



INVESTMENTS
CORPORATION

Notice of Annual Stockholders' Meeting
April 27, 2022 at 2:30 p.m.

To all Stockholders:

The 2022 Annual Stockholders' Meeting of SM Investments Corporation (the **Company**) will be held on April 27, 2022 at 2:30 p.m., with the proceedings livestreamed and voting conducted in absentia through the Company's secure online voting facility. The agenda of the meeting is set forth below:

A G E N D A

1. Call to order
2. Certification of Notice and Quorum
3. Approval of Minutes of the Annual Meeting of Stockholders held on April 28, 2021
4. Annual Report for the Year 2021 (Open Forum)
5. 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
6. Election of Members of the Board of Directors for 2022-2023
7. Appointment of External Auditor
8. Approval of Merger of SMIC and Allfirst Equity Holdings, Inc., with SMIC as surviving entity
9. Other Matters
10. Adjournment

Attached are the rationale for the above agenda items for reference.

The Board of Directors has fixed the end of trading hours of The Philippine Stock Exchange, Inc. (**PSE**) on **March 28, 2022** as the record date for the determination of stockholders entitled to notice of, participation via remote communication, and voting *in absentia* at such meeting and any adjournment thereof.

Stockholders who wish to participate in the meeting via remote communication and to exercise their vote *in absentia* must notify the Corporate Secretary by registering at asmregister.sminvestments.com and submitting supporting information listed there on or before **April 18, 2022**. All information submitted will be subject to verification and validation by the Corporate Secretary.

Stockholders who wish to appoint a proxy may accomplish the attached proxy form (which need not be notarized) and submit the same to the office of the Corporate Secretary at the 10th Floor, Six/NEO, 5th Ave. cor. 26th St., Bonifacio Global City 1643 at least seven (7) business days (or until April 18, 2022) before the annual meeting, as provided in the By-laws. Validation of proxies will be conducted on April 20, 2022 at the Office of the Corporate Secretary.

Successfully registered stockholders can then cast their votes *in absentia* through the Company's secure online voting facility and will be provided access to the live streaming of the meeting. For the detailed registration and voting procedures, please refer to the "**Guidelines for**

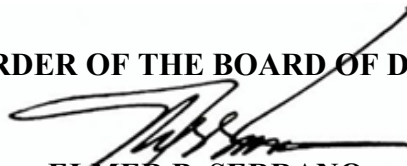
Participation via Remote Communication and Voting in Absentia” appended to the Definitive Information Statement to be posted on the Company’s website and PSE EDGE.

A copy of the Audited Financial Statements of the Company for the period ended December 31, 2021 shall be posted in the Company’s website <www.sminvestments.com/asm2022> and PSE EDGE on or before April 21, 2022. Hard copies of the audited financial statements shall be provided upon written request of any stockholder.

For complete information on the annual meeting, please visit <www.sminvestments.com/asm2022>.

Taguig City, April 4, 2022.

BY THE ORDER OF THE BOARD OF DIRECTORS



ELMER B. SERRANO
Corporate Secretary

SM INVESTMENTS CORPORATION

Rationale for Agenda Items:

Agenda Item 3: To acknowledge and consider for approval the Minutes of Annual Stockholders' Meeting (ASM) held on April 28, 2021.

The minutes were also posted on the website of SM Investments Corporation (SMIC) within the period prescribed by pertinent rules and regulations. The Board of Directors recommends that the stockholders consider subject minutes for approval on April 27, 2022.

Agenda Item 4: To acknowledge and consider for approval the Annual Report of the Company for 2021.

The Company's 2021 performance results have been duly summarized in the Annual Report which includes the Audited Financial Statements (AFS) of the Company for the year ended 2021. The AFS have been audited by the external auditors who expressed an unqualified opinion on the aforementioned financial statements, and have been reviewed and recommended for approval by the Audit Committee and the Board of Directors. Any stockholder who would like to receive a hard copy of the 2021 Annual Report may request for a copy from the Investor Relations Office.

Agenda Item 5: To acknowledge and ratify all the acts of the Board of Directors and Management from the date of the last ASM to the date of this meeting.

The Company's performance in 2021, 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.

Agenda Item 6: To elect the Board of Directors for 2022 to 2023.

Qualifications of the nominated Directors have been reviewed and the nominated Directors were determined to be qualified and are being recommended by the Company's Corporate Governance Committee for election. Their proven competence, expertise, and qualifications based on current regulatory standards and the Company's own norms, will help sustain the Company's solid performance for the benefit of all its stockholders.

Agenda Item 7: To consider and approve the Audit Committee's recommendation for the appointment of the external auditor.

Based on the recommendation of the Audit Committee, the Board nominates SyCip Gorres Velayo & Co. (SGV & Co.) as the Company's external auditor for 2022. SGV & Co. is one of the top auditing firms in the country which is duly accredited with the Securities and Exchange Commission. The stockholders are also endorsed to delegate to the Board the authority to approve the appropriate audit fee for 2022.

Agenda Item 8: To approve the merger of SMIC and Allfirst Equity Holdings, Inc., with SMIC as surviving entity

The proposed merger of SMIC and Allfirst Equity Holdings, Inc., with SMIC as surviving entity approved by the Board of Directors on April 1, 2022 will be presented to the stockholders for approval during this year's stockholders' meeting.

Taguig City, April 4, 2022.

(SAMPLE PROXY FORM FOR INDIVIDUALS)

PROXY

The undersigned stockholder of SM Investments Corporation (the “Company”) appoints _____ or in his absence, the Chairman of the meeting, as attorney and proxy, with power of substitution, to represent and vote _____ shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of the Company on April 27, 2022 and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Approval of minutes of previous annual stockholders’ meeting.
 Yes No Abstain
2. Approval of 2021 Annual Report.
 Yes No Abstain
3. Ratification of all acts and resolutions of the Board of Directors and Management.
 Yes No Abstain
4. Election of Directors.
 a) Vote for all nominees listed below:
 1. Teresita T. Sy
 2. Henry T. Sy, Jr.
 3. Harley T. Sy
 4. Jose T. Sio
 5. Frederic C. DyBuncio
 6. Tomasa H. Lipana (Independent Director)
 7. Alfredo E. Pascual (Independent Director)
 8. Robert G. Vergara (Independent Director)
 b) Withhold authority for all nominees listed above
 c) Withhold authority to vote for the nominees listed below:

_____	_____
_____	_____
_____	_____
_____	_____
5. Election of SyCip Gorres Velayo & Co. as external auditor.
 Yes No Abstain
6. Approval of Merger of SMIC and Allfirst Equity Holdings, Inc., with SMIC as surviving entity
 Yes No Abstain
7. At their discretion, the proxies named above are authorized to vote upon such other matters as may be properly come before the meeting.
 Yes No Abstain

Printed Name of Stockholder

Signature of Stockholder /
Authorized Signatory

Date

(SAMPLE PROXY FORM FOR CORPORATIONS)

SECRETARY'S CERTIFICATE

I, _____, Filipino, of legal age and with office address at _____, certify that:

1. I am the duly appointed Corporate Secretary of _____ (the "**Company**"), 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 Company holds _____ (_____) shares in SM Investments Corporation;
3. Based on the records, during the lawfully convened meeting of the Board of Directors of the Company held on _____, the following resolution was passed and approved:

"RESOLVED, That _____ be authorized and appointed, as he is hereby authorized and appointed, as the Company's proxy (the "**Proxy**") to attend all meetings of the stockholders of SM Investments Corporation (**SMIC**) whether the meeting is regular or special, or at any meeting postponed or adjourned therefrom, with full authority to vote the shares of stock of the Company held in SMIC and to act upon all matters and resolution that may come before or presented during meetings, or any adjournments thereof, in the name, place and stead of the Company.

"RESOLVED, FINALLY, That SMIC be furnished with a certified copy of this resolution and SMIC may rely on the continuing validity of this resolution until receipt of written notice of its revocation."

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

IN WITNESS WHEREOF, I have signed this instrument in _____ on _____.

Printed Name and Signature of the
Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE ME on _____ in _____, Affiant exhibited to me his Competent Evidence of Identity by way of _____ issued on _____ at _____.

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

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE **APRIL 18, 2022 (MONDAY)**, THE DEADLINE FOR SUBMISSION OF PROXIES.

THIS PROXY, 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 PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED.



INVESTMENTS CORPORATION

2022 ANNUAL STOCKHOLDERS' MEETING

April 27, 2022 at 2:30 pm

Guidelines for Participating via Remote Communication and Voting in Absentia

The 2022 Annual Stockholders' Meeting (ASM) of SM Investments Corporation (SMIC or the **Company**) is scheduled on **April 27, 2022 at 2:30pm** and the Board of Directors of the Company has fixed the end of trading hours of the Philippine Stock Exchange on **March 28, 2022 (Record Date)** as the record date for the determination of stockholders entitled to the notice of, to attend, and to vote at such meeting and any adjournment thereof.

In light of the implementation of the nationwide alert level system in response to the continued threat of COVID-19 and to ensure the safety and welfare of stockholders and everyone involved, attendance, participation and voting by stockholders via remote communication or in absentia shall be allowed pursuant to Sections 23 and 57 of the Revised Corporation Code of the Philippines and SEC Memorandum Circular No. 6-2020.

Registration

Stockholder must notify the Corporate Secretary of their intention to participate in the ASM via remote communication and to exercise their right to vote in absentia no later than **April 18, 2022**, by registering at asmregister.sminvestments.com and by submitting the following supporting documents/information, subject to verification and validation:

- For Certificated Individual Stockholders (i.e., with physical stock certificates)
 1. Copy of valid government-issued ID of stockholder/proxy
 2. Stock certificate number/s, if available
 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

- For Certificated Multiple Stockholders or Joint Owners
 1. Copy of valid government-issued IDs of ALL registered stockholders
 2. Stock certificate number/s, if available
 3. Proof of authority of stockholder voting the shares signed by the other registered stockholders, for shares registered in the name of multiple stockholders (need not

- be notarized)
4. Email-address and contact number of authorized representative
- For Certificated Corporate Stockholders
 1. Secretary's Certification of Board resolution appointing and authorizing proxy to participate in the ASM
 2. Valid government-issued ID of the authorized representative
 3. Stock certificate number/s, if available
 4. Email-address and contact number of authorized representative
 - For Stockholders with Shares under PCD Participant/Broker Account
 1. Certification from broker as to the number of shares owned by stockholder
 2. Valid government-issued ID of stockholder
 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

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 Company.

Online Voting

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

1. Log-in to the voting portal by clicking the link, and using the log-in 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, 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 (eight [8] directors for SMIC) multiplied by the number of his shares shall equal, or*

he may distribute them on the same principle among as many candidates as heshall see fit, provided, that the total number of votes cast shall not exceed the number of shares owned by the stockholder.

3. Once the stockholder has finalized his vote, he can proceed to submit his vote by clicking the “Submit” button.
4. The stockholder can still change and re-submit votes, provided, such new votes are submitted using the same log-in credentials. Previous votes will be automatically overwritten and replaced by the system with the new votes cast.

ASM Livestream

The ASM will be broadcasted live and stockholders who have successfully registered can participate via remote communication. Details of the meeting will be sent to stockholders in the emails provided to the Company. Instructions on how to access the livestream will also be posted at www.sminvestments.com/asm2022

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

Open Forum

During the virtual meeting, the Company will have an Open Forum, during which, the meeting’s moderator will read and where 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 2022 Open Forum” to <asm@sminvestments.com> no later than April 25, 2022. A section for stockholder comments/questions or a “chatbox” shall also be provided in the livestreaming platform.


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

For any queries or concerns regarding this Guidelines, please contact the Company’s Corporate Governance Team at (632) 8857-0100 or via email at <asm@sminvestments.com>.

For complete information on the annual meeting, please visit www.sminvestments.com/asm2022

PROFILES OF THE BOARD OF DIRECTORS

<p style="text-align: center;">JOSE T. SIO <i>Chairman of the Board</i></p> <p>Member, Audit Committee Member, Risk Management Committee Member, Compensation Committee Member, Related Party Transaction Committee</p> <p>EDUCATION/EXPERIENCE</p> <p>BOARD ATTENDANCE 100%; 8 of 8 meetings</p> <p>DATE OF FIRST APPOINTMENT May 2005</p> <p>NO. OF YEARS ON THE BOARD 17 years</p> <p>DIRECTORSHIP/S IN OTHER REPORTING COMPANIES</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Belle Corporation</td> <td style="text-align: right;">Director</td> </tr> <tr> <td>China Banking Corporation</td> <td style="text-align: right;">Director</td> </tr> <tr> <td>Atlas Consolidated Mining and Development Corporation</td> <td style="text-align: right;">Director</td> </tr> <tr> <td>Far Eastern University Incorporated</td> <td style="text-align: right;">Trustee</td> </tr> </table>	Belle Corporation	Director	China Banking Corporation	Director	Atlas Consolidated Mining and Development Corporation	Director	Far Eastern University Incorporated	Trustee	
Belle Corporation	Director								
China Banking Corporation	Director								
Atlas Consolidated Mining and Development Corporation	Director								
Far Eastern University Incorporated	Trustee								
<p>Jose T. Sio is the Chairman of the Board of SMIC. He is also a Director of China Banking Corporation, Belle Corporation, Atlas Consolidated Mining and Development Corporation, NLEX Corporation, and Ortigas Land Corporation, Trustee of Far Eastern University, Incorporated, and Adviser to the Board of BDO Unibank, Inc. and Premium Leisure Corporation. Mr. Sio holds a master's degree in Business Administration (MBA) from New York University, is a certified public accountant, and is a former Senior Partner of SyCip Gorres Velayo & Co. (SGV). He was voted CFO of the Year in 2009 by the Financial Executives of the Philippines. He was also awarded as Best CFO (Philippines) in various years by several Hong Kong-based publications.</p>									

<p style="text-align: center;">TERESITA T. SY <i>Vice Chairperson of the Board</i></p> <p>Chairperson, Compensation Committee Chairperson, Executive Committee</p> <p>EDUCATION/EXPERIENCE</p> <p>BOARD ATTENDANCE 100%; 8 of 8 meetings</p> <p>DATE OF FIRST APPOINTMENT May 1979</p> <p>NO. OF YEARS ON THE BOARD 43 years</p> <p>DIRECTORSHIP/S IN OTHER REPORTING COMPANIES</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">BDO Unibank, Inc.</td> <td style="text-align: right;">Chairperson of the Board</td> </tr> </table>	BDO Unibank, Inc.	Chairperson of the Board	
BDO Unibank, Inc.	Chairperson of the Board		
<p>Teresita T. Sy is the Vice Chairperson of SMIC and Adviser to the Board of SM Prime Holdings, Inc. She also sits as Chairperson of SM Retail Inc. She also holds board positions in several companies within the SM Group. She is also the Chairperson of BDO Unibank, Inc. ("BDO") and serves as the Chairperson and/or Director of various subsidiaries and affiliates of BDO such as BDO Private Bank, Inc. and BDO Foundation, Inc. She also serves as Adviser to the Board of One Network Bank, Inc. (A Rural Bank of BDO). A graduate of Assumption College with a Bachelor of Arts and Science degree in Commerce major in Management, she brings to the board her diverse expertise in retail merchandising, mall and real estate development, and banking and finance.</p>			

HENRY T. SY, JR.
Vice Chairman of the Board



Henry T. Sy, Jr. is the Vice Chairman of SMIC and Chairman of SM Prime Holdings, Inc. He is also the Chairman and Chief Executive Officer of SM Development Corporation and Vice Chairman of National Grid Corporation of the Philippines. 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 graduated with a Management degree from De La Salle University.

EDUCATION/EXPERIENCE

BOARD ATTENDANCE	100%; 8 of 8 meetings	
DATE OF FIRST APPOINTMENT	May 1979	
NO. OF YEARS ON THE BOARD	43 years	
DIRECTORSHIP/S IN OTHER REPORTING COMPANIES	SM Prime Holdings, Inc.	Chairman of the Board

FREDERIC C. DYBUNCIO
President/CEO



Member, Executive Committee

Frederic C. DyBuncio is the President and Chief Executive Officer of SMIC and 2GO Group, Inc. He is the Vice Chairman of the Board of Atlas Consolidated Mining and Development Corporation. Prior to holding the post, he was a career banker who spent over 20 years with JP Morgan Chase and its predecessor institutions. During his stint in the banking industry, he was assigned to various executive positions where he gained substantial professional experience in the areas of credit, relationship management and origination, investment banking, capital markets, and general management. He has worked and lived in several major cities including New York, Seoul, Bangkok, Hong Kong, and Manila. He graduated from Ateneo de Manila University with a Bachelor of Science degree in Business Management and finished a Master's degree in Business Administration program at the Asian Institute of Management.

EDUCATION/EXPERIENCE

BOARD ATTENDANCE	100%; 8 of 8 meetings	
DATE OF FIRST APPOINTMENT	April 2017	
NO. OF YEARS ON THE BOARD	5 years	
DIRECTORSHIP/S IN OTHER REPORTING COMPANIES	2GO Group, Inc.	President/CEO/Director
	Atlas Consolidated Mining and Development Corporation	Vice Chairman of the Board

HARLEY T. SY
Executive Director



Member, Executive Committee

EDUCATION/EXPERIENCE Harley T. Sy is the Executive Director of SMIC. He is a Director of China Banking Corporation and other companies within the SM Group, and Adviser to the Board of Directors of BDO Private Bank. He is the Co-Vice Chairman and Treasurer of SM Retail Inc. He holds a degree in Bachelor of Science in Commerce, Major in Finance from De La Salle University.

BOARD ATTENDANCE	100%; 8 of 8 meetings
DATE OF FIRST APPOINTMENT	May 1993
NO. OF YEARS ON THE BOARD	29 years
DIRECTORSHIP/S IN OTHER REPORTING COMPANIES	China Banking Corporation Director

ALFREDO E. PASCUAL
Lead Independent Director



Chairman, Corporate Governance Committee
Chairman, Related Party Transactions Committee
Member, Audit Committee
Member, Compensation Committee
Member, Risk Management Committee

EDUCATION/EXPERIENCE Alfredo E. Pascual is the Lead Independent Director of SMIC. He was the President and CEO of the Institute of Corporate Directors (ICD) in 2018 & 2019. From 2011 to 2017, he led the University of the Philippines (UP) System as President and Board Co-Chair. Before UP, Mr. Pascual worked at the Asian Development Bank (ADB) for 19 years in several positions, including Director for Private Sector Operations, Director for Infrastructure Finance, and Advisor for Public-Private Partnership (Infrastructure Development). At ADB, he had postings in India and Indonesia and held board directorships at ADB's investee companies in China, India, and the Philippines. Mr. Pascual was a finance professor at the Asian Institute of Management. Currently, he is an independent director at other publicly-listed companies and a trustee at nonprofits and other organizations. He is the President of the Management Association of the Philippines and the global Association of Former Employees of ADB. He finished his MBA and BS in Chemistry (cum laude) from UP.

BOARD ATTENDANCE	100%; 8 of 8 meetings
DATE OF FIRST APPOINTMENT	April 2017
NO. OF YEARS ON THE BOARD	5 years
DIRECTORSHIP/S IN OTHER REPORTING COMPANIES	Megawide Construction Corporation Independent Director Asiabest Group International Inc. Independent Director Concepcion Industrial Corporation Independent Director

TOMASA H. LIPANA
Independent Director



Chairperson, Audit Committee
Member, Corporate Governance Committee

EDUCATION/EXPERIENCE

Tomasa H. Lipana is an independent director of SMIC. She is a former Chairperson and Senior Partner of Isla Lipana & Co., the Philippine member firm of PricewaterhouseCoopers. She is also an independent director and Audit Committee Chairperson of Flexo Manufacturing Corporation, a government owned and controlled corporation. Previously, she was an independent director of Goldilocks Bakeshop Inc., Inter-Asia Development Bank, and QBE Seaboard Insurance Philippines. She was also an appointive director of Trade and Investment Development Corporation (Philippine Guarantee Corporation, formerly Philippine Export-Import Credit Agency), a government-owned and controlled corporation for the last 5 years. She is a fellow and trustee of the Institute of Corporate Directors. She is also a trustee of the Shareholders' Association of the Philippines, Inc., among other non-profit organizations. Ms. Lipana took up Executive Education/Management Development Programs at Harvard Business School, University of Western Ontario, and Asian Institute of Management. She received the Outstanding CPA in the Public Practice Award from the Philippine Institute of Certified Public Accountants and the Outstanding Alumna Award from the University of the East where she graduated Cum Laude. She is also a CPA Board placer.

BOARD ATTENDANCE	100%; 8 of 8 meetings
DATE OF FIRST APPOINTMENT	April 2016
NO. OF YEARS ON THE BOARD	6 years
DIRECTORSHIP/S IN OTHER REPORTING COMPANIES	Currently no directorships in other reporting companies.

ROBERT G. VERGARA
Independent Director



Chairperson, Risk Management Committee
Member, Corporate Governance Committee
Member, Related Party Transactions Committee

EDUCATION/EXPERIENCE

Robert G. Vergara is an Independent Director of SMIC. He was recently appointed as an Independent Director of Metro Pacific Hospital Holdings, Inc. (MPHHI). He is currently the President of Vergara Advisory Management, Inc. founded in May 2018. He also sits as an Independent Director of STI Education Systems Holdings, Inc. since July 27, 2017. From September 2010 to October 2016, he served as the President and General Manager and Vice-Chairman of the Board of Trustees of the Government Service Insurance System (GSIS). As President and General Manager of GSIS, Mr. Vergara also served as Vice Chairman and Director of National Reinsurance Corporation of the Philippines, Manila Hotel Corporation, and Member of the Board of Directors of The Philippine Stock Exchange, Inc., Philippine Health Insurance Corporation, Philippine National Construction Corporation and Housing and Urban Development Coordinating Council. Before that, he was the Managing Director and Founding Partner of Cannizaro (Hong Kong) Limited from October 2006 to September 2010. From 2002 to 2006, he was a Director of Lionhart (Hong Kong) Ltd. He was a Principal in Morgan Stanley Asia Ltd. from 1997-2001 and served as the Managing Director of IFM Asia Ltd. from 1990 to 1997. He obtained his Master in Business Administration from Harvard Graduate School of Business Administration. He graduated magna cum laude from Ateneo De Manila University with Bachelor of Science degrees in Management Engineering and Mathematics.

BOARD ATTENDANCE	100%; 8 of 8 meetings
DATE OF FIRST APPOINTMENT	April 2019
NO. OF YEARS ON THE BOARD	3 years
DIRECTORSHIP/S IN OTHER REPORTING COMPANIES	STI Education Systems Holdings, Inc. Independent Director

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 INVESTMENTS CORPORATION**
3. Province, country or other jurisdiction of incorporation or organization: **Philippines**
4. SEC Identification Number: **0000016342**
5. BIR Tax Identification Code: **000-169-020-000**
6. Address of principal office: **10th Floor, One E-com Center, Harbor Drive
Mall of Asia Complex, Pasay City
Postal Code 1300**
7. Registrant's telephone number, including area code: **(632) 8857-0100 / fax (632) 8857-0132**
8. Date, time, and place of the meeting of security holders: **April 27, 2022, 2:30 p.m.**
The meeting will be conducted virtually and participation will be via remote communication. The Chairman of the meeting shall call and preside the meeting at the principal office of the Corporation.
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **April 4, 2022**
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the:
- | Title of Each Class | Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding |
|----------------------|--|
| Common shares | 1,204,582,867 |
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 27, 2022
- Time : 2:30 p.m.
- Place : The meeting will be conducted virtually and participation will be via remote communication. The Chairman of the meeting shall call and preside the meeting at the principal office of the Corporation.
- Mailing Address of Registrant : **SM Investments Corporation**
10th Floor, One E-Com Center
Harbor Drive, Mall of Asia Complex
Pasay City 1300

- (b) The approximate date on which the Information Statement will be sent or given to the stockholders is on April 4, 2022.

Statement that proxies are not solicited

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

Voting Securities

The record date for purposes of determining the stockholders entitled to vote is March 28, 2022. The total number of shares outstanding and entitled to vote in the stockholders' meeting is 1,204,582,867 shares. Stockholders are entitled to cumulative voting in the election of the board of directors, as provided by the Corporation Code.

ITEM 2. Dissenters' Right of Appraisal

SM Investments Corporation (**SMIC** or the "**Company**") respects the inherent rights of stockholders under the law. SMIC recognizes that all stockholders 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 in 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 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.

Procedure:

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 30 days after 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 30 day period shall be deemed a waiver on his appraisal right;
- (c) If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of corresponding certificate(s) of stock within 10 days after demanding payment for his shares (Sec. 85), the fair value thereof; and
- (d) Upon payment of the agreed or awarded price, the stockholder shall transfer his share to the corporation.

The approval of the SMIC's merger with Allfirst Equity Holdings, Inc. during the annual stockholder's meeting afford dissenting stockholders the right of appraisal, defined to be the right of any stockholder to dissent to the corporate action and demand payment of the fair value of his/her shares.

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

- (a) No director or officer of the Company since the beginning of the last fiscal year, nominee for election as director, or associate of the foregoing persons, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than election to office.
- (b) No director of the Company has informed in writing that he intends to oppose any action to be taken by the Company at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

ITEM 4. Voting Securities and Principal Holders Thereof

(a) Voting Securities

As of February 28, 2022, the total number of common shares outstanding and entitled to vote in the stockholders' meeting is 1,204,582,867 shares. Out of the aforesaid outstanding common shares, 407,116,095 shares or 33.80% are held by foreigners. Each share is entitled to notice of and to one vote at the Annual Stockholders' Meeting.

(b) Record Date

The record date for purposes of determining the stockholders entitled to notice and to vote is March 28, 2022.

(c) Voting Rights

Stockholders shall be entitled to vote in person or by proxy and, unless otherwise provided by law, he shall have one vote for each share of stock entitled to vote and recorded in his name in the books of the Corporation. At all meetings of the stockholders, all elections and all questions shall be decided by the plurality of vote of stockholders present in person or by proxy and entitled to vote thereat, a quorum being present, except in cases where other provision is made statute. Unless required by law, or demanded by a stockholder present in person or by proxy at any meeting, and entitled to vote thereat, the vote on any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the stockholder

voting, or in his name by proxy if there be by proxy, and shall state the number of shares voted by him.

Stockholders may nominate directors in person and vote for nominees in person or by proxy.

Provided however, that in the election of Directors, each stockholder shall be entitled to cumulate his votes in the manner prescribed by Title III, Section 23 of the Revised Corporation Code of the Philippines.

In light of the implementation of the nationwide alert level system in response to the continued threat of COVID-19 and to ensure the safety and welfare of stockholders and everyone involved, this year's Annual Stockholders' Meeting will be conducted virtually on a livestreaming accessible to registered stockholders, the details of which can be found in www.sminvestments.com/asm2022. The Company will record the video of the proceedings and maintain a copy with the office of the Corporate Secretary.

For this year's Annual Stockholders' Meeting, SMIC will be allowing stockholders to participate in the meeting via remote communication and to vote *in absentia*.

Stockholders as of Record Date must inform the Corporate Secretary of their intention to participate in the meeting via remote communication and to vote *in absentia* by registering at asmregistration.sminvestment.com on or before **April 18, 2022 (Monday)**, subject to the verification and validation by the Corporate Secretary. Stockholders who will participate through remote communication or *in absentia* shall be deemed present for purposes of quorum for the meeting. Voting will be made through a secure online voting facility accessible only to verified stockholders to protect the integrity and secrecy of votes cast.

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

Voting procedures are further detailed in Item 19.

(d) Security Ownership of Certain Record and Beneficial Owners as of February 28, 2022

As of February 28, 2022, the following are the owners of the Company's common stock in excess of 5% of total outstanding shares:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (%)
Common	Teresita T. Sy (Director and Vice Chairperson) Forbes Park, Makati City	Same as the Record Owner	Filipino	85,781,495	7.12%
-do-	Henry T. Sy, Jr. (Director and Vice Chairman) Forbes Park, Makati City	Same as the Record Owner	Filipino	76,843,995	6.38%
-do-	Harley T. Sy (Executive Director) Forbes Park, Makati City	Same as the Record Owner	Filipino	87,945,758	7.30%
-do-	Hans T. Sy (Stockholder of Issuer) Forbes Park, Makati City	Same as the Record Owner	Filipino	99,110,123	8.23%
-do-	Herbert T. Sy (Stockholder of Issuer) Forbes Park, Makati City	Same as the Record Owner	Filipino	99,093,995	8.23%

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (%)
-do-	Elizabeth T. Sy (Stockholder of Issuer) Forbes Park, Makati City	Same as the Record Owner	Filipino	71,363,804	5.92%
-do-	PCD Nominee Corp. (Filipino)	Various clients ¹	Filipino	138,374,407	11.49%
-do-	PCD Nominee Corp. (Non-Filipino)	Various clients ¹	Foreign	406,894,843	33.78%

(1) The Company has no information as to the beneficial owners of the shares of stocks held by PCD Nominee Corp. The clients of PCD Nominee Corp. have the power to decide how their shares are to be voted.

Security Ownership of Management as of February 28, 2022

Title of Securities	Name of Beneficial Owner of Common Stock	Amount and Nature of Beneficial Ownership (D) direct / (I) indirect	Citizenship	Percent of Class
Common	Teresita T. Sy	P857,814,950 D	Filipino	7.12%
Common	Henry T. Sy, Jr.	768,439,950 D	Filipino	6.38%
Common	Harley T. Sy	879,457,580 D	Filipino	7.30%
Common	Jose T. Sio	210 D	Filipino	0.00%
Common	Frederic C. DyBuncio	100 D	Filipino	0.00%
Common	Tomasa H. Lipana	1,500 D	Filipino	0.00%
Common	Alfredo E. Pascual	100 D	Filipino	0.00%
Common	Robert G. Vergara	1,000 D	Filipino	0.00%
Common	Franklin C. Gomez	98,000 D	Filipino	0.00%
Common	Erwin G. Pato	0	Filipino	0.00%
Common	Wellington L. Palmero	0	Filipino	0.00%
Common	Anastacio C. Balubar II	0	Filipino	0.00%
Common	Arthur A. Sy	0	Filipino	0.00%
Common	Elmer B. Serrano	0	Filipino	0.00%
		P2,505,813,390		20.80%

There are no persons holding more than 5% of a class under a voting trust or any similar agreements as of balance sheet date.

(a) Change in Control

The Company is not aware of any change in control or arrangement that may result in a change in control of the Company since the beginning of its last fiscal year.

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

ITEM 5. Directors and Executive Officers of the Registrant

(a) The incumbent Directors and Executive Officers of the Company are as follows:

Officers	Name	Age	Citizenship
Chairman	Jose T. Sio	82	Filipino
Vice Chairperson	Teresita T. Sy	71	Filipino
Vice Chairman	Henry T. Sy, Jr.	68	Filipino
President & Chief Executive Officer	Frederic C. DyBuncio	62	Filipino

Officers	Name	Age	Citizenship
Executive Director	Harley T. Sy	62	Filipino
Lead Independent Director	Alfredo E. Pascual	73	Filipino
Independent Director	Tomasa H. Lipana	73	Filipino
Independent Director	Robert G. Vergara	61	Filipino
Treasurer/EVP-Treasury, Finance and Planning	Erwin G. Pato	49	Filipino
Senior Vice President - Finance	Franklin C. Gomez	52	Filipino
Senior Vice President - Legal and Assistant Corporate Secretary	Arthur A. Sy	52	Filipino
Chief Risk & Compliance Officer and Senior Vice President	Wellington Palmero	61	Filipino
Vice President - Internal Audit	Anastacio C. Balubar II	51	Filipino
Corporate Secretary	Elmer B. Serrano	54	Filipino

MANAGEMENT

Board of Directors

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

The following are the business experience/s of the Company's incumbent Directors during the last five years:

Jose T. Sio is the Chairman of the Board of SMIC. He is also a Director of China Banking Corporation, Belle Corporation, Atlas Consolidated Mining and Development Corporation, NLEX Corporation, and Ortigas Land Corporation, Trustee of Far Eastern University, Incorporated, and Adviser to the Board of BDO Unibank, Inc. and Premium Leisure Corporation. Mr. Sio holds a master's degree in Business Administration (MBA) from New York University, is a certified public accountant, and is a former Senior Partner of SyCip Gorres Velayo & Co. (SGV). He was voted CFO of the Year in 2009 by the Financial Executives of the Philippines. He was also awarded as Best CFO (Philippines) in various years by several Hong Kong-based publications.

Teresita T. Sy is the Vice Chairperson of SMIC and Adviser to the Board of SM Prime Holdings, Inc. She also sits as Chairperson of SM Retail Inc. She also holds board positions in several companies within the SM Group. She is also the Chairperson of BDO Unibank, Inc. ("BDO") and serves as the Chairperson and/or Director of various subsidiaries and affiliates of BDO such as BDO Private Bank, Inc. and BDO Foundation, Inc. She also serves as Adviser to the Board of One Network Bank, Inc. (A Rural Bank of BDO). A graduate of Assumption College with a Bachelor of Arts and Science degree in Commerce major in Management, she brings to the board her diverse expertise in retail merchandising, mall and real estate development, and banking and finance.

Henry T. Sy, Jr. is the Vice Chairman of SMIC and Chairman of SM Prime Holdings, Inc. He is also the Chairman and Chief Executive Officer of SM Development Corporation and Vice Chairman of National Grid Corporation of the Philippines. 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 graduated with a Management degree from De La Salle University.

Frederic C. DyBuncio is the President and Chief Executive Officer of SMIC and 2GO Group, Inc. He is the Vice Chairman of the Board of Atlas Consolidated Mining and Development Corporation. Prior to holding the post, he was a career banker who spent over 20 years with JP

Morgan Chase and its predecessor institutions. During his stint in the banking industry, he was assigned to various executive positions where he gained substantial professional experience in the areas of credit, relationship management and origination, investment banking, capital markets, and general management. He has worked and lived in several major cities including New York, Seoul, Bangkok, Hong Kong, and Manila. He graduated from Ateneo de Manila University with a Bachelor of Science degree in Business Management and finished a Master's degree in Business Administration program at the Asian Institute of Management.

Harley T. Sy is the Executive Director of SMIC. He is a Director of China Banking Corporation and other companies within the SM Group, and Adviser to the Board of Directors of BDO Private Bank. He is the Co-Vice Chairman and Treasurer of SM Retail Inc. He holds a degree in Bachelor of Science in Commerce, Major in Finance from De La Salle University.

Alfredo E. Pascual* is the Lead Independent Director of SMIC. He was the President and CEO of the Institute of Corporate Directors (ICD) in 2018 & 2019. From 2011 to 2017, he led the University of the Philippines (UP) System as President and Board Co-Chair. Before UP, Mr. Pascual worked at the Asian Development Bank (ADB) for 19 years in several positions, including Director for Private Sector Operations, Director for Infrastructure Finance, and Advisor for Public-Private Partnership (Infrastructure Development). At ADB, he had postings in India and Indonesia and held board directorships at ADB's investee companies in China, India, and the Philippines. Mr. Pascual was a finance professor at the Asian Institute of Management. Currently, he is an independent director at other publicly-listed companies and a trustee at nonprofits and other organizations. He is the President of the Management Association of the Philippines and the global Association of Former Employees of ADB. He finished his MBA and BS in Chemistry (cum laude) from UP.

