3.75% to 5.00% in 2022 and 4.50% in 2021. The fair value of the assigned receivables and liability from assigned receivables approximates their costs.

- Accrued interest and other receivables are normally collected throughout the financial period.

Interest income earned from receivables totaled ₱149 million, ₱86 million and ₱65 million for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 22).

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.



There is no allowance for ECLs on unbilled revenue from sale of real estate as of December 31, 2022. The movements in the allowance for ECLs related to receivables from sale of real estate and other receivables are as follows:

	2022	2021
	<i>(In Thousands)</i>	
At beginning of year	₱723,319	₱1,066,130
Reversals - net	(1,837)	(342,811)
At end of year	₱721,482	₱723,319

The aging analysis of receivables and unbilled revenue from sale of real estate as at December 31 are as follows:

	2022	2021
	<i>(In Thousands)</i>	
Neither past due nor impaired	₱115,020,835	₱107,898,754
Past due but not impaired:		
Less than 30 days	4,906,282	2,541,228
31–90 days	3,211,588	2,943,344
91–120 days	2,411,591	1,289,381
Over 120 days	5,939,581	7,866,237
Impaired	721,482	723,319
	₱132,211,359	₱123,262,263

Receivables, except for those that are impaired, are assessed by the Company's management as not impaired, good and collectible.

The transaction price allocated to the remaining performance obligations totaling ₱25,392 million and ₱34,308 million as at December 31, 2022 and 2021, respectively are expected to be recognized over the construction period ranging from one to five years.

8. Real Estate Inventories

The movements in this account are as follows:

	Land and Development	Condominium, Residential Units and Subdivision Lots for Sale	Total
	<i>(In Thousands)</i>		
Balance as at December 31, 2020	₱34,928,317	₱8,763,560	₱43,691,877
Development cost incurred	25,415,208	–	25,415,208
Cost of real estate sold (see Note 21)	(16,867,821)	(1,818,887)	(18,686,708)
Transfers	(12,318,838)	12,318,838	–
Reclassifications from investment properties (see Note 12)	5,448,333	–	5,448,333
Translation adjustment and others	624,327	82,010	706,337
Balance as at December 31, 2021	37,229,526	19,345,521	56,575,047
Development cost incurred	27,956,439	–	27,956,439
Cost of real estate sold (see Note 21)	(11,153,550)	(5,745,018)	(16,898,568)
Transfers	(12,643,521)	12,643,521	–
Reclassifications from investment properties (see Note 12)	2,204,897	–	2,204,897
Translation adjustment and others	187,070	475,140	662,210
Balance as at December 31, 2022	₱43,780,861	₱26,719,164	₱70,500,025



Land and development pertains to the Company's on-going residential units and condominium projects. Estimated cost to complete the projects amounted to ₱106,894 million and ₱111,500 million as at December 31, 2022 and 2021, respectively.

Condominium and residential units for sale pertain to completed projects. These are stated at cost as at December 31, 2022 and 2021.

Contract fulfillment assets, included under land and development, mainly pertain to unamortized portion of land cost totaling ₱959 million and ₱1,840 million as at December 31, 2022 and 2021, respectively.

9. Equity Instruments at FVOCI

This account consists of investments in:

	2022	2021
	<i>(In Thousands)</i>	
Shares of stock:		
Listed (see Note 19)	₱17,606,746	₱17,942,096
Unlisted	5,317	5,317
	17,612,063	17,947,413
Less noncurrent portion	17,077,198	17,400,372
	₱534,865	₱547,041

- Listed shares of stock pertain to investments in publicly-listed companies.
- Unlisted shares of stock pertain to stocks of private corporations.

Dividend income from investments at FVOCI amounted to ₱456 million, ₱186 million and ₱197 million for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 19).

The movements in the "Net fair value changes of equity instruments at FVOCI" account are as follows:

	2022	2021
	<i>(In Thousands)</i>	
At beginning of the year	₱14,708,368	₱13,460,669
Unrealized gain (loss) due to changes in fair value	(475,854)	1,247,699
At end of the year	₱14,232,514	₱14,708,368



10. Prepaid Expenses and Other Current Assets

This account consists of:

	2022	2021
	<i>(In Thousands)</i>	
Input and creditable withholding taxes	₱11,386,654	₱10,703,951
Advances and deposits	8,925,364	8,595,612
Prepaid taxes and other prepayments	4,788,282	4,813,602
Supplies and inventories	424,361	358,957
Others (see Note 19)	242,673	521,235
	₱25,767,334	₱24,993,357

- Input tax represents VAT paid to suppliers that can be claimed as credit against the future output VAT liabilities without prescription. Creditable withholding tax is the tax withheld by the withholding agents from payments to the Company which can be applied against the income tax payable.
- Advances and deposits pertain to downpayments made to suppliers or contractors to cover preliminary expenses of the contractors in construction projects. The amounts are non-interest bearing and are recouped upon every progress billing payment depending on the percentage of accomplishment. This account also includes construction bonds, rental deposits and deposits for utilities and advertisements.
- Prepaid taxes and other prepayments consist of prepayments for insurance, real property taxes, rent, and other expenses which are normally utilized within the next financial period.

11. Property and Equipment

The movements in this account are as follows:

	Land and Improvements	Buildings and Leasehold Improvements	Data Processing Equipment	Transportation Equipment	Furniture, Fixtures and Equipment	ROUA- Office spaces	Construction in Progress	Total
	<i>(In Thousands)</i>							
Cost								
Balance at December 31, 2020	₱272,856	₱1,905,957	₱378,295	₱101,897	₱743,324	₱10,290	₱1,901	₱3,414,520
Additions	17,596	60,640	57,408	5,497	26,203	1,746	1,010	170,100
Reclassifications (see Note 12)	—	58,780	—	—	—	—	(2,215)	56,565
Disposals/retirements	—	—	(3,639)	(1,004)	—	(4,582)	—	(9,225)
Balance at December 31, 2021	290,452	2,025,377	432,064	106,390	769,527	7,454	696	3,631,960
Additions	30,641	79,840	55,908	8,129	23,550	—	—	198,068
Reclassifications	—	342	—	—	—	—	(342)	—
Disposals/retirements	—	—	—	(3,977)	(1,466)	—	—	(5,443)
Balance at December 31, 2022	₱321,093	₱2,105,559	₱487,972	₱110,542	₱791,611	₱7,454	₱354	₱3,824,585
Accumulated Depreciation and Amortization								
Balance at December 31, 2020	₱14,978	₱1,063,648	₱304,114	₱83,800	₱630,954	₱5,818	₱—	₱2,103,312
Depreciation and amortization (see Note 21)	5,430	76,615	35,781	6,316	37,302	2,128	—	163,572
Disposals/retirements	—	—	(3,639)	(1,004)	—	(2,557)	—	(7,200)
Balance at December 31, 2021	20,408	1,140,263	336,256	89,112	668,256	5,389	—	2,259,684
Depreciation and amortization (see Note 21)	8,138	82,040	37,403	6,911	33,891	2,065	—	170,448
Disposals/retirements	—	—	—	(3,977)	(1,410)	—	—	(5,387)
Balance at December 31, 2022	₱28,546	₱1,222,303	₱373,659	₱92,046	₱700,737	₱7,454	₱—	₱2,424,745
Net Book Value								
As at December 31, 2021	₱270,044	₱885,114	₱95,808	₱17,278	₱101,271	₱2,065	₱696	₱1,372,276
As at December 31, 2022	₱292,547	₱883,256	₱114,313	₱18,496	₱90,874	₱—	₱354	₱1,399,840



12. Investment Properties

The movements in this account are as follows:

	Land Held for Development, Land and Leasehold Improvements	Buildings and Improvements	Building Equipment, Furniture and Others	ROUA - Land	Construction in Progress	Total
<i>(In Thousands)</i>						
Cost						
Balance as at December 31, 2020	₱144,610,476	₱247,649,748	₱44,844,780	₱25,591,440	₱70,277,889	₱532,974,333
Additions	16,591,380	1,646,033	1,864,888	1,629,863	21,353,889	43,086,053
Reclassifications (see Notes 8 and 11)	(3,143,507)	12,966,489	2,403,259	–	(17,731,139)	(5,504,898)
Translation adjustment	151,173	3,718,179	292,203	1,173,704	617,031	5,952,290
Disposals/retirement	(282,398)	(236)	(310,873)	(191,483)	–	(784,990)
Balance as at December 31, 2021	157,927,124	265,980,213	49,094,257	28,203,524	74,517,670	575,722,788
Additions	5,543,610	2,110,996	2,626,045	1,138,124	23,705,364	35,124,139
Effect of common control business combination (see Note 5)	168,664	20,767	430,872	–	363,091	983,394
Reclassifications (see Note 8)	670,252	25,875,199	4,103,090	(1,280,292)	(31,573,146)	(2,204,897)
Translation adjustment	14,239	344,383	27,723	106,771	84,967	578,083
Disposals/retirements	(316,735)	(53,232)	(46,618)	–	–	(416,585)
Balance as at December 31, 2022	₱164,007,154	₱294,278,326	₱56,235,369	₱28,168,127	₱67,097,946	₱609,786,922
Accumulated Depreciation and Amortization						
Balance as at December 31, 2020	₱2,492,639	₱63,783,918	₱29,442,511	₱1,096,184	₱–	₱96,815,252
Depreciation and amortization (see Note 21)	266,523	7,185,824	2,570,102	630,848	–	10,653,297
Translation adjustment	90,772	837,982	183,511	34,083	–	1,146,348
Disposals/retirements	(59,694)	(168)	(175,893)	(48,342)	–	(284,097)
Balance as at December 31, 2021	2,790,240	71,807,556	32,020,231	1,712,773	–	108,330,800
Depreciation and amortization (see Note 21)	279,773	7,827,776	3,393,248	816,518	–	12,317,315
Translation adjustment	7,652	71,693	15,935	2,602	–	97,882
Disposals/retirements	(161,310)	(23,482)	(40,325)	–	–	(225,117)
Balance as at December 31, 2022	₱2,916,355	₱79,683,543	₱35,389,089	₱2,531,893	₱–	₱120,520,880
Net Book Value						
As at December 31, 2021	₱155,136,884	₱194,172,657	₱17,074,026	₱26,490,751	₱74,517,670	₱467,391,988
As at December 31, 2022	₱161,090,799	₱214,594,783	₱20,846,280	₱25,636,234	₱67,097,946	₱489,266,042



Portions of investment properties located in China with total carrying value of ₱1,624 million and ₱1,872 million as at December 31, 2022 and 2021, respectively are mortgaged as collaterals to secure domestic borrowings (see Note 17).

Consolidated rent income from investment properties amounted to ₱58,244 million, ₱34,694 million and ₱32,013 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Consolidated costs and expenses from investment properties, which generate income, amounted to ₱30,598 million, ₱23,665 million and ₱24,667 million for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 21).

Construction in progress amounting to ₱67,098 million and ₱74,518 million as at December 31, 2022 and 2021, respectively includes shopping mall complex under construction, land and commercial building constructions.

The outstanding contracts with various contractors related to the construction of on-going projects are valued at ₱18,486 million and ₱18,731 million as at December 31, 2022 and 2021, respectively, inclusive of overhead, cost of labor and materials and all other costs necessary for the proper execution of works.

Interest capitalized to the construction of investment properties amounted to ₱4,814 million, ₱4,005 million and ₱3,540 million for the years ended December 31, 2022, 2021 and 2020, respectively. Capitalization rates used range from 2.35% to 5.22%, from 2.35% to 4.58%, and from 2.35% to 4.70% for the years ended December 31, 2022, 2021 and 2020, respectively.

The most recent fair value of investment properties is determined by an independent appraiser who holds a recognized and relevant professional qualification. The valuation of investment properties was based on market values using income approach and market value approach. The fair value represents the amount at which the assets can be exchanged between a knowledgeable, willing seller and a knowledgeable, willing buyer in an arm's length transaction at the date of valuation, in accordance with International Valuation Standards as set out by the International Valuation Standards Committee.

The Company has no restriction on the realizability of its investment properties.

13. Investments in Associates and Joint Ventures

The ownership interests in associates and joint ventures accounted for under the equity method mainly consist of the following:

Company	Country of Incorporation	Percentage of Ownership	
		December 31, 2022	December 31, 2021
<i>Associates</i>			
Feihua Real Estate (Chongqing) Company Ltd. (FHREC)	People's Republic of China	50.00	50.00
Ortigas Land Corporation (OLC) (formerly OCLP Holdings, Inc.)	Philippines	39.96	39.96



Company	Country of Incorporation	Percentage of Ownership	
		December 31, 2022	December 31, 2021
<i>Joint Ventures</i>			
Winsome Development Corporation*	Philippines	51.00	51.00
Willin Sales, Inc.*	- do -	51.00	51.00
Willimson, Inc. *	- do -	51.00	51.00
Waltermart Ventures, Inc. *	- do -	51.00	51.00
WM Development, Inc. *	- do -	51.00	51.00
WM Shopping Center Management Inc.*	- do -	51.00	51.00
Metro Rapid Transit Service Inc.	- do -	51.00	51.00
ST 6747 Resources Corporation (STRC)	- do -	50.00	50.00

*collectively, Waltermart

The movements in this account are as follows:

	Associates	Joint Ventures	Total
	<i>(In Thousands)</i>		
Balance as at December 31, 2020	₱19,125,446	₱8,609,793	₱27,735,239
Additions		255,000	255,000
Equity in net earnings	697,998	489,421	1,187,419
Dividends	—	(107,099)	(107,099)
Translation	116,876	—	116,876
Balance as at December 31, 2021	19,940,320	9,247,115	29,187,435
Equity in net earnings	1,082,911	637,205	1,720,116
Dividends	(142,933)	(196,859)	(339,792)
Translation	10,561	—	10,561
Balance as at December 31, 2022	₱20,890,859	₱9,687,461	₱30,578,320

The carrying value of investment in OLC amounted to ₱19,473 million and ₱18,533 million as at December 31, 2022 and 2021, respectively, which consists of its proportionate share in the net assets of OLC and fair value adjustments. The share in profit, net of dividend received of OLC amounted to ₱940 million, ₱698 million and ₱196 million for the years ended December 31, 2022, 2021 and 2020, respectively.

The carrying value of investment in FHREC amounted to ₱1,418 million and ₱1,408 million as at December 31, 2022 and 2021, respectively, with cumulative equity in net earnings amounting to ₱1,109 million and ₱1,101 million as at December 31, 2022 and 2021, respectively.

The carrying values of investments in Waltermart amounted to ₱7,639 million and ₱7,356 million as at December 31, 2022 and 2021, respectively. The aggregate share in profit and total comprehensive income, net of dividends received amounted to ₱283 million, ₱216 million and ₱164 million for the years ended December 31, 2022, 2021 and 2020, respectively.

In 2021, the Company's investment in Waltermart increased by ₱255 million through application of the Company's deposits to Waltermart for its proportionate subscription in Waltermart's increased authorized capital stock. In 2021, the Company also received stock dividends from Waltermart.

The carrying value of investment in STRC amounted to ₱2,048 million and ₱1,876 million as at December 31, 2022 and December 31, 2021, respectively. The aggregate share in profit and total comprehensive income amounted to ₱172 million, ₱198 million and ₱178 million for the years ended December 31, 2022, 2021 and 2020, respectively.



The Company has no outstanding contingent liabilities or capital commitments related to its investments in associates and joint ventures as at December 31, 2022 and 2021.

14. Other Noncurrent Assets

This account consists of:

	2022	2021
	<i>(In Thousands)</i>	
Bonds and deposits	₱50,541,286	₱36,456,554
Receivables from sale of real estate - net of current portion* (see Note 7)	48,929,523	49,518,978
Escrow and time deposits (see Notes 19 and 27)	5,105,361	3,905,618
Deferred input tax	1,069,739	1,185,323
Others (see Note 23)	554,997	541,323
	₱106,200,906	₱91,607,796

*Pertains to noncurrent portion of unbilled revenue from sale of real estate (see Note 7).

- Bonds and deposits consist of deposits to contractors and suppliers to be applied throughout construction and advances, deposits paid for leased properties to be applied at the last term of the lease and advance payments for land acquisitions which will be applied against the purchase price of the properties upon fulfillment by both parties of certain undertakings and conditions.
- Time deposits amounting to ₱4,616 million and ₱3,906 million as at December 31, 2022 and 2021, respectively, were used as collateral for use of credit lines obtained by the Company. Interest income earned amounted to ₱94 million, ₱125 million and ₱43 million for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 22).
- Cash in escrow pertains to the amounts deposited in the account of an escrow agent as required by the Department of Human Settlements and Urban Development in connection with the incentive compliance provisions of the Urban Development and Housing Act. Interest income earned from the cash in escrow amounted to ₱6 million, ₱1 million and ₱2 million for the years ended December 31, 2022, 2021 and 2020 respectively (see Note 22).

15. Loans Payable

This account consists of unsecured Philippine peso and China yuan renminbi denominated loans obtained from local and foreign banks amounting to ₱5,423 million and ₱6,487 million as at December 31, 2022 and 2021, respectively, with due dates of less than one year. These loans bear weighted average interest rates of 3.56% and China loan prime rate (LPR) in 2022 and 2.97% and China LPR in 2021.

Interest expense incurred from loans payable amounted to ₱160 million, ₱177 million and ₱189 million for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 22).



16. Accounts Payable and Other Current Liabilities

This account consists of:

	2022	2021
	(In Thousands)	
Trade:		
Third parties	₱46,085,127	₱42,780,505
Related parties (see Note 19)	166,076	297,600
Tenants' and customers' deposits* (see Note 25)	37,056,004	39,881,582
Accrued operating expenses	15,171,483	13,556,961
Lease liabilities	13,473,170	12,419,338
Deferred output VAT	10,920,582	10,377,783
Liability for purchased land	5,678,474	10,458,828
Accrued interest (see Note 19)	2,646,101	2,209,812
Payable to government agencies	1,606,431	2,134,117
Nontrade	354,153	396,827
Liability from assigned receivables and others (see Note 7)	3,808,517	3,026,171
	136,966,118	137,539,524
Less noncurrent portion	48,843,521	46,161,807
	₱88,122,597	₱91,377,717

* Includes unearned revenue from sale of real estate amounting to ₱5,452 million and ₱6,102 million as at December 31, 2022 and 2021, respectively, out of which ₱4,343 million and ₱1,491 million were recognized as revenue in 2022 and 2021, respectively.

The terms and conditions of the above liabilities follow:

- Trade payables primarily consist of liabilities to suppliers and contractors, which are non-interest bearing and are normally settled within a 30-day term.
- Accrued operating expenses pertain to accrued selling, general and administrative expenses which are normally settled throughout the financial period. Accrued operating expenses consist of:

	2022	2021
	(In Thousands)	
Payable to contractors	₱9,133,293	₱7,153,158
Utilities	2,385,215	2,363,348
Marketing and advertising and others	3,652,975	4,040,455
	₱15,171,483	₱13,556,961

- Deferred output VAT represents output VAT on unpaid portion of recognized receivable from sale of real estate. This amount is reported as output VAT upon collection of the receivables.



- Liability for purchased land, payable to government agencies, accrued interest and other payables are normally settled throughout the financial period.
- Lease liabilities included in "Other noncurrent liabilities" amounted to ₱13,342 million and ₱12,284 million as at December 31, 2022 and 2021, respectively. Interest on lease liabilities included under "Others - net" in the consolidated statements of income amounted to ₱437 million, ₱404 million and ₱323 million for the years ended December 31, 2022, 2021 and 2020, respectively.



17. Long-term Debt

This account consists of:

	Availment Date	Maturity Date	Weighted Average Interest Rate	Outstanding Balance	
				2022	2021
				(In Thousands)	
Philippine peso-denominated loans					
Retail bonds	September 1, 2014 - April 22, 2022	May 17, 2022 - April 22, 2032	5.19%	₱119,632,740	₱99,632,740
Other bank loans	June 3, 2013 - November 14, 2022	April 11, 2022 - August 7, 2029	Floating BVAL + margin; Fixed - 4.63%	128,726,460	127,889,520
U.S. dollar-denominated loans*	May 8, 2017 - June 30, 2022	March 27, 2022 - June 9, 2027	LIBOR + spread; semi-annual/quarterly	91,062,847	73,177,366
			SOFR + spread; quarterly		
China yuan renminbi-denominated loans**	October 16, 2017 - December 19, 2022	October 16, 2022 - June 24, 2037	China LPR; annually; Fixed - 3.65%	9,665,493	8,497,291
				349,087,540	309,196,917
Less debt issue cost				2,112,928	1,966,100
				346,974,612	307,230,817
Less current portion				50,839,776	42,261,601
				₱296,134,836	₱264,969,216

LIBOR – London Interbank Offered Rate

BVAL – Bloomberg Valuation Service

SOFR – Secured Overnight Financing Rate

**Hedged against foreign exchange and interest rate risks using derivative instruments (see Note 27)*

***Secured by portions of investment properties located in China (see Note 12)*



Debt Issue Cost

The movements in unamortized debt issue cost of the Company follow:

	2022	2021
	<i>(In Thousands)</i>	
Balance at beginning of the year	₱1,966,100	₱1,249,386
Additions	884,484	1,261,530
Amortization	(737,656)	(544,816)
Balance at end of the year	₱2,112,928	₱1,966,100

Amortization of debt issuance costs is recognized in the consolidated statements of income under “Others - net” account.

Repayment and Debt Issue Cost Schedule

The repayments of long-term debt are scheduled as follows:

	Gross	Debt Issue Cost	Net
	<i>(In Thousands)</i>		
Within 1 year	₱51,541,407	(₱701,631)	₱50,839,776
More than 1 year to 5 years	263,086,205	(1,318,393)	261,767,812
More than 5 years	34,459,928	(92,904)	34,367,024
	₱349,087,540	(₱2,112,928)	₱346,974,612

The loan agreements of the Company provide certain restrictions and requirements principally with respect to maintenance of required financial ratios and material change in ownership or control. As at December 31, 2022 and 2021, the Company is in compliance with the terms of its loan covenants.

Interest expense from long-term debt charged to profit or loss amounted to ₱11,288 million, ₱9,148 million and ₱8,224 million for the years ended December 31, 2022, 2021 and 2020, respectively (see Note 22).

18. Equity

Capital Stock

As at December 31, 2022 and 2021, the Company has an authorized capital stock of 40,000 million with a par value of ₱1 a share, of which 33,166 million shares were issued. The Company has 28,856 million outstanding shares as at December 31, 2022 and 2021.

The following summarizes the information on SMPH's registration of securities under the Securities Regulation Code:

Date of SEC Approval/ Notification to SEC	Authorized Shares	No. of Shares Issued	Issue/Offer Price
March 15, 1994	10,000,000,000	–	₱–
April 22, 1994	–	6,369,378,049	5.35
May 29, 2007	10,000,000,000	–	–
May 20, 2008	–	912,897,212	11.86
October 14, 2010	–	569,608,700	11.50
October 10, 2013	20,000,000,000	15,773,765,315	19.50



SMPH declared stock dividends in 2012, 2007, 1996 and 1995. The total number of shareholders is 2,346 as at December 31, 2022.

Additional Paid-in Capital - Net

Following represents the nature of the consolidated “Additional paid-in capital - net”:

	2022	2021
	<i>(In Thousands)</i>	
Paid-in subscriptions in excess of par value	₱33,549,808	₱33,549,808
Net equity adjustments from common control business combinations (see Note 5)	9,354,060	9,309,730
Arising from sale (acquisition) of non-controlling interests (see Note 5)	(4,779,675)	(4,803,522)
<u>As presented in the consolidated balance sheets</u>	<u>₱38,124,193</u>	<u>₱38,056,016</u>

Retained Earnings

In 2022, the BOD approved the declaration of cash dividend of ₱0.097 per share or ₱2,801 million to stockholders of record as of May 11, 2022, ₱2 million of which was received by SMDC. This was paid on May 24, 2022. In 2021, the BOD approved the declaration of cash dividend of ₱0.082 per share or ₱2,368 million to stockholders of record as of May 5, 2021, ₱2 million of which was received by SMDC. This was paid on May 19, 2021. In 2020, the BOD approved the declaration of cash dividend of ₱0.185 per share or ₱5,343 million to stockholders of record as of June 30, 2020, ₱4 million of which was received by SMDC. This was paid on July 14, 2020.