Tomasa H. Lipana* is an independent director of SMIC. She is a former Chairperson and Senior Partner of Isla Lipana & Co., the Philippine member firm of PricewaterhouseCoopers. She is also an independent director and Audit Committee Chairperson of Flexo Manufacturing Corporation, a government owned and controlled corporation. Previously, she was an independent director of Goldilocks Bakeshop Inc., Inter-Asia Development Bank, and QBE Seaboard Insurance Philippines. She was also an appointive director of Trade and Investment Development Corporation (Philippine Guarantee Corporation, formerly Philippine Export-Import Credit Agency), a government-owned and controlled corporation for the last 5 years. She is a fellow and trustee of the Institute of Corporate Directors. She is also a trustee of the Shareholders' Association of the Philippines, Inc., among other non-profit organizations. Ms. Lipana took up Executive Education/Management Development Programs at Harvard Business School, University of Western Ontario, and Asian Institute of Management. She received the Outstanding CPA in the Public Practice Award from the Philippine Institute of Certified Public Accountants and the Outstanding Alumna Award from the University of the East where she graduated Cum Laude. She is also a CPA Board placer.

Robert G. Vergara* is an Independent Director of SMIC. He was recently appointed as an Independent Director of Metro Pacific Hospital Holdings, Inc. (MPHHI). He is currently the President of Vergara Advisory Management, Inc. founded in May 2018. He also sits as an Independent Director of STI Education Systems Holdings, Inc. since July 27, 2017. From September 2010 to October 2016, he served as the President and General Manager and Vice-Chairman of the Board of Trustees of the Government Service Insurance System (GSIS). As President and General Manager of GSIS, Mr. Vergara also served as Vice Chairman and Director of National Reinsurance Corporation of the Philippines, Manila Hotel Corporation, and Member of the Board of Directors of Philippine Stock Exchange, Philippine Health Insurance Corporation, Philippine National Construction Corporation and Housing and Urban Development Coordinating Council. Before that, he was the Managing Director and Founding Partner of Cannizaro (Hong Kong) Limited from October 2006 to September 2010. From 2002 to 2006, he was a Director of Lionhart (Hong Kong) Ltd. He was a Principal in Morgan Stanley Asia Ltd. from 1997-2001 and served as the Managing Director of IFM Asia Ltd. from 1990 to

1997. He obtained his Master in Business Administration from Harvard Graduate School of Business Administration. He graduated magna cum laude from Ateneo De Manila University with Bachelor of Science degrees in Management Engineering and Mathematics.

** Independent director – the Company has complied with the Guidelines set forth by SRC (Securities Regulation Code) Rule 38 regarding the Nomination and Election of Independent Director. 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.*

Period of Directorship

<u>Name</u>	<u>Period Served</u>
Jose T. Sio	2005 to present
Teresita T. Sy	1979 to present
Henry T. Sy, Jr.	1979 to present
Frederic C. DyBuncio	2017 to present
Harley T. Sy	1993 to present
Alfredo E. Pascual	2017 to present
Tomas H. Lipana	2016 to present
Robert G. Vergara	2019 to present

Directorships in Other Reporting Companies

The following are directorships held by Directors in other reporting companies during the last five years:

<u>Name of Director</u>	<u>Name of Reporting Company</u>	<u>Position Held</u>
Jose T. Sio	Belle Corporation	Director
	China Banking Corporation	Director
	Atlas Consolidated Mining and Development Corporation	Director
	Far Eastern University, Incorporated	Trustee
Teresita T. Sy	BDO Unibank, Inc.	Chairperson
Henry T. Sy, Jr.	SM Prime Holdings, Inc.	Chairman
Frederic C. DyBuncio	2GO Group, Inc.	President/CEO/Director
	Atlas Consolidated Mining and Development Corporation	Vice Chairman
Harley T. Sy	China Banking Corporation	Director
Alfredo E. Pascual	Megawide Construction Corporation	Independent Director
	Asiabest Group International Inc.	Independent Director
	Concepcion Industrial Corporation	Independent Director
Robert G. Vergara	STI Education Systems Holdings, Inc.	Independent Director

Attendance in Board Meetings

Below is the attendance of the Directors for the meetings held as of December 2021:

Director	Jan. 20	Feb. 26	Mar. 18	Apr. 28	May 5	Aug. 4	Nov. 10	Nov. 17	%
	Special	Regular	Special	Regular / Organizational	Special	Regular	Regular	Special	
Jose T. Sio	√	√	√	√	√	√	√	√	100
Teresita T. Sy	√	√	√	√	√	√	√	√	100
Henry T. Sy, Jr.	√	√	√	√	√	√	√	√	100
Harley T. Sy	√	√	√	√	√	√	√	√	100
Frederic C. DyBuncio	√	√	√	√	√	√	√	√	100
Tomas H. Lipana	√	√	√	√	√	√	√	√	100
Alfredo E. Pascual	√	√	√	√	√	√	√	√	100
Robert G. Vergara	√	√	√	√	√	√	√	√	100

Nomination of Directors

The Corporate Governance Committee created by the Board under its Corporate Governance Manual has reviewed the credentials of, and qualified the following for election to the Board of Directors at the forthcoming Annual Stockholders' Meeting:

1. Jose T. Sio
2. Teresita T. Sy
3. Henry T. Sy, Jr.
4. Frederic C. DyBuncio
5. Harley T. Sy
6. Tomas H. Lipana (Independent Director)
7. Alfredo E. Pascual (Independent Director)
8. Robert G. Vergara (Independent Director)

Tony Ong King nominated to the Board, for inclusion in the Final List of Candidates for Independent Director, the following stockholders:

1. Tomas H. Lipana
2. Alfredo E. Pascual
3. Robert G. Vergara

Tony Ong King, Tomas H. Lipana, Alfredo E. Pascual, and Robert G. Vergara *are* not related either by consanguinity or affinity, nor has any other professional / business dealings with each other.

The Company has complied with the Guidelines set forth by SRC Rule 38 regarding the Nomination and Election of Independent Director. The same provision has been incorporated in the Amended By-Laws of the Company last April 27, 2006.

The Directors of the Company are elected at the Annual Stockholders' Meeting to hold office until the next annual meeting and until their respective successors are appointed or elected and qualified. The abovementioned nominated persons will be presented to the Company's shareholders for election at the annual stockholders' meeting. The nominated individuals possess all the qualifications and none of the disqualifications provided in the SRC and its

Implementing Rules and Regulations. Further, no director has resigned or declined to stand for re-election to the Board of Directors since the date of the last Annual Shareholders' Meeting because of a disagreement with the Company on any matter relating to its operations, policies or practices.

The procedure for nomination of directors shall be as follows:

- Nomination of all directors shall be reviewed and qualified by the Corporate Governance Committee prior to the stockholders' meeting.
- The Corporate Governance Committee shall prepare a Final List of Candidates from those who have passed the Guidelines, Screening Policies and Parameters for nomination of Independent Directors and which list shall contain all the information about these nominees.
- Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director. No other nomination shall be entertained or allowed on the floor during the actual annual stockholders' meeting.
- In case of resignation, disqualification or cessation of Independent Directorship and only after notice has been made with the Commission within five (5) days from such resignation, disqualification or cessation, the vacancy shall be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, upon the nomination of the Corporate Governance Committee otherwise, said vacancies shall be filled by stockholders in a regular or special meeting called for that purpose. An Independent Director so elected to fill a vacancy shall serve only for the unexpired term of his or her predecessor in office.
- The Corporate Governance Committee is composed of the following members, all of whom are Independent Directors:
 1. Alfredo E. Pascual - Chairman (Independent Director)
 2. Tomasa H. Lipana - Member (Independent Director)
 3. Robert G. Vergara - Member (Independent Director)

Below is the attendance of the members for the Committee meetings held as of December 2021:

	February 24	March 12	April 26
Alfredo E. Pascual	√	√	√
Tomasa H. Lipana	√	√	√
Robert G. Vergara	√	√	√

All new directors undergo an orientation program soon after date of election. This is intended to familiarize the new directors on their statutory/fiduciary roles and responsibilities in the Board and its Committees, SMIC's strategic plans, enterprise risks, group structures, business activities, compliance programs, Code of Business Conduct and Ethics, Personal Trading Policy, and Corporate Governance Manual.

All directors are also encouraged to participate in continuing education programs at SMIC's expense to promote relevance and effectivity and to keep them abreast of the latest developments in corporate directorship and good governance.

Officers

Erwin G. Pato is the Treasurer and Executive Vice President for Treasury, Finance and Planning of SMIC. Prior to joining SMIC in January 2020, he was formerly the Head of Treasury of Temasek Holdings Pte Ltd. He spent over 20 years of Treasury leadership experience in various industries spanning investment houses, local and regional banks, global consumer finance companies, industrial companies, and government owned global investment companies. Mr. Pato holds a Bachelor of Arts Degree major in Economics from Ateneo de Manila University.

Franklin C. Gomez is the Senior Vice President for Finance of SMIC. Prior to joining SMIC in 2013, he spent over 20 years at Unilever where he held several senior positions, his last being Finance Director and Chief Financial Officer of Unilever Indonesia since May 2009. His previous senior posts in the same company include Chief Financial Officer at Unilever Philippines; Innovation and Learning Director at the Finance Excellence Centre in London; and Finance Director of Selecta Wall's Ice Cream, Philippines. Mr. Gomez holds a Bachelor of Arts Degree in Economics and Bachelor of Science Degree in Commerce Major in Accountancy from the De La Salle University, Manila.

Arthur A. Sy is the Assistant Corporate Secretary and Senior Vice President for Legal Department of SMIC. He is likewise the Assistant Corporate Secretary of SM Prime Holdings, Inc., Belle Corporation, Premium Leisure Corp., and 2GO Group, Inc. Further, he is currently the Corporate Secretary of various major companies within the SM Group of Companies and is also the Corporate Secretary of National University. Admitted to practice in the Philippines and the State of New York, Atty. Sy holds a Bachelor of Arts degree in Philosophy from the University of Santo Tomas and a Juris Doctor degree from Ateneo de Manila University, School of Law.

Wellington Palmero is the Senior Vice President, Chief Risk, and Compliance Officer of SMIC. Prior to joining SMIC, he was the Head of Citibank Compliance Service Center. He has also worked in several financial institutions and spent most of his working career with Goldman Sachs Hong Kong and New York. Mr. Palmero holds a Master's Degree in Business Administration from the University of Western Ontario.

Anastacio C. Balubar II is the Vice President for Internal Audit of SMIC. He is a Certified Public Accountant with 29 years of international and multi-cultural audit experience, having worked in the Philippines and Dubai, UAE with various large conglomerates involved in key sectors such as airline, real estate/property development, hospitality and leisure, shopping malls, and retail amongst others. He managed overseas audit assignments in Asia, UK, USA, and Middle East. As a seasoned audit professional, he considers himself a catalyst for change and advocates transparent leadership, strong corporate governance, and business excellence. He graduated from Pamantasan ng Lungsod ng Maynila (University of the City of Manila) with a Bachelor's Degree in Business Administration, Major in Accounting and obtained key certifications in various audit subjects as well as leadership and management masterclass.

Elmer B. Serrano is the Corporate Secretary of SMIC since November 2014. He is a practicing lawyer specializing in Mergers & Acquisitions, Capital Markets and Banking and Finance. In 2020, he was named Asia Best Lawyer by the International Financial Law Review (IFLR). He is also consistently ranked as a leading lawyer by the Legal500 Asia Pacific and IFLR1000. Mr. Serrano is a director of 2GO Group, Inc. He is also the Corporate Secretary of Premium Leisure Corp., Crown Equities, Inc., as well as various subsidiaries of BDO Unibank, and also serves as the Corporate Information Officer of BDO Unibank and BDO Leasing and Finance, Inc. He is also Corporate Secretary of, and counsel to, prominent banking industry associations and companies such as the Bankers Association of the Philippines and PDS Group. Mr. Serrano is a Certified Associate Treasury Professional (2017) and was among the top graduates of the Trust

Institute of the Philippines in 2001. Mr. Serrano holds a Juris Doctor degree from the Ateneo Law School and a BS Legal Management degree from Ateneo de Manila University.

Period of Officership

<u>Name</u>	<u>Office</u>	<u>Period Served</u>
Frederic C. DyBuncio	President and Chief Executive Officer	2017 to present
Erwin G. Pato	Treasurer and EVP-Treasury, Finance and Planning	2021 to present
Franklin C. Gomez	Senior Vice President - Finance	2013 to present
Arthur A. Sy	Assistant Corporate Secretary and Senior Vice President - Legal	2017 to present
Wellington Palmero	Chief Risk & Compliance Officer and Senior Vice President	2017 to present
Anastacio C. Balubar II	Vice President - Internal Audit	2017 to present
Elmer B. Serrano	Corporate Secretary	2014 to present

Directorships in Other Reporting Companies

Other than Atty. Elmer B. Serrano who is also a director of 2GO Group, Inc., the Officers do not hold any directorships in other reporting companies during the last five years.

Nomination of Officers:

Incoming officers will be appointed at the organizational meeting to be held immediately after the Annual Stockholders' Meeting.

(b) Significant Employees

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

(c) Family Relationships

Teresita T. Sy, Elizabeth T. Sy, Henry T. Sy, Jr., Hans T. Sy, Herbert T. Sy, and Harley T. Sy are siblings. All other directors and officers are not related either by consanguinity or affinity. There are no other family relationships known to the registrant other than the ones disclosed herein.

(d) Certain Relationships and Related Transactions

There are no known related party transactions other than those described in Note 21 (Related Party Transactions) of the Notes to the Consolidated Financial Statements incorporated herein by reference. There are no other elements of related party transactions that are considered necessary for an understanding of the transactions' business purpose and economic substance, their effect on the financial statements, and the special risks or contingencies arising from these transactions, other than those disclosed in Note 21 (Related Party Transactions) of the Notes to the Consolidated Financial Statements.

The members of the Related Party Transactions Committee are:

1. Alfredo E. Pascual - Chairman (Independent Director)
2. Robert G. Vergara - Member (Independent Director)
3. Jose T. Sio - Member

Below is the attendance of the members for the Committee meeting held as of December 2021:

	November 5
Alfredo E. Pascual	√
Robert G. Vergara	√
Jose T. Sio	√

(e) Involvement in Legal Proceedings

The Company is not aware of any of the following events having occurred during the past five years up to the date of this report that are material to an evaluation of the ability or integrity of any director, nominee for election as Director, executive officer, underwriter or controlling person of the Company:

- (1) 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;
- (2) 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;
- (3) 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
- (4) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.
- (5) a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

Further, the Company is not involved in or aware of any material legal proceedings that may significantly affect the Company, or any of its subsidiaries or affiliates.

ITEM 6. Compensation of Directors and Executive Officers

(a) Executive compensation

The aggregate compensation paid or incurred during the last two fiscal years and estimated to be paid in the ensuing fiscal year to the Chief Executive Officer and executive officers of the Company are as follows:

Name and Position

1. Harley T. Sy
Executive Director*
2. Frederic C. DyBuncio
President and Chief Executive Officer*
3. Elizabeth Anne C. Uychaco
Senior Vice President - Corporate Services*
4. Franklin C. Gomez
Senior Vice President - Finance*
5. Erwin G. Pato
Treasurer and EVP*

Summary Compensation Table (in million pesos)

	<u>Year</u>	<u>Salary</u>	<u>Bonus</u>	<u>Other Annual Compensation</u>
* President and four Most Highly Compensated Executive Officers	2022 (estimate)	135	23	-
	2021	135	23	-
	2020	132	22	-
All other Officers and Directors as a group	2022 (estimate)	405	65	-
Unnamed	2021	382	63	-
	2020	413	72	-

b) Compensation of Directors

Board Remuneration

Each members of the Board of Directors received the following remuneration as Directors for the year 2021:

<u>Name</u>	<u>Total (PHP)</u>
1. Jose T. Sio	5,400,000.00
2. Teresita T. Sy	5,400,000.00
3. Henry T. Sy Jr.	5,400,000.00
4. Harley T. Sy	5,400,000.00
5. Frederic C. DyBuncio	5,400,000.00
6. Tomasa H. Lipana	5,400,000.00
7. Alfredo E. Pascual	5,400,000.00
8. Roberto G. Vergara	5,400,000.00

Above-mentioned amounts include total fees and *per diems* received by the directors for their attendance in the meetings of the Board. There is no distinction on the fee for a committee chairman and member. Other than these fees, the non-executive directors do not receive any share options, profit sharing, bonus, or other forms of emoluments.

Except for reasonable per diems, directors, as such, shall be entitled to receive only such compensation as may be granted to them by the vote of the stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders. In no case shall the total yearly compensation of directors, as such, exceed 10% of the net income before income tax of the Company during the preceding year.

The Board, through the Compensation Committee, designates the amount of remuneration and provides oversight over remuneration of Management and other key personnel, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the Company successfully and will ensure that compensation is consistent with the Company's culture, strategy and control environment. The Committee decides, determines and approves, by a majority vote of all its members, matters relating to the compensation, remuneration and benefits of the Company's officers and directors. The Committee meets at least twice a year or as often as it considers necessary.

Employment Contract

There are no special contracts of employment between the Company and the named directors and executive officers, as well as special compensatory plans or arrangements, including payment to be received from the Company with respect to any named director or executive.

Terms and Conditions of Appointment

The above-named executive officers have their respective letters of appointment indicating their job descriptions, functions, and obligations, among others.

Board Evaluation and Assessment

To ensure optimum Board performance, the Company, through its Corporate Governance Committee, conducts annual performance evaluations of the Board of Directors, its individual members and Board Committees. The Committee also ensures that every three (3) years, the assessment is supported by an external facilitator. In 2021, the Company engaged the services of an accredited third party service provider, Institute of Corporate Directors, to facilitate the Board Evaluation. Elements of the Board evaluation included the Board Structure and Composition, the Board Roles and Accountabilities, the Board Processes and the Board Dynamics. The results of the evaluation are being discussed and presented to the Board through the Corporate Governance Committee.

Through the annual evaluation process, directors identify areas for improvement, such as:

1. The quality and timeliness of information provided to them;
2. The frequency and conduct of regular, special or committee meetings;
3. Directors' access to Management, the Corporate Secretary and Board Advisors;
4. Other forms of assistance that they may need in the performance of their duties; and,
5. Identify areas of continuing education on corporate governance topics they require.

Directors are asked to rate the performance of the collective Board, the Board Committees, themselves as directors, the Company's Chairman of the Board, the President, and key officers. The detailed Board Evaluation Form can be found in the Company's website.

Criteria for Board and Management Ratings are as follows:

1. Collective Board Rating – relates to:
 - Board Overall Composition – whether the Board is balance and have diversity, knowledge and competencies, qualification, background and experience
 - Board Efficiency and Importance – their overall performance, decision making, discussion on short and long term goals, business strategy and plans, risk handling, follow ups of business plans, strategy, plans and budgets, promotion of good governance principles, policies and mechanisms
 - Board Meetings and Participation
2. Board Committees Rating – relates to how the Committee members and Management rate the performance of the following Committees for the past year:
 - Audit Committee
 - Compensation Committee
 - Corporate Governance Committee
 - Related Party Transaction Committee
 - Risk Management Committee
3. Individual Directors' Self-rating – relates to how the Directors assess their independence, participation and expertise
4. Officers Rating – relates to how well the following officer demonstrates leadership, integrity, diligence and adherence to corporate governance principles and practices:

- Chairman of the Board,
- President/CEO,
- Chief Audit Executive,
- Chief Compliance Officer,
- Chief Risk Officer.

5. Overall Comments and Suggestions

Retirement Plan

In compliance with Republic Act 7641, amending Article 301 of the Labor Code, the Company has established a private retirement benefit plan for all its regular employees with benefits such as early retirement pay upon reaching the age of 50 years with at least 10 years of service, regular retirement pay upon reaching the age of 60 years or more with 5 years of service, and such other benefits as contained in the Retirement Plan of the Company.

Except as provided in the plan described above, there are no other agreements or arrangements pursuant to which officers and directors of the Company may be entitled to receive any cash or non-cash compensation, or any benefits or payments in case of termination of employment or a change in control of the Company.

Pension Benefits

The SM Group has a benefit pension plans covering all regular and permanent employees. The assets of the Pension Plan are held by a trustee bank, BDO. The investing decisions of the Pension Plan are made by the Board of Trustees of said Plan. The SM Group expects to contribute about ₱1,085.0 million to its Pension Plan in 2022.

Options, Warrants or Rights to Purchase Securities

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

The members of the Compensation Committee are:

1. Teresita T. Sy - Chairperson
2. Alfredo E. Pascual - Member (Independent Director)
3. Jose T. Sio - Member

Below is the attendance of the members for the Committee meetings held as of December 2021:

	April 26	November 5
Teresita T. Sy-Coson	√	√
Alfredo E. Pascual	√	√
Jose T. Sio	√	√

ITEM 7. Independent Public Accountants, External Audit Fees and Services

Sycip, Gorres, Velayo & Company (SGV & Co.) is the external auditor for the current year. The same external auditor will be recommended for re-appointment at the scheduled stockholders' meeting. Representatives of the said firm are expected to be present at the stockholders' meeting and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

SRC Rule 68, Part 3 (b) (ix), *Rotation of External Auditors*, states that the key audit partners, which include the engagement partner or signing partner, shall comply with the provisions on long association of personnel (including partner rotation) with an audit client as prescribed in the Code of Ethics for Professional Accountants in the Philippines (the Code). The Code prescribes that an individual shall not act in any of the engagement partner, engagement quality control reviewer, other key audit partner role or a combination of such roles, for a period of more than seven cumulative years. The Company engaged Ms. Julie Christine O. Mateo of SGV & Co. for the examination of the Company's financial statements starting 2016. Previously, the Company engaged Ms. Belinda Beng Hui, Mr. Ramon D. Dizon, Ms. Melinda G. Manto, and Mr. Joel M. Sebastian of SGV & Co. for the examination of the Company's financial statements from 2013 to 2015, 2008 to 2012, 2006 to 2007, and 2001 to 2005, respectively.

The fees of SGV & Co. for the audit of SMIC Parent Company's annual financial statements in connection with the statutory and regulatory filings for the years ended December 31, 2021 and 2020 amounted to ₱2.4 million. Services rendered include the audit of yearend financial statements and supplementary schedules for submission to SEC and assistance in the preparation of annual income tax returns. The professional fees rendered by SGV & Co. for the review of the Group's financial statements in connection with its bond issuance amounted to P5.0 million in 2021 and 2020. The non-audit fees for the independent validation of voting during the Annual Stockholders' Meeting and other tax related studies amounted to P0.9 million in 2021 and 2020.

The Audit Committee recommended to the Board of Directors the appointment of the external auditor and the fixing of the audit fees. The Board of Directors and stockholders approved the Committee's recommendation.

The members of the Audit Committee are:

1. Tomasa H. Lipana - Chairman (Independent Director)
2. Alfredo E. Pascual - Member (Independent Director)
3. Jose T. Sio - Member

Below is the attendance of the members for the Committee meetings held as of December 2021:

	Feb 24	May 3	Aug 2	Nov 5	Nov 17
Tomasa H. Lipana	√	√	√	√	√
Alfredo E. Pascual	√	√	√	√	√
Jose T. Sio	√	√	√	√	√

The members of the Risk Management Committee are:

1. Robert G. Vergara - Chairman (Independent Director)
2. Alfredo E. Pascual - Member (Independent Director)
3. Jose T. Sio - Member

Below is the attendance of the members for the Committee meetings held as of December 2021:

	August 2	November 5
Robert G. Vergara	√	√
Alfredo E. Pascual	√	√
Jose T. Sio	√	√

ITEM 8. Compensation Plans

No action is to be taken 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 annual 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 SMIC's securities, or the issuance of one class of SMIC's securities in exchange for outstanding securities of another class.

ITEM 11. Financial and Other Information

The Management Report and Audited Financial Statements of SMIC are incorporated herein by reference.

Representatives of SMIC's external auditor, SGV & Co., will be present at the annual meeting, and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions from the stockholders. SMIC has had no material disagreement with SGV & Co. on any matter of accounting principle or practices or disclosures in SMIC's financial statements.

ITEM 12. Mergers, Consolidations, Acquisitions and Similar Matters

The Board of Directors, at its meeting held on April 1, 2022, approved the merger of SMIC with Allfirst Equity Holdings, Inc. (AEHI), with SMIC as the surviving corporation.

Constituent Entities to the Proposed Merger

- (1) Name : Allfirst Equity Holdings, Inc.
Address : 10F One E-Com Center, Harbor Drive, Mall of Asia Complex,
Pasay City
Tel. No. : (632) 8857-0100

- (2) For SM Investments Corporation, please see Item 1.

Brief Description of the General Nature of the Business Conducted by AEHI

For the relevant information on SMIC, please refer to the Management Report.

AEHI was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on April 30, 2003 to purchase or acquire, sell and dispose of, and generally deal in all kinds of shares of stocks and other securities, without necessarily engaging in stock brokerage and financing business in an investment house.

AEHI is the holding company for Philippine Geothermal Production Company, Inc. (**PGPCI**), which operates the Tiwi and Mak-Ban steam fields. Tiwi is the first commercial-scale geothermal steam field development in Southeast Asia, followed by Mak-Ban, both in operation since 1979. Together they generate geothermal steam sufficient to produce approximately 300 MW of electricity.

In addition to its two producing steam fields, PGPCI also has several other greenfield concession areas for geothermal steam production which it will develop moving forward.

Summary of the Material Features of the Proposed Merger

SMIC presently owns approximately 19% of AEHI's outstanding capital stock. On April 1, 2022, the Board of Directors of SMIC approved the acquisition of the 81% stake from related parties in AEHI in exchange for shares in SMIC, subject to valuation confirmation by an independent appraiser. The transaction will bring SMIC's ownership in PGPCI to 100%, and it will be included in SMIC's portfolio investments in future reporting.

The transaction will be structured as a share swap based on a Php 26.6 billion enterprise valuation of PGPCI, resulting in the issuance of 17.4 million SMIC shares based on a 60-day VWAP of Php 903.88/share. Any stockholder, in the alternative, can exercise his/her appraisal right under the law.

The transaction will be accretive to SMIC based on 2021 earnings. The valuation is based only on the cash flow of the existing geothermal steam fields and does not impute any value to the other concession areas in the portfolio of PGPCI which are currently in the developmental stage. All further upside from the production of these developmental concession areas are all for the benefit of SMIC shareholders.

The effective date of the merger shall be, for all intents and purposes, the date when the Certificate of Merger shall have been issued and released by the Securities and Exchange Commission. If the merger is completed, AEHI ceases to operate and loses its corporate entity while SMIC, as the surviving corporation of the merger, shall continue its corporate existence under the laws of the Republic of the Philippines.

Dividends in Arrears

SMIC has no dividends in arrears nor defaults in principal or interest in respect of any security that will be impaired or affected by the proposed merger with AEHI.

Comparison of Relevant Information

In Millions (Php)	SMIC		AEHI	
	Fiscal Year Ended		Fiscal Year Ended	
	2021	2020	2021	2020
<i>Total Revenues</i>	428,057.66	394,185.71	2,406.89	926.93

<i>Net income</i>	52,731.64	34,325.04	2,037.09	545.22
<i>Long-term debt</i>	374,155.88	330,731.80	8,228	7,463

In PhP	SMIC		AEHI	
	Fiscal Year Ended		Fiscal Year Ended	
	2021	2020	2021	2020
<i>Book value per share</i>	508.42	468.82	19,994.49	15,920.30
<i>Cash dividends declared per share</i>	4.25	4.25	-	-
<i>Earnings per share</i>	43.78	28.50	4,074.19	1,090.44

Regulatory Requirements

Subsequent to the approval by the stockholders of SMIC during its Annual Stockholders' Meeting in April 27, 2022, SMIC will seek the approval of the Securities and Exchange Commission (SEC) prior to the execution of the merger.

Report, Opinion or Appraisal from an Outside Party Relating to the Merger

As of date, there are no reports, opinions or appraisals relating to the merger which have been received from an outside party.

Past, present or proposed material contract, arrangement, understanding, relationship, negotiation or transaction during the past two fiscal years between SMIC or its affiliates and AEHI or its affiliates such as those concerning a merger, consolidation or acquisition; a tender offer or other acquisition of securities; an election of directors; or a sale or other transfer of a material amount of assets

None.

As to each class of securities of the registrant or of the other person which is trading on an exchange or with respect to which a market otherwise exists, state the high and low sale prices as of the date, which shall be specified, preceding public announcement of the proposed transaction, or if no such public announcement was made, as of the date, which shall be specified, preceding the day the agreement or resolution with respect to the action was made

AEHI common shares are not listed. SMIC common shares are listed in the PSE. The high and low market prices of SMIC shares for each quarter of calendar year 2021, and that of the past two calendar years, as reported by the PSE, are shown below:

Stock Prices	2021		2020		2019	
	High	Low	High	Low	High	Low
1 st Quarter	₱ 1,079.0	₱ 958.0	₱ 1,079.0	₱ 667.0	₱ 1,025.0	₱ 901.5
2 nd Quarter	1,019.0	900.0	997.0	780.0	980.5	877.0
3 rd Quarter	1,025.0	910.5	975.5	836.5	1,048.0	944.5
4 th Quarter	1,038.0	932.0	1,100.0	864.0	1,100.0	971.0

On March 31, 2022, the date preceding the disclosure of the planned merger, the high and low sale prices of the Company's common shares at the PSE are PhP909.00 per share and PhP885.50 per share, respectively.

As of April 1, 2022, the closing price of the Company's common shares at the PSE is PhP898.00 per share.

Statement on Principal Accountants

Representatives of SGV are expected to be present at the Annual Meeting, and will have the opportunity to make a statement if they desire to do so; and are expected to be available to respond to appropriate questions.

Additional Information Required (Information for the Registrant and for the Other Person)

For the relevant information for the registrant SMIC, please refer to the Management Report attached to this Information Statement.

For information on AEHI, please refer to **Annex "A"**.

ITEM 13. Acquisition or Disposition of Property

The Company and its subsidiaries purchased and sold parcels of land in the normal course of their business.

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

ITEM 14. Restatement of Accounts

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

D. OTHER MATTERS

ITEM 15. Action with Respect to Reports

There is no action to be taken with respect to any report of SMIC or of its directors, officers, or committees, except for the approval of the minutes of the previous annual meeting of SMIC.

The following matters with respect to minutes of the stockholders' meeting 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 28, 2021, appended to this Information Statement as **Annex "B"**. These minutes 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;
 - 3) the matters discussed and resolutions reached;
 - 4) a record of the voting results for each agenda item; and
 - 5) 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.

These minutes were posted in the Company's website within twenty-four (24) hours from adjournment of the meeting. The office of the Corporate Secretary has in its custody the full list and names of stockholders who participated in the virtual 2021 Annual Stockholders' Meeting. In compliance with the rules of the SEC, the Company's Definitive Information Statement (DIS) for the 2021 Annual Meeting were uploaded via PSE EDGE on March 19, 2021 and posted on the Company's website and published in the Business Sections of The Philippine Star and BusinessWorld, in print and online formats prior to the 2021 Annual Meeting. This DIS contains detailed discussions on the material information on the current stockholders, and their voting rights. The same information is found in this Information on Item 4 (Voting Securities and Principal Holders Thereof), and Item 19 (Voting Procedures).

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

These are covered by Resolutions of the Board of Directors and were entered into or made in the ordinary course of business, the significant acts or transactions which are covered by appropriate disclosures with the Securities and Exchange Commission and Philippine Stock Exchange, Inc., including:

- 1) Approval of projects;
- 2) Treasury matters related to opening of accounts and transactions with banks;
- 3) Appointments of signatories and amendments thereof.

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

For the period ended December 31, 2021, there were no self-dealings or related party transactions by any director which require disclosure.

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

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

ITEM 16. Matters Not Required To Be Submitted

There is no action to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

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

There is no action to be taken with respect to any amendment of charter, by-laws or other documents required to be submitted to a vote of the stockholders.

ITEM 18. Other Proposed Action

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 the annual meeting.

ITEM 19. Voting Procedures

At each stockholders' meeting, holders of a majority of SMIC's issued and outstanding voting shares that are present or represented by proxy, shall constitute a quorum for the transaction of business, except where otherwise provided by law. A majority of votes shall decide any matter submitted to the stockholders at the meeting, except in those cases where the law requires a greater number.

In the election of directors, the stockholders are entitled to cumulate their votes as discussed in Part I. B, Item 4(c) of this Information Statement.

All matters subject to vote, 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 thereat, a quorum being present.

SMIC's By-Laws does not prescribe a manner of voting. However, election of directors may be conducted by ballot as requested by voting stockholders.

In the election of directors, the stockholders are entitled to cumulate their votes as discussed in Part B, Item 4(c) of this Information Statement.

For this year's Annual Stockholders' Meeting, SMIC will be allowing stockholders to participate in the meeting via remote communication and to vote *in absentia*.

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

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

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

SMIC's Corporate Secretary is tasked and authorized to count votes on any matter properly brought to the vote of the stockholders. The external auditor of the Company, SGV & Co. has been appointed to validate the ballots when necessary.

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

Stockholders holding SMIC common shares as of March 28, 2022 are entitled to vote on the following matters which are also indicated in the Notice and Agenda included in this Information Statement:

1. Approval of the minutes of the previous annual meeting held on April 28, 2021

The stockholders' approval of the minutes of the meeting held on April 28, 2021 will be sought at this year's annual meeting. The following was the agenda of the said meeting.

- Call to order
- Certification of Notice and Quorum
- Approval of Minutes of the Annual Meeting of Stockholders held on June 24, 2020
- Annual Report for the Year 2020 (Open Forum)

- 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
- Election of Members of the Board of Directors for 2021-2022
- Appointment of External Auditor
- Other Matters
- Adjournment

Required vote: A majority vote of stockholders present or represented at the meeting.

2. Audited Financial Statements as of December 31, 2021

SMIC's Audited Financial Statements as of December 31, 2021 is attached as **Annex "C"** to this Information Statement for review of the stockholders. This will enable the stockholders to assess the financial performance of SMIC for the period covered by said financial statements. Stockholders' approval of the financial statement will be sought at this year's annual meeting.

Required vote: A majority vote of stockholders present or represented at the meeting.

3. Approval and ratification of acts of the Board of Directors and Management during their term of office

During their term, the Board approved resolutions and authorized actions in connection with their mandate to direct, manage and supervise the affairs and operations of SMIC. The acts of the Board of Directors, its Committees and management listed in Part D, Item 15, during their term of office, will be presented to the stockholders for approval and ratification. In compliance with the PSE Disclosure Rules, the Securities Regulation Code and its implementing rules, and in keeping with the policy on transparency as embodied in SMIC's Manual on Good Corporate Governance, SMIC regularly and promptly discloses actions taken by its Board and management. While stockholders' approval of such acts is not required under the Corporation Code and regulatory issuances, SMIC believes it to be sound corporate governance to present these to the stockholders for approval and ratification.

Required vote: A majority vote of stockholders present or represented at the meeting.

4. Election of Directors

At the annual meeting, stockholders will be asked to elect the directors for the ensuing year. As stated in Section 3 of Article IV of the Company's By-Laws, "At each meeting of the stockholders for the election of directors, at which a quorum is present, the persons receiving the highest number of votes of the stockholders present in person or by proxy and entitled to vote shall be the directors."

Section 23 of the Revised Corporation Code of the Philippines states that "At all elections of directors or trustees, there must be present, either in person or by representative authorized to act by written proxy, the owners of a majority of the outstanding capital stock... entitled to vote".

Required vote: Candidates receiving the highest number of votes shall be declared elected.

5. Appointment of External Auditor

Pursuant to SMIC's By-laws, Manual on Corporate Governance, and Audit Committee Charter, the Board, upon the recommendation of the Board Audit Committee, shall recommend to the stockholders, appointment of an external auditor to undertake independent audit and provide objective assurance that the Company's financial reports are in compliance with pertinent accounting standards and regulatory requirements.

At the annual meeting, the stockholders will be requested to approve the re-appointment of SGV & Co. as external auditor of SMIC for the ensuing fiscal year.

Required vote: A majority vote of stockholders present or represented at the meeting.