As at December 31, 2022 and 2021, the amount of retained earnings appropriated for the corporate and mall expansions amounted to ₱42,200 million. This represents appropriation for land banking activities and planned construction projects for the next two to three years. The appropriation is being fully utilized to cover part of the annual capital expenditure requirement of the Company. Approval of malls expansions and new projects is delegated by the BOD to the Executive Committee of the Company.

For the year 2023, the Company expects to incur capital expenditures of approximately ₱80,000 million.

The unappropriated retained earnings account is restricted for the payment of dividends to the extent of the accumulated equity in net earnings of subsidiaries, associates and joint ventures and the balance of treasury stock until such time that the Parent Company receives the dividends from its subsidiaries, associates and joint ventures. The unappropriated retained earnings available for dividend declaration amounted to ₱96,642 million and ₱77,728 million as at December 31, 2022 and 2021, respectively.

Treasury Stock

As at December 31, 2022 and 2021, this includes 4,310 million reacquired capital stock and shares held by a subsidiary stated at acquisition cost of ₱2,985 million.



19. Related Party Transactions

Parties are considered to be related if one party has the ability, directly and indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

Terms and Conditions of Transactions with Related Parties

There have been no guarantees/collaterals provided or received for any related party receivables or payables. For the years ended December 31, 2022 and 2021, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial period through examining the financial position of the related party and the market in which the related party operates. Settlement of the outstanding balances normally occur in cash. The Company has approval process and established limits when entering into material related party transactions.

The significant transactions entered into by the Company with its related parties and the amounts included in the accompanying consolidated financial statements with respect to these transactions follow:

	Amount of Transactions			Outstanding Amount [Asset (Liability)]		Terms	Conditions
	2022	2021	2020	2022	2021		
(In Thousands)							
Ultimate Parent							
Rent income	₱64,092	₱59,175	₱54,752	₱–	₱–		
Rent receivable	–	–	–	7,396	7,874	Non-interest bearing	Unsecured; not impaired
Other revenue	35,017	41,600	50,790	–	–		
Other receivable	–	–	–	2,912	5,097	Non-interest bearing	Unsecured; not impaired
Rent expense	69,755	25,298	38,360	–	–		
Trade payable	–	–	–	(30,068)	(25,952)	Non-interest bearing	Unsecured
Dividend income	913	621	621	–	–		
Equity instruments at FVOCI	–	–	–	131,494	137,776		
Banking and Retail Entities							
Cash and cash equivalents	122,886,066	127,864,300	118,698,095	34,031,170	23,561,195	Interest bearing based on prevailing rates	Unsecured; not impaired
Rent income	15,391,640	10,107,826	10,067,227	–	–		
Rent receivable	–	–	–	3,359,255	2,443,955	Non-interest bearing	Unsecured; not impaired
Other revenue	419	159	31,233	–	–		
Other receivable	–	–	–	8,941	10,083	Non-interest bearing	Unsecured; not impaired
Interest income	664,264	213,906	435,107	–	–		
Accrued interest receivable	–	–	–	119,002	14,650	Non-interest bearing	Unsecured; not impaired
Receivable financed	–	358,861	7,170,156	–	–	Without recourse	Unsecured
Dividend income	203,455	108,029	108,029	–	–		
Equity instruments at FVOCI	–	–	–	11,418,694	10,865,944		
Time deposits	–	–	–	557,232	856,650	Interest bearing	Unsecured
Cash in escrow	196,272	161,034	25,952	489,030	355,583	Interest bearing based on prevailing rates	Unsecured; not impaired
Long-term debt	12,521,075	1,700,000	2,500,412	(20,730,765)	(10,743,442)	Interest bearing	Unsecured
Interest expense	668,384	503,515	711,528	–	–		
Accrued interest payable	–	–	–	(157,668)	(36,598)	Non-interest bearing	Unsecured
Other expense	195,876	159,418	151,468	–	–		
Trade payable	–	–	–	(115,922)	(144,305)	Non-interest bearing	Unsecured



	Amount of Transactions			Outstanding Amount [Asset (Liability)]		Terms	Conditions
	2022	2021	2020	2022	2021		
	<i>(In Thousands)</i>						
Other Related Parties							
Rent income	₱314,324	₱120,962	₱153,434	₱-	₱-		
Rent receivable	-	-	-	60,613	15,045	Non-interest bearing	Unsecured; not impaired
Other revenue	121,004	155,683	88,442	-	-		
Other receivable	-	-	-	25,058	30,180	Non-interest bearing	Unsecured; not impaired
Rent expense	410	376	-	-	-		
Trade payable	-	-	-	(20,086)	(127,343)	Non-interest bearing	Unsecured

Affiliate refers to an entity that is neither a parent, subsidiary, nor an associate, with stockholders common to the SM Group or under common control.

Below are the nature of the Company's transactions with the related parties:

Rent

The Company has existing lease agreements for office and commercial spaces with related companies (retail and banking group and other related parties).

Other Revenues

The Company provides management, manpower and other related services.

Dividend Income

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

Cash Placements and Loans

The Company has certain bank accounts and cash placements that are maintained with the banking group. Such accounts earn interest based on prevailing market interest rates (see Note 6).

The Company also availed of bank loans and long-term debt from the banking group and pays interest based on prevailing market interest rates (see Notes 15 and 17).

The Company also entered into financing arrangements with the banking group. There were no assigned receivables on a with recourse basis to the banking group in 2022 and 2021 (see Note 7).

Others

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

Compensation of Key Management Personnel

The aggregate compensation and benefits related to key management personnel for the years ended December 31, 2022, 2021 and 2020 consist of short-term employee benefits amounting to ₱1,130 million, ₱1,059 million and ₱1,126 million, respectively, and post-employment benefits (pension benefits) amounting to ₱243 million, ₱229 million and ₱274 million, respectively.



20. Other Revenue

Details of other revenue follows:

	2022	2021	2020
	<i>(In Thousands)</i>		
Cinema and event ticket sales	₱2,689,404	₱56,868	₱654,931
Food and beverages	1,786,358	611,751	438,755
Amusement and others	1,093,416	226,423	182,994
Merchandise sales	564,978	193,278	223,432
Bowling and ice skating fees	335,452	29,301	56,035
Advertising income	99,912	87,155	72,788
Others (see Note 19)	1,925,688	1,300,403	1,283,940
	₱8,495,208	₱2,505,179	₱2,912,875

Others include service fees, parking terminal, sponsorships, commissions, and membership revenue.

21. Costs and Expenses

This account consists of:

	2022	2021	2020
	<i>(In Thousands)</i>		
Cost of real estate sold (see Note 8)	₱16,898,568	₱18,686,708	₱20,578,406
Depreciation and amortization (see Notes 11 and 12)	12,487,762	10,816,869	10,341,611
Administrative (see Notes 19 and 23)	12,423,180	7,967,372	8,945,926
Marketing and selling	5,438,162	5,445,482	5,152,576
Business taxes and licenses	4,658,425	5,141,919	5,082,801
Film rentals	1,399,271	20,539	355,055
Rent (see Notes 19 and 25)	1,130,559	581,803	564,602
Insurance	541,200	497,387	611,317
Others	1,565,195	742,854	1,192,818
	₱56,542,322	₱49,900,933	₱52,825,112

Rent expense pertain to variable payments for various lease agreements. Others include bank charges, donations, dues and subscriptions, services fees and transportation and travel.



22. Interest Income and Interest Expense

The details of the sources of interest income and interest expense follow:

	2022	2021	2020
	<i>(In Thousands)</i>		
Interest income on:			
Cash and cash equivalents (see Note 6)	₱1,070,051	₱627,033	₱899,615
Escrow and time deposits (see Note 14)	100,034	125,458	45,258
Others (see Note 7)	149,253	86,776	65,088
	₱1,319,338	₱839,267	₱1,009,961
Interest expense on:			
Long-term debt (see Note 17)	₱11,288,049	₱9,147,532	₱8,223,671
Loans payable (see Note 15)	159,904	176,792	189,244
Others	17,834	33,292	183,835
	₱11,465,787	₱9,357,616	₱8,596,750

23. Pension Benefits

The Company has funded defined benefit pension plans covering all regular and permanent employees. The benefits are based on employees' projected salaries and number of years of service. The latest actuarial valuation report is as at December 31, 2022.

The following tables summarize the components of the pension plan as at December 31:

Net Pension Cost (included under "Costs and expenses" account under "Administrative")

	2022	2021	2020
	<i>(In Thousands)</i>		
Current service cost	₱377,990	₱376,779	₱446,968
Interest - net and others	28,911	8,348	34,321
	₱406,901	₱385,127	₱481,289

Net Pension Asset (included under "Other noncurrent assets" account)

	2022	2021
	<i>(In Thousands)</i>	
Fair value of plan assets	₱821,454	₱1,419,845
Defined benefit obligation	(725,095)	(1,246,137)
Effect of asset ceiling limit	(30,264)	(25,477)
Net pension asset	₱66,095	₱148,231

Net Pension Liability (included under "Other noncurrent liabilities" account)

	2022	2021
	<i>(In Thousands)</i>	
Defined benefit obligation	₱3,382,257	₱2,159,721
Fair value of plan assets	(2,250,763)	(1,565,128)
Net pension liability	₱1,131,494	₱594,593



The changes in the present value of the defined benefit obligation are as follows:

	2022	2021
	<i>(In Thousands)</i>	
Balance at beginning of the year	₱3,405,858	₱3,235,926
Interest cost and others	467,022	116,924
Current service cost	377,990	376,779
Actuarial loss (gain) on:		
Changes in financial assumptions	219,213	(198,344)
Experience adjustments	(30,723)	177,952
Changes in demographic assumptions	(34,416)	(3,017)
Benefits paid	(310,269)	(259,521)
Transfers	12,677	(40,841)
Balance at end of the year	₱4,107,352	₱3,405,858

The changes in the fair value of plan assets are as follows:

	2022	2021
	<i>(In Thousands)</i>	
Balance at beginning of year	₱2,984,973	₱2,889,967
Contributions	336,366	201,277
Interest income and others	308,480	108,925
Transfers	12,677	(40,841)
Benefits paid from assets	(310,269)	(259,521)
Remeasurement gain (loss)	(260,010)	85,166
Balance at end of year	₱3,072,217	₱2,984,973

The changes in the effect of asset ceiling limit are as follows:

	2022	2021
	<i>(In Thousands)</i>	
Balance at beginning of year	₱25,477	₱10,691
Interest cost	3,585	349
Remeasurement gain	1,202	14,437
Balance at end of year	₱30,264	₱25,477

The carrying amounts of the plan assets below equal to its fair values as at December 31, 2022 and 2021.

	2022	2021
	<i>(In Thousands)</i>	
Cash and cash equivalents	₱26,290	₱42,810
Investments in:		
Government securities	1,347,626	1,343,150
Common trust funds	1,143,227	1,193,209
Debt and other securities	528,448	363,200
Equity securities	11,496	28,969
Other financial assets	15,130	13,635
	₱3,072,217	₱2,984,973

- Cash and cash equivalents includes regular savings and time deposits;



- Investments in common trust funds pertain to unit investment trust fund;
- Investments in government securities consist of retail treasury bonds which bear interest ranging from 2.06% to 11.88% and have maturities ranging from 2023 to 2028;
- Investments in debt and other securities consist of short-term and long-term corporate loans, notes and bonds which bear interest ranging from 2.87% to 8.01% and have maturities ranging from 2023 to 2029;
- Investments in equity securities consist of listed and unlisted equity securities; and
- Other financial assets include accrued interest income on cash deposits held by the Retirement Plan.

Debt and other securities, equity securities and government securities have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse instruments and do not have any concentration of risk.

The following table summarizes the outstanding balances and transactions of the pension plan as at and for the years ended December 31:

	2022	2021
	<i>(In Thousands)</i>	
Cash and cash equivalents	₱26,290	₱42,810
Interest income from cash and cash equivalents	137	40
Investments in common trust funds	1,143,227	1,193,209
Gain (loss) from investments in common trust funds	(131,927)	10,848

The principal assumptions used in determining pension obligations for the Company's plan are shown below:

	2022	2021
Discount rate	6.8%–7.3%	4.3%–5.1%
Future salary increases	3.0%–10.0%	3.0%–6.5%

Remeasurement effects recognized in other comprehensive income at December 31 follow:

	2022	2021	2020
	<i>(In Thousands)</i>		
Actuarial loss (gain)	₱414,084	(₱108,575)	(₱429,561)
Remeasurement loss (gain) - excluding amounts recognized in net interest cost	3,585	14,437	(1,123)
	₱417,669	(₱94,138)	(₱430,684)



The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2022 and 2021, respectively, assuming all other assumptions were held constant:

	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation <i>(In Thousands)</i>
2022		
Discount rates	50	(₱307,539)
	(50)	355,952
Future salary increases	100	344,704
	(100)	(304,331)
2021		
Discount rates	50	(₱243,017)
	(50)	281,371
Future salary increases	100	300,193
	(100)	(263,259)

The Company and the pension plan has no specific matching strategies between the pension plan assets and the defined benefit obligation under the pension plan.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2022 and 2021, respectively:

Year 2022	Amount
	<i>(In Thousands)</i>
2023	₱938,840
2024	337,030
2025–2026	815,147
2027–2032	3,173,913
Year 2021	Amount
	<i>(In Thousands)</i>
2022	₱770,505
2023	279,433
2024–2025	581,013
2026–2031	2,214,566

The Company expects to contribute about ₱521 million to its defined benefit pension plan in 2023.

The weighted average duration of the defined benefit obligation is 7.9 years and 7.8 years as of December 31, 2022 and 2021, respectively.

24. Income Tax

The current provision for income tax presented in the consolidated statements of income represents RCIT and MCIT.



The details of the Company's deferred tax assets and liabilities are as follows:

	2022	2021
	<i>(In Thousands)</i>	
Deferred tax assets:		
Lease liabilities	₱2,145,193	₱1,878,505
Unrealized foreign exchange losses	408,426	408,356
NOLCO	335,693	606,912
Excess of fair value over cost of investment properties and others	252,069	263,934
Excess MCIT over RCIT	102,702	219,553
Unamortized past service cost	33,127	34,394
Provision for ECLs on receivables	21,626	21,632
Others	565,136	468,209
	3,863,972	3,901,495
Deferred tax liabilities:		
Unrealized gross profit on sale of real estate	(8,896,471)	(8,379,622)
Undepreciated capitalized interest, unrealized foreign exchange gains and others	(3,308,502)	(2,794,261)
ROUA	(1,693,636)	(1,498,651)
Pension asset	(22,543)	(21,332)
Others	(151,494)	(161,209)
	(14,072,646)	(12,855,075)
Net deferred tax liabilities	(₱10,208,674)	(₱8,953,580)

The net deferred tax assets and liabilities are presented in the consolidated balance sheets as follows:

	2022	2021
	<i>(In Thousands)</i>	
Deferred tax assets - net	₱931,366	₱734,975
Deferred tax liabilities - net	(11,140,040)	(9,688,555)
	(₱10,208,674)	(₱8,953,580)

On September 30, 2020, the Bureau of Internal Revenue issued Revenue Regulations No. 25-2020 implementing Section 4(bbb) of "Bayanihan to Recover As One Act ("Bayanihan Act")" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five consecutive taxable years immediately following the year of such loss. The Company has incurred NOLCO amounting to nil and ₱690 million in taxable years 2022 and 2021, respectively.

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On March 26, 2021, President Rodrigo Duterte signed into law the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.



The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25%. For entities with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020.
- Imposition of improperly accumulated earnings tax is repealed.

Applying the provisions of the CREATE Act, the Company have been subjected to the lower tax rate of 15% (optional standard deduction) to 25% (itemized deduction) of taxable income and 1% MCIT of gross income effective July 1, 2020.

The Company recognized one-time impact of CREATE in the consolidated statement of comprehensive income for the period ended December 31, 2021 amounting to ₱293 million and ₱39 million for provision for income tax (current and deferred) and remeasurement loss on defined benefit obligation, respectively. Deferred tax liabilities - net also decreased by ₱218 million.

The reconciliation between the statutory tax rates and the effective tax rates on income before income tax as shown in the consolidated statements of income follows:

	2022	2021	2020
Statutory tax rate	25.00%	25.00%	30.00%
Income tax effects of:			
Nondeductible expenses and others	(2.52)	(1.30)	(4.89)
Equity in net earnings of associates and joint ventures	(1.11)	(1.07)	(0.93)
Interest income subjected to final tax and dividend income exempt from income tax	(0.73)	(0.33)	(1.52)
Availment of income tax holiday	(0.05)	(0.25)	(3.41)
Adjustment of 2020 income tax provision due to CREATE	—	(1.06)	—
Effective tax rates	20.59%	20.99%	19.25%

The Company's certain real estate sales are registered with the Philippine Board of Investments as a new developer of low-cost mass housing projects. Under such registration, the Company is entitled to a three to four-year income tax holiday incentive for certain projects.

25. Lease Agreements

Company as Lessor

The Company's lease agreements with its mall and commercial property tenants are generally granted for a term of one year, with the exception of some of the larger tenants operating nationally, which are granted initial lease terms of 5 years for mall tenants and 2 to 20 years for commercial property tenants, renewable on an annual basis thereafter. At the inception of the lease agreement, tenants are required to pay certain amounts of deposits. At the termination of the lease contracts, the deposits received by the Company are returned to tenants, reduced by unpaid rental fees, penalties and/or



deductions from repairs of damaged leased properties, if any. Tenants likewise pay either a fixed monthly rent, which is calculated by reference to a fixed sum per square meter of area leased, or pay rent on a percentage rental basis, which comprises of a basic monthly amount and a percentage of gross sales or a minimum set amount, whichever is higher.

The Company's future minimum rent receivables for the noncancellable portions of the operating commercial property leases follow:

	2022	2021
	<i>(In Millions)</i>	
Within one year	₱7,261	₱5,955
After one year but not more than five years	11,807	10,618
After more than five years	6,878	7,139
	₱25,946	₱23,712

Consolidated rent income amounted to ₱58,244 million, ₱34,694 million and ₱32,013 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Company as Lessee

The Company leases certain parcels of land where some of their malls are situated or constructed. The terms of the lease are for periods ranging from 5 to 65 years, renewable for the same period under the same terms and conditions. Rental payments are generally computed based on a certain percentage of the gross rental income or a certain fixed amount, whichever is higher. The Company also has various operating lease commitments with third party and related parties with noncancellable periods ranging from 2 to 30 years, mostly containing renewal options. Several lease contracts provide for the payment of additional rental based on certain percentage of sales of the tenants.

Depreciation expense on ROUA, interest expense on lease liabilities and rent expense on other leases amounting to ₱819 million, ₱437 million and ₱1,131 million, respectively, and ₱633 million, ₱404 million and ₱582 million, respectively, are recognized in the consolidated statements of income for the years ended December 31, 2022 and 2021, respectively (see Notes 11, 12, 16 and 21).

The maturity analysis of the undiscounted lease payments as at December 31, 2022 and 2021, respectively, are presented in Note 26 to the consolidated financial statements.

26. Financial Risk Management Objectives and Policies

The Company's principal financial instruments, other than derivatives, comprise of cash and cash equivalents, accrued interest and other receivables, equity instruments at FVOCI and bank loans. The main purpose of these financial instruments is to finance the Company's operations. The Company has other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Company also enters into derivative transactions, principally, cross currency swaps, principal only swaps, interest rate swaps, foreign exchange forward swaps and non-deliverable forwards. The purpose is to manage the interest rate and foreign currency risks arising from the Company's operations and its sources of finance (see Note 27).



The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and equity price risk. The Company's BOD and management review and agree on the policies for managing each of these risks and they are summarized in the following tables.

Interest Rate Risk

The Company's policy is to manage its interest cost using a mix of fixed and floating rate debts. To manage this mix in a cost-efficient manner, it enters into interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and floating rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to economically hedge underlying debt obligations. As at December 31, 2022 and 2021, after taking into account the effect of interest rate swaps, approximately 78% and 86%, respectively, of its long-term borrowings, are at a fixed rate of interest (see Note 27).



Interest Rate Risk

The following tables set out the carrying amount, by maturity, of the Company's long-term financial liabilities that are exposed to interest rate risk as at December 31, 2022 and 2021:

		2022					
	Interest Rate	1–<2 Years	2–<3 Years	3–<4 Years	4–<5 Years	=>5 Years	Total
Floating Rate							
Philippine peso-denominated loans	BVAL+margin%	₱14,730,000	₱101,250	₱5,740,000	₱11,635,000	₱14,281,250	₱46,487,500
U.S. dollar-denominated loans	LIBOR + spread	–	–	\$100,000	\$200,000	\$100,000	22,301,978
China yuan renminbi-denominated loans	LPR	¥69,803	¥168,491	¥277,631	¥365,355	¥214,382	8,857,113
							77,646,591
Less debt issue cost							493,338
							₱77,153,253
		2021					
	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%	₱11,358,000	₱19,247,500	₱95,500	₱5,674,000	₱950,000	₱37,325,000
China yuan renminbi-denominated loans	LPR	¥29,592	¥49,592	¥148,280	¥217,420	¥264,946	5,695,392
							43,020,392
Less debt issue cost							92,016
							₱42,928,376



Interest Rate Risk Sensitivity Analysis. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant of the Company's income before income tax.

	Increase (Decrease) in Basis Points	Effect on Income Before Income Tax <i>(In Thousands)</i>
2022	100	(P34,942)
	50	(17,471)
	(100)	34,942
	(50)	17,471
2021	100	(P18,314)
	50	(9,157)
	(100)	18,314
	(50)	9,157

Fixed rate debts, although subject to fair value interest rate risk, are not included in the sensitivity analysis as these are carried at amortized costs. The assumed movement in basis points for interest rate sensitivity analysis is based on currently observable market environment, showing a significantly higher volatility as in prior years.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's policy is to manage its foreign currency risk mainly from its debt issuances which are denominated in U.S. dollars by entering into foreign currency swap contracts, cross currency swaps, principal only swaps and non-deliverable forwards aimed at reducing and/or managing the adverse impact of changes in foreign exchange rates on financial performance and cash flow.

The Company's foreign currency-denominated monetary net assets amounted to US\$19 million (P1,034 million) as at December 31, 2022 and US\$57 million (P2,904 million) as at December 31, 2021.

In translating the foreign currency-denominated monetary assets and liabilities to peso amounts, the exchange rates used were P55.76 to US\$1.00 and P51.00 to US\$1.00, the Philippine peso to U.S. dollar exchange rate as at December 31, 2022 and 2021, respectively.

Foreign Currency Risk Sensitivity Analysis. The following table demonstrates the sensitivity to a reasonably possible change in U.S. dollar to Philippine peso exchange rate with all other variables held constant, of the Company's income before income tax (due to changes in the fair value of monetary assets, including the impact of derivative instruments). There is no impact on the Company's equity.

	Appreciation (Depreciation) of \$	Effect on Income Before Tax <i>(In Thousands)</i>
2022	1.50	P27,826
	1.00	18,550
	(1.50)	(P27,826)
	(1.00)	(18,550)



	Appreciation (Depreciation) of \$	Effect on Income Before Tax <i>(In Thousands)</i>
2021	1.50	₱85,412
	1.00	56,941
	(1.50)	(₱85,412)
	(1.00)	(56,941)

Liquidity Risk

Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments or that a market for derivatives may not exist in some circumstance.

The Company seeks to manage its liquidity profile to be able to finance capital expenditures and service maturing debts. To cover its financing requirements, the Company intends to use internally generated funds and proceeds from debt and equity issues.

As part of its liquidity risk management program, the Company regularly evaluates its projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives. These initiatives may include bank loans and debt capital and equity market issues.

The Company's financial assets, which have maturities of less than 12 months and used to meet its short-term liquidity needs, include cash and cash equivalents and equity instruments at FVOCI amounting to ₱42,060 million and ₱535 million, respectively, as at December 31, 2022 and ₱39,776 million and ₱547 million, respectively, as at December 31, 2021 (see Notes 6 and 9). The Company also has readily available credit facility with banks and affiliates to meet its long-term financial liabilities.