6. Approval of Merger of SMIC and Allfirst Equity Holdings, Inc., with SMIC as surviving entity

The proposed merger of SMIC and AEHI, with SMIC as surviving entity approved by the Board of Directors on April 1, 2022 will be presented to the stockholders for approval during this year's stockholders' meeting.

Required vote: Affirmative vote of stockholders representing at least two-thirds (2/3) of the outstanding capital stock

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 Taguig City on April 4, 2022.

By: **SM INVESTMENTS CORPORATION**

A handwritten signature in black ink, appearing to read 'Elmer B. Serrano', written over a horizontal line.

ELMER B. SERRANO
Corporate Secretary

MANAGEMENT REPORT

A.i Audited Consolidated Financial Statements

The Company's audited consolidated financial statements for the year ended December 31, 2021 are incorporated herein by reference.

A.ii Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

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

A.iii Management's Discussion and Analysis or Plan of Operation

Calendar Years Ended December 31, 2021 and 2020

Results of Operation
(amounts in billion pesos)

	12 / 31 / 2021	12 / 31 / 2020	% Change
Revenues	P 428.1	P 394.2	8.6%
Cost and Expenses	351.8	336.3	4.6%
Income from Operations	76.3	57.9	32%
Other Charges	14.9	16.5	-10.1%
Provision for Income Tax	8.7	7.1	23%
Net Income After Tax	52.7	34.3	54%
Non-controlling Interests	14.2	10.9	30%
Net Income Attributable to Owners of the Parent	P 38.5	P 23.4	65%

SM Investments Corporation and Subsidiaries (the Group) reported a higher *Net Income Attributable to Owners of the Parent* at P38.5 billion and *Revenues* at P428.1 billion compared to 2020.

Banking contributed 51% to net income with Property accounting for 25%, Retail contributing 17% and Portfolio investments the remaining 7%.

Retail

SM Retail reported *Revenues* of P303.9 billion, 2.4% higher than 2020. The Food Stores reported sales of P191.9 billion, 3% lower than 2020 which registered sales that reflect the effect of pantry loading when customers were buying in advance of the anticipated lockdown. The non-Food stores reported an 11% growth in sales driven by The SM Stores, SM Appliances and Our Home stores.

SM Retail generated P9.6 billion of net income on P303.9 billion revenues in 2021. The Food Stores registered a 31% increase in net income, Specialty Stores at 77% and the SM Stores at 79%. The general improvement in profitability is attributable to sustained growth in sales particularly for the SM Stores and Specialty Stores, aggressive cost management, rental concessions received from various lessors as well as the adoption of CREATE.

Property

SM Prime reported *Revenues* of P82.3 billion and *Net income* of P21.8 billion, 1% and 21% higher than 2020, respectively.

The Philippine malls reported *Revenues* of P24.1 billion, 2% higher than 2020, reflecting the impact of more relaxed mobility restrictions especially in the last quarter of 2021. The China malls, on the other hand, reported *Revenues* of P5.9 billion, 28% higher than 2020. The results compare with pre-pandemic levels as the country recovered more quickly from the COVID-19 outbreak.

SMDC reported *Revenues* of P45.9 billion, 3% lower than 2020. SMDC's sales take-up reached P98.9 billion in 2021.

Banking

BDO reported a *Net income* of P42.8 billion, 51% higher than 2020. BDO's full year profits were buoyed by an 11% increase in non-interest income and normalized provisions. This reflects the Bank's operational resiliency notwithstanding COVID-19 related headwinds depressing loan activity for much of 2021.

China Bank, on the other hand, reported a *Net income* of P15.1 billion, 25% higher than 2020. Interest expense dropped 44% with continued prudent management, resulting in a net interest income of P38.3 billion, up 13%.

Profit & Loss Statement - Account Analysis

Merchandise Sales, which increased by 4.4% to P302.6 billion from P289.7 billion in 2020, accounted for 71% of total revenues in 2021. The increase includes the P7.9 billion sales of 2GO and GBI from the time that they became subsidiaries of SMIC.

As of December 31, 2021, there were 3,215 SM Retail stores in operation: 68 *SM Stores*, 61 *SM Supermarkets*, 214 *Savemore* stores, 52 *SM Hypermarkets*, 73 *WalterMart* stores, 1,207 *Alfamart* stores, 1 *Mindpro* store and 1,539 *Specialty* stores. In addition, there were 1,074 specialty stores under SM Retail's associate companies including *Uniqlo* and *Watsons*, among others. The new stores that were opened in 2021 include 202 *Alfamart* stores, 26 *Ace Hardware* stores and 82 *Watsons* stores.

Real Estate Sales decreased by 4.1% to P45.1 billion from P47.0 billion in 2020. Revenues are recognized in the books based on percentage of completion of the pertinent residential projects.

Rent Revenues, derived mainly from the mall operations of SM Prime, increased by 10.2% to P29.6 billion from P26.9 billion in 2020. The increase reflects the impact of more relaxed mobility restrictions especially in the last quarter of 2021.

As of December 31, 2021, there were 85 malls in operation, 78 in the Philippines with total GFA of 9.0 million square meters and 7 in China with total GFA of 1.3 million square meters.

Equity in Net Earnings of Associate Companies and Joint Ventures increased by 57% to P26.8 billion from P17.0 billion in 2020 mainly coming from BDO and China Bank.

Shipping, logistics and other services of P5.7 billion represent a portion of 2GO's revenues from the time it became a subsidiary of SMIC.

Cinema Ticket Sales, Amusement and Others decreased by 54% to P0.5 billion from P1.1 billion in 2020. This is attributable to the continuing strict restrictions in the operation of cinemas and other leisure areas throughout 2021 whereas 2020 was for the most part of Quarter 1 2020, operating on pre-pandemic terms.

Royalty, Management and Service Fees increased by 11.6% to P4.4 billion from P3.9 billion in 2020 reflecting the general improvement in business conditions.

Other Revenues which include income from promotional activities highlighting products, commission from bills payment, prepaid cards and show tickets, advertising income and sponsorship revenues, food and beverage income of the Hotel Group, increased by 59.2% to P12.8 billion from P8.0 billion in 2020.

Selling, General and Administrative Expenses increased by 2.5% to P97.9 billion from P95.5 billion in 2020 due mainly to the scaled-down operation of certain retail stores and malls and efforts to control costs through rationalization of operations. 2021 includes the cost and expenses of 2GO and GBI from the time they became subsidiaries of SMIC.

Income from Operations increased by 32% to P76.3 billion from P57.9 billion in 2020. *Operating Margin* and *Net Margin* in 2021 is at 17.8% and 12.3%, respectively.

Other Charges (net) decreased by 10.1% to P14.9 billion from P16.5 billion in 2020. *Interest Expense* increased to P18.8 billion from P18.0 billion in 2020 due mainly to new debt availments for working capital and capital expenditure requirements. *Interest Income* decreased by 9.6% to P2.2 billion from P2.4 billion in 2020 due mainly to lower average balance of cash and time deposits. These were partially offset by the P0.7 billion increase in *Gain on disposal of investment and properties-net* and P0.3 billion increase in *Gain on fair value changes on derivatives-net* in 2021. *Foreign Exchange Gain-net and others* increased to P0.8 billion from P0.2 billion in 2020. The PHP to USD foreign exchange rate amounted to PHP51.00 : USD1.00 in 2021 from PHP48.02 : USD1.00 in 2020.

Provision for Income Tax increased by 23.2% to P8.7 billion from P7.1 billion 2020 due mainly to the adoption of Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) that was signed into law by the President of the Republic of the Philippines on March 26, 2021, which provides for the retroactive application to July 01, 2020 of the lower corporate income tax rate

Non-controlling interests increased by 30% to P14.2 billion from P10.9 billion in 2020 due mainly to the improved net income of partly-owned subsidiaries.

Financial Position
(amounts in billion pesos)

	12 / 31 / 2021	12 / 31 / 2020	% Change
Current Assets	P 302.1	P 254.5	18.7%
Noncurrent Assets	1,039.5	970.0	7.2%
Total Assets	P 1,341.6	P 1,224.5	9.6%
Current Liabilities	P 259.3	P 240.0	8.0%
Noncurrent Liabilities	469.9	419.8	11.9%
Total Liabilities	729.2	659.8	10.5%
Total Equity	612.4	564.7	8.4%
Total Liabilities and Equity	P 1,341.6	P 1,224.5	9.6%

Total *Assets* increased by 9.6% to P1,341.6 billion from P1,224.5 billion in 2020. Likewise, total *Liabilities* increased by 10.5% to P729.2 billion from P659.8 billion in 2020.

Current Assets

Current Assets increased by 18.7% to P302.1 billion from P254.5 billion in 2020.

Cash and Cash Equivalents increased by 13.5% to P88.7 billion from P78.2 billion in 2020 due mainly to investments, capital expenditures and debt servicing.

Receivables and Contract Assets increased by 23% to P74.6 billion from P60.5 billion in 2020 due mainly to higher receivables from real estate buyers and shipping and logistics (see Note 5 of the consolidated financial statements).

Inventories increased by 20% to P86.8 billion from P72.1 billion. The increase includes P1.8 billion of merchandise inventory which is partly attributable to the inventories of 2GO and GBI (see Note 5 of the consolidated financial statements), P2.3 billion of land and development - current portion, and P10.6 billion of condominium and residential units for sale.

Other Current Assets increased by 18.3% to P51.1 billion from P43.2 billion in 2020 due mainly to higher prepaid taxes and nontrade receivables

Noncurrent Assets

Noncurrent Assets increased by 7.2% to P1,039.5 billion from P970.0 billion in 2020.

Investments in Associate Companies and Joint Ventures increased by 3.0% to P305.1 billion from P296.3 billion in 2020. The increase mainly represents the Group's equity in net earnings of its associate companies particularly the banks, partly offset by dividends received, share in comprehensive loss of its associate companies, and the effect of business combination discussed in Note 5 of the consolidated financial statements.

Property and Equipment increased by 48% to P38.6 billion from P26.1 billion. The increase includes the property and equipment of 2GO and GBI (see Note 5 of the consolidated financial statements).

Investment Properties increased by 6.5% to P463.8 billion from P435.5 billion in 2020 due mainly to land banking and ongoing new mall projects and commercial building construction as well as the redevelopment of *SM Mall of Asia* and other existing malls.

Other Noncurrent Assets increased by 6.1% to P119.2 billion from P112.3 billion in 2020 due mainly to higher bonds and deposits and receivable from real estate buyers.

Liabilities

Interest-bearing debt increased by 11.8% to P464.1 billion from P415.0 billion in 2020 due to net loan availments in 2021. The increase includes the interest-bearing debt of 2GO (see Note 5 of the consolidated financial statements).

Accounts Payable and Other Current Liabilities increased by 9.9% to P164.0 billion from P149.2 billion in 2020 due mainly to higher trade payables and accruals in 2021. The increase includes the trade payables and accruals of 2GO and GBI (see Note 5 of the consolidated financial statements).

Dividends Payable decreased by 19% to P3.1 billion from P3.8 billion in 2020. This represents dividends due to minority stockholders of certain subsidiaries.

Derivative Liabilities decreased by 46% to P3.1B from P5.8 billion in 2020 representing the net change in the net fair value and maturity of swap transactions.

Deferred Tax Liabilities increased by 25% to P15.8 billion from P12.6 billion in 2020 reflecting the net change in unrealized gross profit on sale of real estate and appraisal increment resulting from business combination. The increase includes the deferred tax liabilities of 2GO and GBI (see Note 5 of the consolidated financial statements).

Tenants' Deposits and Others increased by 2.6% to P48.9 billion from P47.6 billion in 2020. This account includes deferred output VAT related to sales of residential projects and deposits from residential buyers and tenants in new malls and office buildings.

Equity

Total *Equity* increased by 8.4% to P612.4 billion from P564.7 billion in 2020.

Equity Attributable to Owners of the Parent increased by 8.1% to P436.4 billion from P403.8 billion in 2020. This increase resulted mainly from the P38.5 billion net income reduced by P5.1 billion dividends declared in 2021 that is reflected in *Retained earnings*, *Net Fair value Changes on Cash Flow Hedges* which decreased to loss of P1.0 billion from P2.7 billion in 2020 and *Cumulative Translation Adjustment* which increased to P2.2 billion from P0.9 billion in 2020. These were partly offset by the 8.1% decrease in *Net Unrealized Gain on Financial Assets* to P15.2 billion from P16.5 billion in 2020 due to lower market valuation of certain investments and 37% increase in *Remeasurement loss on Defined Benefit Asset/Obligation* to P8.3 billion from P6.1 billion in 2020.

Non-controlling Interests increased by 9.4% to P176.0 billion from P160.9 billion in 2020 due mainly to the increase in net assets of subsidiaries that are not wholly owned.

Impact of COVID-19 to the Group's operations

The Group's 2021 results reflect the continuing impact of COVID-19 on the Group's businesses although at a lesser scale.

SM Prime's malls in the Philippines continue to feel the impact of mobility restrictions for the most part of 2021. Processes to manage costs and initiatives to generate more revenues continue to be implemented. The Philippine malls show encouraging recovery especially in the last quarter of 2021 whereas SM Prime's malls in China have gone back to pre-pandemic operations.

COVID-19 did not have any significant impact on SM Prime's offices business since its primary tenants are business process outsourcing (BPO) offices which continued to operate under normal conditions throughout the year.

SM Prime made adjustments to the construction and sales operations of its residential business to align with the pandemic related restrictions. It continues to build up its inventory to support revenue targets for the succeeding years. Reservation sales are sustained and expected to pick up in 2022. The credit quality of receivables is within a reasonable level.

SM Prime's hotels have started to operate at higher capacities and show increasing occupancy rates in the last quarter of 2021.

BDO and China Bank have been operating at normal levels and continue to generate profits even with higher provisions from possible credit losses compared to 2019, before the pandemic set in.

The SM Retail stores demonstrated resilience and high adaptability to the COVID economic environment. Efforts to make its operations more efficient, make shopping more convenient for its customers and grow its digital channels continue. Sales increased significantly in the last quarter of 2021.

Key Performance Indicators

The key financial ratios of the Group follow:

	12/ 31 / 2021	12 / 31 / 2020
Current Ratio	1.2	1.1
Acid Test Ratio	0.6	0.6
Solvency Ratio	10.1%	8.0%
Asset to Equity	2.2	2.2
Debt - Equity Ratios:		
On Gross Basis	43 : 57	42 : 58
On Net Basis	38 : 62	37 : 63
Return on Equity	9.1%	6.0%
Return on Assets	4.1%	2.9%
Revenue Growth	8.6%	-21%
Net Margin	12.3%	8.7%
Net Income Growth	65%	-48%
EBITDA (<i>In Billions of Pesos</i>)	97.0B	76.6B
Interest Cover	5.2x	4.3x

Current Ratio slightly increased to 1.2 from 1.1 in 2020 due to the 18.7% increase in *Current Assets* vs. 8.0% decrease in *Current Liabilities*.

Solvency Ratio increased to 10.1% from 8.0% in 2020 due to the 38% increase in *Net income after tax* and depreciation vs. 10.5% increase in *Total Liabilities*.

Gross Debt - Equity Ratio increased to 43:57 from 42:58 in 2020 due to the 11.8% increase in gross debt with only 8.4% increase in Equity.

Net Debt - Equity Ratio increased to 38:62 from 37:63 in 2020 due to the P49.1 billion increase in gross debt with only P12.9 billion increase in cash and cash equivalents or increase in net debt by only P36.2 billion. In 2020, net debt increased by P38.3 billion.

Return on Equity increased to 9.1% from 6.0% due to the 65% increase in net income attributable to owners of the parent vs. 8.6% increase in average equity.

Return on assets increased to 4.1% from 2.9% due to the 54% increase in net income after tax vs 8.5% increase in average assets.

Revenue Growth increased to 8.6% from -21% in 2020 due mainly to the 4.4% increase in Merchandise sales, 57% increase in *Equity in Net Earnings*, 10.2% increase in *Rent income* and 59% increase in *Other Revenues*. In 2020, all sources of revenues, except for *Real Estate Sales*, had negative growth.

Net Margin and *Net Income Growth* increased to 12.3% and 65% from 8.7% and -48%, respectively.

EBITDA increased by 26% due to the P18.4 billion increase in income from operations and P1.9 billion increase in depreciation.

Interest Cover increased to 5.2x from 4.3x in 2020 due to the 26% increase in EBITDA vs. 4.1% increase in interest expense.

The manner by which the Group calculates the foregoing indicators is as follows:

1. Current Ratio $\frac{\text{Current Assets}}{\text{Current Liabilities}}$
2. Acid Test Ratio $\frac{\text{Current Assets less Inventories and Other Current Assets}}{\text{Current Liabilities}}$
3. Solvency Ratio $\frac{\text{Net Income After Tax + Depreciation and Amortization}}{\text{Total Liabilities}}$
4. Asset to Equity Ratio $\frac{\text{Total Assets}}{\text{Total Equity}}$
5. Debt – Equity Ratio
 - a. Gross Basis $\frac{\text{Total Interest Bearing Debt}}{\text{Total Equity + Total Interest-bearing Debt}}$
 - b. Net Basis $\frac{\text{Total Interest Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investment in Bonds}}{\text{Total Equity + Total Interest-bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investments in Bonds}}$
6. Revenue Growth $\frac{\text{Total Revenues (Current Period)} - 1}{\text{Total Revenues (Prior Period)}}$
7. Net Margin $\frac{\text{Net Income After Tax}}{\text{Total Revenues}}$
8. Net Income Growth $\frac{\text{Net Income Attributable to Owners of the Parent (Current Period)} - 1}{\text{Net Income Attributable to Owners of the Parent (Prior Period)}}$
9. Return on Equity $\frac{\text{Net Income Attributable to Owners of the Parent}}{\text{Average Equity Attributable to Owners of the Parent}}$
10. Return on Assets $\frac{\text{Net Income after Tax}}{\text{Total Assets}}$
11. EBITDA Income from Operations + Depreciation & Amortization
12. Interest Cover $\frac{\text{EBITDA}}{\text{Interest Expense}}$

Expansion Plans / Prospects in 2022

In 2022, expansion and construction of malls, residential and commercial properties, opening of new retail stores across the various formats, mainly in the Retail Food Group, and selectively in the Retail Non-Food Group, as well as expansion of the Group's logistics capacity will continue.

Investments in new business ventures would be pursued as opportunities arise.

Calendar Years Ended December 31, 2020 and 2019

Results of Operation

(amounts in billion pesos)

Accounts	12 / 31 / 2020	12 / 31 / 2019	% Change
Revenues	P 394.2	P 502.0	-21.5%
Cost and Expenses	336.3	396.5	-15.2%
Income from Operations	57.9	105.5	-45.1%
Other Charges	16.5	18.8	-12.7%
Provision for Income Tax	7.1	17.2	-58.7%
Net Income After Tax	34.3	69.5	-50.6%
Non-controlling Interests	10.9	24.9	-56.0%
Net Income Attributable to Owners of the Parent	P 23.4	P 44.6	-47.5%

SM Investments Corporation and Subsidiaries (the Group) reported a Net Income Attributable to Owners of the Parent of P23.4 billion, 47.5% lower than 2019, and Revenues of P394.2 billion, 21.5% lower than 2019. These results reflect the adverse impact of COVID-19.

There is continuing recovery in economic activity and business volumes with the steady easing of community quarantine measures in the major business areas in the country and the consumers adjusting to the new normal living conditions. In the second half of the year, profitability improved across Retail, Property and Banking as retail stores and the malls have fully opened in time for the holiday season.

Retail

SM Retail reported a net income of P4.1 billion, 66.8% lower than 2019 and revenues of P296.8 billion, 19.1% lower than 2019.

Notable is the revenue growth of Food Retail at 7.2% to P200.0 billion despite the challenging business environment in 2020. Double-digit sales growth was reported by Savemore at 10.8%, Waltermart at 18.4% and Alfamart at 23.9%.

Property

SM Prime reported a net income of P18.0 billion, 52.7% lower than 2019 and revenues of P81.9 billion, 30.8% lower than 2019.

In 2020, SM Prime's Philippine mall business reported revenues of P23.6 billion, down from P57.8 billion in 2019. Rent income of local malls of P21.8 billion is 55% of the P48.4 billion in 2019.

Two new malls were launched in 2020, *SM City Butuan* and *SM City Mindpro* in Mindanao.

SM Prime's residential business, led by SM Development Corporation (SMDC), reported a 6.1% growth in revenues to P46.5 billion from P43.7 billion in 2019 and 10% growth in reservation sales to P99.0 billion from P90.0 billion in 2019.

Banking

BDO reported a net income of P28.2 billion, 36% lower than 2019. This is primarily due to the P23.8 billion provision for impairment losses taken up in anticipation of a possible increase in non-performing loans as a result of the COVID-19 pandemic

China Bank reported a net income of P12.1 billion, 20% higher than 2019. This is despite huge provisions for probable credit losses of P6.3 billion, 3.4x of 2019.

Banking accounted for 55% of net income from core businesses, followed by Property at 33% and Retail at 12%.

Profit & Loss Statement - Account Analysis

Merchandise Sales, which decreased by 18.2% to P289.7 billion from P354.1 billion in 2019, accounts for 73.5% of total revenues in 2020. The decrease is attributable mainly to the temporary closure of certain retail stores during the enhanced community quarantine (ECQ) and modified ECQ (MECQ) periods particularly in the 2nd quarter.

As of December 31, 2020, *SM Retail* had 3,019 stores in operation. Its stores portfolio includes 66 *SM Stores*, 59 *SM Supermarkets*, 209 *Savemore* stores, 52 *SM Hypermarkets*, 71 *WalterMart* stores, 1,012 Alfamart stores, and 1,550 Specialty stores.

Real Estate Sales increased by 5.7% to P47.0 billion from P44.5 billion in 2019. The increase is attributable to sales take-up and construction accomplishments of ongoing projects including *Shore 3*, *Bloom*, *Vine*, *Fame* and *Lane* as well as various Ready-For-Occupancy (RFO) projects, particularly those located in Mandaluyong and Pasay. Actual construction of projects usually starts within twelve to eighteen months from launch date and revenues are recognized based on percentage of completion. *SM Residences* continued its sales momentum by using various digital sales platforms and offering flexible payment terms to its buyers.

Rent Revenue, derived mainly from the mall operations of SM Prime, decreased by 47.8% to P26.9 billion from P51.6 billion in 2019. The decrease is due to the temporary closure of malls as well as other businesses during the ECQ and MECQ periods. In 2020, waived rentals and other charges amounted to P23.3 billion.

As of December 31, 2020, *SM Prime* had 76 malls in the Philippines with total GFA of 8.6 million square meters and 7 malls in China with total GFA of 1.3 million square meters.

Equity in Net Earnings of Associate Companies and Joint Ventures decreased by 34.6% to P17.0 billion from P26.0 billion in 2019 mainly representing the decrease in net income of BDO.

Cinema Ticket Sales, Amusement and Others decreased by 85.8% to P1.1 billion from P7.7 billion in 2019. This is attributable to the suspension of operations of the cinemas starting March 15, 2020 relative to the closure of malls during the ECQ and MECQ periods. With strict safety measures in place, the cinemas have slowly resumed operations starting October 2020.

Royalty, Management and Service Fees decreased by 46.4% to P3.9 billion from P7.3 billion in 2019 relative to the drop in business volume.

Other Revenues which include income from promotional activities highlighting products, commission from bills payment, prepaid cards and show tickets, advertising income and sponsorship revenues, food and beverage income of the Hotel Group, decreased by 21.3% to P8.0 billion from P10.2 billion in 2019 due to the closure of certain retail stores and malls during the ECQ and MECQ periods.

Selling, General and Administrative Expenses decreased by 15.7% to P95.5 billion from P113.3 billion in 2019 due mainly to the scaled-down operation of certain retail stores and malls during the ECQ period and efforts to control costs through rationalization of operations.

Income from Operations decreased by 45.1% to P57.9 billion from P105.5 billion in 2019. *Operating Margin* and *Net Margin* is at 14.7% and 8.7%, respectively.

Other Charges (net) decreased by 12.7% to P16.5 billion from P18.8 billion in 2019. *Interest Expense* decreased by 7.6% to P18.0 billion from P19.5 billion in 2019 due mainly to new debt availments for working capital and capital expenditure requirements. An *Impairment Loss on Investments* amounting to P1.0 billion was recognized in 2020 relative to the impairment test done on the Group's investments. *Interest Income* decreased by 37.2% to P2.4 billion from P3.9 billion in 2019 due mainly to lower average daily balance of cash and time deposits. *Foreign Exchange Gain - net* and others decreased by 72% to P155.2 million from P561.7 million in 2019. The PHP to USD foreign exchange rate amounted to PHP48.02 : USD1.00 in 2020 and PHP50.64 : USD1.00 in 2019.

Provision for Income Tax decreased by 58.7% to P7.1 billion from P17.2 billion in 2019 due mainly to lower taxable income. The effective income tax rate is 17.1% in 2020 and 19.8% in 2019.

Non-controlling interests decreased by 56.0% to P10.9 billion from P24.9 billion in 2019 due mainly to the decrease in net income of partly-owned subsidiaries.

Financial Position (amounts in billion pesos)

Accounts	12 / 31 / 2020	12 / 31 / 2019	% Change
Current Assets	P 254.5	P 248.4	2.5%
Noncurrent Assets	970.0	895.8	8.3%
Total Assets	P 1,224.5	P 1,144.2	7.0%
Current Liabilities	P 240.0	P 196.7	22.0%
Noncurrent Liabilities	419.8	411.3	2.1%
Total Liabilities	659.8	608.0	8.5%
Total Equity	564.7	536.2	5.3%
Total Liabilities and Equity	P 1,224.5	P 1,144.2	7.0%

Total *Assets* increased by 7.0% to P1,224.5 billion from P1,144.2 billion in 2019. Likewise, total *Liabilities* increased by 8.5% to P659.8 billion from P608.0 billion in 2019.

Current Assets

Current Assets increased by 2.5% to P254.5 billion from P248.4 billion in 2019.

Cash and Cash Equivalents increased by 2.6% to P78.2 billion from P76.2 billion in 2019 due mainly to payments for trade, investments, capital expenditures and debt servicing. The net cash flow from operations decreased by P33.7 billion or 50.8% as a result of the drop in net income depicting the extensive impact of COVID-19 to the Group's operations.

Receivables and Contract Assets increased by 12.9% to P60.5 billion from P53.6 billion in 2019 due mainly to the increase in real estate sales and some delay in the collection of certain receivables relative to the Group's adoption and implementation of the government-mandated Bayanihan Act extending the grace period for the payment of loan amortizations due on or before December 31, 2020.

Inventories decreased by 6.6% to P72.1 billion from P77.1 billion resulting from the P4.8 billion decrease in merchandise inventory and P3.0 billion decrease in land and development - current partly offset by the P2.7 billion increase in condominium and residential units for sale.

Other Current Assets increased by 6.0% to P43.2 billion from P40.7 billion in 2019 due mainly to higher prepaid taxes and other prepayments.

Noncurrent Assets

Noncurrent Assets increased by 8.3% to P970.0 billion from P895.8 billion in 2019.

Financial assets at FVOCI increased by 12.6% to P27.3 billion from P24.2 billion due mainly to new investments and increase in market values in 2020.

Right-of-use (ROU) Assets - Net increased by 11.5% to P42.0 billion from P37.7 due mainly to P7.5 billion new and renewed leases, offset by P3.2 billion amortization and lease terminations.

Investments in Associate Companies and Joint Ventures increased by 5.4% to P296.3 billion from P281.0 billion in 2019. The increase mainly represents the equity in net earnings of the Group's associate companies of P17.0 billion, partly offset by P4.4 billion dividends and share in the comprehensive income of its associate companies.

Investment Properties increased by 5.4% to P435.5 billion from P413.0 billion in 2019 due mainly to land banking and ongoing new mall projects and commercial building construction as well as the redevelopment of *SM Mall of Asia* and other existing malls.

Other Noncurrent Assets increased by 33.1% to P112.3 billion from P84.4 billion in 2019 due mainly to the increase in receivable from real estate buyers and additional bonds and deposits for real estate acquisitions and construction.

Current Liabilities

Current Liabilities increased by 22.0% to P240.0 billion from P196.7 billion in 2019.

Bank Loans increased by 28.9% to P24.1 billion from P18.7 billion in 2019 due to new loan availments, partly offset by payments.

Accounts Payable and Other Current Liabilities increased by 5.5% to P149.2 billion from P141.5 billion in 2019 due mainly to the increase in payable to contractors and suppliers related to ongoing projects, liability for purchased land and customers' deposits and non-trade payables.

Income Tax Payable decreased by 19.1% to P2.6 billion from P3.3 billion in 2019 due mainly to lower income in 2020.

Current Portion of Long-term Debt increased by 106.8% to P60.1 billion from P29.1 billion in 2019 due mainly to the reclassification of maturing loans from noncurrent.

Dividends Payable decreased by 8.9% to P3.8 billion from P4.2 billion in 2019. This represents dividends due to minority stockholders of certain subsidiaries.

Noncurrent Liabilities

Noncurrent Liabilities increased by 2.1% to P419.8 billion from P411.3 billion in 2019.

Long-term Debt - Net of Current Portion increased by 1.0% to P330.7 billion from P327.4 billion in 2019 due mainly to new debt availments partly offset by reclassification of maturing debts to current.

Deferred tax liabilities increased by 31.4% to P12.6 billion from P9.6 billion in 2019 due mainly to unrealized gross profit on sale of real estate for income tax purposes.

Tenants' Deposits and Others increased by 1.9% to P47.6 billion from P46.7 billion in 2019. This account includes deferred output VAT related to sale of residential projects and deposits from residential buyers and tenants in new malls and office buildings.

Equity

Total *Equity* increased by 5.3% to P564.7 billion from P536.2 billion in 2019.

Equity Attributable to Owners of the Parent increased by 5.5% to P403.8 billion from P382.6 billion in 2019. This increase resulted mainly from the (a) P18.3 billion net increase in Retained Earnings representing the 2020 net income of P23.4 billion offset by P5.1 billion dividend declaration, (b) *Net Unrealized Gain on Financial Assets at FVOCI* which increased by 14.6% to P16.5 billion from P14.4 billion in 2019 due mainly to the appreciation in market value of certain investments of the Group, and (c) *Remeasurement loss on defined benefit asset/obligation* which decreased by 29.7% to P6.1 billion from P8.6 billion in 2019 as a result of the 2020 valuation of the Group's retirement plans. These were partly offset by the (a) *Net Fair value Changes on Cash Flow Hedges* which decreased to P2.7 billion from P1.4 billion in 2019, and (b) *Cumulative Translation Adjustment (CTA)* which decreased to P0.9 billion from P1.3 billion in 2019. The latter is related mainly to the translation of the financial accounts of *SM China* malls from China Yuan Renminbi to Philippine Peso and includes the group's share in the CTA of its associates.

Non-controlling Interests increased by 4.8% to P160.9 billion from P153.5 billion in 2019 due mainly to the increase in net assets of subsidiaries that are not wholly owned.

Impact of COVID-19 to the Group's operations

The impact of COVID-19 to the Group's businesses is manifested in the operating results for the year 2020. Consolidated revenues dropped 21.5% and consolidated net income attributable to owners of the parent dropped 47.5%.

During the quarantine period, certain stores and malls of the Group had to temporarily stop operations. This resulted in the 18.2% decline in Merchandise sales and 47.8% decline in Rent revenues in 2020. To assist its mall tenants, SM Prime granted waivers on rent and/or extended rental discounts that totaled to P23.3 billion as at yearend 2020.

COVID-19 did not have any significant impact on SM Prime's offices business since its primary tenants are business process outsourcing (BPO) offices which were allowed by the Philippine's Inter-Agency Task Force (IATF) to continue to operate throughout the quarantine period.

Select hotels of the Group, Conrad Manila, Park Inn Clark, Park Inn North EDSA and Park Inn Iloilo remained operational during the quarantine period as these hotels catered to BPO employees and returning overseas Filipino workers/seafarers. The Group's biggest events center, the Mall of Asia Arena, was converted into a Mega Swabbing Facility in partnership with various government agencies. With the easing of quarantine measures throughout the country, SM Prime's hotels have started to commence operations.

In anticipation of potential delinquencies on loans due to the economic impact of COVID-19 on certain sectors, the Group's banks took significantly higher provisions in 2020: BDO with P30.2 billion, 4.9x higher than 2019 and China Bank with P8.9 billion, 3.5x higher than 2019.

The Group's receivables from real estate sales increased by P30.5 billion or 45.7% from yearend 2019. This is the result of the adoption and implementation of the government-mandated Bayanihan Act extending the grace period for the payment of loan amortizations due on or before December 31, 2020 and the DHSUD circular extending the grace period for the payment of loan amortizations that matured during the ECQ period. Efforts to collect these receivables are continuing. The Group believes that the credit quality of its Receivables as of end December 2020 is within reasonable levels.

The net cash flow from operations decreased by P32.4 billion or 45.3% to P39.2 billion as a result of the significant drop in net income depicting the extensive impact of COVID-19 to the Group's operations.

To support the Group's operational and capital expenditure requirements, (1) the Group availed an additional P44.5 billion of debt, net availment, and, (2), SMIC Parent and SM Prime lowered their dividend payout in 2020 to P5.1 billion from P11.0 billion and P5.3 billion from P10.5 billion in 2019, respectively.

As at December 31, 2020, the Group has more than adequate unused credit lines and access to the domestic corporate bond market that can be tapped to meet its current maturing obligations, as necessary.

As at December 31, 2020, the Group expended around P55.6 billion for capital investments in investment properties, land and development and property and equipment.

The Group expects its businesses to be back to pre-pandemic level of operations in the next 2 to 3 years.

Key Performance Indicators

The key financial ratios of the Group follow:

Accounts	12 / 31/ 2020	12 / 31/ 2019
Current Ratio	1.1	1.3
Acid Test Ratio	0.6	0.7
Solvency Ratio	8.0%	14.6%
Asset to Equity	2.2	2.1
Debt - Equity Ratios:		
On Gross Basis	42 : 58	41 : 59
On Net Basis	37 : 63	36 : 64
Revenue Growth	-21.5%	11.5%
Net Margin	8.7%	13.8%
Net Income Growth	-47.5%	20.2%
Return on Equity	6.0%	11.9%
Return on Assets	2.9%	6.2%
EBITDA (<i>In Billions of Pesos</i>)	76.6B	124.8B
Interest Cover	4.3x	6.4x

Current Ratio decreased to 1.1 from 1.3 in 2019 due mainly to the 2.5% increase in *Current Assets* vs. 22.0% increase in *Current Liabilities*.

Acid Test Ratio decreased to 0.6 from 0.7 in 2019 due mainly to the 6.7% increase in quick assets vs. 22.0% increase in *Current Liabilities*.

Solvency Ratio decreased to 8.0% from 14.6% in 2019 due mainly to the 40.2% decrease in *Net income after tax* and depreciation vs. 8.5% increase in *Total Liabilities*.

Asset to Equity Ratio increased to 2.2 from 2.1 in 2019 due mainly to the higher increase in *Total Assets* of 7.0% compared to only 5.3% of *Total Equity*.

Gross Debt - Equity Ratio increased to 42:58 in 2020 due mainly to the increase in gross debt of P39.8 billion.

Net Debt - Equity Ratio increased to 37:63 due mainly to the 10.6% increase in gross debt and only 1.9% increase in cash and cash equivalents.

Revenue Growth decreased to -21.5% from 11.5% in 2019 due mainly to the significant drop in merchandise sales, rental revenues and equity in net earnings of associates and joint ventures.

The drop in *Net Income* of 47.5%, *Return on equity* of 6.0% and *Return on assets* of 2.9% reflect the effect of COVID-19 on the Group results.

The -38.6% drop in EBITDA reflects the significant drop in revenues.

Interest Cover decreased to 4.3x from 6.4x in 2019 due to the 38.6% decrease in EBITDA vs. only 7.6% decrease in interest expense.

The manner by which the Group calculates the foregoing indicators is as follows:

1. Current Ratio $\frac{\text{Current Assets}}{\text{Current Liabilities}}$
2. Acid Test Ratio $\frac{\text{Current Assets less Inventories and Other Current Assets}}{\text{Current Liabilities}}$
3. Solvency Ratio $\frac{\text{Net Income After Tax + Depreciation and Amortization}}{\text{Total Liabilities}}$
4. Asset to Equity Ratio $\frac{\text{Total Assets}}{\text{Total Equity}}$
5. Debt – Equity Ratio
 - a. Gross Basis $\frac{\text{Total Interest Bearing Debt}}{\text{Total Equity + Total Interest Bearing Debt}}$
 - b. Net Basis $\frac{\text{Total Interest Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investment in Bonds}}{\text{Total Equity + Total Interest Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investments in Bonds}}$
6. Revenue Growth $\frac{\text{Total Revenues (Current Period)} - 1}{\text{Total Revenues (Prior Period)}}$
7. Net Margin $\frac{\text{Net Income After Tax}}{\text{Total Revenues}}$
8. Net Income Growth $\frac{\text{Net Income Attributable to Owners of the Parent (Current Period)} - 1}{\text{Net Income Attributable to Owners of the Parent (Prior Period)}}$
9. Return on Equity $\frac{\text{Net Income Attributable to Owners of the Parent}}{\text{Average Equity Attributable to Owners of the Parent}}$
10. Return on Assets $\frac{\text{Net Income after Tax}}{\text{Total Assets}}$
11. EBITDA Income from Operations + Depreciation & Amortization
12. Interest Cover $\frac{\text{EBITDA}}{\text{Interest Expense}}$

Expansion Plans / Prospects in 2021

In 2021, expansion and construction of malls, residential, commercial as well as hotels will continue. We will pursue land banking as opportunities arise.

We plan to open new retail stores across our various formats mainly in the Food Group, and selectively in the Non-Food Group.

Calendar Years Ended December 31, 2019 and 2018

Results of Operation (amounts in billion pesos)

Accounts	12 / 31 / 2019	12 / 31 / 2018	% Change
Revenues	P 502.0	P 449.8	11.6%
Cost and Expenses	396.5	363.2	9.2%
Income from Operations	105.5	86.6	21.8%
Other Charges	18.8	12.4	51.0%
Provision for Income Tax	17.2	15.6	10.2%
Net Income After Tax	69.5	58.6	18.6%
Non-controlling Interests	24.9	21.5	15.8%
Net Income Attributable to Owners of the Parent	P 44.6	P 37.1	20.2%

SM Investments Corporation and Subsidiaries (the Group) reported P44.6 billion *Net Income Attributable to Owners of the Parent*, 20.2% higher than 2018, and P502.0 billion *Revenues*, 11.6% higher than 2018.

Income from Operations increased by 21.8% to P105.5 billion from P86.6 billion in 2018. *Operating Margin* and *Net Margin* is at 21.0% and 13.8%, respectively.

Merchandise Sales, which grew by 9.4% to P354.1 billion from P323.7 billion in 2018, accounts for 70.5% of total revenues in 2019. The increase is attributable to the opening of 2 *SM Stores*, 2 *SM Supermarkets*, 9 *Savemore* stores, 1 *SM Hypermarkets*, 8 *WalterMart* stores, 228 *Alfamart* stores, and 162 *Specialty* stores.

The sales contribution of Non-food and Food group is 48:52 in 2019 and 2018.

As of December 31, 2019, *SM Retail* had 2,799 stores nationwide, namely: 65 *SM Stores*, 58 *SM Supermarkets*, 201 *Savemore* stores, 52 *SM Hypermarkets*, 60 *WalterMart* stores, 754 *Alfamart* stores, and 1,609 *Specialty* stores.

Real Estate Sales increased by 23.7% to P44.5 billion from P36.0 billion in 2018 due primarily to higher construction accomplishments of launched projects which include *Cheerful*, *Green 2*, *Trees Ph3*, *Hope*, *Charm*, and *Bloom Residences* and continued increase in sales take-up of various projects, particularly those located in Mall of Asia and Makati Central Business District. Actual construction of projects usually starts within twelve to eighteen months from launch date and revenues are recognized based on percentage of completion.

Rent Revenue, derived mainly from the mall operations of SM Prime Holdings, Inc. (SM Prime), increased by 8.4% to P51.6 billion from P47.6 billion in 2018. The increase is primarily due to rental rate escalations and expansion of leasable areas. Excluding the new malls, same-mall rental growth is at 7%. Rentals from commercial operations also increased due to the

full year revenue of Three E-Com Center and SM Southmall South Tower which opened in 2018.

As of December 31, 2019, *SM Prime* had 74 malls in the Philippines with total GFA of 8.5 million square meters and 7 malls in China with total GFA of 1.3 million square meters.

Equity in Net Earnings of Associate Companies and Joint Ventures increased by 35.9% to P26.0 billion from P19.2 billion in 2018 due mainly to the increase in net income of bank, retail, and property associates.

Management and Service Fees increased by 15.2% to P7.3 billion from P6.4 billion in 2018.

Dividend Income increased by 13.9% to P480.5 million from P421.9 in 2018 million due to higher dividends received from investees in 2019.

Other Revenues, which comprise mainly of income from promotional activities highlighting products, commission from bills payment, prepaid cards and show tickets, advertising income and sponsorship revenues, food and beverage income of the Hotel Group, increased by 10.0% to P10.2 billion from P9.3 billion in 2018.

Operating Expenses increased by 6.4% to P113.3 billion from P106.4 billion in 2018 due mainly to additional operating expenses associated with new or renovated retail stores and malls and new real estate projects.

Other Charges (net) increased by 51.0% to P18.8 billion from P12.4 billion in 2018. *Interest Expense* increased by 17.7% to P19.5 billion from P16.6 billion in 2018 due mainly to new debt availments for working capital and capital expenditure requirements. An *Impairment Loss on Investments* amounting to P4.0 billion was recognized in 2019 relative to the impairment test done on the Group's investments. *Interest Income* increased by 3.4% to P3.9 billion from P3.8 billion in 2018 while *Foreign Exchange Gain (Loss) - net* increased by 407.8% to a gain of P561.7 million from a loss of P182.5 million in 2018. The PHP to USD foreign exchange rate amounted to PHP50.64 : USD1.00 in 2019 and PHP52.58 : USD1.00 in 2018.

Provision for Income Tax increased by 10.2% to P17.2 billion from P15.6 billion in 2018 due mainly to increase in taxable income. The effective income tax rate is 19.8% in 2019 and 21.0% in 2018.

Non-controlling interests increased by 15.8% to P24.9 billion from P21.5 billion in 2018 due mainly to the increase in net income of partly-owned subsidiaries.

Financial Position
(amounts in billion pesos)

Accounts	12 / 31 / 2019	12 / 31 / 2018	% Change
Current Assets	P 248.4	P 241.7	2.7%
Noncurrent Assets	895.8	818.9	9.4%
Total Assets	P 1,144.2	P 1,060.6	7.9%
Current Liabilities	P 196.7	P 212.7	-7.5%
Noncurrent Liabilities	411.3	355.6	15.6%
Total Liabilities	608.0	568.3	7.0%
Total Equity	536.2	492.3	8.9%
Total Liabilities and Equity	P 1,144.2	P 1,060.6	7.9%

Total *Assets* increased by 7.9% to P1,144.2 billion from P1,060.6 billion in 2018. Likewise, total *Liabilities* increased by 7.0% to P608.0 billion from P568.3 billion in 2018.

Current Assets

Current Assets increased by 2.7% to P248.4 billion from P241.7 billion in 2018.

Cash and Cash Equivalents decreased by 3.9% to P76.2 billion from P79.3 billion in 2018 due mainly to payments for investments and capital expenditures, net of proceeds from loans.

Merchandise Inventories increased by 4.2% to P33.2 billion from P31.8 billion in 2018 due mainly to store openings in 2019.

Receivables and Contract Assets increased by 58.8% to P53.6 billion from P33.8 billion in 2018 due mainly to the 69.6% increase in receivables from real estate buyers resulting from the high take-up of residential projects of SM Prime.

Other Current Assets increased by 20.4% to P84.7 billion from P70.3 billion in 2018 due mainly to the increase in current portion of Land and development arising from development costs on ongoing projects and higher prepaid taxes and other prepayments.

Noncurrent Assets

Noncurrent Assets increased by 9.4% to P895.8 billion from P818.9 billion in 2018.

Financial assets decreased by 9.3% to P24.2 billion from P26.7 billion due mainly to the disposal of certain financial assets.

Investments in Associate Companies and Joint Ventures increased by 8.2% to P281.0 billion from P259.8 billion in 2018. The increase mainly represents equity in net earnings of associates and investments in new associates, partly offset by dividends received in 2019.

Property and Equipment increased by 6.5% to P24.7 billion from P23.2 billion due mainly to new stores in 2019.

Investment Properties increased by 9.3% to P338.1 billion from P309.3 billion in 2018 due mainly to ongoing new mall projects and commercial building construction as well as the redevelopment of *SM Mall of Asia* and other existing malls. The increase is also attributable to landbanking initiatives.

Land and Development increased by 39.0% to P74.9 billion from P53.9 billion in 2018 due mainly to landbanking and construction accomplishments during the period.

Other Noncurrent Assets decreased by 26.9% to P84.4 billion from P115.4 billion in 2018. The decrease is attributable to the reclassification of land use rights to *Right-of-Use (ROU) Assets* related to the adoption of *PFRS 16, Leases* and the application of deposits to various land purchases during the year.

Current Liabilities

Current Liabilities decreased by 7.5% to P196.7 billion from P212.7 billion in 2018.

Bank Loans decreased by 0.9% to P18.7 billion from P18.9 billion in 2018 due to net payments during the period, partly offset by new loan availments.

Accounts Payable and Other Current Liabilities increased by 13.4% to P141.5 billion from P124.8 billion in 2018 mainly from higher business volume.

Income Tax Payable decreased by 10.1% to P3.3 billion from P3.6 billion in 2018 due mainly to higher tax payments and lower income tax for the period.

Current Portion of Long-term Debt decreased by 52.7% to P29.1 billion from P61.5 billion in 2018 due mainly to payments during the period

Dividends Payable increased by 7.6% to P4.2 billion from P3.9 billion in 2018. This represents dividends due to minority stockholders of certain subsidiaries.

Noncurrent Liabilities

Noncurrent Liabilities increased by 15.6% to P411.3 billion from P355.6 billion in 2018.

Long-term Debt - Net of Current Portion increased by 7.1% to P327.4 billion from P305.6 billion in 2018 due mainly to new debt availments, partly offset by payments.

Lease Liabilities - Net of Current Portion amounting to P27.6 billion is the initial measurement of future lease payments discounted at present value, net of amortization for the year. A corresponding *Right-of-use (ROU) Assets - Net* of P37.7 billion was recognized, net of depreciation and accrued rent that was previously set up under PAS 17. These two accounts were recognized and presented separately in the consolidated balance sheet relative to the Group's adoption of *PFRS 16, Leases*, effective January 1, 2019.

Tenants' Deposits and Others increased by 13.2% to P46.7 billion from P41.3 billion in 2018 due mainly to new malls and office buildings and increase in deposits from residential buyers.

Equity

Total *Equity* increased by 8.9% to P536.2 billion from P492.3 billion in 2018.

Equity Attributable to Owners of the Parent increased by 8.3% to P382.6 billion from P353.4 billion in 2018. This increase resulted mainly from the (a) P35.3 billion net increase in Retained Earnings due mainly to the P44.6 billion *Net Income Attributable to Owners of the Parent*, net of P11.0 billion dividend declaration in 2019, and (b) *Net Unrealized Gain on Financial Assets at Fair Value* which increased by 22.6% to P14.4 billion from P11.7 billion in 2018 due mainly to the appreciation in market value of certain investments of the Group. These were partially offset by the (a) *Re-measurement loss on defined benefit asset/obligation* which

increased by 318.4% to P8.6 billion from P2.1 billion in 2018 as a result of the valuation of the Group's retirement plan, (b) Net Fair value Changes on Cash Flow Hedges which decreased to a loss of P1,406.0 million in 2019 from a gain of P62.4 million in 2018, and (c) *Cumulative Translation Adjustment (CTA)* which decreased to P1.3 billion from P2.0 billion in 2018. The latter is related mainly to the translation of the financial accounts of *SM China* malls from China Yuan Renminbi to Philippine Peso and includes the group's share in the CTA of associates.

Non-controlling Interests increased by 10.5% to P153.5 billion from P138.9 billion in 2018 due mainly to the increase in net assets of subsidiaries that are not wholly owned.

The Group has no known direct or contingent financial obligation that is material to the Group operations, including any default or acceleration of an obligation. The Group has no off-balance sheet transactions, arrangements, obligations during the reporting year and as of the balance sheet date.

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

Key Performance Indicators

The key financial ratios of the Group follow:

Accounts	12 / 31/ 2019	12 / 31/ 2018
Current Ratio	1.3	1.1
Asset to Equity	2.1	2.2
Debt - Equity Ratios:		
On Gross Basis	41 : 59	44 : 56
On Net Basis	36 : 64	36 : 64
Revenue Growth	11.5%	13.0%
Net Margin	13.8%	13.0%
Net Income Growth	20.2%	12.6%
Return on Equity	11.9%	10.9%
EBITDA (<i>In Billions of Pesos</i>)	124.8B	101.8B
Interest Cover	6.4x	6.1x

Current Ratio increased to 1.3 from 1.1 in 2018 due mainly to the 2.7% increase in *Current Assets* vs 7.5% decrease in *Current Liabilities*.

Asset to Equity Ratio decreased to 2.1 from 2.2 in 2018 due mainly to the higher increase in *Total Equity* of 8.9% compared to only 7.9% of *Total Assets*.

Gross Debt - Equity Ratio decreased to 41:59 in 2019 due mainly to the 2.8% decrease in gross loans. *Net Debt - Equity Ratio* remained at 36:64 in both periods resulting mainly from the 27.5% decrease in cash and cash equivalents.

Revenue Growth decreased to 11.5% from 13.0% in 2018 due mainly to higher growth of *Sales* and *Rent* in 2018.

Net Income Growth increased to 20.2% from 12.6% in 2018 and *Net Margin* increased to 13.8% from 13.0% in 2018 due mainly to lower growth of cost and expenses in 2019.

Return on equity increased to 11.9% from 10.9% in 2018 due mainly to the higher net income growth in 2019.

EBITDA increased by 22.7% to P124.8 billion from P101.8 billion in 2018 due mainly to the 21.8% increase in income from operations and 27.8% increase in depreciation.

Interest Cover increased to 6.4x from 6.1x in 2018 due to the 22.7% increase in EBITDA with only 15.8% increase in *Interest Expense*.

The manner by which the Group calculates the foregoing indicators is as follows:

1. Current Ratio $\frac{\text{Current Assets}}{\text{Current Liabilities}}$
2. Asset to Equity Ratio $\frac{\text{Total Assets}}{\text{Total Equity}}$
3. Debt – Equity Ratio
 - a. Gross Basis $\frac{\text{Total Interest Bearing Debt}}{\text{Total Equity} + \text{Total Interest Bearing Debt}}$
 - b. Net Basis $\frac{\text{Total Interest Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investment in Bonds}}{\text{Total Equity} + \text{Total Interest Bearing Debt less Cash and Cash Equivalents (excluding Cash on Hand), Time Deposits, Investments in Bonds}}$
4. Revenue Growth $\frac{\text{Total Revenues (Current Period)} - 1}{\text{Total Revenues (Prior Period)}}$
5. Net Margin $\frac{\text{Net Income After Tax}}{\text{Total Revenues}}$
6. Net Income Growth $\frac{\text{Net Income Attributable to Owners of the Parent (Current Period)} - 1}{\text{Net Income Attributable to Owners of the Parent (Prior Period)}}$
7. Return on Equity $\frac{\text{Net Income Attributable to Owners of the Parent}}{\text{Average Equity Attributable to Owners of the Parent}}$
8. EBITDA $\text{Income from Operations} + \text{Depreciation \& Amortization}$
9. Interest Cover $\frac{\text{EBITDA}}{\text{Interest Expense}}$

Expansion Plans / Prospects in 2020

The Parent Company as well as its major business segments, Property and Retail, have appropriated certain portions of Retained Earnings to cover expansion plans which include corporate projects, expansions, new development projects, land acquisitions and/or investment in new business ventures.

These projects would be funded through internally generated sources and other capital raising initiatives such as bond issuances and loan availments.

A.iv Brief Description of the General Nature and Scope of the Company's Business, Its Subsidiaries and Associates

Business Development

SM Investments Corporation ("SMIC") is the holding company of the SM Group with interests in Retail, Property and Banking. Its Retail arm, SM Retail Inc., operates department stores under the SM Store brand, and several food retail formats including Supermarkets, Hypermarkets, Savemore and Alfamart Stores. It also operates specialty stores focused on DIY, furniture, appliances and toys among others. Its Property arm, SM Prime Holdings Inc., is engaged in building and operating shopping malls both in the Philippines and China. It is also engaged in Residential property development under its SM Development Corporation subsidiary, commercial property development, as well as various hotels and convention centers. The Banking Group is comprised of BDO Unibank, Inc., the country's largest bank by resources, and China Banking Corporation. SMIC also has Equity Investments in other sectors such as premium commercial buildings, leisure, logistics, food manufacturing and mining.

The Group takes an integrated approach to creating shared value for all its stakeholders and to applying global Environmental, Social and Governance (ESG) best practices across its businesses. The SM Group seeks alignment of its sustainability programs to the 17 United Nations Sustainable Development Goals, and is a signatory of the UN Global Compact's 10 Principles. It publishes its report following the International Integrated Reporting Framework, in reference to GRI Standards and the Task Force for Climate Related Disclosures.

Business of Issuer

SM Retail currently has 68 department stores located in Mero Manila and key provincial cities. Of these, 65 stores are based inside SM malls and 3 stores in Makati, Cubao, and Quiapo are stand-alone stores.

Non-Food Retail

In 2021, 2 new stores were opened in Caloocan and Camarines Norte. These new stores contributed an additional 19,640 sqm, bringing the gross selling area (GSA) of The SM Store to 837,335 sqm.

Food Retail

SM Supermarket is a large format anchor tenant in SM malls. It has been in operation since 1985 and currently has 61 stores nationwide totaling to 371,268 sqm of GSA with each store carrying 30,000 to 35,000 SKUs. In 2021, it opened two stores in Caloocan and Camarines Norte.

SM Hypermarket is a large format food retailer store with both stand-alone and in-mall locations. It has been in operation since 2001 and provides a shopping experience that combines the features of a supermarket with those of a department store. There are currently 52 stores in operation totaling 334,037 sqm of GSA with each store carrying over 35,000 SKUs.

Savemore is a mid-sized format introduced in 1998. It is located in community malls or as a stand-alone store. Savemore is a neighborhood format, providing food and grocery items in residential locations with extended opening hours. Savemore introduced a smaller-sized format called Savemore Express which are below 1,000 sqm in size and carries a more concentrated selection of fast-moving SKUs. Among SM Retail's Food formats, Savemore has the largest footprint with 565,380 sqm of GSA across 214 stores as of end-2021. Savemore stores carry 20,000 to 25,000 SKUs, while Savemore Express carry below 20,000 SKUs. In 2021, they opened 7 stores nationwide.

Walmart is a mid-sized format that provides food and non-food shopping as an anchor tenant in Walmart community malls, located primarily in Luzon. SM Retail acquired a controlling stake in Walmart in 2013. It has 73 Department Stores and Supermarkets as at end-2021, with an aggregate GSA of 195,745 sqm. In 2021, they opened 2 department stores and 4 supermarkets in the areas of Cavite, Rizal and Metro Manila.

Alfamart is a small format minimart grocery store situated primarily in residential neighborhoods and offering a range of essential groceries with supermarket pricing. It is a joint venture with Indonesia-based minimart operator, PT Sumber Alfaria Trijaya Tbk, which started operations in the Philippines in 2014. Alfamart Philippines has a network of 1,207 stores as of end-2021, mostly located outside Metro Manila, each carrying up to 4,000 SKUs. In 2021, they opened 202 new stores within Metro Manila, Bataan, Olongapo, Batangas, Rizal, Bulacan, Pampanga, Nueva Ecija and Laguna.

Property

SM Prime Holdings, Inc. (“SM Prime”) is one of the largest integrated property developers in Southeast Asia that develops innovative and sustainable lifestyle cities, comprising malls, residences, offices, hotels and convention centers. It was incorporated in the Philippines in 1994 and SMIC has a 49.7% effective ownership in the company.

Malls

SM Prime’s mall business unit operates and maintains modern commercial shopping malls. Its main sources of revenue include rental income from leased shopping spaces, cinema ticket sales and other amusement income. SM Prime has 78 malls in the Philippines with a total gross floor area (GFA) of 8.9 million sqm and 7 shopping malls in China with a total GFA of 1.3 million sqm.

In 2021, SM Prime’s mall business unit opened 2 new malls in the Philippines namely, SM City Dact and SM City Grand Central. The Company also opened MOA Square, the commercial space beside the SM Mall of Asia which houses the first IKEA store in the Philippines and the biggest IKEA in the world. These new malls and expansion project added around 305,000 sqm of GFA.

Residential

SM Prime’s residential development arm, SM Development Corporation (“SMDC”), derives development revenues largely from the sales of condominium units. As of December 31, 2021, the primary residential business unit had 61 residential projects in the market worth PHP652 billion.

SMDC’s primary residential business unit typically launches 15,000 to 20,000 units annually, including high-rise, mid-rise and single detached housing. Projects are located in Metro Manila and key provincial cities.

In secondary residential business, SM Prime also owns leisure and resort developments including properties in the vicinity of Tagaytay Highlands and Tagaytay Midlands golf clubs in Laguna, Tagaytay City and Batangas. It is also the developer of Pico de Loro Cove residential community within Hamilo Coast.

Commercial

SM Prime’s commercial properties business unit is engaged in the development and leasing of office buildings in prime locations in Metro Manila. As of December 31, 2021, the Company has twelve office buildings with a combined GFA of approximately 0.7 million sqm. These are located in the cities of Quezon, Pasay, Makati, Taguig and Las Pinas. Their assets outside Metro Manila are located in Clark in Pampanga, Taytay in Rizal, and Sta. Rosa in Laguna.

Hotels and Convention Centers

SM Prime's hotel and convention centers business unit manages nine hotels located in Tagaytay City, Batangas, Pampanga, Cebu City, Davao City, Pasay City, Iloilo City, Quezon City and Bacolod City with more than 2,200 rooms. It also operates five convention centers located in the Mall of Asia Complex in Pasay City, SM Lanang Premier in Davao City, SM Aura in Taguig City, SM City Bacolod in Bacolod City, and SM City Olongapo Central in Zambales, and two trade halls located in SM Megamall and SM Seaside City Cebu.

Financial Services

BDO Unibank, Inc. ("BDO") is a full-service universal bank in the Philippines. It provides a complete array of industry-leading products and services including lending, deposit-taking, foreign exchange, brokering, trust and investments, credit cards, corporate cash management and remittances. Through its local subsidiaries, it offers leasing and financing, investment banking, private banking, rural banking, life insurance, insurance brokerage and stock brokerage services. BDO has one of the largest distribution networks of over 1,500 operating branches and more than 4,400 ATMs nationwide.

BDO is the country's largest bank in terms of consolidated resources, customer loans, deposits, assets under management and capital, as well as branch and ATM network.

As at end-2021, BDO had a strong balance sheet with total resources of PHP3.6 trillion.

SMIC has an effective ownership of 45.3% in BDO.

The China Banking Corporation ("China Bank") was incorporated in 1920 as among the first privately owned banks in the Philippines. It has historical strength in catering to the Chinese-Filipino commercial sector, as well as local corporate and retail banking segments. China Bank offers a complete range of deposit, lending, international and investment products. Through its local subsidiaries, it offers investment banking, securities broking, insurance broking, and thrift bank services. China Bank services its customers through its 637 bank branches with over 1,000 ATMs nationwide.

The Bank boasts a strong balance sheet, with total resources at PHP1.1 trillion as at end-2021.

SMIC has an effective stake of 22.5% in China Bank.

Equity Investments

SMIC invests in ventures that capture high growth opportunities in the emerging Philippine economy, looking for market leaders that offer synergies, attractive returns and cash flows.

Belle Corporation ("Belle") is a developer of tourism and leisure destinations in the Philippines. Its principal asset is the City of Dreams Manila in PAGCOR Entertainment City by Manila Bay, which is leased on a long-term basis to Melco Resorts and Entertainment (Philippines) Corporation ("Melco"). In addition to lease income, Belle is accorded a share in revenues or earnings from City of Dreams Manila's gaming operations through the operating agreement between its 79.8%-owned subsidiary, Premium Leisure Corp. ("PLC"), and Melco.

South of Metro Manila, Belle owns significant real estate assets and develops premium residential resort projects around Tagaytay City. Among its exclusive destinations are the club and golf facilities and residential communities of Tagaytay Highlands and Tagaytay Midlands, as well as a further 800 hectares intended for future development.

SMIC's effective ownership in Belle is 26.4%.

Atlas Consolidated Mining & Development Corporation (“Atlas Mining”) is primarily engaged in metallic mineral exploration and mining.

It operates the Toledo copper mine in the province of Cebu through its wholly-owned subsidiary Carmen Copper Corporation ("Carmen Copper"). The Toledo copper mine is one of the Philippines' largest exporters of copper concentrate and also markets by-products from copper concentrate processing such as magnetite and pyrite.

Atlas Mining also has a stake in the nickel laterite mining project of Berong Nickel Corporation ("Berong Nickel") in Palawan. Berong Nickel has been engaged in the direct shipping of nickel laterite ore since 2007.

SMIC effectively owns 34.1% of Atlas Mining.

NEO Group features a portfolio of seven commercial office buildings certified green under the BERDE green building rating system and certified net zero carbon under the EDGE Zero Carbon and Advancing Net Zero Philippines programs. With a total GFA of 256,707 sqm and a tenant base that includes top-tier local and multinational companies, all seven buildings are located within the largest and only Philippine Economic Zone Authority (PEZA) certified IT park in Bonifacio Global City.

Occupancy as of December 31, 2021 is 96.52%

SMIC effectively owns 95% of the first five buildings, and 34% in the remaining two buildings in the NEO portfolio.

2GO Group, Inc. (“2GO”) is a shipping and logistics provider that synergizes its various businesses in shipping, freight forwarding, warehousing and express delivery services to provide total solutions to its customers.

As of 2021, SMIC holds 52.9% effective ownership of 2GO.

Philippine Urban Living Solutions (“PULS”) is a dormitory developer and operator specializing in the development of rental housing communities under the MyTown brand. It provides affordable living spaces to young urban professionals within walking distance of the central business districts of Metro Manila. It currently has 16 buildings in operation with 2 more buildings under development.

SMIC effectively owns 71.3% in PULS.

CityMall Commercial Centers Inc. (“CityMalls”) is a mall developer and operator that specializes in developing community malls in second and third cities across the Philippines. SMIC acquired a 34.0% stake in CityMalls in 2014 with the balance owned by Double Dragon Properties Corporation.

Goldilocks is the largest bakeshop chain in the Philippines with over 895 stores and selected operations overseas. Now on its 56th year, Goldilocks continues to provide its customers with a wide array of baked goods and home cooked food.

SMIC effectively owns 74.1% in Goldilocks.

Airspeed is an end-to-end logistics solutions and express courier company that has been in the industry for over 35 years. They provide freight solutions management that offers a wide range of transport options via air, sea or land. Airspeed also has capabilities to do customized logistics, warehousing and distribution, and customs clearance.

SMIC effectively owns 35.0% in Airspeed.

A.v Company’s Directors and Executive Officers

Please refer to Item 5 of the Information Statement for the discussion on the identity of each of the Company’s directors and executive officers including their principal occupation or employment, name and principal business of any organization by which such persons are employed.

A.vi Market Price, Stockholder and Dividend Information

Market Information

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

Stock Prices	<u>2021</u>				<u>2020</u>			
		<u>High</u>		<u>Low</u>		<u>High</u>		<u>Low</u>
1 st Quarter	₱	1,079.0	₱	958.0	₱	1,079.0	₱	667.0
2 nd Quarter		1,019.0		900.0		997.0		780.0
3 rd Quarter		1,025.0		910.5		975.5		836.5
4 th Quarter		1,038.0		932.0		1,100.0		864.0

As of April 1, 2022, the closing price of the Company’s shares of stock is P898.00/share.

Stockholder and Dividend Information

The number of stockholders of record as of February 28, 2022 was 1,258. As of December 31, 2021, there are no restrictions that would limit the ability of the Company to pay dividends to the common stockholders, except with respect to ₱274.7 billion, representing accumulated equity in net earnings of subsidiaries. These earnings are not available for dividend distribution until such time that the Parent Company receives the dividends from the subsidiaries.

The policy of the Company is to provide a sustainable dividend stream to its shareholders. The Board determines the dividend payout taking into consideration the Company’s operating results, cash flows, capital investment needs and debt servicing requirements. Since its listing in 2005 the Company has been able to declare annual cash dividends equivalent to 30% of prior year consolidated earnings and will endeavor to continue doing so while ensuring financial flexibility. Dividends shall be paid within 30 days from the date of declaration.

In 2021 and 2020, the Company declared dividends of P5,119.5 million, equivalent to 85% and 50% of 2020 and 2019 earnings, respectively, of SMIC Parent Company to preserve capital, given the uncertainty brought about by the COVID-19 pandemic.

The cash dividends pertaining to the 2021 earnings will be discussed and determined at the next Board Meeting on April 27, 2022.

On April 28, 2021, the BOD approved the declaration of cash dividends of 42.5% of the par value or P4.25 per share for a total amount of P5,119.5 million in favor of stockholders on record as at May 13, 2021. This was paid on May 27, 2021.

On June 24, 2020, the BOD approved the declaration of cash dividends of 42.5% of the par value or P4.25 per share for a total amount of P5,119.5 million in favor of stockholders on record as at July 9, 2020. This was paid on July 23, 2020.

On April 24, 2019, the BOD approved the declaration of cash dividends of 91.2% of the par value or P9.12 per share for a total amount of P10,985.8 million in favor of stockholders on record as at May 9, 2019. This was paid on May 23, 2019.

The top 20 stockholders as of February 28, 2022 are as follows:

	<u>Name</u>	<u>No. of Shares Held</u>	<u>% to Total</u>
1	PCD Nominee Corp (Non-Filipino)	406,894,843	33.78%
2	PCD Nominee (Filipino)	138,374,407	11.49%
3	Hans T. Sy	99,110,123	8.23%
4	Herbert T. Sy	99,093,995	8.23%
5	Harley Sy	87,945,758	7.30%
6	Teresita T. Sy	85,781,495	7.12%
7	Henry T. Sy, Jr.	76,843,995	6.38%
8	Elizabeth T. Sy	71,363,804	5.92%
9	Syntrix Holdings, Inc.	46,875,000	3.89%
10	Sysmart Corporation	28,966,752	2.40%
11	Tansmart Holdings, Inc.	27,500,000	2.28%
12	Henry Sy Foundation, Inc.	22,500,000	1.87%
13	Felicidad T. Sy Foundation, Inc.	11,250,000	0.93%
14	Susana Fong	452,998	0.04%
15	Value Plus, Inc.	152,119	0.01%
16	SM Prime Holdings, Inc.	146,104	0.01%
17	Belle Corporation	48,877	0.00%
18	Bernadette S. Go	39,402	0.00%
19	Hector Yap Dimacali	39,102	0.00%
20	Hans Sy Fao Wonderfoods Corp.	39,102	0.00%

The securities below were issued as exempt from the registration requirements of the Securities Regulation Code (SRC) and therefore have not been registered with the Securities and Exchange Commission:

- (1) On June 10, 2014, SMIC issued US\$350 million senior bonds which bear a fixed interest rate of 4.875% per annum, payable semi-annually in arrears. The bonds will mature on June 10, 2024. The bonds, which was listed in the Singapore Stock Exchange, are considered exempt security pursuant to 10.1 (l) of RA No. 8799. The underwriter is Citigroup Global Markets Limited and Standard Chartered Bank and the total underwriting fees and expenses amounted to US\$1.749 million.

There is no recent acquisition, business combination or other reorganization that has an effect on the amount and percentage of present holdings of the Company's common equity.

A.vii Corporate Governance

Corporate Governance

SM Investments Corporation (SMIC) values good corporate governance and recognizes it as an essential component in the success and the achievement of the Company's long term growth. The Company is dedicated to foster a culture of fairness, accountability and transparency at all levels within the organization. These principles are embedded in every aspect of the Company's operations and its dealings with various stakeholders.

SMIC's Board of Directors (the "Board") is at the helm of its governance structure. It is the Board's responsibility to ensure the achievement of the Company's vision and mission in a manner that upholds the values of integrity, teamwork, hard work, innovation and focus.

SMIC's Board is composed of eight (8) directors, three (3) of whom are non-executive independent directors. None of them served the Company as a consultant, adviser, officer or employee. As required by the Company's Manual on Corporate Governance (the "Manual"), independent directors are independent of Management and do not have substantial shareholdings or material relations that could potentially impede the performance of their independent judgment.

To ensure optimum Board performance, the Company conducts annual performance evaluations of the Board of Directors, its individual members and Board Committees. Through the evaluation process, directors identify areas for improvement, such as the quality and timeliness of information provided to them; the frequency and conduct of regular, special or committee meetings; directors' access to management, the Corporate Secretary and Board Advisors; as well as other forms of assistance that they may need in the performance of their duties. The Board reviews the results of these evaluations and agrees on clear action plans to address any issues raised. In addition, the Board is asked to identify areas of continuing education on corporate governance topics they require.

The Company ensures that the Board and key officers are kept abreast of governance related developments through regular education programs. SMIC also facilitates annual training programs for the directors and officers of its subsidiaries and affiliates within the SM Group of Companies. These Group-wide training programs are conducted by providers accredited by the Securities and Exchange Commission (SEC).

SMIC's Board Committees (namely the Executive Committee, Audit Committee, Corporate Governance Committee, Compensation Committee, Risk Management Committee and Related Party Transactions Committee) are each guided by their respective Board Committee Charters which outline their purpose, composition, duties and responsibilities. All Board Committees' Charters are reviewed periodically. SMIC maintains a Manual and Code of Ethics (the "Code"), which embodies the principles of good corporate governance expected throughout the organization.

SMIC ensures that its directors, officers and employees are familiar with and adhere to this Code. The Code defines SMIC's compliance system and identifies the roles and responsibilities of the Board and Management in relation to corporate governance. It contains the Company's policies on disclosures and transparency, the communication and training programs related to corporate governance and the rights and protection of stakeholders.

There have been no deviations from the Manual since it was adopted. SMIC certifies that the Company, its directors, officers and employees have adopted and fully complied with all leading practices and principles of good corporate governance as provided by the Manual. The Code highlights the importance of integrity in the Company's dealings with its investors, creditors, customers, contractors, suppliers, regulators, employees and other relevant groups. It also outlines the Company's duties with regard to its employees, shareholders and the communities it operates in. The Manual is reviewed regularly and updated as the need arises and may be accessed via the Company's website.