The tables below summarize the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments as at December 31:

	2022			
	Within 1 Year	More than 1 Year to 5 Years	More than 5 Years	Total
	<i>(In Thousands)</i>			
Loans payable	₱5,493,870	₱–	₱–	₱5,493,870
Accounts payable and other current liabilities*	72,841,522	–	–	72,841,522
Long-term debt (including current portion)	66,498,851	300,418,234	38,218,018	405,135,103
Derivative liabilities	19,496	294,403	–	313,899
Liability for purchased land - net of current portion	–	1,129,719	–	1,129,719
Tenants' deposits - net of current portion**	–	2,017,519	21,543,716	23,561,235
Lease liabilities	900,370	3,734,664	31,127,968	35,763,002
Other noncurrent liabilities***	–	1,744,519	4,604,226	6,348,745
	₱145,754,109	₱309,339,058	₱95,493,928	₱550,587,095



	2021			Total
	Within 1 Year	More than 1 Year to 5 Years	More than 5 Years	
	(In Thousands)			
Loans payable	₱6,518,138	₱—	₱—	₱6,518,138
Accounts payable and other current liabilities*	69,941,596	—	—	69,941,596
Long-term debt (including current portion)	53,626,924	271,237,960	21,189,605	346,054,489
Derivative liabilities	335,367	1,748,186	—	2,083,553
Liability for purchased land - net of current portion	—	1,918,283	621,767	2,540,050
Tenants' deposits - net of current portion**	—	19,364,482	1,796,763	21,161,245
Lease liabilities	788,697	3,330,446	24,779,903	28,899,046
Other noncurrent liabilities***	—	4,232,633	1,619,598	5,852,231
	₱131,210,722	₱301,831,990	₱50,007,636	₱483,050,348

* Excluding nonfinancial liabilities and lease liabilities amounting to ₱15,281 million and ₱21,436 million as at December 31, 2022 and 2021, respectively.

** Excluding residential customers' deposits amounting to ₱238 million and ₱297 million as at December 31, 2022 and 2021, respectively.

*** Excluding nonfinancial liabilities and lease liabilities amounting to ₱25,046 million and ₱22,760 million as at December 31, 2022 and 2021, respectively.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments (see Notes 6, 7, 9, 10 and 14).

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The fair values of these financial assets are disclosed in Note 27. For receivables from real estate sale, the title of the real estate property is only transferred to the customer if the consideration had been fully paid. In case of default, after enforcement activities, the Company has the right to cancel the sale and enter into another contract to sell to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed. Given this, based on the experience of the Company, the maximum exposure to credit risk at the reporting date is nil considering that fair value less cost to repossess of the real estate projects is higher than the exposure at default. The Company evaluates the concentration of risk with respect to trade receivables and unbilled revenue from sale of real estate as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

The changes in the gross carrying amount of receivables and unbilled revenue from sale of real estate during the year and impact of COVID-19 pandemic did not materially affect the allowance for ECLs.

As at December 31, 2022 and 2021, the financial assets, except for certain receivables, are generally viewed by management as good and collectible considering the credit history of the counterparties (see Note 7). Past due or impaired financial assets are very minimal in relation to the Company's consolidated total financial assets.

Credit Quality of Financial Assets. The credit quality of financial assets is managed by the Company using high quality and standard quality as internal credit ratings.

High Quality. Pertains to counterparty who is not expected by the Company to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions, companies and government agencies.

Standard Quality. Other financial assets not belonging to high quality financial assets are included in this category.



As at December 31, 2022 and 2021, the credit quality of the Company's financial assets is as follows:

	2022			
	Neither Past Due nor Impaired		Past Due but not Impaired	Total
	High Quality	Standard Quality		
	(In Thousands)			
Financial assets at amortized cost				
Cash and cash equivalents*	₱41,977,231	₱–	₱–	₱41,977,231
Receivables**	167,795	14,696,502	16,469,042	31,333,339
Escrow and time deposits (included under “Other noncurrent assets”)	5,105,361	–	–	5,105,361
Financial assets at FVTPL				
Derivative assets	7,338,320	–	–	7,338,320
Financial assets at FVOCI				
Equity instruments	17,606,746	5,317	–	17,612,063
	₱72,195,453	₱14,701,819	₱16,469,042	₱103,366,314

* Excluding cash on hand amounting to ₱83 million

** Excluding nonfinancial assets amounting to ₱51,227 million

	2021			Total
	Neither Past Due nor Impaired		Past Due	
	High Quality	Standard Quality	but not Impaired	
(In Thousands)				
Financial assets at amortized cost				
Cash and cash equivalents*	₱39,707,135	₱—	₱—	₱39,707,135
Receivables**	63,578	5,618,748	14,640,189	20,322,515
Cash in escrow (included under “Prepaid expenses and other current assets”)	335,583	—	—	335,583
Time deposits (included under “Other noncurrent assets”)	3,905,618	—	—	3,905,618
Financial assets at FVTPL				
Derivative assets	1,797,176	—	—	1,797,176
Financial assets at FVOCI				
Equity instruments	17,942,096	5,317	—	17,947,413
	₱63,751,186	₱5,624,065	₱14,640,189	₱84,015,440

* Excluding cash on hand amounting to ₱69 million

** Excluding nonfinancial assets amounting to ₱52,697 million

Equity Price Risk

Equity price risk arises from the changes in the levels of equity indices and the value of individual stocks traded in the stock exchange.

As a policy, management monitors its equity price risk pertaining to its investments in quoted equity securities which are classified as equity instruments designated at FVOCI in the consolidated balance sheets based on market expectations. Material equity investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by management.



The effect on equity after income tax (as a result of change in fair value of equity instruments at FVOCI as at December 31, 2022 and 2021) due to a possible change in equity indices, based on historical trend of PSE index, with all other variables held constant is as follows:

2022		
	Change in Equity Price	Effect on Equity
		<i>(In Millions)</i>
Equity instruments at FVOCI	+2.43%	₱397
	-2.43%	(397)
2021		
	Change in Equity Price	Effect on Equity
		<i>(In Millions)</i>
Equity instruments at FVOCI	+0.81%	₱147
	-0.81%	(147)

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

	2022	2021
	<i>(In Thousands)</i>	
Loans payable	₱5,422,524	₱6,487,427
Current portion of long-term debt	50,839,776	42,261,601
Long-term debt - net of current portion	296,134,836	264,969,216
Total interest-bearing debt (a)	352,397,136	313,718,244
Total equity attributable to equity holders of the parent	363,201,490	332,919,204
Total interest-bearing debt and equity attributable to equity holders of the parent (b)	₱715,598,626	₱646,637,448
Gearing ratio (a/b)	49%	49%



Net Interest-bearing Debt to Total Capital plus Net Interest-bearing Debt

	2022	2021
	<i>(In Thousands)</i>	
Loans payable	₱5,422,524	₱6,487,427
Current portion of long-term debt	50,839,776	42,261,601
Long-term debt - net of current portion	296,134,836	264,969,216
Less cash and cash equivalents	(42,060,082)	(39,775,852)
Total net interest-bearing debt (a)	310,337,054	273,942,392
Total equity attributable to equity holders of the parent	363,201,490	332,919,204
Total net interest-bearing debt and equity attributable to equity holders of the parent (b)	₱673,538,544	₱606,861,596
Gearing ratio (a/b)	46%	45%

27. Financial Instruments

Fair Values

The following table sets forth the carrying values and estimated fair values of financial assets and liabilities and nonfinancial assets, by category and by class, other than those whose carrying values are reasonable approximations of fair values, as at December 31:

	December 31, 2022				
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
	<i>(In Thousands)</i>				
Financial Assets					
Financial assets at FVTPL:					
Derivative assets	₱7,338,320	₱7,338,320	₱-	₱7,338,320	₱-
Financial assets at amortized cost:					
Escrow and time deposits (included under "Other noncurrent assets")	5,105,361	5,118,038	-	5,118,038	-
Financial assets at FVOCI:					
Equity instruments	17,612,063	17,612,063	17,606,746	-	5,317
Nonfinancial Assets* (see Note 12)	489,266,042	2,022,778,236	-	-	2,022,778,236
	₱519,321,786	₱2,052,846,657	₱17,606,746	₱12,456,358	₱2,022,783,553
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	₱313,899	₱313,899	₱-	₱313,899	₱-
Loans and borrowings:					
Liability for purchased land - net of current portion	1,129,719	1,063,631	-	-	1,063,631
Long-term debt - net of current portion	296,134,836	279,936,370	-	-	279,936,370
Tenants' deposits - net of current portion**	23,561,234	22,780,505	-	-	22,780,505
Other noncurrent liabilities***	6,348,745	6,117,632	-	-	6,117,632
	₱327,488,433	₱310,212,037	₱-	₱313,899	₱309,898,138

*Consists of investment properties

** Excluding residential customers' deposits amounting to ₱238 million as at December 31, 2022.

***Excluding lease liabilities and nonfinancial liabilities amounting to ₱25,046 million as at December 31, 2022.



December 31, 2021					
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
(In Thousands)					
Financial Assets					
Financial assets at FVTPL:					
Derivative assets	₱1,797,176	₱1,797,176	₱—	₱1,797,176	₱—
Financial assets at amortized cost:					
Time deposits (included under “Other noncurrent assets”)	3,905,618	3,930,229	—	3,930,229	—
Financial assets at FVOCI:					
Equity instruments	17,947,413	17,947,413	17,942,096	—	5,317
Nonfinancial Assets* (see Note 12)	467,391,988	2,001,790,734	—	—	2,001,790,734
	₱491,042,195	₱2,025,465,552	₱17,942,096	₱5,727,405	₱2,001,796,051
Financial Liabilities					
Financial liabilities at FVTPL:					
Derivative liabilities	₱2,083,553	₱2,083,553	₱—	₱2,083,553	₱—
Loans and borrowings:					
Liability for purchased land - net of current portion	2,540,050	2,386,784	—	—	2,386,784
Long-term debt - net of current portion	264,969,216	262,884,613	—	—	262,884,613
Tenants’ deposits - net of current portion**	21,161,245	20,503,065	—	—	20,503,065
Other noncurrent liabilities***	5,852,230	5,716,525	—	—	5,716,525
	₱296,606,294	₱293,574,540	₱—	₱2,083,553	₱291,490,987

*Consists of investment properties

** Excluding residential customers’ deposits amounting to ₱297 million as at December 31, 2021.

*** Excluding lease liabilities nonfinancial liabilities amounting to ₱22,760 million as at December 31, 2021.

Fair Value Hierarchy

The Company uses the fair value hierarchy discussed in Note 3 for determining and disclosing the fair value of financial instruments.

During the years ended December 31, 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Derivative Instruments. The fair values are based on quotes obtained from counterparties.

Equity Instruments at FVOCI. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business.

Long-term Debt. Fair value is based on the following:

Debt Type	Fair Value Assumptions
Fixed Rate Loans	Estimated fair value is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discount rates used range from 3.10% to 8.38% and from 1.13% to 6.24% as at December 31, 2022 and 2021, respectively.
Variable Rate Loans	For variable rate loans that re-price every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates. For variable rate loans that re-price every six months, the fair value is determined by discounting the principal amount plus the next interest payment amount using the prevailing market rate for the period



Debt Type	Fair Value Assumptions
	up to the next repricing date. Discount rates used was 7.40% to 8.46% and 4.73% to 5.24% as at December 31, 2022 and 2021, respectively.

Tenants' Deposits, Liability for Purchased Land and Other Noncurrent Liabilities. The estimated fair value is based on the discounted value of future cash flows using the applicable rates. The discount rates used range from 2.74% to 6.94% and 2.00% to 3.84% as at December 31, 2022 and 2021, respectively.

The Company assessed that the carrying values of cash and cash equivalents, receivables, bank loans and accounts payable and other current liabilities approximate their fair values due to the short-term nature and maturities of these financial instruments.

There were no financial instruments subject to an enforceable master netting arrangement that were not set-off in the consolidated balance sheets.

Nonfinancial Assets. The significant assumptions used in the most recent valuation as at December 31, 2021 are discount rates of 8.00% to 9.00% and average growth rate of 5.00%, respectively. Management believes that the carrying values of additions to investment properties subsequent to the most recent valuation date would approximate their fair values.