In accordance with the Code, SMIC has established various governance-related policies, including the Conflict of Interest Policy, which requires SMIC personnel to disclose annually any actual or potential conflict of interest to the Company, and the Insider Trading Policy which prohibits directors, officers and employees from trading the Company's shares five (5) days before and two (2) trading days after the disclosure of any material stock price-sensitive information. Other existing governance related policies include the Guidelines on Acceptance of Gifts, Guidelines on Placement of Advertisements, Related Party Transactions Policy, Policy on Vendor Selection and Purchase of Goods and Services and the Policy on Accountability, Integrity and Vigilance which is SMIC's whistleblowing policy. SMIC's corporate governance-related policies and programs are regularly disseminated throughout the organization and are made public via the Company's website. SMIC ensures that its stakeholders receive timely and accurate information on all facets of its business through its website and other disclosures.

SMIC's website has a separate corporate governance section that features subsections on its policies, programs and other relevant developments. SMIC also ensures that its shareholders are provided with periodic reports, including relevant information on its directors and officers and their shareholdings and dealings with the Company. SMIC will continue to support the initiatives of regulators and advocacy groups to enhance and promote corporate governance standards, while also further strengthening its own corporate governance culture.

A.viii Undertaking to provide without charge a copy of the Company's Annual Report

The Company will provide without charge a copy of the Company's Annual Report or SEC Form 17-A to its stockholders upon receipt of a written request addressed to the Investor Relations Department at 10th Floor, One E-com Center, Harbor Drive, Mall of Asia Complex, Pasay City 1300.

ANNEX A

ALLFIRST EQUITY HOLDINGS, INC.

Part I

Business Development of AEHI and its Subsidiaries and Affiliates

AEHI was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on April 30, 2003 to purchase or acquire, sell and dispose of, and generally deal in all kinds of shares of stocks and other securities, without necessarily engaging in stock brokerage and financing business in an investment house.

On November 29, 2012, AEHI acquired 60% ownership in Philippine Geothermal Production Company, Inc. (PGPCI). PGPCI was incorporated and registered with the SEC on October 16, 2001 to carry on the general business of development and utilization of minerals, mineral oils, geothermal and other similar products. PGPCI is now a wholly-owned subsidiary of AEHI.

On July 20, 2017, AEHI acquired 99.99% ownership in Katimak Holdings, Inc. (KHI). KHI was incorporated and registered with the SEC on January 19, 2017 to invest in financial instruments and engage in the activities of a holding company, without however engaging in the business of an investment company, finance company or a broker or dealer in securities.

On October 2, 2020, AEHI acquired 31.6% ownership in Sagittarius Mines, Inc. (SMI). SMI is an entity incorporated in the Philippines on July 12, 1989 primarily to engage in the business of exploration, development, and operation of gold and copper mines.

Business Description

AEHI owns 100% of PGPCI, a Filipino corporation operating the Tiwi Geothermal Field, located in the Province of Albay, and the Mak-Ban Geothermal Field, which straddles the provinces of Laguna and Batangas.

Geothermal energy development in the country started in 1971, when PGPCI's predecessor-in-interest, Philippine Geothermal Inc. (PGI) entered into a Service Contract with the National Power Corporation. This pioneering venture transformed the government's 2.5 kW experiment in the steam fields of Albay province into the first commercial geothermal power project in Southeast Asia with the discovery in 1972 of Naglagbong-1 well in Tiwi. Commercial operations in Tiwi began in 1979, ushering the birth of the Philippine geothermal energy industry.

Starting in 1974, PGI went on to discover and develop the Mak-Ban geothermal resource in an area that straddles the provinces of Laguna and Batangas. Commercial operations in Mak-Ban, which is a shortened version of Mt. Makiling and Mt. Banahaw, followed in 1979.

PGPCI continues its legacy of providing a clean, stable, reliable, and renewable source of energy to meet the country's growing power requirements. PGPCI's vision is to be the leading geothermal energy company, recognized not only for its world-class performance, but also for contributing to the improvement in the lives of the people in the communities where it operates.

AP Renewables, Inc. which supplies power to the grid serving Luzon and the Visayas is a customer of PGCP. The extent of competition in the industry is largely defined by economic forces prevailing in the market. These factors determine the cost and pricing structures of geothermal companies and give rise to price risks.

As at December 31, 2021 and 2020, the Company's management and administrative functions are being handled by a related party. In the normal course of business, the Company transacts with entities which are considered related parties.

The Company continues to ensure compliance with the applicable environmental laws, regulations and orders. The Company is committed to protect and enhance the environment, and maintain an excellent track record in its commitments to clean renewable energy-related production. Renewable geothermal energy production contributes to carbon reduction efforts and is aligned to UN Sustainability Goals.

Bankruptcy Proceedings

AEHI and its subsidiaries are not party to any bankruptcy, receivership or similar proceedings.

Material Reclassification, Merger, Consolidation

The Board of Directors of AEHI approved the merger of SMIC and AEHI, with SMIC as surviving entity.

Description of Property

PGCP, a wholly owned subsidiary of AEHI, operates the Tiwi and Mak-Ban steam fields. Tiwi is the first commercial-scale geothermal steam field development in Southeast Asia, followed by Mak-Ban, both in operation since 1979. Together they generate geothermal steam sufficient to produce approximately 300 MW of electricity. In addition to its two producing steam fields, PGCP also has several other greenfield concession areas for geothermal steam production which it will develop moving forward.

The Tiwi geothermal facilities are located at the Municipality of Tiwi, Province of Albay. It has a contract area of 5,087 hectares with 44 active production wells and 27 injection wells. The installed capacity is at 234MW. The Geothermal Service Contract was awarded by the Department of Energy on April 25, 2013.

The Mak-Ban geothermal facilities are located at the Municipalities of Bay and Calauan, Province of Laguna and Municipality of Sto. Tomas, Province of Batangas. It has a contract area of 4,323 hectares which straddles the provinces of Laguna and Batangas and counts six municipalities as its host communities. It has 73 active production wells and 16 injection wells. The installed capacity is at 458MW. The Geothermal Service Contract was awarded by the Department of Energy on April 25, 2013.

Legal Proceedings

AEHI and any of its subsidiaries are not currently involved in any material pending litigation or legal proceeding that could be expected to have a material adverse effect on the Company's financial position or its result of operations.

Part II

Market Information

The shares of AEHI are not listed.

Holders

The stockholders of AEHI are as follows:

	<u>Name</u>	<u>No. of Shares Held</u>	<u>% to Total</u>
1	SM Investments Corporation	94,999	19.00%
2	Hans T. Sy	134,584	26.92%
3	Elizabeth T. Sy	134,583	26.91%
4	Harley Sy	134,583	26.91%
5	Adelia C. Cua	625	0.13%
6	Asuncion J. Yap	625	0.13%
7	Frederic C. DyBuncio	1	-

Dividends

There were no dividends declared and paid in 2021, 2020 and 2019.

Recent sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction

Not applicable.

Part III

Financial Statements of AEHI

The Audited Financial Statements of AEHI for the year ended 31 December 2020 are attached to this Annex A as **Exhibit 1**.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the relevant information for the registrant, please refer to the Management Report attached to this Information Statement.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

There were no disagreements with Isla Lipana & Company on any matter regarding accounting principles or financial disclosures for the financial statements for years ending 2020 and 2019.

Part IV

Directors and Executive Officers

The incumbent Directors and Executive Officers of the Company are as follows:

<u>Officers</u>	<u>Name</u>	<u>Citizenship</u>
Chairman/President	Frederic C. DyBuncio	Filipino
Vice President	Elizabeth T. Sy	Filipino
Director	Harley T. Sy	Filipino
Director	Adelia C. Cua	Filipino
Director	Asuncion J. Yap	Filipino
Treasurer	Elizabeth Anne C. Uychaco	Filipino
Corporate Secretary	Arthur A. Sy	Filipino

Significant Employees

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

Family Relationships

Elizabeth T. Sy and Harley T. Sy are siblings. All other directors and officers are not related either by consanguinity or affinity. There are no other family relationships known to the Company other than the ones disclosed herein.

Involvement in Certain Legal Proceedings

The Company is not aware of any of the following events having occurred during the past five years up to the date of this report that are material to an evaluation of the ability or integrity of any director, nominee for election as Director, executive officer, underwriter or controlling person of the Company:

- (1) 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;
- (2) 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;
- (3) 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
- (4) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.
- (5) a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

Further, the Company is not involved in or aware of any material legal proceedings that may significantly affect the Company, or any of its subsidiaries or affiliates.

ALLFIRST EQUITY HOLDINGS INC

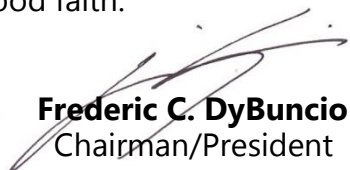
10th Flr OneE-com Center, Harbor Drive,
Mall of Asia Complex, Pasay City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The management of **ALLFIRST EQUITY HOLDINGS INC** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2020. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2020 and the accompanying Annual Income Tax Return are in accordance with the books and records of Allfirst Equity Holdings Inc, complete and correct in all material respects. Management likewise affirms that:

- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) Allfirst Equity Holdings Inc has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.


Frederic C. DyBuncio
Chairman/President


Lizanne C. Uychaco
Treasurer

Signed this 26th of April, 2021



Independent Auditor's Report

To the Board of Directors and Shareholders of
Allfirst Equity Holdings, Inc.
10th Floor, One E-Com Center
Harbor Drive, Mall of Asia Complex
Pasay City

Report on the Audits of the Separate Financial Statements

Our Opinion

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of Allfirst Equity Holdings, Inc. (the "Company") as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

What we have audited

The separate financial statements of the Company comprise:

- the statements of financial position as at December 31, 2020 and 2019;
- the statements of total comprehensive income for the years ended December 31, 2020 and 2019;
- the statements of changes in equity for the years ended December 31, 2020 and 2019;
- the statements of cash flows for the years ended December 31, 2020 and 2019; and
- the notes to the separate financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 separate financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

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

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

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T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, www.pwc.com/ph



Independent Auditor's Report
To the Board of Directors and Shareholders of
Allfirst Equity Holdings, Inc.
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In preparing the separate 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 Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 PSA 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 separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate 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 and, 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 separate 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.



Independent Auditor's Report

To the Board of Directors and Shareholders of
Allfirst Equity Holdings, Inc.

Page 3

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

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 audits.

Report on Bureau of Internal Revenue Requirement

Our audits were conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information in Note 17 to the separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic separate financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic separate financial statements taken as a whole.

Isla Lipana & Co.

Pocholo C. Domondon

Partner

CPA Cert. No. 108839

P.T.R. No. 0011401; issued on January 5, 2021 at Makati City

SEC A.N. (individual) as general auditors 1567-AR-1, Category A; effective until May 27, 2022

SEC A.N. (firm) as general auditors 0142-SEC, Category A;

valid to audit 2020 to 2024 financial statements

T.I.N. 213-227-235

BIR A.N. 08-000745-128-2019; issued on January 14, 2019; effective until January 13, 2022

BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City

April 26, 2021



Statement Required by Section 8-A, Revenue Regulation No. V-1

To the Board of Directors and Shareholders of
Allfirst Equity Holdings, Inc.
10th Floor, One E-Com Center
Harbor Drive, Mall of Asia Complex
Pasay City

None of the partners of the firm has any financial interest in Allfirst Equity Holdings, Inc. or any family relationships with its president, manager or shareholders.

The supplementary information on taxes and licenses required by the Bureau of Internal Revenue is presented in Note 17 to the separate financial statements.

Isla Lipana & Co.

Pocholo C. Domondon
Partner
CPA Cert. No. 108839
P.T.R. No. 0011401; issued on January 5, 2021 at Makati City
SEC A.N. (individual) as general auditors 1567-AR-1, Category A; effective until May 27, 2022
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valid to audit 2020 to 2024 financial statements
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Makati City
April 26, 2021

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Allfirst Equity Holdings, Inc.

Statements of Financial Position
As at December 31, 2020 and 2019
(All amounts in Philippine Peso)

	Notes	2020	2019
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	2	58,842,232	24,368,004
Receivables	3	1,382,237	691,518
Other current assets		684	1,378
Total current assets		60,225,153	25,060,900
Non-current assets			
Investments in subsidiaries and an associate	4	9,393,191,804	8,180,489,442
Other non-current assets	5	6,932,053,224	6,916,853,224
Total non-current assets		16,325,245,028	15,097,342,666
Total assets		16,385,470,181	15,122,403,566
<u>LIABILITIES AND EQUITY</u>			
Current liabilities			
Accrued expenses and other liabilities	6	154,567,759	75,220,399
Subscriptions payable	4	403,875,000	-
Borrowings	7	7,463,000,000	7,463,000,000
Total current liabilities		8,021,442,759	7,538,220,399
Non-current liability			
Subscriptions payable, net of current portion	4	403,875,000	-
Total liabilities		8,425,317,759	7,538,220,399
Equity			
Share capital	9	50,000,000	50,000,000
Retained earnings			
Appropriated	9	5,300,000,000	4,900,000,000
Unappropriated	9	3,110,761,349	2,965,539,711
Other comprehensive loss		(500,608,927)	(331,356,544)
Total equity		7,960,152,422	7,584,183,167
Total liabilities and equity		16,385,470,181	15,122,403,566

The notes on pages 1 to 24 are integral part of these separate financial statements.

Allfirst Equity Holdings, Inc.

Statements of Total Comprehensive Income
For the years ended December 31, 2020 and 2019
(All amounts in Philippine Peso)

	Notes	2020	2019
Share in net income of subsidiaries and an associate	4	926,928,215	1,892,491,908
Operating expenses			
Taxes and licenses		(1,869,572)	(16,370)
Professional fees		(140,000)	(337,850)
Miscellaneous		(1,455)	(40,952)
		(2,011,027)	(395,172)
Other income (expense), net			
Foreign exchange losses, net	12.1	(88,463)	(16,492,488)
Interest income	2	574,637	2,358,416
		486,174	(14,134,072)
Interest expense	7	(380,181,724)	(494,557,518)
Income before income tax		545,221,638	1,383,405,146
Income tax expense	10	-	-
Net income for the year		545,221,638	1,383,405,146
Other comprehensive loss that will not be reclassified to profit or loss			
Share in other comprehensive loss of subsidiaries and an associate	4	(169,252,383)	(331,356,544)
Total comprehensive income for the year		375,969,255	1,052,048,602

The notes from pages 1 to 24 are integral part of these separate financial statements.

Allfirst Equity Holdings, Inc.

Statements of Changes in Equity
For the years ended December 31, 2020 and 2019
(All amounts in Philippine Peso)

	Share capital (Note 9)	Retained earnings (Note 9)		Other comprehensive loss (Note 4)	Total equity
		Appropriated	Unappropriated		
Balances at January 1, 2019	50,000,000	4,400,000,000	2,082,134,565	-	6,532,134,565
Comprehensive income					
Net income for the year	-	-	1,383,405,146	-	1,383,405,146
Other comprehensive loss for the year	-	-	-	(331,356,544)	(331,356,544)
Total comprehensive income for the year	-	-	1,383,405,146	(331,356,544)	1,052,048,602
Appropriation of retained earnings	-	500,000,000	(500,000,000)	-	-
Balances at December 31, 2019	50,000,000	4,900,000,000	2,965,539,711	(331,356,544)	7,584,183,167
Comprehensive income					
Net income for the year	-	-	545,221,638	-	545,221,638
Other comprehensive loss for the year	-	-	-	(169,252,383)	(169,252,383)
Total comprehensive income for the year	-	-	545,221,638	(169,252,383)	375,969,255
Appropriation of retained earnings	-	400,000,000	(400,000,000)	-	-
Balances at December 31, 2020	50,000,000	5,300,000,000	3,110,761,349	(500,608,927)	7,960,152,422

The notes from pages 1 to 24 are integral part of these separate financial statements.

Allfirst Equity Holdings, Inc.

Statements of Cash Flows
For the years ended December 31, 2020 and 2019
(All amounts in Philippine Peso)

	Notes	2020	2019
Cash flows from operating activities			
Income before income tax		545,221,638	1,383,405,146
Adjustments for:			
Share in net income of subsidiaries and associate	4	(926,928,215)	(1,892,491,908)
Interest income	2	(574,637)	(2,358,416)
Unrealized foreign exchange loss	12.1	88,463	53,988
Interest expense	7	380,181,724	494,557,518
Operating loss before working capital changes		(2,011,027)	(16,833,672)
Changes in working capital:			
Receivables		(996,472)	6,225,300
Other current assets		694	1,511
Accrued expenses and other liabilities		85,152,552	(18,561,541)
Cash generated from (absorbed by) operations		82,145,747	(29,168,402)
Interest received		880,390	1,971,026
Net cash provided by (used in) operating activities		83,026,137	(27,197,376)
Cash flows from investing activities			
Dividends received	4	776,511,466	983,710,000
Return of deposit for future stock subscription	5	-	524,100,000
Advances for purchase of land	5	(15,200,000)	-
Investment in an associate	4	(423,787,996)	-
Net cash provided by investing activities		337,523,470	1,507,810,000
Cash flows from financing activities			
Settlement of borrowings	7	-	(1,585,000,000)
Interest paid	7	(385,986,916)	(434,673,643)
Net cash used in financing activities		(385,986,916)	(2,019,673,643)
Net increase (decrease) in cash and cash equivalents		34,562,691	(539,061,019)
Effects of exchange rate changes in cash and cash equivalents		(88,463)	(53,988)
Cash and cash equivalents at January 1		24,368,004	563,483,011
Cash and cash equivalents at December 31	2	58,842,232	24,368,004

The notes from pages 1 to 24 are integral part of these separate financial statements.

Allfirst Equity Holdings, Inc.

Notes to the Separate Financial Statements

As at and for the years ended December 31, 2020 and 2019

(All amounts are shown in Philippine Peso unless otherwise stated)

Note 1 - General information

Allfirst Equity Holdings, Inc. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on April 30, 2003 to purchase or acquire, sell and dispose of, and generally deal in all kinds of shares of stocks and other securities, without necessarily engaging in stock brokerage and financing business in an investment house.

The Company's shares are distributed among various Filipino individuals and 19% of its shares is owned by SM Investments Corporation (SMIC) which is a publicly-listed company in the Philippine Stock Exchange. SMIC is involved in investing, directly or indirectly, in companies involved primarily in property, retail and financial services.

As at December 31, 2020 and 2019, the Company's management and administrative functions are being handled by a related party.

The Company's registered address and principal office is at 10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, Pasay City.

These separate financial statements have been approved and authorized for issuance by the Company's Board of Directors (BOD) on April 26, 2021.

Note 2 - Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	Note	2020	2019
Cash in bank		2,125,821	2,817,226
Short-term placements		56,716,411	21,550,778
	8	58,842,232	24,368,004

Cash in bank earns interest at the prevailing bank deposit rates. Interest income recognized for the year ended December 31, 2020 amounted to P14,758 (2019 - P31,115).

Short-term placements are made for varying periods of up to three months depending on the immediate cash requirement of the Company and earn interest rates of up to 2.50% for the year ended December 31, 2020 and 2019. Interest income recognized for the year ended December 31, 2020 amounted to P559,879 (2019 - P2,327,301).

The maximum exposure to credit risk as at December 31, 2020 and 2019 is the carrying amount of cash in bank and short-term placements.

Note 3 - Receivables

Receivables as at December 31 consist of:

	Note	2020	2019
Receivable from a related party	8	854,600	300,000
Others		527,637	391,518
		1,382,237	691,518

Receivable from a related party represents non-interest bearing cash advances to an investee to finance its working capital requirements, which is collectible on demand.

Others include advances to a third party to finance pre-operating costs such as business registration requirements as well as interest receivable pertaining to various deposit accounts which are paid either quarterly or semi-annually.

Note 4 - Investments in subsidiaries and an associate

The Company has the following investments as at December 31:

	2020	2019
Investment in subsidiaries	8,225,907,817	8,180,489,442
Investment in an associate	1,167,283,987	-
	9,393,191,804	8,180,489,442

(a) Investment in subsidiaries

On November 29, 2012, the Company acquired 60% ownership in Philippine Geothermal Production Company, Inc. (PGPCI). PGPCI was incorporated and registered with the SEC on October 16, 2001 to carry on the general business of development and utilization of minerals, mineral oils, geothermal and other similar products.

On July 20, 2017, the Company acquired 99.99% ownership in Katimak Holdings, Inc. (KHI). KHI was incorporated and registered with the SEC on January 19, 2017 to invest in financial instruments and engage in the activities of a holding company, without however engaging in the business of an investment company, finance company or a broker or dealer in securities.

Investments in subsidiaries are accounted for under the equity method of accounting.

Movements in investments in subsidiaries for the years ended December 31 are as follows:

	2020	2019
PGPCI		
January 1	6,774,633,793	6,650,683,762
Share in net income	594,159,842	1,306,325,276
Share in other comprehensive loss	(101,462,057)	(198,665,245)
Dividends received	(776,511,466)	(983,710,000)
December 31	6,490,820,112	6,774,633,793
KHI		
January 1	1,405,855,649	952,380,316
Share in net income	396,866,663	586,166,632
Share in other comprehensive loss	(67,634,607)	(132,691,299)
December 31	1,735,087,705	1,405,855,649
	8,225,907,817	8,180,489,442

The financial information of PGPCI in U.S. Dollar as at and for the years ended December 31 are as follows:

	2020	2019
Current assets	55,330,819	90,879,640
Non-current assets	120,420,625	87,502,801
Current liabilities	13,729,530	35,180,233
Non-current liabilities	14,754,663	11,493,430
Total equity	147,267,251	131,708,778
Revenue on generation and sale of steam	59,986,430	97,127,883
Expenses	(37,884,465)	(50,353,153)
Net income for the year	19,975,318	42,034,466
Other comprehensive loss	(3,411,097)	(6,392,579)
Total comprehensive income for the year	16,564,221	35,641,887
Cash flows from operating activities	27,300,156	57,618,427
Cash flows from investing activities	(39,356,590)	(37,458,186)
Cash flows from financing activities	(16,508,073)	(19,634,068)

The financial information of KHI in Philippine Peso as at and for the years ended December 31 are as follows:

	2020	2019
Current assets	101,438	132,037
Non-current asset	1,735,561,244	1,406,257,679
Current liabilities	401,449	393,466
Total equity	1,735,261,233	1,405,996,250
Net income for the year	396,906,354	586,225,255
Other comprehensive loss	(67,641,371)	(132,704,569)
Total comprehensive income for the year	329,264,983	453,520,686
Cash flows from operating activities	(30,899)	(20,250)

The investment in subsidiaries is not assessed to be impaired as at December 31, 2020 and 2019.

(b) Investment in an associate

On October 2, 2020, the Company acquired 31.6% ownership in Sagittarius Mines, Inc. (SMI). SMI is an entity incorporated in the Philippines on July 12, 1989 primarily to engage in the business of exploration, development, and operation of gold and copper mines.

Based on Deed of Absolute Sale of Shares executed on October 2, 2020 between the Company and Southcot Mining Corporation and Tampakan Mining Corporation (the "Sellers"), the Company acquired absolute ownership of the 25,690,273 number of shares from each seller for a total consideration of P1,075,888,889 with first payment due upon execution of the deed of sale amounting to P268,138,889. The remaining consideration is to be paid in installments as follows: (1) second tranche amounting to P403,875,000 due on or before the date that is one year from the date of the deed of sale; and (2) third tranche amounting to P403,875,000 due on or before the date that is 30 days from the final and/or effective lifting of the national government and local open pit mining bans, including the South Cotabato Environmental Code open pit mining ban and Department of Environment and National Resources (DENR) Administrative Order No. 2017-10 affecting the Tampakan Copper-Gold Mining Project of SMI.

As part of this investment, the Company and the Sellers, signed a Deed of Assignment of Assigned Royalty on October 2, 2020, wherein the Sellers wishes to sell and assign 50% (0.625% of gross output or 3% of net revenue, whichever is higher) of the rights and share to the royalty in the Tampakan-Gold Project of SMI for a consideration of P1,587,302. The amount was paid in October 2020.

Total capitalized transaction costs paid which mainly consists of documentary stamp taxes and capital gains tax amounted to P154,061,805.

Investment in an associate is accounted for under the equity method of accounting.

Movements in investment in an associate from acquisition date to December 31, 2020 are as follows:

	Amount
Acquisition date	1,231,537,996
Share in net loss for the period	(64,098,290)
Share in other comprehensive loss for the period	(155,719)
December 31	1,167,283,987

The Company only recognized share in net loss and other comprehensive loss from acquisition date.

There were no dividends received from SMI from acquisition date to December 31, 2020.

The financial information of SMI in Philippine Peso as at and for the years ended December 31 are as follows:

	Amount
Current assets	81,789,136
Non-current assets	37,739,636,465
Current liabilities	2,451,159,649
Non-current liabilities	28,006,102,647
Total equity	7,364,163,305
Net loss for the year	(811,370,755)
Other comprehensive loss for the year	(1,971,130)
Total comprehensive loss for the year	(813,341,885)
Cash flows from operating activities	(22,883,611)
Cash flows from investing activities	(333,660,707)
Cash flows from financing activities	345,401,221

Note 5 - Other non-current assets

Other non-current assets as at December 31 consist of:

	2020	2019
Deposits for future stocks subscription		
Allfirst Renewable Holdings, Inc.	6,914,853,224	6,914,853,224
Avantgard Shopping	2,000,000	2,000,000
	6,916,853,224	6,916,853,224
Advances to land owners	15,200,000	-
	6,932,053,224	6,916,853,224

During 2019, Allfirst Renewable Holdings, Inc. returned to the Company part of its deposits for future stocks subscription amounting to P524,100,000. No return was made in 2020.

During 2020, the Company entered into an agreement to procure various parcels of land located in Tampakan, South Cotabato in relation to its investment in SMI through a third party. The related advances pertain to down payment made during 2020. As at December 31, 2020, the transfer certificate of title was still in process.

Note 6 - Accrued expenses and other liabilities

Accrued expenses and other liabilities as at December 31 consist of:

	Notes	2020	2019
Payable to a related party	8	82,254,478	596
Accrued expenses			
Interest	7	69,074,338	74,879,530
Others		3,238,943	340,273
		154,567,759	75,220,399

Note 7 - Borrowings

Borrowings as at December 31 consist of:

	2020	2019	Terms and conditions
BDO Unibank, Inc. (BDO)	7,463,000,000	7,463,000,000	Borrowings have maturities of less than one (1) year and interest rates are based on prevailing bank rates up to 5.59%. Covenants require submission of certain documents which the Company is in compliance with as at December 31, 2020 and 2019. No collateral was used to secure the liability.
	7,463,000,000	7,463,000,000	

There are no loan availments during 2020 and 2019. The Company has fully paid its P1,585,000 outstanding loan to Bank of the Philippine Islands (BPI) during 2019. No payments were made during 2020.

Movements of accrued interest for the years ended December 31 follow:

	Note	2020	2019
January 1		74,879,530	14,995,655
Interest expense		380,181,724	494,557,518
Interest payments		(385,986,916)	(434,673,643)
December 31	6	69,074,338	74,879,530

Note 8 - Related party transactions

In the normal course of business, the Company transacts with entities which are considered related parties. A summary of the more significant transactions and balances as at and for the years ended December 31 is presented as follows:

	Notes	2020 Transactions	2020 Outstanding balances	2019 Transactions	2019 Outstanding balances	Terms and conditions
Subsidiary Receivable	3	554,600	854,600	-	300,000	These are unsecured, non-interest bearing and collectible in cash on demand.
Subsidiary Payable	6	(82,253,882)	(82,254,478)	-	(596)	These are unsecured, non-interest bearing and payable in cash on demand.

	Notes	2020		2019		Terms and conditions
		Transactions	Outstanding balances	Transactions	Outstanding balances	
Other related party						
Cash deposits and short-term placements	2	34,474,228	58,842,232	(504,135,089)	24,368,004	Cash deposit is an unrestricted, unsecured and interest-bearing savings deposit.
Borrowings	7	-	(7,463,000,000)	-	(7,463,000,000)	See Note 7.
Interest expense	7	380,181,724	(69,074,338)	494,557,518	(74,879,530)	See Note 7.

During 2020, the Company received liquidating dividends on behalf of ARHI amounting to P82,253,882. The Company is planning to transfer this amount to its subsidiary in 2021.

Key management compensation

There are no expenses recognized for key management compensation since the Company's management is being handled by a related party at no cost.

Note 9 - Equity

(a) Share capital

Share capital as at December 31, 2020 and 2019 are as follows:

	Par value per share	Number of shares	Amount
Authorized, issued and outstanding	100	500,000	50,000,000

(b) Retained earnings

The Company's unappropriated retained earnings as at December 31, 2020 amounting to P3,110.8 million (2019 - P2,965.5 million), includes P1,263.3 million (2019 - P1,445.7 million) accumulated share in the net earnings of and dividends from PGPCI, a 60% owned subsidiary, P1,910.4 million (2019 - P1,513.5 million) accumulated share in the net earnings of KHI, a 99.99% owned subsidiary, and P64.10 million accumulated share in the net loss of SMI, a 31.6% owned associate.

There were no dividends declared and paid in 2020 and 2019.

On December 21, 2015, the BOD approved the appropriation of P570 million from the Company's unrestricted retained earnings for debt servicing of loans that was obtained by the Company for planned business expansion through acquisition of shares of various companies in 2016 until 2017.

On December 21, 2018, the BOD of the Company approved the appropriation of P3.83 billion for debt servicing of borrowings. On December 18, 2019, the Company's BOD approved an additional appropriation of P500 million for debt servicing of borrowings.

On December 28, 2020, the BOD of the Company approved the additional appropriation of P400 million for debt servicing of borrowings.

Note 10 - Income taxes

Deferred income taxes are determined using income tax rates in the period the temporary differences are expected to be recovered or settled. Realization of the future tax benefits related to deferred income tax assets is dependent on many factors, including the Company's ability to generate taxable income in the future within the carry-over period of its unused tax losses. Management has considered this in reaching its conclusion not to recognize deferred income tax assets.

The Company's unrecognized deferred income tax assets and the expected period of recovery as at December 31 are as follows:

	2020	2019
To be recovered within 12 months		
Net operating loss carryover (NOLCO)	120,458,045	43,163,813
Unrealized foreign exchange loss	541,693	515,154
Minimum corporate income tax (MCIT)	66,443	291,762
	121,066,181	43,970,729
To be recovered after 12 months		
NOLCO	267,156,136	273,583,548
MCIT	-	66,443
	267,156,136	273,649,991
	388,222,317	317,620,720

The details of NOLCO as at December 31 which can be carried over as a deduction from taxable income for three (3) to five (5) consecutive years following year of incurrence, are as follows:

Year of incurrence	Year of expiration	2020	2019
2016	2019	-	148,356,664
2017	2020	143,879,376	143,879,376
2018	2021	401,526,816	401,526,816
2019	2022	510,418,343	510,418,343
2020	2025	380,102,110	-
Total		1,435,926,645	1,204,181,199
Expired		(143,879,376)	(148,356,664)
		1,292,047,269	1,055,824,535
Tax rate		30%	30%
		387,614,181	316,747,361

As at December 31, the details of MCIT which can be carried over as a deduction from taxable income for three (3) consecutive years following year of incurrence, are as follows:

Year of incurrence	Year of expiration	2020	2019
2017	2020	291,762	291,762
2018	2021	66,443	66,443
Total		358,205	358,205
Expired		(291,762)	-
		66,443	358,205

There was no MCIT incurred for the years ended December 31, 2020 and 2019.

The reconciliation of income tax expense computed at the statutory income tax rate to the actual income tax expense as shown in the statements of total comprehensive income for the years ended December 31 follows:

	2020	2019
Income tax expense at statutory tax rate of 30%	163,566,491	415,021,544
Addition to (reduction in) income taxes resulting from the tax effects of:		
Unrecognized NOLCO	114,030,634	153,125,503
Non-deductible expenses	627,192	291,854
Unrecognized temporary differences	26,539	16,196
Interest income already subjected to final tax	(172,391)	(707,525)
Share in net income of subsidiaries and an associate	(278,078,465)	(567,747,572)
	-	-

Note 11 - Financial assets and liabilities

The details of Company's financial instruments that are carried in the separate financial statements as at December 31 are as follows:

	Notes	2020	2019
Financial assets			
Cash and cash equivalents	2	58,842,232	24,368,004
Receivables	3	1,382,237	691,518
Other non-current assets*	5	6,916,853,224	6,916,853,224
		6,977,077,693	6,941,912,746
Financial liabilities			
Current			
Accrued expenses and other liabilities	6	154,567,759	75,220,399
Subscriptions payable	4	403,875,000	-
Borrowings	7	7,463,000,000	7,463,000,000
		8,021,442,759	7,538,220,399
Non-current			
Subscriptions payable, net of current portion	4	403,875,000	-
		8,425,317,759	7,538,220,399

*excluding advances to land owners

The carrying values of the financial instruments are assumed to approximate their fair values because of their short-term nature except for subscriptions payable, net of current portion.

Note 12 - Financial risk and capital management and fair value estimation

12.1 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company does not enter into derivatives financial instruments for trading or speculative purposes.

(a) *Market risk*

(i) Foreign exchange risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. Dollar. Foreign exchange risk arises when future commercial transactions, and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. Among others, management monitors the timing of settlements/payments to ensure that the Company is not unfavorably exposed to fluctuations of foreign exchange rates. The Company's foreign currency denominated monetary asset at December 31, 2020 refers to cash in bank amounting to US\$33,525 (2019 - US\$26,846).

Details of foreign exchange losses, net for the years ended December 31 are as follows:

	2020	2019
Unrealized losses, net	(88,463)	(53,988)
Realized losses, net	-	(16,438,500)
	(88,463)	(16,492,488)

The Company's exposure to foreign currency risk is not significant due to the absence of material transactions and balances denominated other than the Company's functional currency.

(ii) Price risk

The Company is not exposed to significant price risk due to the absence of material equity investments classified as either fair value through profit or loss (FVPL) or fair value through other comprehensive income (FVOCI) wherein changes to fair value are directly recognized through profit or loss and equity, respectively. Furthermore, the Company is not subject to commodity price risk.

(iii) Cash flow and fair value interest risk

Fair value interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short-term debt obligations with floating interest rates.

The Company's exposure to the risk of changes in market interest rates relates primarily to its borrowings. The Company regularly evaluates its interest rate risk by taking into account the cost of the qualified borrowings being charged by its creditors.

Based on the sensitivity analysis performed, the impact on income before tax during 2020 of a 2.5% increase in the interest rate related to borrowings, with all other variables held constant, is a decrease by P9.5 million (2019 - 1.25%, P6.18 million) on the Company's reported operating income. The threshold used was based on the movement of average market interest rate during the year.

(b) *Credit risk*

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when these fall due. It is inherent to the business as potential losses may arise due to the failure of counterparties to fulfill their obligations on maturity dates or due to adverse market conditions. Credit risk arises from cash and cash equivalents (Note 2), receivables (Note 3) and deposits for future stocks subscriptions under other non-current assets (Note 5).

The Company has maintained business relationships with its accredited banks, which are considered in the local industry as universal banks, to minimize risk. Universal banks represent the largest single group, resource-wise, of financial institutions in the country particularly in terms of capitalization.

Receivables are neither past due nor impaired because of high credit worthiness of the transacting parties and probability of default is minimal.

The credit exposure on receivable from a related party is considered to be minimal as there is no history of default and collections are expected to be made within 12 months. Receivable from a related party is considered as a high-grade financial asset as the related party has a good financial standing and is highly liquid. The expected credit loss is determined to be immaterial by the management.

Deposits are made with corporations that are operating and assessed to have sufficient financing to return the deposits should the investment not proceed.

The table below shows the Company's maximum exposure to credit risk as at December 31:

	Notes	2020	2019
Cash and cash equivalents	2	58,842,232	24,368,004
Receivables	3	1,382,237	691,518
Other non-current assets*	5	6,916,853,224	6,916,853,224
		6,977,077,693	6,941,912,746

*excluding advances to land owners

(c) Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Prudent liquidity risk management implies maintaining sufficient cash and continuous roll-over of excess cash in money market funds and internally generated cash flows to finance its activities.

The Company aims to maintain flexibility in funding by monitoring and ensuring that there are available funds to operate the day-to-day activities through available funding from bank borrowings and advances from related parties.

Details of the Company's financial liabilities due within one year from the reporting date based on contractual undiscounted cash flows are as follows:

	Notes	2020	2019
Borrowings	7	7,463,000,000	7,463,000,000
Expected future interest*		21,709,078	22,463,859
Accrued expenses and other liabilities	6	154,567,759	75,220,399
		7,639,276,837	7,560,684,258

*expected future interest up to maturity date of the borrowings

12.2 Capital management

The Company considers as capital its equity including share capital and retained earnings as shown in the statements of financial position. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In addition, the Company ensures that it has enough funds to support its business primarily through cash generated from operations.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions, as deemed necessary, including issuance of additional shares.

The Company monitors capital based on its net debt.

The net debt reconciliation as at December 31 are presented below:

	Notes	2020	2019
Borrowings, January 1	7	7,463,000,000	9,048,000,000
Cash flows		-	(1,585,000,000)
Borrowings, December 31		7,463,000,000	7,463,000,000
Cash	2	(58,842,232)	(24,368,004)
Net debt		7,404,157,768	7,438,631,996

Movements in financing liabilities comprising the net debt are disclosed in the related notes to the separate financial statements.

The Company's net gearing ratio is calculated as net debt divided by total equity as follows:

	2020	2019
Net debt	7,404,157,768	7,438,631,996
Total equity	7,960,152,422	7,584,183,167
Net gearing ratio	0.93:1	0.98:1

There were no changes made in the capital management policies for the years ended December 31, 2020 and 2019.

12.3 Fair value estimation

The Company does not hold financial instruments traded in active markets which might be affected by quoted market prices as at December 31, 2020 and 2019. As at December 31, 2020 and 2019, the Company has no financial assets or liabilities measured and carried on the statements of financial position at fair value. The Company's financial assets and liabilities relate to cash and cash equivalents (Note 2), receivables (Note 3), other non-current assets (excluding advances to land owners) (Note 5), accrued expenses and other liabilities (Note 6), subscription payable (Note 4) and borrowings (Note 7). Their carrying amounts as at December 31, 2020 and 2019 as reported in the statements of financial position approximate fair values due to liquidity, short maturities and nature of such items.

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use. The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Company does not hold material financial or non-financial assets and liabilities at fair value as at December 31, 2020 and 2019.

Note 13 - Critical accounting estimates, assumptions and judgments

The preparation of the separate financial statements in conformity with Philippine Financial Reporting Standards (PFRS) requires management to make estimates, assumptions and judgments that affect the amounts reported in the separate financial statements and the related notes. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

As at December 31, 2020 and 2019, there are no critical estimates that have an effect on the Company's financial statements. The judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year follow.

Critical judgments in applying the Company's accounting policies

(a) Impairment of investments in subsidiaries, investment in an associate and other non-current assets

The Company's investments in subsidiaries, investment in an associate and other non-current assets are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. On a regular basis, management determines if there are triggering events or impairment indicators based on current circumstances. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell or value in use. Determination of the net selling price or value in use requires the estimation of cash flows expected to be generated in maintaining and ultimate disposition of such investments. Changes in those judgments and assessment could have a significant effect on the carrying amount of the investments and the amount of recorded provision or write-off is directly charged to the statements of total comprehensive income as expenses. The Company did not recognize any provision for impairment in its investments in subsidiaries and an associate (Note 4) and other non-current assets (Note 5).

(b) Functional currency determination

The Company considers the Philippine Peso as the currency that most fairly represents the economic effect of the underlying transactions, events and conditions. The Philippine Peso is the currency of the primary economic environment in which the Company operates. It is the currency in which the Company measures its performance and reports its results.

(c) Income taxes

A certain degree of judgment is required in determining provision for income taxes, as there are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Further, recognition of deferred income taxes depends on management's assessment of the probability of available future taxable income against which the temporary differences can be applied.

The Company reviews the carrying amounts of deferred income taxes at each reporting date and reduces deferred income tax assets 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. Accordingly, the Company did not recognize deferred income tax assets in respect of deductible temporary differences and unused tax losses and credits as at December 31, 2020 and 2019 (Note 10).

Note 14 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

14.1 Basis of preparation

The separate financial statements of the Company have been prepared in accordance with PFRS. The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council and adopted by the SEC.

These separate financial statements have been prepared under the historical cost convention.

The preparation of separate financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 13.

The Company also prepares consolidated financial statements in accordance with PFRS. In the consolidated financial statements, subsidiary undertakings - those companies in which the Company, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations - have been fully consolidated.

Users of these separate financial statements should read them together with the consolidated financial statements as at and for the years ended December 31, 2020 and 2019 in order to obtain full information on the financial position and results of operations of the Company as a whole. The consolidated financial statements of the Company can be obtained from the Company's registered address and principal office at 10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, Pasay City.

Changes in accounting policies and disclosures

(a) New standards, amendments to existing standards and interpretations adopted by the Company

The Company adopted and applied the following amendments to existing standards for the first time in the annual reporting period commencing January 1, 2020:

- (i) Definition of material - amendments to PAS 1, "*Presentation of Financial Statements*" and PAS 8, "*Accounting Policies, Changes in Accounting Estimates and Errors*";
- (ii) Definition of a business - amendments to PFRS 3, "*Business Combination*";
- (iii) Interest Rate Benchmark Reform - amendments to PFRS 9, "*Financial Instruments*", PAS 39, "*Financial Instruments: Recognition and Measurement*" and PFRS 7, "*Financial Instruments: Disclosures*";
- (iv) Revised Conceptual Framework for Financial Reporting;
- (v) Annual Improvements to PFRS Standards 2018-2020 Cycle; and
- (vi) Covid-19-Related Rent Concessions - amendments to PFRS 16, "*Leases*".

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards, amendments to existing standards and interpretations not yet adopted by the Company

A number of new standards, and amendments and interpretations to existing standards are effective for the Company's annual periods after January 1, 2020 and have not been early adopted nor applied by the Company in preparing these financial statements. None of these are expected to be relevant and have an effect on the financial statements of the Company, while the most relevant one is set out as follows:

- Classification of Liabilities as Current or Non-current - Amendments to PAS 1. The amendments affect only the presentation of liabilities in the statement of financial position - not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. The amendments:
 - clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the 'right' to defer settlement by at least twelve months and make explicit that only rights in place 'at the end of the reporting period' should affect the classification of a liability;
 - clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and

- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are not expected to have a material impact on the Company's classification of liabilities. The amendments provided clear guidance which will support the Company's assessment.

14.2 Cash and cash equivalents

Cash and cash equivalents include cash deposits held at call with bank and other short-term, highly liquid investments with original maturities of three (3) months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. These are carried in the statement of financial position at amortized cost.

Other relevant policies are disclosed in Note 14.3.

14.3 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity of another entity. The Company recognizes a financial instrument in the statement of financial position, when and only when, the Company becomes a party to the contractual provisions of the instrument.

Financial assets

(a) Classification

The Company classifies its financial assets in the following measurement categories: FVPL, FVOCI and amortized cost. The Company did not hold financial assets under the category financial assets at FVPL and FVOCI as at December 31, 2020 and 2019.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets, if any, is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in the statement of total comprehensive income and presented under other income and expense. Impairment losses, if any, are presented in the statement of total comprehensive income as expenses.

The classification depends on the entity's business model for managing its financial assets and the contractual terms of the cash flows. The Company's financial assets measured at amortized cost comprise cash and cash equivalents (Note 14.2), receivables (Note 14.3) and other non-current assets (excluding advances to land owners) (Note 14.7) in the statement of financial position.

(b) Recognition and measurement

(i) Initial recognition and measurement

Regular-way purchases and sales of financial assets are recognized on the trade date (the date on which the Company commits to purchase or sell the asset). Financial assets not carried at fair value through profit or loss are initially recognized at fair value plus transaction costs.

(ii) Subsequent measurement

Financial assets measured at amortized cost are carried at amortized cost using the effective interest method.

(c) Impairment

The Company recognizes an expected credit loss for all debt instruments not held at FVPL. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For cash and cash equivalents, receivables, and other non-current assets (excluding advances to land owners), the Company applies a general approach in calculating expected credit losses. The Company recognizes a loss allowance based on either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk on these financial assets since initial recognition.

The Company considers a financial asset in default when contractual payments are past due. 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.

(d) Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial liabilities

(a) Classification

The Company classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that designated at fair value); and financial liabilities at amortized cost. The Company's financial liabilities are limited to financial liabilities at amortized cost.

Issued financial instruments or their components, which are not designated at fair value through profit or loss, are classified as financial liabilities at amortized cost, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder.

As at December 31, 2020 and 2019, the Company's accrued expenses and other liabilities (Note 14.9), borrowings (Note 14.11) and subscriptions payable are classified under financial liabilities at amortized cost.

(b) Recognition and measurement

(i) Initial recognition

Financial liabilities at amortized cost are initially recognized at fair value plus transaction costs.

(ii) Subsequent measurement

Financial liabilities are carried at amortized cost using the effective interest method.

(c) Derecognition

Financial liabilities are derecognized when extinguished, i.e., when the obligation is discharged or is cancelled, expires, or paid.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty. The Company has no financial instruments that met the offsetting criteria as of December 31, 2020 and 2019.

14.4 Fair value measurement

Fair value is the 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 of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use. The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Company analyzes financial instruments carried at fair value based on valuation method used and are categorized as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); or
- Inputs for the asset or liability that are not based on observable market data (Level 3).

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

The fair value of financial instruments traded in active markets is based on quoted market prices or current bid prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques such as recent arm's length transaction, reference to other instruments that are substantially the same, and discounted cash flows. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates.

If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2. If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3.

The Company does not hold material financial or non-financial assets and liabilities at fair value as at December 31, 2020 and 2019.

14.5 Investments in subsidiaries and associate

(a) Subsidiary

A subsidiary is an entity over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The acquisition method of accounting is used to account for business combinations of the Company (Note 14.14).

Investments in subsidiaries are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss and other comprehensive income or loss of the investees after the date of acquisition. The cost of investment in subsidiaries at initial recognition comprises the investment's purchase price and any directly attributable expenditures necessary to acquire it such as professional fees for legal services, transfer taxes and other transaction costs.

Dividends received or receivable from subsidiaries are recognized as a reduction in the carrying amount of the investment. When the Company's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity. Liquidating dividends received from the subsidiaries represents return of the Company's original investment and are recognized as reduction in the carrying amount of the investment.

Investments in subsidiaries are derecognized upon disposal or loss of control over the subsidiaries. Any gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized as income or loss in the statement of total comprehensive income. Upon loss of control, the investment account is measured at fair value, any difference between carrying amount and the fair value of investment is recognized as income or loss in the statement of total comprehensive income.

The Company determines at each reporting date whether there is any objective evidence that the investments in subsidiaries are impaired. If this is the case, the Company calculates the amount of impairment as being the difference between the recoverable amount of a subsidiary and the carrying cost and recognized the amount as loss in the statement of total comprehensive income (Note 14.6).

(b) Associate

Associates are all entities over which the Company has significant influence, but not control, generally accompanying a shareholding between 20% to 50% of the voting rights.

Investments in associate are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss and other comprehensive income or loss of the investees after the date of acquisition. The cost of an investment in an associate at initial recognition comprises the investment's purchase price and any directly attributable expenditures necessary to acquire it such as professional fees for legal services, transfer taxes and other transaction costs.

Dividends received or receivable from associate are recognized as a reduction in the carrying amount of the investment. When the Company's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Investments in associates are derecognized upon disposal or loss of significant influence over the associates. Any gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized as income or loss in the statement of total comprehensive income. Upon loss of significant influence, the investment account is measured at fair value, any difference between carrying amount and the fair value of investment is recognized as income or loss in the statement of total comprehensive income.

The Company determines at each reporting date whether there is any objective evidence that the investments in associates are impaired. If this is the case, the Company calculates the amount of impairment as being the difference between the recoverable amount of associate and the carrying cost and recognized the amount as loss in the statement of total comprehensive income (Note 14.6).

14.6 Impairment of non-financial assets

Non-financial assets are tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

14.7 Other non-current assets

Other non-current assets include deposit made by the Company for future subscription of shares of stock of an investee company. These are classified as investments in subsidiaries if and only if all of the following elements are present:

- The unissued authorized capital stock of the investee company is insufficient to cover the amount of shares indicated in the contract;
- There is approval on the proposed increase in authorized capital stock (for which a deposit was made);
- There is shareholders' approval of said proposed increase; and
- The application for the approval of the proposed increase has been filed with the SEC.

Otherwise, the deposits are presented as financial assets. Other policies relevant to the account are discussed in Note 14.3.

Advances to land owners are advances paid for procurement of land. The Company does not expect to realize these advances in cash, hence, classified as other non-current assets irrespective of when the assets are expected to be received or obtained ownership.

14.8 Current and deferred income tax

Income tax expense for the period comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates based on existing laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (NOLCO) and unused tax credits (excess MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized. The Company reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax liabilities are recognized in full for all taxable temporary differences, except to the extent that the deferred income tax liability arises from the initial recognition of goodwill. Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the taxable entity where there is an intention to settle the balances on a net basis.

Deferred income tax assets and liabilities are derecognized when related bases are realized/settled or when it is no longer realizable/due.

14.9 Accrued expenses and other liabilities

Accrued expenses and other liabilities are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Company is established. These are classified as current liabilities if payment is due within one year or less. If not, these are presented as non-current liabilities. These are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Other relevant policies are disclosed in Note 14.3.

14.10 Provisions and contingencies

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as finance cost in the statement of total comprehensive income.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed and derecognized in the statement of financial position.

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefit is probable. If it becomes virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements.

14.11 Borrowings and borrowing cost

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transactions costs) and redemption value is recognized under interest expense in the statement of total comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. All other borrowing costs are recognized and charged to operations in the year in which they are incurred.

Borrowings are derecognized when settled or when there has been new agreement with existing lender resulting to substantially different terms.

14.12 Share capital and retained earnings

(a) Share capital

The Company's share capital is composed of common shares with par value. The amount of proceeds from the issuance or sale of common shares representing the aggregate par values is credited to share capital. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction from the proceeds, net of tax. The subscribed share capital is reported in equity less the related subscription receivable.

After initial recognition, share capital is carried at historical cost and is classified as equity in the statement of financial position.

(b) Retained earnings

Retained earnings include current and prior year's results of operations, net of dividends declared, if any. Dividends are recorded in the financial statements in the period in which these are approved by the Board of Directors.

14.13 Income and expense recognition

Interest income is recognized on a time-proportion basis using the effective interest method. It is subject to final withholding tax and is presented net of the said tax. Other income is recognized when earned.

Expenses are charged to the statement of total comprehensive as incurred.

14.14 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Company recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill.

If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly expense in the statement of total comprehensive income as a bargain purchase. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as financial liabilities are subsequently remeasured at fair value with changes in fair value recognized in profit or loss.

14.15 Foreign currency transactions and translations

(a) Functional and presentation currency

Items included in the separate financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The separate financial statements are presented in Philippine Peso, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized though profit or loss in the statement of total comprehensive income under other income or expense.

14.16 Related party relationships and transactions

(a) Related party relationship

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors, or its shareholder. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

(b) Related party transaction

Related party transaction is a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged.

14.17 Events after reporting period

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

Note 15 - Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)

On March 26, 2021, RA No. 11534, otherwise known as CREATE, was signed into law effective as of April 11, 2021. Among the salient provisions of CREATE include changes to the Corporate Income Tax (CIT). CIT rate shall be reduced to 20% to 25% beginning July 1, 2020 for domestic corporations. Domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million, excluding land on which the particular business entity's office, plant and equipment are situated, are subject to 20% income tax. The rest are subject to 25% CIT.

Under CREATE, corporate taxpayers shall prepare their annual income tax return for the calendar year 2020 using the pro-rated CIT rate for calendar year 2020 reckoned from July 1, 2020 (retrospective effect).

As of December 31, 2020, the CREATE bill is still pending ratification by both the Philippine Congress and Senate, and consequently pending approval of the President of the Republic of the Philippines. As such, the Company has assessed that the proposed tax law is not enacted or substantively enacted as of December 31, 2020. Therefore, for financial reporting purposes, the enactment of CREATE after the reporting date is deemed a non-adjusting subsequent event. As such, the Company's corporate income tax should be measured using the applicable statutory income tax rate of 30%.

Had the new CIT rates been applied on the December 31, 2020 financial statements of the Company, the financial impacts would have been a decrease in unrecognized deferred income tax asset amounting to P32,346,323.

Note 16 - Impact of COVID-19

In the worldwide context of COVID-19 pandemic disease and unprecedented crisis that started in the first quarter of 2020, the Philippine Government has taken measures which caused disruptions to businesses and economic activities, and its impact continues to evolve.

The operations of the Company's subsidiaries have been impacted by the COVID-19 pandemic resulting in lower revenue and higher costs due to the restrictions and health protocols implemented by the Philippine Government. Notwithstanding, the subsidiaries still reported net income during 2020 as shown in the share in net income of subsidiaries recognized in the statements of total comprehensive income (Note 4).

Accordingly, the Company's financial statements as at and for the year ended December 31, 2020 have been prepared applying the going concern principle. The management of the Company is not aware of any material uncertainties arising after the 2020 year-end financial statements that would have a significant financial impact in its ability to continue as going concern.

Note 17 - Supplementary information required by Bureau of Internal Revenue (BIR)

The following supplementary information required by Revenue Regulations No. 15-2010 for the year ended December 31, 2020 is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

(a) Output and input value-added tax (VAT)

The Company did not report any transaction that is subject to output and input VAT relative to current status of its business where there are no reported revenues.

(b) Importations

The Company does not have transactions during the year ended December 31, 2020 that were subject to customs duties and tariffs.

(c) Excise taxes

The Company does not have transactions during the year ended December 31, 2020 that were subject to excise taxes.

(d) Documentary stamp tax and capital gains tax

Documentary stamp tax and capital gains tax paid for the year ended December 31, 2020 amounted to P385,354 and P153,676,251, respectively, related to the transfer of shares of stocks acquired. The amount was capitalized as transaction cost of investment in an associate.

(e) Taxes and licenses

All other local and national taxes paid for the year ended December 31, 2020 consist of:

Business permits	15,469
Registration fees	500
	15,969

The above local and national taxes were lodged under taxes and licenses in the statements of total comprehensive income.

(f) Withholding taxes

Withholding taxes paid and accrued and/or withheld as at and for the year ended December 31, 2020 consist of expanded withholding taxes amounting to P15,248,134.

(g) Tax assessment and cases

On December 15, 2020, the Company settled P500,000 and P1,353,603 with the BIR as voluntary tax payment for deficiency income taxes and withholding taxes, respectively, for the taxable year 2018 through the availment of BIR's voluntary assessment and payment program (VAPP). The amount was recognized as part of taxes and licenses in the statements of total comprehensive income.

As at December 31, 2020, the Company is not a party to any other outstanding tax assessment or any outstanding tax case that is under preliminary investigation, litigation and/or prosecution in courts or bodies outside of the BIR.

ANNEX B

Note: Pending stockholders' approval at the 2022 Annual Stockholders' Meeting



**INVESTMENTS
CORPORATION**

MINUTES OF THE ANNUAL MEETING OF THE STOCKHOLDERS

SM INVESTMENTS CORPORATION

On April 28, 2021, 2:30 p.m.
(via Remote Communication)

PRESENT:

DIRECTORS

JOSE T. SIO

Chairman
Member, Executive Committee
Member, Audit Committee
Member, Risk Management Committee
Member, Compensation Committee
Member, Related Party Transaction

TERESITA T. SY

Vice-Chairperson
Chairperson, Executive Committee
Chairperson, Compensation Committee

HENRY T. SY, JR.

Vice-Chairman

HARLEY T. SY

Executive Director
Member, Executive Committee

FREDERIC C. DYBUNCIO

President and Chief Executive Officer
Member, Executive Committee

ALFREDO E. PASCUAL

Lead Independent Director
Member, Audit Committee
Member, Compensation Committee
Chairman, Corporate Governance Committee
Chairman, Related Party Transaction
Member, Risk Management Committee

TOMASA H. LIPANA

Independent Director
Chairperson, Audit Committee
Member, Corporate Governance Committee

ROBERT G. VERGARA

Independent Director
Member, Corporate Governance Committee
Member, Related Party Transaction
Chairman, Risk Management Committee

ALSO PRESENT:

ELIZABETH T. SY

Adviser to the Board

HANS T. SY

Adviser to the Board

HERBERT T. SY

Adviser to the Board

GREGORY L DOMINGO

Adviser to the Board

ROBERTO G. MANABAT

Independent Adviser

FRANKLIN C. GOMEZ

SVP-Finance

ATTY. ELMER B. SERRANO

Corporate Secretary

ATTY. ARTHUR A. SY

Assistant Corporate Secretary

TIMOTHY DANIELS

Consultant, Investor Relations

Stockholders present via remote
attendance or represented by proxy

1,055,708,963 shares (87.64% of Outstanding Shares)
(Please see Record of Attendance attached as **Annex A**)

1. Call to Order

The meeting opened with the Philippine National Anthem. The host, Mr. Timothy Daniels, then acknowledged the presence of all directors and key officers of **SM Investments Corporation (SMIC or the Company)**, with directors and officers attending the meeting remotely.

Mr. Jose T. Sio, Chairman of the Board, welcomed the stockholders and guests to the virtual Annual Stockholders' Meeting of the Company via Zoom Webinar. The Chairman thanked the stockholders for registering online, for voting and for joining the meeting. The Chairman remarked that the Company trusts that its stakeholders fully understand that everyone has to comply with the Government's directive on social distancing for the safety of all the people involved.

The Chairman also announced that the chat box of the livestream platform has been opened for stockholders to raise their questions and comments. He explained that the Company through its Investor Relations team will endeavor to answer questions not addressed during the meeting via email.

The Chairman then called the meeting to order. Atty. Elmer B. Serrano, Corporate Secretary, recorded the minutes of meeting.

2. Certification of Notice and Quorum

Before proceeding with the meeting, the Chairman requested the Corporate Secretary to certify to the posting and publication and existence of a quorum.

The Corporate Secretary certified that, in compliance with the rules issued by the Securities and Exchange Commission, notice of the meeting, the Definitive Information Statement, along with the Company's "Guidelines for Participation via Remote Communication and Voting *in Absentia*" were uploaded via PSE EDGE and posted on the Company's website beginning March 19, 2021. Further, the Corporate Secretary certified that the same notice of meeting was published on April 5 and 6, 2021, both in print and online format, in the Business Section of the Philippine Star and at the Banking & Finance Section of Business World.

The Corporate Secretary also certified that based on record of attendance, stockholders attending by proxy and stockholders who have registered to remotely join the virtual meeting represent 1,055,708,963 common shares, representing 87.64% of the issued and outstanding capital stock of the Company as of record date of March 29, 2021. He then certified that a quorum was present for the transaction of business by the stockholders.

The Corporate Secretary announced that SyCip Gorres Velayo & Co. has been engaged as third party tabulator of votes cast for the meeting. He also informed participants that the meeting will be recorded.

3. Approval of Minutes of the Annual Stockholders' Meeting held on June 24, 2020

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 June 24, 2020. A copy of the minutes was posted on the Company's website soon after last year's annual meeting adjourned. The minutes have also been appended to the Definitive Information Statement for this meeting.

The Corporate Secretary stated for the record that unqualified votes cast for each item for approval shall be counted in favor of the matter under consideration.

The Corporate Secretary then presented the tabulation of votes for the approval of the minutes:

In Favor		Against		Abstain	
No. of Shares	%	No. of Shares	%	No. of Shares	%
1,055,477,222	87.62	0	0	231,741	0.02

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 June 24, 2020 are approved."

4. Approval of 2020 Annual Report and 2020 Audited Financial Statements

The Chairman then requested Mr. Frederic C. DyBuncio, President, to render his report on the results of operations for 2020. The President reported as follows:

“Good afternoon, dear Shareholders. Allow me to report on our performance for 2020 and how we navigated through the pandemic.

In several ways, the pandemic has sharpened our focus on three key areas: **Safety, Innovation and Resilience.**

Safety of our Stakeholders

Our top priority was the health and safety of all the stakeholders in our SM ecosystem.

1. We made sure our employees were secure with alternative work arrangements in place. We conducted mass testing and reconfigured the workplace to align with safety and distancing protocols.
2. We will be rolling out vaccines to our employees as we prioritize everyone’s immediate protection.
3. Recently, our malls have become venues for vaccination activities in partnership with local governments. Together with the Philippine Red Cross, saliva RT-PCR testing is made more accessible through our malls. We have also provided mattresses and other essentials to isolation wards in universities.
4. This is in addition to the distribution of critical medical gear and equipment, building quarantine facilities and-converting the Mall of Asia Arena into a mass testing facility.

Accelerating Innovation

Secondly, innovation is key to unlocking new possibilities to serve our stakeholders better.

In fact, the pandemic fast tracked our plans to create greater digital capabilities and widen our omni channel presence to meet new and evolving customer expectations.

We will discuss this more in the succeeding slides.

Collective Resilience

Thirdly, we have assured our partners of our support, especially the thousands of SMEs in our supply chain to help them adapt, serve and survive.

As a group, we provided about 30 billion pesos last year in the form of waivers, payments, donations and various forms of support to employees and third parties.

We also provided loan extensions and added money transfer services through our banks and group-wide donations and on-the-ground relief efforts for our host communities.

Through the Kasama ng SM campaign, we encouraged our customers to support local businesses.

Our collective resilience is necessary to safeguard our long-term growth and to ensure we can continue to promote responsible development nationwide.

Performance across Core Businesses

We were focused on business survival and the support provided to our thousands of stakeholders.

Despite the many challenges and the decline in economic activity, we were still able to report a profitable business year.

Looking at our consolidated results, SM's revenues amounted to 394 billion pesos last year. This was down 21 percent from 502 billion pesos in 2019, largely because of the impact of the community quarantines on sales in our malls and in our non-food retail stores.

This, together with prudent provisioning in our banks, meant that net income of **23 billion pesos** was also lower by 48 percent than about 45 billion pesos earned in 2019.

The banking and property businesses accounted for 55 percent and 33 percent of net income while retail contributed 12 percent.

Building Years of Financial Prudence

Our strong balance sheet and history of prudent management enabled us to offer the support we did.

Across our major businesses, we opted to use a portion of our prior year 2019 profits to ensure our and our stakeholders' financial stability, reducing our dividend payout to half of previous years' levels accordingly.

This was combined with stringent cost focus during the period of low revenues under quarantine conditions.

As a result, none of our businesses have had to access financial markets and, as a parent and group, we have maintained our overall balance sheet strength.

Continued Expansion

Despite severe business and movement restrictions, we continued to expand where conditions allowed.

This was the case for Alfamart, which added 258 minimart outlets, surpassing 1,000 stores.

Meanwhile, our Property and Retail arms also opened two new malls and stores in Butuan and in Zamboanga.

In retailing, we added 287 stores in total across all our formats last year. So that, by year end, our retail footprint reached over 3,000 stores nationwide.

Adapting to New Customer Needs

Even as we expanded, we were quickly adapting to our customers' urgently evolving needs.

We developed new retail delivery channels online and by phone, supported by social media campaigns and aligned with a range of practical delivery options supported by our stores and malls.

We widened our diverse range of essential and nonessential products available online through our retail e-commerce site, ShopSM on top of the SM STORE's Call to Deliver service.

We empowered people whose jobs were affected by the pandemic to participate as delivery drivers and personal shoppers.

On new e-commerce initiatives:

- SM Markets launched smmarkets.ph to provide more convenient options for pick-up or delivery for customers' essential needs.
- WalterMart grew its online grocery format and recently adopted the SM STORE's strategy of Call/Text and Pickup, making its business more agile.
- The malls introduced its newest shopping platform, SM Malls Online available in three of its biggest malls.

Our two logistics companies in the group, 2GO and Airspeed, play important roles in fulfilling the requirements of our online platforms.

In the foreseeable future, in-person and in-store based shopping experiences will still be preferred by our customers. But we continue to work hard to develop innovative online and offline delivery channels that are integrated into our business while enhancing customer service.

Banking Pandemic Initiatives

In banking, we ramped up our digital banking services to ensure the safety of our people and our customers.

During the pandemic, BDO immediately extended grace periods for loan payments. It introduced ATM on Wheels near select Savemore and SM Supermarket branches to bring our services closer to where our customers are.

BDO extended services to far-flung communities through the Cash-Agad program, allowing cash withdrawal through the Point-of-Sale terminals of our partners.

BDO Financial Highlights

Notwithstanding the challenges of the year, the bank delivered good business performance, with BDO's net interest income growing 12 percent to 134 billion pesos. We decided to get ahead of any potential impact of the pandemic on our clients with heavy and prudent provisioning of about 30 billion pesos.

It was because of this that BDO's net income for the year was 28 billion pesos, down from 44 billion pesos in 2019, although the bank's core businesses continued to show positive growth and profitability.

We also worked with our business clients to restructure loans where needed to allow them to work through these difficult times.

China Bank Financial Highlights

For its part, despite the challenging year, China Bank's performance was remarkable. Its net income grew 20 percent to 12 billion pesos underpinned by the strong growth in core businesses and better investment and trading returns.

As a milestone, China Bank marked its hundred year-journey with the restoration of its heritage building in Binondo, Manila.

It also capped the year with a landmark 11 billion peso fixed-rate bond offer.

Risk Management and Resiliency

With 2020 marked by addressing various social needs, we maintained an overall view of our long-term risk management and resiliency.

Our disaster resilience framework was utilized effectively during the eruption of the Taal Volcano in January, just weeks prior the pandemic. Our response was to provide full rehabilitation of our properties and their local environments.

We also faced a series of severe typhoons during the year.

As a testament to our ongoing investment in disaster resiliency, one of our most impacted malls, SM City Marikina, remained largely unaffected by Typhoon Ulysses. It was even able to support relief efforts for its local community despite severe flooding and rising water levels in the area.

Stability through Good Governance

This pandemic has only strengthened our commitment to good corporate governance.

In 2020, we were recognized highly by the ASEAN Corporate Governance Scorecard Initiative and we received the Golden Arrow awards from the Institute of Corporate Directors.

Key Awards

We also received a citation from the MORS group in Malaysia as one of the best Community Care Companies in Asia.

In Singapore we were rewarded for our excellence in sustainability reporting by The Asset Magazine, along with our bank, BDO.

SMIC was again included in the 2021 Bloomberg Gender Equality Index as we continue to uphold equal opportunities for all our people.

And we were recently highlighted by Sustainalytics international rating agency as a global leader in our industry for our performance on Sustainability.

Integrated Reporting

We have made a change in how we report on the group's performance this year.

Instead of issuing separate Annual Financial and Sustainability Reports, we have adopted the international best practice of Integrated Reporting standards.

In this, we hope to provide a single holistic discussion of our businesses, the value they create, how they have performed and how that value is shared among all our stakeholders.

Supporting Global Goals

In doing all of this, we remain committed to our advocacies, to advancing the principles of the UN Global Compact and to contributing material actions towards the 17 UN Sustainable Development Goals.

Thank you

Before I wrap up allow me to express my sincere thanks, and also the thanks of the Board, to all our thousands of dedicated employees, many of whom have operated on the frontlines in the last year.

Also, to our thousands of micro and SME partners across the group who have worked with and supported us - we appreciate your dedication and partnership and we are committed to continuing to work with and support you in turn. Your wellbeing is our wellbeing.

And thank you also to all our shareholders. Thank you for your confidence and unwavering support in the last year.

50 Climate Leadership

Moving forward, we will continue to focus on improving the lives of our millions of Filipino customers, creating growth and enabling responsible development nationwide.

We are committed to environmental responsibility and have joined international efforts to tackle climate change.

We are proud to have joined a business group of dedicated global sustainability champions through the 50 Sustainability & Climate Leaders campaign.

SM is proud to represent the Philippines among this group of leading players championing sustainability and climate action.

For our business to thrive, it's critical that we support each other in a sustainable way. In the end, it's the community and the environment that sustains our growth."

The President closed his report by playing a video that shared SMIC's sustainability story with the stockholders.

The Chairman thanked the President for his report and asked the Corporate Secretary to announce the results of voting. The Corporate Secretary presented the tabulation of votes:

In Favor		Against		Abstain	
No. of Shares	%	No. of Shares	%	No. of Shares	%
1,054,508,235	87.54	73,310	0.01	1,127,418	0.09

With the above votes in favor, the following resolution was passed and adopted:

"RESOLVED, that the 2020 Annual Report and the 2020 Audited Financial Statements are approved."

5. Announcement of Cash Dividends

The Chairman then announced that at the recently adjourned regular meeting of the Directors, the Board approved a cash dividend declaration of 85% of the Company's 2020 Net Income (Parent). This amounts to Php4.25 or approximately Php5.1 Billion of cash dividends declared in favor of all stockholders of record as of May 13, 2021, and payable on May 27, 2021.

6. Approval and Ratification of the Acts of the Board of Directors and Management

The next item in the agenda is the ratification of all acts, transactions and contracts entered into, as well as resolutions made and adopted by the Board of Directors and carried out by Management during their term, or from the date of the last annual stockholders' meeting up to this meeting. These corporate acts are detailed in the Definitive Information Statement provided to all stockholders of record.

The Corporate Secretary presented the tabulation of votes:

In Favor		Against		Abstain	
No. of Shares	%	No. of Shares	%	No. of Shares	%
1,054,522,399	87.54	12,470	nil	1,174,094	0.10

With the above votes in favor of approval, the following resolution was passed and adopted:

“RESOLVED, that the acts of the Board of Directors and Management during their term or from the date of the last annual stockholders’ meeting up to this meeting are ratified and approved.”

7. Election of Directors for 202-2022

The next item in the agenda is the election of directors for the year 2021-2022. The Chairman requested the Mr. Alfredo E. Pascual, Chairman of the Corporate Governance Committee, to present the nominees to the Board.

Mr. Pascual stated that the Corporate Governance Committee has pre-screened and short-listed candidates qualified to be elected to the Board of Directors. He then announced the names of the following qualified nominees to the Board for 2021-2022:

Mr. Jose T. Sio
 Ms. Teresita T. Sy
 Mr. Henry Sy, Jr.
 Mr. Harley T. Sy
 Mr. Frederic C. DyBuncio
 Mr. Alfredo E. Pascual as Independent Director
 Ms. Tomasa H. Lipana as Independent Director
 Mr. Robert G. Vergara as Independent Director

The Corporate Secretary thereafter presented the percentage of votes garnered by each of the nominees:

Nominee	Percentage of Votes	No. of Votes
Mr. Jose T. Sio	86.39	1,040,649,094
Ms. Teresita T. Sy	86.43	1,041,071,899
Mr. Henry Sy, Jr.	87.16	1,049,875,795
Mr. Harley T. Sy	87.30	1,051,649,318
Mr. Frederic C. DyBuncio	87.22	1,050,618,881
Mr. Alfredo E. Pascual	87.30	1,051,593,215
Ms. Tomasa H. Lipana	87.51	1,054,157,014
Mr. Robert G. Vergara	87.51	1,054,088,682

The Corporate Secretary then announced that since there are only eight (8) nominees and with the votes received, all nominees have obtained sufficient votes for election. The following resolution was therefore passed and adopted:

“RESOLVED, that following are elected to the Board of Directors of SM Investments Corporation for 2021-2022, to serve as such directors until their successors have been duly qualified and elected:

Mr. Jose T. Sio
 Ms. Teresita T. Sy
 Mr. Henry Sy, Jr.
 Mr. Harley T. Sy
 Mr. Frederic C. DyBuncio
 Mr. Alfredo E. Pascual as Independent Director
 Ms. Tomasa H. Lipana as Independent Director
 Mr. Robert G. Vergara as Independent Director

8. Appointment of External Auditor

The next item in the agenda is the appointment of the Company’s external auditor for 2021. The Chairman informed the stockholders that the Audit Committee processed and screened the nominees for external auditor and recommended, as confirmed by the Board of Directors, the appointment of SyCip, Gorres, Velayo & Co. as external auditor for 2021.