Derivative Instruments Accounted for as Cash Flow Hedges

As at December 31, 2022 and 2021, the Company has outstanding arrangements to hedge both foreign currency and interest rate exposure on its foreign currency denominated debts. Details as follow:

December 31, 2022						
	Outstanding Notional Amount	Agreed Equivalent	Fair Value	Swap Rate	Fixed Interest Rate	Maturity
	<i>(In Thousands)</i>					
Cross Currency Swaps	\$260,000	₱13,142,200	₱1,644,111	₱48.5000 - ₱53.3300	3.6350% - 6.3900%	2023 - 2024
Cross Currency Swaps	\$286,000	¥1,919,208	568,337	¥6.6880 - ¥6.7188	3.8550% - 3.9700%	2024
Principal Only Swaps	\$270,000	¥1,753,285	(220,140)	¥6.3750 - ¥6.6804	—	2026 - 2027
Foreign Exchange Forward Swaps	\$715,000	₱39,820,155	1,148,261	₱53.9400 - ₱60.3870	—	2023 - 2026
Interest Rate Swaps	\$670,000	—	3,883,852	—	2.2800% - 2.6340%	2025 - 2026
			₱7,024,421			
December 31, 2021						
	Outstanding Notional Amount	Agreed Equivalent	Fair Value	Swap Rate	Fixed Interest Rate	Maturity
	<i>(In Thousands)</i>					
Cross Currency Swaps	\$360,000	₱17,970,200	₱154,858	₱48.2800 - ₱53.3300	2.8800% - 6.3900%	2022 - 2024
Cross Currency Swaps	\$386,000	¥2,590,923	(1,253,137)	¥6.5463 - ¥6.8920	3.8600% - 5.4300%	2022 - 2024
Principal Only Swaps	\$170,000	¥1,100,515	(300,347)	¥6.4685 - ¥6.4845	—	2026
Foreign Exchange Forward Swaps	\$475,000	₱23,968,560	487,652	₱48.8000 - ₱51.1150	—	2022
Interest Rate Swaps	\$670,000	—	624,597	—	2.2800% - 2.6340%	2025 - 2026
			(₱286,377)			

As the terms of the swaps have been negotiated to match the terms of the hedged loans, the hedges were assessed to be effective.



The net movements in fair value of all derivative instruments are as follows:

	December 31, 2022	December 31, 2021
	<i>(In Thousands)</i>	
Balance at beginning of period	(P286,377)	(P2,800,650)
Net changes in fair value during the period*	7,728,937	2,844,482
Fair value of settled derivatives	(418,139)	(330,209)
Balance at end of year	P7,024,421	(P286,377)

*Includes fair value changes in other comprehensive income.

28. EPS Computation

Basic/diluted EPS is computed as follows:

	2022	2021	2020
	<i>(In Thousands, Except Per Share Data)</i>		
Net income attributable to equity holders of the parent (a)	P30,099,799	P21,786,516	P18,006,512
Common shares issued	33,166,300	33,166,300	33,166,300
Less weighted average number treasury stock (see Note 18)	4,309,888	4,309,888	4,309,888
Weighted average number of common shares outstanding (b)	28,856,412	28,856,412	28,856,412
Earnings per share (a/b)	P1.043	P0.755	P0.624

29. Change in Liabilities Arising from Financing Activities

Movements in loans payable, long-term debt and lease liabilities accounts are as follows
(see Notes 15, 16 and 17):

	2022			2021		
	Loans Payable	Long-term Debt	Lease Liabilities	Loans Payable	Long-term Debt	Lease Liabilities
	<i>(In Thousands)</i>					
Balance at beginning of year	P6,487,427	P307,230,817	P12,419,338	P10,900,000	P261,568,997	P11,076,316
Availments/Additions	18,924,421	75,401,524	1,138,124	8,769,596	78,079,785	1,390,955
Payments	(19,994,859)	(43,863,022)	(84,292)	(15,959,528)	(35,336,466)	(47,933)
Cumulative translation adjustment	5,535	283,079	—	187,596	3,250,295	—
Foreign exchange movement	—	7,922,214	—	—	781,913	—
Loan refinancing	—	—	—	415,000	(415,000)	—
Non-cash and others	—	—	—	2,174,763	(698,707)	—
Balance at end of year	P5,422,524	P346,974,612	P13,473,170	P6,487,427	P307,230,817	P12,419,338

There are no non-cash changes in dividends payable. Others include debt issue cost additions and amortization.

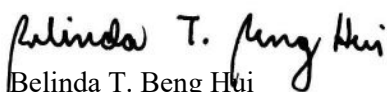


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SM Prime Holdings, Inc. and its Subsidiaries (the "Company") as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and have issued our report thereon dated February 20, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Belinda T. Beng Hui

Partner

CPA Certificate No. 88823

Tax Identification No. 153-978-243

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 88823-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-078-2020, December 3, 2020, valid until December 2, 2023

PTR No. 9369781, January 3, 2023, Makati City

February 20, 2023



SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2022

Annex I. Reconciliation of Retained Earnings Available for Dividend Declaration

Annex II. Supplementary Schedules Required by Revised SRC Rule 68, Part II, Annex 68-J.

Annex III. Map of the Relationships of the Companies Within the Group

SM Prime Holdings, Inc.
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

Reconciliation of Retained Earnings Available for Dividend Declaration
December 31, 2022

Unappropriated retained earnings as at January 1, 2022		₱201,993,479,601
Adjustments for:		
Non-actual/unrealized income, net of applicable tax:		
Equity in net earnings of subsidiaries, associates and joint ventures	(₱119,434,631,439)	
Deferred tax assets	(2,217,399,964)	
Treasury stock	(2,613,650,429)	(124,265,681,832)
Unappropriated retained earnings as at January 1, 2022, available for dividend declaration		77,727,797,769
Net income closed to retained earnings in 2022	29,499,895,021	
Adjustments for:		
Non-actual/unrealized income, net of applicable tax:		
Movement in deferred assets	654,122,456	
Equity in net earnings of subsidiaries, associates and joint ventures	(8,438,787,332)	
Net income actually earned in 2022		21,715,230,145
Less: Cash dividends in 2022		(2,801,285,469)
Retained earnings as at December 31, 2022 available for dividend declaration		<u>₱96,641,742,445</u>

SM Prime Holdings, Inc. and Subsidiaries
Supplementary Schedules Required by Paragraph 7D, Part II
Under Revised SRC Rule 68, Part II, Annex 68-J
December 31, 2022

Schedule A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal bonds and notes	Amounts shown in the balance sheet	Income Received and Accrued
<i>(In thousands)</i>			
Financial Assets at Amortized Cost*			
Temporary investments:			
BDO Unibank, Inc. (BDO)	₱28,208,057	₱28,208,057	
China Banking Corporation (CHIB)	₱4,217,334	4,217,334	
China Merchants Bank	₱70,000	565,866	
Industrial and Commercial Bank of China	¥50,414	407,538	
China Industrial Bank	¥1,000	8,084	
Others	₱57,619	57,619	
Escrow and time deposits on hold:			
ICBC	¥315,000	2,546,397	
BDO	₱2,042,309	2,042,309	
CHIB	₱516,655	516,655	
		₱38,569,859	₱1,144,372
Financial assets at fair value through profit or loss			
Derivative Assets	₱7,338,320	₱7,338,320	₱—
Financial assets at fair value through other comprehensive income			
BDO Unibank, Inc.	108,029,274 Shares	₱11,418,694	
Ayala Corporation	7,690,430 Shares	5,344,849	
Shang Properties, Inc.	189,550,548 Shares	481,458	
ACEN Corporation	23,071,290 Shares	175,803	
SM Investments Corporation	146,104 Shares	131,494	
Republic Glass Holdings Corporation	14,230,000 Shares	44,113	
Picop Resources, Inc.	40,000,000 Shares	8,200	
Prime Media Holdings, Inc.	500,000 Shares	1,040	
Benguet Corporation	266,757 Shares	1,093	
Philippine National Bank	112 Shares	2	
Others	8,082,270 Shares	5,317	
		₱17,612,063	₱456,402
		₱63,520,242	₱1,600,773

*Excluding cash on hand and in banks

**Schedule B. Amounts Receivables from Directors, Officers, Employees, and Principal
Stockholders (Other than Related Parties) - Not Applicable**

Schedule C: Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements

Name and Designation of Debtor	Balance at Beginning of period	Additions	Amounts collected	Amounts Written Off	Current	Not Current	Balance at period end
	<i>(Amounts in Thousands)</i>						
SM Smart City Infrastructure and Development Corporation	₱ –	₱9,094,422	(₱3,221)	₱–	₱9,091,201	₱–	₱9,091,201
SM Land (China) Limited and Subsidiaries	7,816,513	1,892,064	(7,423,453)	–	2,285,124	–	2,285,124
San Lazaro Holdings Corporation	1,364,394	701,838	(1,689)	–	2,064,543	–	2,064,543
Costa del Hamilo, Inc. and Subsidiary	800,069	24,513	(47,312)	–	777,270	–	777,270
SM Development Corporation and Subsidiaries	668,413	5,779,340	(5,755,975)	–	691,778	–	691,778
Mindpro Incorporated	475,920	3,759	(2,234)	–	477,445	–	477,445
SM Prime Holdings, Inc.	409,687	4,605,293	(4,665,126)	–	349,854	–	349,854
Premier Central, Inc. and Subsidiary	134,735	328,449	(145,947)	–	317,237	–	317,237
Prime Commercial Property Management Corp. and Subsidiaries	282,468	3,067	(9,681)	–	275,854	–	275,854
First Asia Realty Development Corporation	42,691	276,272	(260,420)	–	58,543	–	58,543
SM Arena Complex Corporation	3,574	57,719	(4,300)	–	56,993	–	56,993
Associated Development Corporation	54,750	6,000	(6,444)	–	54,306	–	54,306
Tagaytay Resort and Development Corporation	36,603	–	–	–	36,603	–	36,603
Premier Southern Corp.	16,009	150,000	(131,032)	–	34,977	–	34,977
First Leisure Ventures Group Inc.	9,185	26,905	(19,738)	–	16,352	–	16,352
SM Hotels and Conventions Corp. and Subsidiaries	7,833	7,885	(896)	–	14,822	–	14,822
Consolidated Prime Dev Corp.	7,115	104,810	(99,372)	–	12,553	–	12,553
Southernpoint Properties Corp.	10,259	67,680	(68,570)	–	9,369	–	9,369
MOA Esplanade Port Inc.	1,640	5,934	(332)	–	7,242	–	7,242
Highlands Prime, Inc.	299,544	2,922	(301,347)	–	1,119	–	1,119
Prime Metroestate, Inc.	953	8,746	(9,103)	–	596	–	596
CHAS Realty and Development Corporation and Subsidiaries	6,672	19,089	(25,397)	–	364	–	364
	₱12,449,027	₱23,166,707	(₱18,981,589)	₱–	₱16,634,145	₱–	₱16,634,145

Schedule D. Long-term debt

This schedule has been omitted because the information required to be presented is included in the consolidated financial statements.

Schedule E. Indebtedness to Related Parties

Not applicable

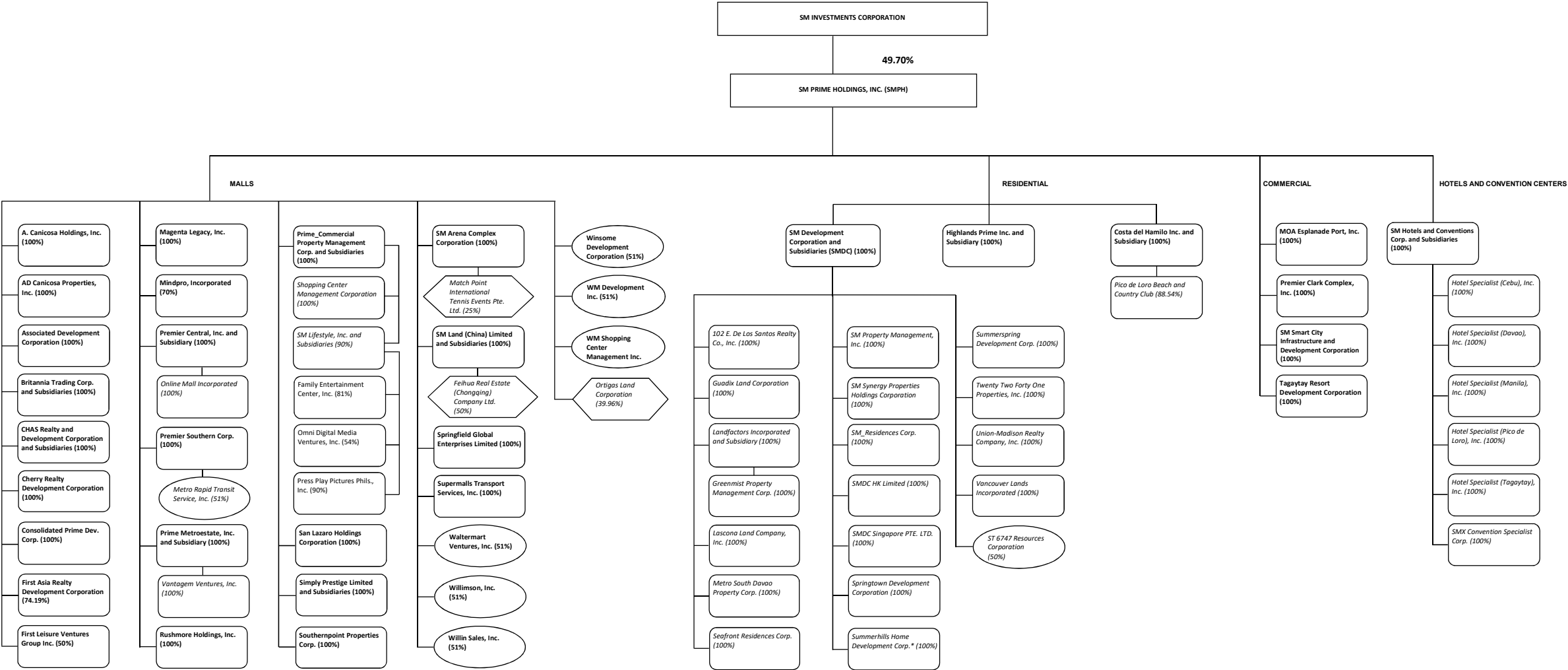
Schedule F. Guarantees of Securities of Other Issuers

Not applicable

Schedule G. Capital Stock

(Shares In thousands)

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	28,856,411	15,838,582	3,060,811	9,957,018



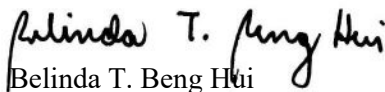
* Summerhills Home Development Corp. is 79.6% owned by SMDC and 20.4% owned by SMPH
Note: % Refers to Effective Ownership

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, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated February 20, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The 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, 2022 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Belinda T. Beng Hui

Partner

CPA Certificate No. 88823

Tax Identification No. 153-978-243

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 88823-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-078-2020, December 3, 2020, valid until December 2, 2023

PTR No. 9369781, January 3, 2023, Makati City

February 20, 2023



SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
FINANCIAL RATIOS - KEY PERFORMANCE INDICATORS
AS OF DECEMBER 31, 2022 and 2021

Ratio	Formula	December 31, 2022 (Audited)	December 31, 2021 (Audited)
<i>(In Thousands)</i>			
Current Ratio	Total Current Assets divided by Total Current Liabilities	1.53	1.39
	Total current assets	₱222,008,236	
	Divide by: Total current liabilities	145,170,302	
	Current Ratio	1.53	
Acid Test Ratio	Quick Assets (Total Current Assets less Inventories and Prepaid expenses) divided by Total Current Liabilities	0.87	0.81
	Total current assets	₱222,008,236	
	Less: Real estate inventories	(70,500,025)	
	Prepaid expenses	(25,767,334)	
	Quick assets	125,740,877	
	Divide by: Total current liabilities	145,170,302	
	Acid test ratio	0.87	
Solvency Ratio	Total Assets divided by Total Liabilities	1.72	1.71
	Total assets	₱874,214,652	
	Divide by: Total Liabilities	509,063,046	
	Asset to liabilities ratio	1.72	
Debt-to-Equity Ratio	Total Interest-Bearing Debt divided by Total Equity Attributable to the Equity Holders of the Parent and Total Interest-Bearing Debt	49:51	49:51
	Loans Payable	₱5,422,524	
	Current portion of long-term debt	50,839,776	
	Long-term debt - net of current portion	296,134,836	
	Total interest-bearing debt (a)	352,397,136	
	Add: Total equity attributable to equity holders of the parent (b)	363,201,490	
	Total interest-bearing debt and equity attributable to equity holders of the parent (c)	715,598,626	
	Debt to equity ratio (a/c):(b/c)	49:51	

Ratio	Formula	December 31, 2022 (Audited)	December 31, 2021 (Audited)
<i>(In Thousands)</i>			
Net Debt-to-Equity Ratio	Total Interest-Bearing Debt less Cash and Cash Equivalents and Investment Securities divided by Total Equity Attributable to the Equity Holders of the Parent	46:54	45:55
	Total interest-bearing debt	₱352,397,136	
	Less: Cash and cash equivalents	(42,060,082)	
	Total net interest-bearing debt (a)	310,337,054	
	Add: Total equity attributable to equity holders of the parent (b)	363,201,490	
	Total net interest-bearing debt and equity attributable to equity holders of the parent (c)	673,538,544	
	Net debt-to-equity ratio (a/c):(b/c)	46:54	
Asset to Equity Ratio	Total Assets divided by Total Equity Attributable to the Equity Holders of the Parent	2.41	2.42
	Total assets	₱874,214,652	
	Divide by: Total equity attributable to equity holders of the parent	363,201,490	
	Asset to equity ratio	2.41	
Return on Equity	Net Income divided by Average Total Equity Attributable to the Equity Holders of the Parent	9%	7%
	Net income attributable to equity holders of the parent	₱30,099,799	
	Divide by: Average total equity attributable to equity holders of the parent	348,060,347	
	Return on Equity	9%	
Net Income Margin	Net Income divided by Total Revenue	28%	26%
	Net income attributable to equity holders of the parent	₱30,099,799	
	Divide by: Total revenue	105,785,635	
	Net Income Margin	28%	

Ratio	Formula	December 31, 2022 (Audited)	December 31, 2021 (Audited)
<i>(In Thousands)</i>			
Interest Rate Coverage Ratio	Earnings Before Interest, Taxes and Depreciation and Amortization (EBITDA) divided by Total Interest Expense	5.33	4.61
	Income from operations	₱49,243,313	
	Less: Net income attributable to non-controlling interest	(643,330)	
	Add: Depreciation and amortization	12,487,762	
	EBITDA	61,087,745	
	Divide by: Interest expense	11,465,787	
	Interest rate coverage ratio	5.33	
Debt to EBITDA	Total interest-bearing liabilities divided by EBITDA	5.77	7.28
	Total interest-bearing liabilities	₱352,397,136	
	Divide by: EBITDA	61,087,745	
	Debt to EBITDA	5.77	
Return on Investment Properties	Net Income divided by Average Investment Properties	7%	6%
	Net income attributable to equity holders of the parent	₱30,099,799	
	Divide by: Total average investment properties (excluding construction in progress)	407,521,207	
	Return on Investment Properties	7%	

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
Retail Bond – Series O Bonds
As of December 31, 2022

(1) Gross and Net Proceeds as Disclosed in the Final Offer Supplement

Gross Proceeds	₱10,000,000,000
Estimated Expenses	(119,797,040)
Net Proceeds	<u>₱9,880,202,960</u>

(2) Actual Gross and Net Proceeds

Gross Proceeds	₱10,000,000,000
Actual Expenses	(119,447,040)
Net Proceeds	<u>₱9,880,552,960</u>

(3) Each Expenditure Item where the Proceeds were Used

The net proceeds was used to finance capital expenditures of the following:

Projects	Amounts in million
New Malls	
SM City Bataan	₱1,484
SM Center San Pedro	740
SM Zamboanga	22
SM Tagum	13
SM Laoag	9
SM San Fernando La Union	5
Mall Expansions	
SM Mall of Asia Expansion Phases 6 and 7	3,157
SM Mall of Asia - IKEA	1,013
SM City Cebu Expansion	522
SM East Ortigas Expansion	310
SM Molino Expansion	192
SM City Pampanga Expansion Phase 2	155
SM City Bicutan Expansion	63
SM City Davao Expansion	24
SM City Calamba Redevelopment and Expansion	13
SM City Rosales Expansion Phase 1	8
SM City BF Parañaque Redevelopment	7
SM City Naga Expansion	3
SM City Cauayan Expansion	3
SM City Bacoar Expansion	2
New BPO Towers and Offices	
SM City North EDSA Towers 3 and 4	480
SM City Bacolod BPO Tower	249
SM City Fairview Tower 3	243
NU Clark Skyline	143
NU Bacolod	123
Six E-Com Center	81
SM City Iloilo - Strata Tower 1	34
NU Sta. Rosa	6

Hotels

Lanson Place Hotel and Serviced Suites	₱766
SM Hotel Baguio	9
SM Hotel Sta. Rosa	1
SM Hotel Cauayan	1
TOTAL	₱9,881

- (4) As of December 31, 2022, ₱9,881 million of the proceeds from retail bond was used in financing capital expenditures for the expansion and construction of malls, BPO towers, offices, hotels and residential projects.

SM PRIME HOLDINGS, INC. AND SUBSIDIARIES
Retail Bond – Series P, Q and R Bonds
As of December 31, 2022

(1) Gross and Net Proceeds as Disclosed in the Final Offer Supplement

Gross Proceeds	₱30,000,000,000
Estimated Expenses	(333,150,000)
Net Proceeds	<u>₱29,666,850,000</u>

(2) Actual Gross and Net Proceeds

Gross Proceeds	₱30,000,000,000
Actual Expenses	(347,997,040)
Net Proceeds	<u>₱29,652,002,960</u>

(3) Each Expenditure Item where the Proceeds were Used

The net proceeds was used to finance capital expenditures of the following:

Projects	Amounts in million
Debt Refinancing	
Retail bond Series J	₱10,000
New Malls	
SM City Sto. Tomas	449
Mall Expansions	
SM City Pampanga Expansion	163
SM City Tarlac Expansion Phase 1	46
SM City Bacolod Redevelopment Phase 1A	25
SM City Dasmariñas Expansion	23
SM City Marilao Mall Expansion Phases 1 and 2	22
SM City Southmall Foodhall Redevelopment	12
New BPO Towers	
SM City Fairview Towers 2 and 4	259
SM City North EDSA Tower 3	76
SM City Sta. Rosa The Core Tower 2	55
Residential Projects	
Sail	1,535
Smile	647
Style	453
South 2	277
Twin	252
Cheer	209
Joy Phase 1	82
Hope	51
Joy Phase 2	12
Asahi	3
Landbank	
Luzon	1,820
Visayas	195
Mindanao	52
Metro Manila	13
TOTAL	<u>₱16,731</u>

- (4)** As of December 31, 2022, ₱12,921 million of the proceeds from retail bond remained unused. These shall be used to finance the acquisition of landbank, expansion of existing malls and construction of new malls, BPO towers, offices, hotels and residential projects.

MINUTES OF THE ANNUAL
MEETING OF THE STOCKHOLDERS
OF

SM PRIME HOLDINGS, INC.

Held on 25 April 2022 at 2:30 p.m.
At the Forbes Ballroom 1 and 2,
Conrad Manila Seaside Blvd. corner
Coral Way,
Mall of Asia Complex,
Pasay City
(Livestreamed via Zoom
Webinar)

DIRECTORS PRESENT:

HENRY T. SY, JR.	Chairman of the Board Member, Executive Committee
AMANDO M. TETANGCO, JR.	Vice Chairman and Lead Independent Director Chairperson, Audit Committee Member, Risk Oversight Committee Member, Corporate Governance Committee Member, Related Party Transactions Committee
DARLENE MARIE B. BERBERABE	Independent Director Chairperson, Corporate Governance Committee Chairperson, Related Party Transactions Committee Member, Audit Committee
J. CARLITOS G. CRUZ	Independent Director Chairman, Risk Oversight Committee Member, Corporate Governance 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
ELIZABETH T. SY
JOSE T. SIO

JOHN NAI PENG C. ONG
ELMER B. SERRANO
MARVIN PERRIN L. PE
CHRISTOPHER S. BAUTISTA
ALEXANDER D. POMENTO
BELINDA T. BENG-HUI

Adviser to the Board
Adviser to the Board
Adviser, Audit Committee and Risk Oversight
Committee
Chief Finance Officer/ Corporate Information Officer
Corporate Secretary
Chief Risk Officer/Compliance Officer
Chief Audit Executive
Vice President - Investor Relations
SyCip Gorres Velayo & Co.