The Corporate Secretary then announced the results of voting:

In Favor		Against		Abstain	
No. of Shares	%	No. of Shares	%	No. of Shares	%
1,054,532,015	87.54	945,186	0.08	231,762	0.02

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 2021 is approved.”

9. Open Forum

The Chairman then proceeded with the Question and Answer portion of the meeting. He explained that all stockholders of record were allowed to submit questions in advance via email to <asm2021@sminvestments.com>, and through the chat box of the meeting livestream. The Chairman thanked the stockholders for sending their questions and comments.

The Chairman requested the Corporate Secretary to read some of the questions received from the stockholders.

The Corporate Secretary began by reading questions sent by email. The first question came from Mr. Roland San Diego which reads, "What are SMIC's strategies for recovery and to sustain growth moving forward?"

The President, Mr. DyBuncio, answered that to help with overall recovery efforts, the Company will be rolling out vaccines to its employees within the year once supply is available. As mentioned earlier, SMIC will continue to offer its facilities as testing and vaccination venues to help build confidence which the country's consumer-led economy urgently needs.

The Company maintains cautious optimism as it navigates through many uncertainties. But where the Company can move with flexibility and less restrictions, it will proceed with the expansions in the pipeline.

Mr. DyBuncio stated that the key is to continue to innovate and operate safely which the Company has done and continue to do. It continues to respond and adapt to changing customer needs and touch points. The Company will continue to serve its customers' needs across all its businesses and pursue innovation to serve them better.

The Corporate Secretary then moved to the next question sent by the same stockholder which reads, "Does SMIC have plans to increase its stake in any more companies after 2GO?"

Mr. DyBuncio answered the question. The President responded that the Company is always open to potential acquisitions and minority stakes that fit with its objectives. It looks for leading businesses in high growth potential sectors that can benefit from being a part of its ecosystem to create long term growth and cash flows for SM.

He stated that SMIC continues to examine potential candidates and have a strong balance sheet available if needed. As the Company's businesses build momentum, it also looks to invest in adjacent or related sectors to its existing businesses, where it understands their activities and believe it can benefit from synergies with the SM ecosystem.

The last questions came from Ms. Maribel Chua which reads, "How big is the risk from e-commerce the longer the pandemic goes on?"

Mr. DyBuncio stated that admittedly more people are using new channels and enjoying the conveniences of online shopping. The Company thinks this will continue and be a permanent but minority part of shopping. That's why the Company has accelerated all its investments in this area: from telephone-based shopping, social media platforms and campaigns to different means of delivery and pick up.

The President sees people going back to malls and shops as these are the community centers, and that this is still where the majority of retailing will be. The Company is working hard to meet whatever the customers want, wherever and whenever, by becoming omni channel with the widest range of offerings and services.

The Chairman thanked the President for answering the questions.

10. Other Matters

The Chairman inquired if there were other matters that could properly be taken up at the meeting. The Corporate Secretary confirmed that there were none.

11. Adjournment

There being no further business to transact, the Chairman thanked everyone who joined the meeting wished everyone good health. Thereafter, the meeting was adjourned.

CERTIFIED CORRECT:

ELMER B. SERRANO
Corporate Secretary

ATTESTED BY:

JOSE T. SIO
Chairman

Annex A

SM Investments Corporation
Annual Stockholders' Meeting
April 28, 2021, 2:30 p.m.

Record of Attendance

Total number of voting shares outstanding	1,204,582,867
Total number of shares represented by proxy or remote attendance	1,055,708,963
Attendance percentage	87.64%



10/F One E-com Center
Harbor Drive, Mall of Asia Complex
Pasay City 1300 Philippines

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS


The management of SM Investments Corporation and Subsidiaries (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with Philippine Financial Reporting Standards and for such internal controls as management determines are 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 Group'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 Group or cease operations, or has no realistic alternative but to do so.

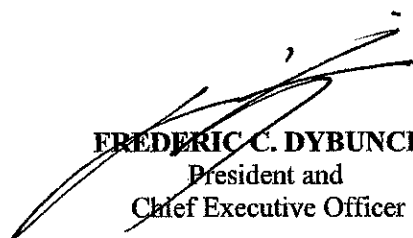
The Board of Directors is responsible for overseeing the Group's financial reporting process.

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 the Group in accordance with 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.



JOSE T. SIO
Chairman of the Board



FREDERIC C. DYBUNCIO
President and
Chief Executive Officer



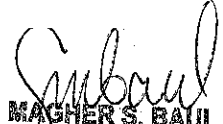
ERWING G. PATO
Treasurer and
Executive Vice President

Signed this 28th day of February 2022

REPUBLIC OF THE PHILIPPINES)
PASIG CITY)

SUBSCRIBED AND SWORN to before this FEB 28 2022 at PASIG CITY, affiants
exhibiting to me their Taxpayer Identification Number ID, as follows:

DOC No. 256
PAGE No. 52
BOOK No. XVI
SERIES of 2021


MAGHER S. BAUL
Notary Public for and in the Cities of Pasig,
San Juan and in
the Municipalities of Pateros
Appointment No. 118 (2020-2021)
Commission expires on 31 December 2021*
Suite 1105, 11th Floor, Prestige Tower Condominium
Ortigas Center, F. Ortigas Jr., Pasig City Metro Manila
Roll of Attorney No. 63521
IBP No. 012691-Lifetime/04-02-2014/Manila City
PTR No. 8131511/01-12-2022/Pasig City
MCLE Compliance No. VI-0017845; February 14, 2019
*until June 30, 2022, per B.M. No. 3795

ANNEX C

COVER SHEET for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

S	M		I	N	V	E	S	T	M	E	N	T	S		C	O	R	P	O	R	A	T	I	O	N		A	N	D	
			S	U	B	S	I	D	I	A	R	I	E	S																

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

1	0	t	h		F	l	o	o	r	,		O	n	e		E	-	C	o	m		C	e	n	t	e	r	,	
H	a	r	b	o	r		D	r	i	v	e	,		M	a	l	l	o	f		A	s	i	a		C	o	m	
p	l	e	x	,		C	B	P	-	1	A	,		P	a	s	a	y		C	i	t	y		1	3	0	0	

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A	A	C	F	S											

COMPANY INFORMATION		
Company's Email Address <div style="border: 1px solid black; height: 20px; text-align: center; margin-top: 5px;">-</div>	Company's Telephone Number <div style="border: 1px solid black; padding: 2px; text-align: center; margin-top: 5px;">8857-0100</div>	Mobile Number <div style="border: 1px solid black; height: 20px; text-align: center; margin-top: 5px;">-</div>
No. of Stockholders <div style="border: 1px solid black; padding: 2px; text-align: center; margin-top: 5px;">1,261</div>	Annual Meeting (Month / Day) <div style="border: 1px solid black; padding: 2px; text-align: center; margin-top: 5px;">04/27</div>	Fiscal Year (Month / Day) <div style="border: 1px solid black; padding: 2px; text-align: center; margin-top: 5px;">12/31</div>

CONTACT PERSON INFORMATION			
The designated contact person <i>MUST</i> be an Officer of the Corporation			
Name of Contact Person <div style="border: 1px solid black; padding: 2px; margin-top: 5px;">Mr. Franklin C. Gomez</div>	Email Address <div style="border: 1px solid black; height: 20px; text-align: center; margin-top: 5px;">-</div>	Telephone Number/s <div style="border: 1px solid black; padding: 2px; margin-top: 5px;">8857-0100</div>	Mobile Number <div style="border: 1px solid black; height: 20px; text-align: center; margin-top: 5px;">-</div>

CONTACT PERSON'S ADDRESS
10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City 1300

NOTE 1 : 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.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
SM Investments Corporation
10th Floor, One E-Com Center
Harbor Drive, Mall of Asia Complex
CBP-1A, Pasay City 1300

Opinion

We have audited the consolidated financial statements of SM Investments Corporation and Subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2021 and 2020, 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, 2021, 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 Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021 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 Group 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.



Recoverability of Goodwill

As at December 31, 2021, the Group reported ₱24,627.3 million goodwill attributable mainly to SM Prime Holdings, Inc., Supervalve, Inc., Super Shopping Market, Inc., Neo Subsidiaries, Waltermart Supermarket, Incorporated and others. The Group performed an annual testing per cash generating unit (CGU) to assess whether goodwill might be impaired. Management's process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic such as revenue growth rate. Given the significant management estimates and assumptions, and the uncertainty of internal and external factors, including future market circumstances, this is considered as a key audit matter.

The assumptions, sensitivities and results of the annual impairment testing are disclosed in Note 16 to the consolidated financial statements.

Audit Response

We involved our internal specialist in assessing the methodologies and assumptions used by the Group in calculating each CGU's recoverable amount. For the fair value less cost of disposal calculations, we evaluated the approach used by the Group and tested the calculations performed with reference to the observable market prices and allowable costs for disposing the asset. For the value-in-use calculations, we assessed the prospective financial information (PFI) for each CGU by understanding the Group's approach to develop the PFI and evaluating the key assumptions used such as revenue growth rate. We compared the key assumptions used, such as revenue growth rate against the historical performance of the CGU, industry outlook and other relevant external data, taking into consideration the impact associated with coronavirus pandemic. We also involved our internal specialist in recalculating the discount rates used for each CGU. We tested the parameters used in the determination of the discount rate against market data. We performed sensitivity analyses to understand the impact of reasonable changes in the key assumptions.

Accounting for Investments in Associate Companies

As at December 31, 2021, the Group's investments in associate companies amounted to ₱295,741.7 million, representing 28.4% and 22.0% of the Group's total noncurrent assets and total assets, respectively. The investments in associate companies are accounted for under the equity method and considered for impairment if there are indicators that such investments may be impaired. Given the magnitude of the carrying amount and share in equity on investments in associate companies, significant management judgments and estimates made by the associate companies in determining expected credit loss and valuation of financial instruments, as well as the significant management judgments and estimates applied in determining the recoverable amount of these investments, we consider this matter significant to our audit.

The details of these investments are disclosed in Note 13 to the consolidated financial statements.



Audit Response

We obtained relevant financial information of the associate companies and recomputed the Group's share in equity in net earnings. For investments with indicators of possible impairment, we obtained management's impairment analysis and gained an understanding of their impairment assessment process. We discussed the current and projected financial performance of the associate companies with management and assessed whether these were reflected in the impairment analysis. We also involved our internal specialist in assessing the Group's methodology and assumptions used in calculating the associate companies' recoverable amount. We assessed the PFI for the CGU by understanding the Group's approach to develop the PFI and evaluating the key assumptions used such as growth rates, gross margins, projected earnings before interest and taxes, effective tax rates, non-cash charges, net working capital changes, capital expenditures and others. For growth rate, we compared it with the long-term average growth rate for the products or industries. We compared the other key assumptions such as gross margins, projected earnings before interest and taxes, effective tax rates, non-cash charges, net working capital changes, capital expenditures and others against the historical performance of the associate companies, industry outlook and other relevant external data, taking into consideration the impact associated with the coronavirus pandemic. We also involved our internal specialist in recalculating the discount rates used for each CGU. We tested the parameters used in the determination of the discount rates against market data. We performed sensitivity analyses to understand the impact of reasonable changes in the key assumptions.

For the material associate company audited by other auditor, we sent audit instructions to the other auditor to perform an audit on the relevant financial information of the associate company for the purpose of the Group's consolidated financial statements. Our audit instructions detailed the other auditor's scope of work, risk assessment, audit strategy and reporting requirements. We discussed with the other auditor their key audit areas, including areas of significant judgments and estimates, planning and execution of audit procedures, and results of their work for the year ended December 31, 2021.

We reviewed the working papers of the other auditor and obtained relevant conclusion statements related to their audit procedures. We focused on the other auditor's procedures on the review of the classification and measurement of financial assets, considering disposals of investment securities classified under the hold-to-collect business model, valuation of financial instruments, and testing of the expected credit loss model updated for the impact of the coronavirus pandemic.

Real Estate Revenue and Cost Recognition

The Group'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 Group 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.



Effective January 1, 2021, the Group adopted PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04). In determining the transaction price, the Group considers whether the selling price of the real estate property includes significant financing component.

Effective January 1, 2021, the Group adopted PIC Q&A 2018-12-E (as amended by PIC Q&A 2020-02). In measuring the progress of its performance obligation over time, the Group 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 Group'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 Group estimates costs incurred on materials, labor and overhead which have not yet been billed by the contractor.

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

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

Audit Response

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

For the buyer's equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales 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 Group's process in implementing PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04), including the determination of the population of contracts with customers related to real estate sale, the selection of the transition approach 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 Group'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 Group'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 Group's processes for determining the POC, including implementation of PIC Q&A 2018-12-E (as amended by PIC Q&A 2020-02), 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 Group'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.

Existence and Completeness of Merchandise Inventories

As at December 31, 2021, the merchandise inventories of the Group amounted to ₱30,185.7 million, representing 10.0% of the Group's total current assets. The Group has several warehouses and operates multiple stores across the country. Since the merchandise inventories are material to the consolidated financial statements, and various warehouses and stores are geographically dispersed across the country, we consider this a key audit matter.

The disclosures about inventories are included in Note 11 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's inventory process and performed test of controls for selected stores and warehouses. We visited selected warehouses and stores and observed the physical inventory counts. We performed test counts and compared the results to the Group's inventory compilation reports to determine if the compilation reports reflect the results of the inventory count. We traced the last documents used for shipping, receiving, and transfers which were obtained during the inventory count observation to the accounting records of sales and purchases. We obtained the reconciliations performed by management and tested the reconciling items. We performed testing, on a sampling basis, of the Group's rollforward or rollback procedures on inventory quantities from the date of physical inventory count to the financial reporting date.

We also reviewed the working papers of other auditor on merchandise inventories, specifically on the observation and testing of physical inventory counts, testing of compilation procedures and the reconciliation of the physical inventory count to the general ledger and financial reports.



Accounting for Business Combinations

The Group acquired additional 22.4% of 2GO Group, Inc. (2GO) in April and June 2021 for a total consideration of ₱4,693.0 million and additional 40.0% of Goldilocks Bakeshop, Inc. (GBI) in August 2021 for a total consideration of ₱4,039.6 million, thereby obtaining control over 2GO and GBI as of the acquisition dates. The previously held interests in 2GO and GBI were revalued based on the acquisition dates fair values which resulted to a total remeasurement loss of ₱7,358.1 million. The total goodwill recognized in 2GO and GBI based on the final purchase price allocation performed was ₱6,548.6 million. We consider the accounting for these acquisitions as a key audit matter because it required significant management judgment and estimation in identifying the underlying acquired assets and liabilities and in determining their fair values, specifically the acquired property and equipment, and in determining the fair values of previously held interests.

The Group's disclosures about increased ownership in 2GO and GBI and the purchase price allocations are disclosed in Note 5 to the consolidated financial statements.

Audit Response

We read the purchase agreements covering the acquisitions, the considerations paid and the final purchase price allocations. We evaluated the identification of 2GO and GBI's underlying assets and liabilities based on our understanding of 2GO and GBI's business and management's explanations on the rationale for the acquisitions. We assessed the competence, capabilities and objectivity of the external appraisers who valued the property and equipment by considering their qualifications, experience and reporting responsibilities. We compared the key assumptions used such as the list prices, current replacement and reproduction cost and adjustment factors by reference to relevant market data. We recomputed the remeasurement loss of previously-held interests based on the acquisition-date fair values. We also reviewed the presentation and the disclosures of the transactions in the consolidated financial statements.

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, 2021, 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, 2021 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 Group'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 and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 Group 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 Group 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.

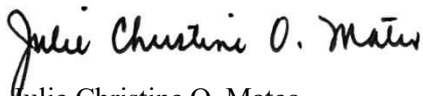
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 Julie Christine O. Mateo.

SYCIP GORRES VELAYO & CO.



Julie Christine O. Mateo

Partner

CPA Certificate No. 93542

Tax Identification No. 198-819-116

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

SEC Partner Accreditation No. 93542-SEC (Group A)

Valid to cover audit of 2020 to 2024 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. 08-001998-068-2020, December 3, 2020, valid until December 2, 2023

PTR No. 8854345, January 3, 2022, Makati City

February 28, 2022



SM INVESTMENTS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands)

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7 and 27)	₱88,744,225	₱78,159,197
Time deposits (Notes 8 and 27)	311,233	31,012
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 9 and 27)	547,041	568,146
Receivables and contract assets (Notes 10 and 27)	74,599,491	60,526,230
Inventories (Note 11)	86,767,188	72,056,045
Other current assets (Notes 12 and 27)	51,088,161	43,170,378
Total Current Assets	302,057,339	254,511,008
Noncurrent Assets		
Financial assets at FVOCI - net of current portion (Notes 9 and 27)	27,946,993	27,278,240
Investments in associate companies and joint ventures (Note 13)	305,072,026	296,265,722
Time deposits - net of current portion (Notes 8, 27 and 28)	3,905,618	1,356,442
Property and equipment (Note 14)	38,555,519	26,087,448
Investment properties (Note 15)	463,765,374	435,466,724
Right-of-use assets (Note 26)	44,775,919	41,979,029
Intangibles (Note 16)	31,615,767	24,588,503
Deferred tax assets (Note 25)	4,732,558	4,671,969
Other noncurrent assets (Notes 16 and 27)	119,159,561	112,318,650
Total Noncurrent Assets	1,039,529,335	970,012,727
	₱1,341,586,674	₱1,224,523,735
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Notes 17, 21, 27 and 30)	₱26,232,427	₱24,126,000
Accounts payable and other current liabilities (Notes 18, 26 and 27)	163,974,670	149,231,108
Income tax payable	2,224,660	2,649,041
Current portion of long-term debt (Notes 19, 21, 27 and 30)	63,706,559	60,121,438
Dividends payable (Note 27)	3,110,847	3,829,207
Total Current Liabilities	259,249,163	239,956,794
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 19, 21, 27, 28 and 30)	374,155,880	330,731,798
Lease liabilities - net of current portion (Notes 26 and 30)	31,061,609	28,868,164
Deferred tax liabilities (Note 25)	15,796,870	12,614,979
Tenants' deposits and others (Notes 24, 26, 27 and 28)	48,883,227	47,624,102
Total Noncurrent Liabilities	469,897,586	419,839,043
Total Liabilities	729,146,749	659,795,837

(Forward)



	December 31	
	2021	2020
Equity Attributable to Owners of the Parent		
Capital stock (Note 20)	₱12,045,829	₱12,045,829
Additional paid-in capital	75,827,181	75,823,506
Equity adjustments from common control transactions (Note 20)	(5,424,455)	(5,424,455)
Cost of Parent common shares held by subsidiaries	(25,386)	(25,386)
Cumulative translation adjustment	2,193,170	895,922
Net fair value changes on cash flow hedges	(980,127)	(2,741,387)
Net unrealized gain on financial assets at FVOCI (Note 9)	15,171,942	16,506,435
Remeasurement loss on defined benefit asset/obligation (Note 24)	(8,317,835)	(6,066,075)
Retained earnings (Note 20):		
Appropriated	37,000,000	37,000,000
Unappropriated	308,946,422	275,818,556
Total Equity Attributable to Owners of the Parent	436,436,741	403,832,945
Non-controlling Interests	176,003,184	160,894,953
Total Equity	612,439,925	564,727,898
	₱1,341,586,674	₱1,224,523,735

See accompanying Notes to Consolidated Financial Statements.



SM INVESTMENTS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands Except Per Share Data)

	Years Ended December 31		
	2021	2020	2019
REVENUES			
Sales:			
Merchandise	₱302,607,313	₱289,726,442	₱354,088,848
Real estate	45,116,570	47,023,795	44,499,529
Shipping, logistics and other services	5,656,888	–	–
Rent (Notes 15, 21 and 26)	29,642,244	26,904,979	51,573,157
Equity in net earnings of associate companies and joint ventures (Note 13)	26,768,811	17,036,367	26,038,426
Royalty, management and service fees (Note 21)	4,394,077	3,936,537	7,348,479
Cinema ticket sales, amusement and others	498,924	1,095,445	7,739,761
Dividend income (Note 21)	586,703	430,696	480,513
Others	12,786,125	8,031,444	10,200,616
	428,057,655	394,185,705	501,969,329
COST AND EXPENSES			
Cost of sales:			
Merchandise (Note 11)	227,708,698	220,245,198	262,434,661
Real estate (Notes 11 and 15)	18,687,157	20,583,982	20,806,612
Cost of services	7,516,230	–	–
Selling, general and administrative expenses (Note 22)	97,879,839	95,482,554	113,257,931
	351,791,924	336,311,734	396,499,204
OTHER INCOME (CHARGES)			
Interest expense (Notes 21 and 23)	(18,759,841)	(18,023,610)	(19,511,745)
Interest income (Notes 21 and 23)	2,201,191	2,436,015	3,881,156
Gain (loss) on disposal of investments and properties - net	672,121	(19,373)	193,878
Gain (loss) on fair value changes on derivatives - net	317,743	(6,503)	6,379
Impairment loss on investment (Note 13)	–	(1,000,000)	(3,987,000)
Foreign exchange gain - net and others (Note 27)	773,776	155,162	561,705
	(14,795,010)	(16,458,309)	(18,855,627)
INCOME BEFORE INCOME TAX	61,470,721	41,415,662	86,614,498
PROVISION FOR INCOME TAX (Note 25)			
Current	6,957,046	6,407,055	16,218,229
Deferred	1,782,037	683,565	951,955
	8,739,083	7,090,620	17,170,184
NET INCOME	₱52,731,638	₱34,325,042	₱69,444,314
Attributable to			
Owners of the Parent (Note 29)	₱38,499,890	₱23,389,950	₱44,568,244
Non-controlling interests	14,231,748	10,935,092	24,876,070
	₱52,731,638	₱34,325,042	₱69,444,314
Basic/Diluted Earnings Per Common Share			
Attributable to Owners of the Parent (Note 29)	₱31.96	₱19.42	₱37.00

See accompanying Notes to Consolidated Financial Statements.



SM INVESTMENTS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2021	2020	2019
NET INCOME	₱52,731,638	₱34,325,042	₱69,444,314
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will be reclassified to profit or loss in subsequent periods			
Share in unrealized gain (loss) on financial assets at fair value through other comprehensive income (FVOCI) of associates (Notes 9 and 13)	(2,254,430)	2,280,460	4,505,589
Cumulative translation adjustment	2,088,002	(322,636)	(1,011,736)
Net fair value changes on cash flow hedges	2,353,722	(1,556,934)	(1,712,763)
	2,187,294	400,890	1,781,090
Items not to be reclassified to profit or loss in subsequent periods			
Remeasurement gain (loss) on defined benefit obligation (Note 24)	(2,389,787)	4,108,271	(8,209,190)
Net unrealized gain (loss) on financial assets at FVOCI	1,500,421	(302,553)	(176,975)
Income tax relating to items not to be reclassified to profit or loss in subsequent periods	(198,464)	(776,519)	553,736
	(1,087,830)	3,029,199	(7,832,429)
TOTAL COMPREHENSIVE INCOME	₱53,831,102	₱37,755,131	₱63,392,975
Attributable to			
Owners of the Parent	₱37,718,970	₱26,317,136	₱40,223,919
Non-controlling interests	16,112,132	11,437,995	23,169,056
	₱53,831,102	₱37,755,131	₱63,392,975

See accompanying Notes to Consolidated Financial Statements.



SM INVESTMENTS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 and 2019
(Amounts in Thousands Except Per Share Data)

	Equity Attributable to Owners of the Parent											Non-controlling Interests	Total Equity
	Capital Stock	Additional Paid-in Capital	Equity Adjustments from Common Control Transactions	Cost of Parent Common Shares Held by Subsidiaries	Cumulative Translation Adjustment	Net Fair Value Changes on Cash Flow Hedges	Net Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)	Remeasurement Loss on Defined Benefit Asset/Obligation	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total		
As at January 1, 2021	₱12,045,829	₱75,823,506	(₱5,424,455)	(₱25,386)	₱895,922	(₱2,741,387)	₱16,506,435	(₱6,066,075)	₱37,000,000	₱275,818,556	₱403,832,945	₱160,894,953	₱564,727,898
Net income	–	–	–	–	–	–	–	–	–	38,499,890	38,499,890	14,231,748	52,731,638
Other comprehensive income	–	–	–	–	1,297,248	1,761,260	(1,587,668)	(2,251,760)	–	–	(780,920)	1,880,384	1,099,464
Total comprehensive income	–	–	–	–	1,297,248	1,761,260	(1,587,668)	(2,251,760)	–	38,499,890	37,718,970	16,112,132	53,831,102
Realized loss on sale of financial assets at FVOCI (Note 9)	–	–	–	–	–	–	253,175	–	–	(253,175)	–	–	–
Transactions with non-controlling interests	–	3,675	–	–	–	–	–	–	–	–	3,675	25,466	29,141
Cash dividends - ₱4.25 per share (Note 20)	–	–	–	–	–	–	–	–	–	(5,118,849)	(5,118,849)	–	(5,118,849)
Cash dividends received by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(3,816,245)	(3,816,245)
Effect of business combination (Note 5)	–	–	–	–	–	–	–	–	–	–	–	3,073,712	3,073,712
Increase in previous year's non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(286,834)	(286,834)
As at December 31, 2021	₱12,045,829	₱75,827,181	(₱5,424,455)	(₱25,386)	₱2,193,170	(₱980,127)	₱15,171,942	(₱8,317,835)	₱37,000,000	₱308,946,422	₱436,436,741	₱176,003,184	₱612,439,925
As at January 1, 2020	₱12,045,829	₱75,815,923	(₱5,424,455)	(₱25,386)	₱1,308,228	(₱1,406,026)	₱14,399,640	(₱8,633,269)	₱37,000,000	₱257,546,591	₱382,627,075	₱153,524,403	₱536,151,478
Net income	–	–	–	–	–	–	–	–	–	23,389,950	23,389,950	10,935,092	34,325,042
Other comprehensive income	–	–	–	–	(412,306)	(1,335,361)	2,107,659	2,567,194	–	–	2,927,186	502,903	3,430,089
Total comprehensive income	–	–	–	–	(412,306)	(1,335,361)	2,107,659	2,567,194	–	23,389,950	26,317,136	11,437,995	37,755,131
Realized gain on sale of financial assets at FVOCI (Note 9)	–	–	–	–	–	–	(864)	–	–	864	–	–	–
Transactions with non-controlling interests	–	7,583	–	–	–	–	–	–	–	–	7,583	(7,583)	–
Cash dividends - ₱4.25 per share (Note 20)	–	–	–	–	–	–	–	–	–	(5,118,849)	(5,118,849)	–	(5,118,849)
Cash dividends received by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(4,664,320)	(4,664,320)
Increase in previous year's non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	604,458	604,458
As at December 31, 2020	₱12,045,829	₱75,823,506	(₱5,424,455)	(₱25,386)	₱895,922	(₱2,741,387)	₱16,506,435	(₱6,066,075)	₱37,000,000	₱275,818,556	₱403,832,945	₱160,894,953	₱564,727,898



Equity Attributable to Owners of the Parent

	Capital Stock	Additional Paid-in Capital	Equity Adjustments from Common Control Transactions	Cost of Parent Common Shares Held by Subsidiaries	Cumulative Translation Adjustment	Net Fair Value Changes on Cash Flow Hedges	Net Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)	Remeasurement Loss on Defined Benefit Asset/ Obligation	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total	Non-controlling Interests	Total Equity
As at January 1, 2019	₱12,045,829	₱75,815,520	(₱5,424,455)	(₱25,386)	₱2,014,573	₱62,444	₱11,748,980	(₱2,063,358)	₱37,000,000	₱222,213,054	₱353,387,201	₱138,902,811	₱492,290,012
Net income	-	-	-	-	-	-	-	-	-	44,568,244	44,568,244	24,876,070	69,444,314
Other comprehensive income	-	-	-	-	(706,345)	(1,468,470)	4,400,401	(6,569,911)	-	-	(4,344,325)	(1,707,014)	(6,051,339)
Total comprehensive income	-	-	-	-	(706,345)	(1,468,470)	4,400,401	(6,569,911)	-	44,568,244	40,223,919	23,169,056	63,392,975
Realized gain on sale of financial assets at FVOCI	-	-	-	-	-	-	(1,749,741)	-	-	1,749,741	-	-	-
Transactions with non-controlling interests	-	403	-	-	-	-	-	-	-	-	403	(81,462)	(81,059)
Cash dividends - ₱9.12 per share	-	-	-	-	-	-	-	-	-	(10,984,448)	(10,984,448)	-	(10,984,448)
Cash dividends received by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(9,824,854)	(9,824,854)
Effect of business combination	-	-	-	-	-	-	-	-	-	-	-	1,358,352	1,358,352
Increase in previous year's non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	500	500
As at December 31, 2019	₱12,045,829	₱75,815,923	(₱5,424,455)	(₱25,386)	₱1,308,228	(₱1,406,026)	₱14,399,640	(₱8,633,269)	₱37,000,000	₱257,546,591	₱382,627,075	₱153,524,403	₱536,151,478

See accompanying Notes to Consolidated Financial Statements.



SM INVESTMENTS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱61,470,721	₱41,415,662	₱86,614,498
Adjustments for:			
Equity in net earnings of associate companies and joint ventures (Note 13)	(26,768,811)	(17,036,367)	(26,038,426)
Depreciation and amortization (Notes 14, 15, 16, 22 and 26)	20,696,369	18,763,579	19,370,843
Interest expense (Note 23)	18,759,841	18,023,610	19,511,745
Provisions (reversal of provisions) - net (Notes 10 and 22)	(4,277,758)	1,620,414	2,609,386
Interest income (Note 23)	(2,201,191)	(2,436,015)	(3,881,156)
Loss (gain) on disposal of investments and properties - net	(672,121)	19,373	(193,878)
Dividend income (Note 21)	(586,703)	(430,696)	(480,513)
Unrealized foreign exchange (gain) loss - net	(490,845)	(124,982)	220,432
Loss (gain) on fair value changes on derivatives - net	(317,743)	6,503	(6,379)
Impairment loss on investment (Note 13)	-	1,000,000	3,987,000
Gain on sale of financial assets at fair value through profit or loss (FVPL) - net	-	-	(27,812)
Income before working capital changes	65,611,759	60,821,081	101,685,740
Increase in:			
Receivables and contract assets	(2,788,404)	(6,930,842)	(2,848,713)
Inventories	(37,303,043)	(16,077,988)	(21,514,263)
Other current assets	(6,836,921)	(2,313,171)	(8,187,276)
Increase (decrease) in:			
Accounts payable and other current liabilities	35,531,070	11,163,508	21,611,185
Tenants' deposits and others	1,330,169	(397,461)	(2,498,565)
Net cash generated from operations	55,544,630	46,265,127	88,248,108
Income tax paid	(7,402,297)	(7,035,228)	(16,576,112)
Net cash provided by operating activities	48,142,333	39,229,899	71,671,996
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
Property and equipment	365,861	58,896	343,228
Investment properties	914,962	3,197	117,429
Financial assets at fair value through other comprehensive income (FVOCI) and FVPL	-	-	3,814,634
Additions to:			
Investment properties (Note 15)	(42,155,574)	(38,415,299)	(42,295,103)
Property and equipment (Note 14)	(10,449,085)	(6,096,154)	(7,446,414)
Financial assets at FVOCI and FVPL	(1,427)	(3,124,660)	(3,261,682)
Investments in associate companies and joint ventures (Note 13)	(358,120)	(390,350)	(5,330,780)
Decrease (increase) in:			
Other noncurrent assets	12,084,333	(11,145,362)	(1,543,199)
Time deposits	(2,829,397)	1,056,006	25,111,241
Dividends received	5,180,690	4,751,956	5,558,665
Interest received	2,018,965	2,439,829	4,048,370
Purchase consideration, net of cash from acquisition of subsidiaries (Note 5)	(5,684,648)	-	327,140
Net cash used in investing activities	(40,913,440)	(50,861,941)	(20,556,471)

(Forward)



	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of:			
Bank loans	₱52,175,839	₱82,880,520	₱25,266,865
Long-term debt	129,529,420	75,253,912	52,895,468
Payments of:			
Bank loans	(53,324,257)	(77,464,985)	(21,376,865)
Long-term debt	(92,624,775)	(36,158,696)	(64,799,259)
Interest	(18,034,064)	(17,142,063)	(22,606,473)
Dividends	(9,653,454)	(10,158,925)	(20,510,816)
Lease liabilities (Notes 26 and 30)	(4,630,284)	(3,838,044)	(2,854,295)
Proceeds from maturity of derivatives	-	-	395,722
Net cash provided by (used in) financing activities	3,438,425	13,371,719	(53,589,653)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,667,318	1,739,677	(2,474,128)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(82,290)	205,746	(625,313)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 7)	78,159,197	76,213,774	79,313,215
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	₱88,744,225	₱78,159,197	₱76,213,774

See accompanying Notes to Consolidated Financial Statements.



SM INVESTMENTS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

SM Investments Corporation (SMIC or Parent Company) was incorporated in the Philippines on January 15, 1960. On December 27, 2019, the Philippine Securities and Exchange Commission (SEC) approved the amendment of the Parent Company's articles of incorporation changing its corporate life to perpetual. Its registered office address is 10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City 1300.

SMIC is one of the largest publicly listed companies in the Philippines with interests in market leading businesses in retail, banking and property. It also invests in ventures that capture high growth opportunities in the emerging Philippine economy.

The accompanying consolidated financial statements were authorized for issue by the Board of Directors (BOD), as approved and recommended for approval by the Audit Committee, on February 28, 2022.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The consolidated financial statements of the Parent Company and its subsidiaries (the Group) are prepared on a historical cost basis, except for derivative financial instruments and financial assets at fair value through other comprehensive income (FVOCI) which are 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 (PFRSs). All values are rounded to the nearest thousand Peso except when otherwise indicated.

The accompanying consolidated financial statements have been prepared under the going concern assumption. The Group believes that its businesses would remain relevant despite challenges posed by the COVID-19 pandemic. Despite the adverse impact of the COVID-19 pandemic on short-term business results, long-term prospects remain attractive.

Statement of Compliance

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

Basis of Consolidation

The Group is considered to have control over an investee when the Group has:

- power over the investee (i.e., existing rights that give it the ability to direct the relevant activities of the investee);
- exposure or rights to variable returns from its involvement with the investee; and,
- the ability to use its power over the investee to affect its returns.

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and,



- the Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control until the date the Group ceases to have control over the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. When the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interests;
- derecognizes the cumulative translation adjustments 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 Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate.