Stockholders present in person or
represented by proxy

23,617,282,997 shares (Please see Record of
Attendance here attached as **Annex A**)

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**). Atty. Elmer B. Serrano, Corporate Secretary, then introduced Mr. Amanda Tetangco Jr., Vice Chairman of the Board, to act as Chairman of the Meeting with the authority of the Chairman of the Board, Mr. Henry T. Sy Jr.

Mr. Amanda Tetangco Jr. welcomed the stockholders and guests 2022 Annual Stockholders' Meeting of the Company, held in-person at Conrad Manila and streaming live via Zoom Webinar. He then called the meeting to order and presided over the proceedings. The 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 of notice and existence of a quorum.

The Corporate Secretary certified that, in compliance with rules issued by the Securities and Exchange Commission, the notice of this meeting, the Definitive Information Statement, and the Company's "Guidelines for In-Person and Remote Participation and Voting in Absentia" were uploaded via PSE EDGE on March 17, 2022 and posted on the Company's website, also beginning 17 March 2022.

In addition, the notice of meeting was published in the Business Sections of Manila Bulletin and the Philippine Daily Inquirer on March 21 & 22, 2022, in print and online formats.

The Corporate Secretary then certified that based on record of attendance, stockholders attending by proxy and stockholders who have registered to remotely join the virtual meeting represent **23,617,282,997** common shares, constituting **81.78%** of the total outstanding capital stock of the Company as of record date 18 March 2022. 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 in accordance with SEC rules.

3. Approval of Minutes of the Annual Stockholders' Meeting held on 20 April 2021

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 20 April 2021. 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 which was posted on PSE EDGE.

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.

He then presented the tabulation of votes casted for the approval of the minutes:

In Favor		Against		Abstain	
No. of Shares	%	No. of Shares	%	No. of Shares	%
23,617,279,736	100.00	0	0	3,261	0.00

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 20 April 2021 are approved."

4. Approval of 2021 Annual Report and 2021 Audited Financial Statements

The Chairman then requested Mr. Jeffrey C. Lim, President, to present his report on the results of operations for 2021. The President reported as follows:

"Good afternoon, ladies and gentlemen. To everyone who are tuned in virtually, and to all who are with us here in Conrad Manila, welcome to the 2022 Annual Stockholders' Meeting of SM Prime Holdings, Inc. We are glad to see you safe and well.

While 2021 was yet another challenging year, it was also a year which proved that Filipinos' innate resiliency and solidarity can withstand any adversities. Our presence in this gathering today serves as a testament that when we work together, we can rise above difficulties.

Our joint efforts since the pandemic started have generated tremendous support not only within our Company but also with the government and private sectors who collectively worked to contain the spread of COVID-19. In particular, your company has been very active in helping various local government units to rise above this unprecedented crisis.

We repurposed our MOA Arena into a mega swabbing facility while our malls hosted LGU-led vaccinations all over the country. Our hotels catered to returning OFWs as quarantine facilities. Truly, our integrated development properties serve a much larger purpose, and this time for the health and welfare of our fellow Filipinos. To date, our 66 vaccination sites across the country have administered almost 10 million vaccines to millions of Filipinos, young and adult.

In 2021, Your Company reported a 21% increase in consolidated net income at PHP21.8 billion from PHP18.0 billion in 2020. This is on the back of PHP82.3 billion consolidated revenues, which is of the same level in the previous year. Consolidated operating income increased by 11% to PHP32.4 billion from PHP29.1 billion.

SM Prime's residential business unit led by SM Development Corp. (SMDC) remained the biggest contributor to your Company's consolidated revenues at 56%, which is equivalent to PHP45.9 billion in real estate revenues.

SMDC recorded PHP98.9 billion of sales take-up in 2021 as it continues to expand in various key areas in our country including Sands Residences in Manila City, Twin Residences in Las Piñas, Ice Tower in Pasay City, and several other projects in Parañaque, Baliuag, Bulacan, Sta. Rosa, Laguna, and Jaro, Iloilo.

Meanwhile, SM Prime's mall business reported PHP30.1 billion revenues in 2021, 6% higher than PHP28.3 billion in 2020. This makes up 36% of SM Prime's consolidated revenues.

With the easing of mobility restrictions in most key areas in the Philippines, including Metro Manila, your Company officially opened SM City Daet, its first mall in Camarines Norte, followed by the most awaited opening of the MOA Square, which houses the first IKEA store in the Philippines and the biggest IKEA store in the world. Finally, we capped off 2021 with the opening of SM City Grand Central in Caloocan City, Metro Manila.

Your Company's other businesses including offices, hotels, and convention centers, remain resilient in 2021 as it reported PHP6.6 billion consolidated revenues, 4% higher from the previous year.

The commercial properties business segment recorded PHP5.0 billion revenues, 5% higher than the prior year, while the hotels and convention centers business segment generated PHP1.6 billion revenues. In 2021, we launched the Mega Tower in Mandaluyong City, while SM Hotels and Convention Centers officially opened Park Inn by Radisson - Bacolod as we continue our integrated development plan in the region.

We have also advanced our sustainability program in 2021. We are pleased to share with you that your Company committed to increase the share of renewable energy in its electricity consumption by up to 50% across its various business segments by the end of 2022. This is in support of the Department of Energy (DOE)'s program of moving up the renewable energy supply component of the country to 35% by 2030. We have started executing this with our recent forged partnership with renewable energy companies to supply clean and renewable energy to our facilities.

This initiative, which was spearheaded by our Chairman of the Executive Committee, Mr. Hans Sy, will provide clean power and minimize carbon footprint emission to more than 50 operating facilities of SM Prime.

Furthermore, together with SM Investments Corp., we solidified our commitment and accountability to protecting the environment by signing up and supporting the Task Force on Climate-related Financial Disclosures in its goal of creating a more resilient financial system through better climate risk disclosures. This is alongside the constant inclusion of your Company in the global Financial Times

Stock Exchange' FTSE4Good Index Series for demonstrating strong environmental, social, and governance practices.

SM Prime pledges to embark on a four-year group-wide sustainability roadmap leading to 2025. With primary focus on UN SDG 13 or Climate Action, particularly on the use of water, waste, and energy. In the next two years, the campaign will employ an integrative approach that will lead to scalable results.

I want to take this opportunity to thank you, our stakeholders, for your trust

as we continue to innovate and develop new ways to support our businesses and communities. To our board of directors, your guidance and insights have been valuable to the sustainable development of the Company. And to the women and men - our employees and workforce service partners - we thank you for your dedication to provide convenience, comfort and safety in our workplaces.

Let us all continue pushing for a better tomorrow as we work together and embark on a new era filled with remarkable partnerships, and safer and brighter future.

May the goodness of life bring peace and comfort to everyone.

Good afternoon again to everyone.”

The Chairman thanked the President for his report. He then asked the Corporate Secretary to announce the results of voting. The Corporate Secretary presented the tabulation of votes as follows:

In Favor		Against		Abstain	
No. of Shares	%	No. of Shares	%	No. of Shares	%
23,612,807,886	99.98	539,500	0.00	3,935,611	0.02

With the above votes in favor, the following resolution was passed and adopted:

“RESOLVED, that the 2021 Annual Report and the 2021 Audited Financial Statements are approved.”

5. Announcement of Cash Dividends

The Chairman then announced that in its regular meeting just adjourned, the Board of Directors has approved cash dividends comprising 15% of the 2021 net income, or Php0.097 per share. This amounts to a total of approximately Php2.801 billion Pesos in favor of all stockholders of record as of 11 May 2022, and payable on 24 May 2022. Stockholders and guests applauded the announcement.

6. Ratification of the Acts of the Board of Directors and Management

The next item in the agenda is the ratification of all acts and 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	%
23,380,717,047	99.00	741,600	0.00	235,802,350	1.00

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.”

7. Election of Directors for 2022-2023

The next item in the agenda is the election of directors for the year 2022-2023. The Chairman requested the Ms. Darlene Marie Berberabe, Chairperson of the Corporate Governance Committee, to present the nominees to the Board.

Ms. Berberabe discussed that the Corporate Governance Committee has pre-screened and short-listed candidates qualified to be elected to the Board of Directors. She then announced the names of the following nominees to the Board for 2022-2023:

Mr. Henry T. Sy, Jr.
Mr. Hans T.
Sy Mr.
Herbert T. Sy
Mr. Jorge T.
Mendiola Mr.
Jeffrey C. Lim

Independent Directors

Ms. Darlene Marie B.
Berberabe Mr. Amando M.
Tetangco, Jr.
Mr. J. Carlitos G. Cruz

The Corporate Secretary thereafter presented the number of votes garnered by each of the nominees:

Nominee	No. of Votes
Henry T. Sy, Jr.	23,105,840,773
Hans T. Sy	22,167,589,213
Herbert T. Sy	22,167,589,213
Jorge T. Mendiola	22,394,961,716
Jeffrey C. Lim	23,463,470,873
Darlene Marie B. Berberabe	22,683,472,591
Amando M. Tetangco, Jr.	22,528,837,238
J. Carlitos G. Cruz	22,607,309,651

The Corporate Secretary explained 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 2022-2023, 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

Darlene Marie B. Berberabe
Amando M. Tetangco, Jr.
J. Carlitos G. Cruz

After the voting results were announced, the Chairman congratulated the newly-elected members of the Board.

8. Appointment of External Auditor

The next item in the agenda is the appointment of the Company's external auditor for 2022. The Corporate Secretary 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 2022.

The Corporate Secretary then announced the results of voting:

In Favor		Against		Abstain	
No. of Shares	%	No. of Shares	%	No. of Shares	%
22,749,692,447	96.33	867,587,289	3.67	3,261	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 2022 is approved."

9. Open Forum

The Chairman then proceeded with the Question-and-Answer portion of the meeting. He opened the floor for questions and comments from our shareholders.

The first question was from Ms. Perpetua Ngo, who asked what malls the Company will open in 2022. Mr. Jeffrey Lim, President of the Company, responded that the Company opened SM City Roxas last 08 April 2022, and will open SM City Tuguegarao, SM City Sorsogon, and SM City Tanza in Cavite for the remainder of 2022.

The second question was from Ms. Dawn Bernabe, who asked how many SMDC units the Company is planning to launch this year. The President responded that approximately 12,000 units were launched in 2021, and for 2022, the Company plans to launch 12,000 to 15,000 units, up to 20,000 units, depending on the circumstances.

Ms. Mika Gancayco also asked the President on the planned CAPEX for 2022. The President responded that the Company is budgeting P80 billion for CAPEX for 2022. Approximately 80% would be allotted to developmental projects while the remaining 20% will be used for landbank acquisition and for other business units.

The next question was from Mr. Nestor Lim in relation to the prospects of real estate in terms of rentals. Specifically, he asked if the Company sees a decline in the demand on rentals and purchases of real estate. The President responded that the Company hopes that there will be no decline in both the rentals and residential developments. However, the President explained that there are a lot of dependencies in the market, especially with the ongoing world events, such as the Zero Covid Policy in China, the war in Ukraine, and the Covid-19 pandemic. He added that the Company continues to find ways and look for opportunities, and with the current circumstances since reopening and the Alert Level 1 in Metro Manila, the outlook remains positive. While pre-pandemic levels may not be reached in 2022, the Company targets to reach 80% to 90% foot traffic.

He also stated that the Company is optimistic for the prospects for the year.

The last questions were from Mr. Ishmael Sam Canua, who asked about the performance of hotel accommodations since the reopening of tourism industry in February 2022. The President responded that the performance is still not at pre-pandemic levels but the occupancy levels of the Company's hotels have increased to 49% from 39% in 2021. The President stated that the Company believes will continue to improve for the remainder of the year. Mr. Canua also inquired about the performance of the convention centers. The President answered that the Company has received significant bookings for convention centers, including the Arena, for PBA games and concerts.

There being no other questions, the Corporate Secretary stated that the open forum has ended. He advised the shareholders that for questions not addressed during the meeting, the Company's Investor Relations team will endeavor to answer them via email.

The Chairman thanked the shareholders for participating in the Open Forum.

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:

AMANDO M. TETANGCO, JR.
Chairman of the Meeting

Annex A

SM Prime Holdings, Inc. Annual Stockholders' Meeting 25 April 2022, 2:30 p.m.

Record of Attendance

Total number of voting shares outstanding	28,879,231,694
Total number of shares represented in person, by participant brokers, and by proxies	23,617,282,997
Attendance percentage	81.78%