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

Company	Principal Activities	Percentage of Ownership			
		2021		2020	
		Direct	Indirect	Direct	Indirect
Property					
SM Prime Holdings, Inc. (SM Prime) and Subsidiaries	Real estate development	50	–	50	–
SM Development Corporation and Subsidiaries	Real estate development	–	100	–	100
Highlands Prime, Inc.	Real estate development	–	100	–	100
Costa del Hamilo, Inc. and Subsidiary	Real estate development	–	100	–	100
Magenta Legacy, Inc.	Real estate development	–	100	–	100
Associated Development Corporation	Real estate development	–	100	–	100
Prime Metro Estate, Inc. and Subsidiary	Real estate development	–	100	–	100
Tagaytay Resort Development Corp	Real estate development	–	100	–	100
SM Arena Complex Corporation	Conventions	–	100	–	100
MOA Esplanade Port, Inc.	Port terminal operations	–	100	–	100
Premier Clark Complex, Inc.	Real estate development	–	100	–	100
SM Hotels and Conventions Corp. and Subsidiaries	Hotel and conventions	–	100	–	100
First Asia Realty Development Corp.	Real estate development	–	74	–	74
Premier Central, Inc. and Subsidiary	Real estate development	–	100	–	100
Consolidated Prime Dev. Corp.	Real estate development	–	100	–	100
Premier Southern Corp.	Real estate development	–	100	–	100
San Lazaro Holdings Corporation	Real estate development	–	100	–	100
Southernpoint Properties Corp.	Real estate development	–	100	–	100
First Leisure Ventures Group Inc.	Real estate development	–	50	–	50
CHAS Realty and Development Corporation and Subsidiaries	Real estate development	–	100	–	100
Springfield Global Enterprises Limited *[BVI]	Real estate development	–	100	–	100

(Forward)



Company	Principal Activities	Percentage of Ownership			
		2021		2020	
		Direct	Indirect	Direct	Indirect
Simply Prestige Limited and Subsidiaries *[BVI]	Real estate development	–	100	–	100
SM Land (China) Limited and Subsidiaries * [Hong Kong]	Real estate development	–	100	–	100
Rushmore Holdings, Inc.	Real estate development	–	100	–	100
Prime Commercial Property Management Corp. and Subsidiaries	Real estate development	–	100	–	100
Mindpro, Incorporated (Mindpro)	Real estate development	–	70	–	70
A. Canicosa Holdings, Inc.	Real estate development	–	100	–	100
AD Canicosa Properties, Inc.	Real estate development	–	100	–	100
Cherry Realty Development Corporation	Real estate development	–	100	–	100
Supermalls Transport Services, Inc.	Real estate development	–	100	–	100
SM Smart City Infrastructure and Development Corporation	Real estate development	–	100	–	–
Mountain Bliss Resort & Development Corp. and Subsidiary	Real estate development	100	–	100	–
Intercontinental Development Corporation	Real estate development	97	3	97	3
Prime Central Limited and Subsidiaries *[BVI]	Investment	100	–	100	–
Bellevue Properties, Inc.	Real estate development	62	–	62	–
Neo Subsidiaries ^(a)	Real estate development	95	–	95	–
Nagtahan Property Holdings, Inc.	Real estate development	100	–	100	–
Philippines Urban Living Solutions, Inc. (PULSI)	Real estate development	71	–	63	–
Retail					
SM Retail Inc. (SM Retail) and Subsidiaries	Retail	77	–	77	–
Others					
Primebridge Holdings, Inc.	Investment	100	–	100	–
Multi-Realty Development Corporation	Investment	91	–	91	–
Henfels Investments Corporation	Investment	99	–	99	–
Belleshare Holdings, Inc.	Investment	99	–	99	–
Digital Advantage Corp.	Investment	94	–	94	–
2GO Group, Inc. (Note 5)	Integrated Supply Chain	53	–	–	–
	Bakery products and other				
Goldilocks Bakeshop, Inc. (Note 5)	food items	74	–	–	–
Globalfund Holdings, Inc.	Investment	98	2	–	100

The principal place of business and country of incorporation of the subsidiaries listed above is in the Philippines except for those marked * and as indicated after the company name.

(a) Neo Subsidiaries include N-Plaza BGC Land, Inc., N-Plaza BGC Properties, Inc., N-Quad BGC Land, Inc., N-Quad BGC Properties, Inc., N-Square BGC Land, Inc., N-Square BGC Properties, Inc., N-Cube BGC Land, Inc., N-Cube BGC Properties, Inc., N-One BGC Land, Inc. and N-One BGC Properties, Inc.

Material Partly-owned Subsidiary

The non-controlling interests of SM Prime is material to the Group. Non-controlling shareholders hold 50% of SM Prime as at December 31, 2021 and 2020.

The summarized financial information of SM Prime follows:

Financial Position

	December 31	
	2021	2020
	<i>(In Thousands)</i>	
Current assets	₱195,664,769	₱157,074,976
Noncurrent assets	608,738,511	565,283,949
Total assets	804,403,280	722,358,925
Current liabilities	141,025,499	135,987,903
Noncurrent liabilities	329,017,008	275,653,394
Total liabilities	470,042,507	411,641,297
Total equity	₱334,360,773	₱310,717,628



	December 31	
	2021	2020
	<i>(In Thousands)</i>	
Attributable to:		
Owners of the Parent	₱332,919,204	₱309,284,067
Non-controlling interests	1,441,569	1,433,561
	₱334,360,773	₱310,717,628

Statements of Income

	Years Ended December 31		
	2021	2020	2019
	<i>(In Thousands)</i>		
Revenues	₱82,315,484	₱81,899,298	₱118,311,490
Costs and expenses	49,900,933	52,825,112	61,619,162
Other charges	4,681,026	6,610,445	7,530,334
Income before income tax	27,733,525	22,463,741	49,161,994
Provision for income tax	5,822,122	4,324,004	10,373,321
Net income	21,911,403	18,139,737	38,788,673
Other comprehensive income (loss)	4,180,611	(4,311,847)	(30,088)
Total comprehensive income	₱26,092,014	₱13,827,890	₱38,758,585
Attributable to:			
Owners of the Parent	₱21,786,516	₱18,006,512	₱38,085,601
Non-controlling interests	124,887	133,225	703,072
Net income	₱21,911,403	₱18,139,737	₱38,788,673
Attributable to:			
Owners of the Parent	₱25,968,260	₱13,688,396	₱38,058,471
Non-controlling interests	123,754	139,494	700,114
Total comprehensive income	₱26,092,014	₱13,827,890	₱38,758,585
Dividends paid to non-controlling interests	(₱129,050)	(₱288,100)	(₱633,700)

Cash Flows

	Years Ended December 31		
	2021	2020	2019
	<i>(In Thousands)</i>		
Net cash provided by operating activities	₱30,667,161	₱17,190,284	₱51,727,582
Net cash used in investing activities	(44,113,678)	(43,943,981)	(48,615,244)
Net cash provided by (used in) financing activities	22,623,545	22,817,505	(7,310,020)
Effect of exchange rate changes on cash and cash equivalents	(62,790)	(2,153)	31,174
Net increase (decrease) in cash and cash equivalents	₱9,114,238	(₱3,938,345)	(₱4,166,508)



3. Summary of Significant Accounting Policies, Changes and Improvements

The significant accounting policies adopted in the preparation of the consolidated financial statements are summarized below.

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 and are subject to an insignificant risk of change in value.

Time Deposits

Time deposits (shown under current assets) are cash placements with original maturities of more than three months but less than one year. Time deposits with maturities of more than twelve months after the reporting period are presented under noncurrent assets.

Determination of Fair Value

Fair value is the 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 most advantageous market for the asset or liability, in the absence of a principal market.

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

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 the market participants act in their best economic interest.

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

The Group 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 based on the lowest level input that is significant to the fair value measurement as a whole and disclosed in the consolidated financial statements based on the fair value hierarchy described below:

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 Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.



The Group determines the policies and procedures for both recurring and non-recurring fair value measurements. For the purpose of fair value disclosures, the Group has assessed the class of assets and liabilities on the basis of the nature, characteristics and risks of the subject asset or liability.

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

“Day 1” Difference. Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group 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 use is made of data that is not observable, 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 Group determines the appropriate method of recognizing the amount of “Day 1” difference.

Financial Instruments

Financial Assets

Initial Recognition and Measurement

At initial recognition, financial assets are classified as, and measured at amortized cost, FVOCI, and fair value through profit or loss (FVPL). The classification at initial recognition depends on the contractual cash flow characteristics of the financial assets and the Group’s business model for managing them. The initial measurement of financial assets, except for those classified as FVPL, includes the transaction cost. The exception is for trade receivables that do not contain a significant financing component. These are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

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 instrument level. The Group’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 are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent Measurement

Subsequent to initial recognition, the Group classifies its financial assets in the following categories:

- Amortized cost
- FVPL
- FVOCI
 - with recycling of cumulative gains and losses (debt instruments)
 - with no recycling of cumulative gains and losses upon derecognition (equity instruments)



Financial Assets at Amortized Cost (Debt Instruments)

The Group measures financial assets at amortized cost when:

- The financial asset is held within a business model with the objective to hold these and collect contractual cash flows; and,
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are SPPI.

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

The Group's financial assets at amortized cost include cash and cash equivalents, time deposits, receivables (including noncurrent portion of receivables from real estate buyers), advances and other receivables (included under "Other current assets" account) and long-term notes (included under "Other noncurrent assets" account).

Financial Assets at FVPL

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL and financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if these are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are classified as held for trading unless these are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model.

Financial assets at FVPL are measured at fair value. Changes in fair values are recognized in profit or loss.

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 when:

- 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 FVPL.

Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. 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 FVPL 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 FVPL.

Financial Assets at FVOCI (Debt Instruments)

The Group measures debt instruments at FVOCI when:

- The financial asset is held within a business model with the objective of both holding 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.



For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of income and computed in the same manner as financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change is recycled to profit or loss.

As at December 31, 2021 and 2020, the Group does not have any debt instrument measured at FVOCI.

Financial Assets Designated at FVOCI (Equity Instruments)

Upon initial recognition, the Group can elect to irrevocably classify its equity investments as equity instruments designated at FVOCI when these meet the definition of equity under Philippine Accounting Standard (PAS) 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined at instrument level.

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

The Group's equity instruments at FVOCI include investments in shares of stock and club shares (included under "Financial assets at FVOCI" account).

Derecognition

A financial asset, part of a financial asset or part of a group of similar financial assets, is primarily derecognized when:

- The right to receive cash flows from the asset has expired; or,
- The Group 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 Group has transferred substantially all the risks and rewards of the asset, or, (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates the 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 Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group 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 Group could be required to repay.

Modification of Financial Assets

The Group 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 Group considers both qualitative and quantitative factors in assessing whether the modification of financial asset is substantial or not. The Group considers the following factors in its assessment:

- Change in currency;
- Introduction of an equity feature;
- Change in counterparty; and
- Asset no longer qualified as “solely payment for principal and interest”.

The Group also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Group considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid, net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial asset.

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 Group 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 profit or loss.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a new financial asset. Accordingly, the date of the modification is considered as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for expected credit loss (ECL) measurement purposes, unless the new financial asset is deemed to be originated as credit impaired.

Impairment

The Group recognizes an allowance for ECLs for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

To calculate ECLs, the Group uses the provision matrix for rent and other receivables, vintage approach for receivables from sale of real estate (billed and unbilled) and general approach (low credit risk simplification) for treasury assets.

Under the provision matrix, ECLs are calculated based on lifetime ECLs. Changes in credit risk are not tracked, instead, a loss allowance based on lifetime ECLs adjusted for forward-looking factors specific to the debtors and the economic environment is recognized.

Under the vintage approach, ECLs are calculated based on the cumulative loss rates of given real estate receivable pool. The probability of default is derived from the historical data of a homogenous portfolio that share the same origination period. Information on the number of loan defaults for fixed time intervals is utilized to create the probability model. It allows the evaluation of the loan activity from origination period to the end of the contract period. Macroeconomic indicators such as forward-looking data on inflation rate are also considered. The probability of default is applied to the loss estimate which is the difference between the contractual cash flows due and the amount expected to



be received, including the cost of repossession of the subject real estate property and other related costs. In calculating the recovery rates, collections and/or cash from the resale of foreclosed real estate properties, net of direct costs to obtain and sell the real estate properties, are considered such as commission, cost of refurbishment, payment required under Maceda law, and cost to complete for incomplete units. As these are future cash flows, these are discounted to the time of default using the appropriate effective interest rate.

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

For debt instruments at FVOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. The Group considers there to be a significant increase in credit risk when contractual payments become past due.

Financial Liabilities

Initial Recognition and Measurement

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

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

The Group's financial liabilities include bank loans, accounts payable and other current liabilities (excluding payable to government agencies), dividends payable, long-term debt, lease liabilities and tenants' deposits and others.

Subsequent Measurement

Loans and Borrowings

Interest-bearing loans and borrowings and other payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as interest expense in the consolidated statement of income.

Financial Liabilities at FVPL

Financial liabilities at FVPL include those held for trading as well as derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless these are designated as effective hedging instruments. Gains and losses on liabilities held for trading are recognized in the consolidated statement of income.



Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled. 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 a derecognition of the original liability and a recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

Exchange or Modification of Financial Liabilities

The Groups considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When the exchange or modification of the existing financial liability is not considered as substantial, the Group recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred are adjusted to the carrying amount of the financial instrument and amortized over the remaining term of the modified financial instrument.

Offsetting of 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 offset the recognized amounts and there is an intention to settle on a net basis, i.e., to realize the assets and settle the liabilities simultaneously.

Derivative Financial Instruments and Hedge Accounting

Initial Recognition and Subsequent Measurement

The Group uses derivative financial instruments such as cross-currency swaps, foreign currency call options, interest rate swaps, options and non-deliverable forwards to hedge the risks associated with foreign currency and interest rate fluctuations. Derivative financial instruments are initially recognized at fair value on the date on which the 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.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment; or,



- Cash flow hedges when hedging the exposure to variability in cash flows that is 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.

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 Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of the hedged item.

Hedges are accounted for as fair value hedges or cash flow hedges.

Fair Value Hedge

The change in the fair value of a hedge instrument is recognized in the consolidated statement of income. The change in the fair value attributable to the risk hedged is recorded as part of the carrying value of the hedge instrument and is also recognized in the consolidated statement of income as other expense.

For fair value hedges carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortization is initiated when an adjustment exists and no later than when the hedged instrument ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

In case of derecognition, the unamortized fair value of the hedged instrument is recognized immediately in profit or loss.

Cash Flow Hedges

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

The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognized in OCI and accumulated in a separate component of equity under "Cumulative translation adjustment" account.

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 hedged cash flows affect profit or loss.



If hedge accounting is discontinued, the amount accumulated in OCI shall remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount shall be reclassified to profit or loss as a reclassification adjustment. When the hedged cash flow occurs, any amount remaining in accumulated OCI shall be accounted for depending on the nature of the underlying transaction.

Merchandise Inventories

Merchandise inventories are valued at the lower of cost or net realizable value. Cost, which includes all costs directly attributable to acquisition, such as purchase price and transport costs, is primarily determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Current Portion of Land and Development and Condominium and Residential Units for Sale

The current portion of land and development and condominium and residential units for sale are stated at the lower of cost or net realizable value. Cost includes those costs incurred for development and improvement of the properties. 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. The current portion of land and development and condominium and residential units for sale includes properties that are constructed for sale in the ordinary course of business, rather than 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, and site preparation, as well as professional fees, property transfer taxes, construction overhead and others.

Investments in Associate Companies and Joint Ventures

An associate is an entity over which the Group 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 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 is similar to those necessary to determine control over subsidiaries.

The Group's investments in associate companies and joint ventures are accounted for under the equity method of accounting. Under the equity method, investments in associate companies and joint ventures are carried at cost plus post-acquisition changes in the Group's share in net assets of the 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 or joint venture'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 Group's share in the associate's or joint venture's profits or losses; and,
- Any excess of the Group's share in the net fair value of the associate's and joint venture's identifiable assets, liabilities and contingent liabilities over the cost of the investment is included as income in the determination of the investor's share of the associate's or joint venture's profit or loss in the period in which the investment is acquired.

The consolidated statement of income reflects the share in the results of operations of the associate or joint venture. Where there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share in any changes and discloses this in the consolidated statement of comprehensive income. Profits and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's interest in the associate or joint venture.

Appropriate adjustments to the investor'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, such as for goodwill or property, plant and equipment.

After application of the equity method, the Group determines whether it is necessary to recognize any impairment loss with respect to the Group's net investment in the associate companies and joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate companies and joint ventures is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the investment's recoverable amount and carrying value and recognizes the impairment loss in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate companies and joint ventures upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Property and Equipment

Property and equipment, except land, is stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. 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.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.



Depreciation and amortization is calculated on a straight-line basis over the estimated useful lives of the assets, namely:

Buildings and improvements	5–25 years
Store equipment and improvements	5–10 years
Data processing equipment	5–8 years
Furniture, fixtures and office equipment	3–10 years
Machinery and equipment	2–10 years
Leasehold improvements	5–10 years or term of the lease, whichever is shorter
Transportation equipment	5–15 years
Vessels in operation, excluding drydocking cost, and vessel equipment and improvements	30–35 years
Containers and reefer vans	5–10 years

The residual values, useful lives and method of depreciation and amortization of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period. The carrying value of the assets is 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 these are no longer in use and no further depreciation and amortization is charged to current operations.

When any property and equipment is retired or otherwise disposed of, the cost and related accumulated depreciation and amortization and accumulated provision for impairment loss is removed from the accounts and any resulting gain or loss is charged to profit or loss.

Investment Properties

This account consists of investment properties and the noncurrent portion of land and development. Investment properties include property held to earn rentals and for capital appreciation. Investment properties, except land, are measured at cost, less accumulated depreciation and amortization and accumulated impairment in value. Land is stated at cost less any impairment in value.

Expenditures incurred after the investment property has been put in operation such as repairs and maintenance costs are charged to profit or loss.

Depreciation and amortization is calculated on a straight-line basis over the estimated useful lives of the assets, namely:

Land improvements	3–10 years
Buildings and improvements	5–40 years
Building equipment, furniture and others	3–15 years
Building and leasehold improvements	5 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 the end of each reporting period.

Investment property is derecognized when disposed or 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 charged to profit or loss.



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

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

Construction in Progress

Construction in progress under property and equipment and investment property represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Cost also includes interest on borrowed funds incurred during the construction period. Construction in progress is not depreciated.

Tenants' Deposits

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

Property Acquisitions, Business Combinations and Acquisitions of Non-controlling Interests

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 entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at acquisition date. Accordingly, no goodwill or additional deferred tax arises.

Business combinations are accounted for using the acquisition method except for business combinations under common control in which an accounting similar to pooling of interest method is used. Business combinations under common control are those in which all of the combining entities or businesses are controlled by the same party or parties both before and after the business combination, and that control is not transitory. Under the acquisition method, the cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in "Selling, general and administrative expenses" account in the consolidated statement of income.

For accounting similar to pooling of interest method, the assets, liabilities and equity of the acquired companies for the reporting period in which the common control business combinations occur, and for any comparative periods presented, are included in the consolidated financial statements of the Group at their carrying amounts as if the combinations occurred from the date when the acquired companies first became under the control of the Group. The excess of the cost of business



combinations over the net carrying amounts of the assets and liabilities of the acquired companies is recognized under “Equity adjustments from common control transactions” account in the equity section of the consolidated balance sheet.

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

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, *Financial Instruments*, is measured at fair value with the changes in fair value recognized in the statement of income in accordance with PFRS 9. Other contingent considerations that are not within the scope of PFRS 9 are measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Acquisitions of Non-controlling Interests. Changes in the Parent Company’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.

Goodwill

Initial Measurement of Goodwill or Gain on a Bargain Purchase. Goodwill is initially measured by the Group at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss as gain on a bargain purchase.

Subsequent Measurement of Goodwill. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Impairment Testing of Goodwill. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash generating units (CGU), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and,
- is not larger than an operating segment as defined in PFRS 8, *Operating Segments*, before aggregation.



Frequency of Impairment Testing. Irrespective of whether there is any indication of impairment, the Group tests goodwill acquired in a business combination for impairment at least annually.

Allocation of Impairment Loss. An impairment loss is recognized for a CGU if the recoverable amount of the unit or group of units is less than the carrying amount of the unit or group of units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit or group of units first to reduce the carrying amount of goodwill allocated to the CGU or group of units and then to the other assets of the unit or group of units pro rata on the basis of the carrying amount of each asset in the unit or group of units.

Measurement Period. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. The measurement period ends as soon as the Group receives the information it was seeking as of the acquisition date or learns that more information is not obtainable. The measurement period shall not exceed one year from the acquisition date.

Intangible Assets

The cost of trademarks and brand names acquired in a business combination is the fair value as at the date of acquisition. The useful life of trademarks and brand names is assessed based on an analysis of all relevant factors. If there is no foreseeable limit to the period over which the asset is expected to generate cash inflows for the Group, the trademark / brand name is considered to be indefinite.

Trademarks and brand names with indefinite useful lives are not amortized but are tested for impairment annually either individually or at the CGU level. Trademarks and brand names with finite useful lives are amortized on a straight-line basis over the estimated useful lives of the assets. The useful life of an intangible asset is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset at the date of disposal and are recognized in profit or loss.

Impairment of Nonfinancial Assets

The carrying value of nonfinancial assets (property and equipment, investment properties, investments in associate companies and joint ventures, right-of-use (ROU) assets, and intangibles with definite useful life and other noncurrent assets) is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or CGUs are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less cost to sell or value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and 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 CGU 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. In such a case, the recoverable amount is estimated. Any previously recognized impairment loss is reversed only when there is a change in estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Accordingly, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized 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.

Capital Stock and Additional Paid-in Capital

Capital stock is stated at par value of the share. Proceeds and/or fair value of considerations received in excess of par value, if any, is recognized as additional paid-in capital. Incremental costs directly attributable to the issuance of new shares is deducted from the proceeds, net of tax.

Revenue and Cost Recognition

Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or as an agent. The Group has concluded that it is acting as principal in majority of its revenue arrangements. The following specific recognition criteria shall be met before revenue is recognized:

Sale of Merchandise Inventories. Revenue from sale of goods is recognized when the transfer of control has been passed to the buyer at the time when the performance obligation has been satisfied. The performance obligation is generally satisfied when the customer purchases the goods. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Revenue and Cost from Sale of Real Estate. The Group derives its real estate revenue from the sale of lots, house and lot and condominium units. Revenue from the sale of these real estate under pre-completion stage is 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 Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses the output method. The Group 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 and time elapsed. This is based on the monthly project accomplishment report prepared by third party project managers as approved by the construction manager 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 contract liabilities.



Information about the Group's performance obligation. The Group 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 in cash or under a financing scheme commences upon signing of the "contract to sell" with the customer. The financing scheme includes payment of a certain percentage of the contract price spread over a specified period at a fixed monthly amount with the remaining balance payable in full at the end of the period either through cash or external financing. The amount due for collection based on the amortization schedule does not necessarily coincide with the progress of construction.

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

Cost of Real Estate Sold. The Group 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 Group'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. Contract assets 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. The capitalized amount is reclassified to trade receivable from real estate buyers when the periodic amortization of the customer becomes due for collection.

Contract Liabilities. Contract liabilities pertain to unearned revenue from sale of real estate. This is the obligation to transfer goods or services to a customer for which the Group has received consideration) from the customer. These also include customers' deposits related to sale of real estate. These are recognized as revenue when the Group performs the pertinent obligations under the contract.

Costs to Obtain a Contract. The costs of obtaining a contract with a customer are recognized as an asset if the Group expects recovery of these costs. The accrual of commissions paid to brokers and marketing agents on the sale of pre-completed real estate units is likewise capitalized when recovery is reasonably expected and is 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 a contract with a customer are expensed as these are 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 Group 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 Group applies the following criteria which if met, result in capitalization (i) costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) 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) costs are expected to be recovered. The assessment of this criteria requires the application of judgement particularly in determining whether costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

The Group's contract fulfillment assets mainly pertain to land acquisition costs (included under condominium and residential units for sale and current portion of land and development).

Amortization, Derecognition and Impairment of Contract Fulfillment Assets and Capitalized Costs to Obtain a Contract. The Group amortizes contract fulfillment assets and costs capitalized to obtain a contract to cost of sales over the expected construction period using percentage of completion (POC) following the pattern of real estate revenue recognition. The amortization is included in cost of real estate sold account in the consolidated statement of income.

A contract fulfillment asset or costs capitalized to obtain a contract is derecognized 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 Group determines whether there is an indication that a contract fulfillment asset may be impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the asset to the remaining amount of consideration that the Group expects to receive less those costs that relate to providing services under the contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price is removed when testing for impairment.

In case the relevant costs demonstrate indicators of impairment, judgment is required in ascertaining the future economic benefits from these contracts as sufficient to recover the relevant assets.

Shipping and Logistics Revenues. Revenues from shipping and logistics services are recognized when rendered and/or when export/import cargoes are received by the shipper or consignee. Shipping revenues include fees for ancillary services such as wharfage, arrastre, stevedoring and other related services.

Rent. Revenue is recognized on a straight-line basis over the lease term or based on the terms of the lease as applicable. Contingent rent is recognized as revenue in the period in which it is earned.

Sale of Cinema and Amusement Tickets. Revenue is recognized upon receipt of cash from the customers which coincides with the rendering of services.

Gain on Sale of Investments in Associate Companies and Joint Ventures and Financial Assets. Revenue is recognized upon delivery of the securities to and confirmation of the sale by the broker.

Dividends. Revenue is recognized when the Group's right as a shareholder to receive payment is established.

Royalty, Management and Service Fees. Revenue and/or expense is recognized when earned and/or incurred, in accordance with the terms of the agreements.

Interest. Revenue is recognized when interest accrues, taking into account the effective yield.



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

Pension Benefits

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, adjusted for any effect of limiting the 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.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- service cost;
- net interest on the net defined benefit liability or asset; and,
- remeasurements of net defined benefit liability or asset.

Service cost which includes current service costs, past service costs and gains or losses on non-routine settlements, is recognized as expense. Past service cost is recognized on the earlier of the date of the plan amendment or curtailment, or the date when restructuring-related cost is recognized.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability 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 liability or asset is recognized as expense or income 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 liability) are recognized immediately in OCI in the period in which these 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. Plan assets are not available to the creditors of the Group, nor can these be paid directly to the Group. The 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 these have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Foreign Currency-denominated Transactions

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 as at reporting date. Nonmonetary items denominated in foreign currency are translated using the exchange rate as at the date of initial recognition. All differences are recognized in profit or loss.



Foreign Currency Translation

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

Group as Lessor. Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is 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 rent is recognized as revenue in the period it is 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 e.g., addition or termination of the right to use one or more underlying assets, or the extension or shortening of the contractual lease term.

In case of a lease modification, the lessor shall account for any such modification by recognizing 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. In case of change in lease payments for an operating lease that does not meet the definition of a lease modification, the lessor shall account for any such change as a negative variable lease payment and recognize lower lease income.

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

- *ROU Assets.* The Group recognizes ROU assets at the commencement date of the lease. ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimates of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, except when those costs are incurred to produce inventories. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. ROU assets are subject to impairment.



- *Lease Liabilities.* At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised and payments of penalties for terminating a lease, if the lease term reflects the exercise of an option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate (IBR) at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for 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.

- *Short-term Leases and Leases of Low-value Assets.* The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have lease terms of 12 months or less from the commencement date and those that do not contain a purchase option). It also applies the lease of low-value assets recognition exemption. These leases are recognized as expense on a straight-line basis over the lease term.

Provisions

Provisions are recognized when the Group 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 Group 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. Any subsequent reversal of the provision is recognized in the same line item in profit or loss where the expense was initially recognized.

Borrowing Cost

Borrowing cost is capitalized as part of the cost of the asset if it is directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing cost commences when the activities to prepare the asset are in progress and expenditures and borrowing cost are incurred. Borrowing cost is capitalized until the assets are substantially ready for their intended use. Borrowing cost is capitalized when it is probable that it will result in future economic benefits to the Group. All other borrowing costs are expensed as incurred. For borrowing associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowings is used.

Taxes

Current Income 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 tax amounts are those that are enacted or substantively enacted as at the end of the reporting period.



Deferred Income Tax. Deferred income tax is set up based on the liability method and considering the temporary differences between the tax base of assets and liabilities and the corresponding carrying amounts at each reporting period.

Deferred tax assets are recognized for all 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), 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 over RCIT 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 wherein 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 the end of 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 the end of each reporting period and are recognized to the extent that the 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 as at reporting date.

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/or 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, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and,
- for receivables and payables that are stated with the amount of tax included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of “Other current assets” or “Accounts payable and other current liabilities” accounts in the consolidated balance sheet.



Basic/Diluted Earnings Per Common Share (EPS)

Basic EPS is computed by dividing the net income attributable to owners of the Parent for the period by the weighted average number of issued and outstanding common shares for 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 potential dilutive ordinary shares.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to the 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 the consolidated financial statements when an inflow of economic benefits is probable.

Events after the Reporting Period

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous year except for the adoption of new standards, starting January 1, 2021.

Unless otherwise indicated, the adoption did not have any significant impact on the consolidated financial statements.

The Group adopted these amendments beginning January 1, 2021.

- Adoption of the Deferred Provisions of Philippine Interpretations Committee (PIC) Q&A 2018-12, *PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-04)*

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some implementation issues of PFRS 15 affecting the real estate industry. On October 25, 2018 and February 8, 2019, the Philippine SEC issued SEC Memorandum Circular No. 14, Series of 2018, and SEC Memorandum Circular No. 3, Series of 2019, respectively, providing relief to the real estate industry by deferring the application of the following provisions of the above PIC Q&A for a period of 3 years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC Memorandum Circular No. 34, Series of 2020, which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023. A summary of the PIC Q&A provisions covered by the SEC deferral follows:

	Deferral Period
a. Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023
b. Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E	Until December 31, 2023



	Deferral Period
c. Treatment of uninstalled materials in the determination of the POC discussed in PIC Q&A 2018-12-E (as amended by PIC Q&A 2020-02)	Until December 31, 2020
d. Accounting for CUSA Charges discussed in PIC Q&A No. 2018-12-H	Until December 31, 2020

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

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

On July 8, 2021, the SEC issued SEC MC No. 8, series of 2021 amending the transition provision of the above PIC Q&A providing real estate companies the accounting policy option of applying either the full retrospective approach or modified retrospective approach. With this, real estate companies are finally able to fully comply with PFRS 15 and revert to full PFRS financial reporting for the calendar year 2021.

For the calendar year ended 2021, the Group did not avail of the relief provided by the SEC and instead adopted the PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04) effective January 1, 2021, using the modified retrospective approach.

- Adoption of IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost*)

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

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

The Group did not avail of the relief provided by the SEC and instead adopted the IFRIC Agenda Decision effective January 1, 2021, using modified retrospective approach as provided under the SEC Memorandum Circular No. 8, series of 2021.



▪ Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- There is no substantive change to other terms and conditions of the lease.

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

The amendment is effective for annual reporting periods beginning on or after April 1, 2021, with earlier application permitted.

Group as Lessee. The Group adopted the amendments beginning January 1, 2021. The adoption of these amendments for rent concessions on certain land, retail stores, office spaces and warehouses has no significant impact for the year ended December 31, 2021.

Group as Lessor. For the year ended December 31, 2021 and 2020, the Group waived rentals and other charges amounting to ₱17,118.1 million and ₱18,779.9 million, respectively, in addition to deferral of rental payments. These concessions significantly reduced rental income. These rental waivers and deferrals are not accounted as a lease modification under PFRS 16 since COVID-19 is a force majeure under the general law.

▪ Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform.
- Relief from discontinuing hedging relationships.
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

Following are the information that are required to be disclosed:

- Nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.



Future Changes in Accounting Policies

The following are the new standards, amendments to standards and improvements that were issued but are not yet effective as at December 31, 2021.

Unless otherwise indicated, the Group does not expect the future adoption of these new standards, amendments to standards and improvements to have a significant impact on the consolidated financial statements.

The Group intends to adopt the applicable standards, amendments to standards and improvements when these become effective.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with 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 from liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 21, *Levies*, if incurred separately.

The amendments also clarified that contingent assets do not qualify for recognition as at the acquisition date.

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

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit the deduction 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. Such proceeds shall be recognized in profit or loss.

The amendment is effective January 1, 2022 with retroactive modification for items of property, plant and equipment made available for use on or after the beginning of the earliest period presented at the time of adoption.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective on or after January 1, 2022.



▪ *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

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

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment 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 at the time of first adoption.

The amendment is effective on or after January 1, 2022 with early adoption permitted.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment 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.

The amendment is to be applied prospectively, on or after the January 1, 2022 with early adoption permitted.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments 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).

These amendments are effective on or after January 1, 2023.



▪ Amendments to PAS 8, *Definition of Accounting Estimates*

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

These amendments are effective on or after January 1, 2023 with early adoption permitted.

▪ Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments 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. These amendments are effective on or after January 1, 2023 with early adoption permitted.

Effective beginning on or after January 1, 2024

▪ Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent*

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or noncurrent. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

Effective beginning on or after January 1, 2025

▪ PFRS 17, *Insurance Contracts*

PFRS 17 is 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

On December 15, 2021, the Financial Reporting Standards Council (FRSC) amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 for two (2) years after its effective date as decided by the IASB. PFRS 17 is effective on or after January 1, 2025, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

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

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These judgments, estimates and assumptions are based on management's evaluation of relevant facts and circumstances as at the reporting date.

Judgments

In the process of applying the Group'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 Group's primary document for a contract with a customer is the signed contract to sell. In cases wherein the contract to sell is not signed by both parties at report date, other signed documents including the reservation agreement, official receipts, quotation sheets and other documents are considered to contain the basic elements to qualify as a contract with the customer under PFRS 15.



The Group's revenue recognition process includes the assessment of the probability of the Group collecting the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating the probability of collection, the Group considers the significance of the buyer's initial payments in relation to the contract price.

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

Determining the Transaction Price for Sales of Real Estate. The Group determines whether a contract contains a significant financing component using the portfolio approach by considering (1) the difference between the amount of promised consideration and the cash selling price of the promised goods or services; and (2) the expected length of time from when the entity transfers the promised goods or services to the time the customer pays for those goods or services at the prevailing effective interest rate. The Group applied the practical expedient and did not adjust for the effect of financing component when the difference between the time of transfer of the promised goods or services to the time the customer pays for these goods or services is one year or less. The Group determined that its contracts for the sale of real estate do not contain a significant financing component.

Property Acquisitions and Business Combinations. At the time of acquisition, the Group considers whether the acquisition represents an acquisition of a business or a group of assets and liabilities. The Group accounts for an acquisition as a business combination if it acquires an integrated set of business processes in addition to the real estate property. The consideration is made to the extent that the significant business processes are acquired and the additional services are to be provided by the subsidiary.

When the acquisition of subsidiary does not constitute a business, it is accounted for as an acquisition of a group of assets and liabilities. The purchase price of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values at the date of acquisition. No goodwill or deferred tax is recognized.

Consignment Arrangements on Retail Segment. The retail segment of the Group has various consignment arrangements with suppliers. Under these arrangements, the Group bears significant risks and rewards associated with the sale of goods. Management has determined that it is acting as principal in these sales transactions. Accordingly, revenue is recognized at gross amount upon actual sale to customers. The related inventory stocks supplied under these arrangements only become due and payable to suppliers when sold.

Operating Lease Commitments - Group as Lessor. Management has determined that the Group retains all the significant risks and rewards of ownership of the properties and thus, accounts for the contracts as operating leases. The ownership of the asset is not transferred to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable, and, the lease term is not for the major part of the asset's economic life.

Lease Modification - as Lessor. Throughout the government-imposed community quarantine, the Group waived rentals and offered deferral of payments to certain tenants. Such rental waivers and deferrals are not accounted as a lease modification under PFRS 16 since COVID-19 is a force majeure under the general law.



Determination of Lease Term of Contracts with Renewal and Termination Options - Group as Lessee. The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating the certainty or possibility of exercising the option to renew or terminate lease contracts. The Group considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination option. After the commencement date, the Group reassesses the lease term for any significant event or change in circumstances that is within its control and affects its ability to exercise the option to renew or to terminate the lease contract (e.g., construction of significant leasehold improvements or significant customization to the leased asset). In most cases, the Group exercises its option to renew.

Assessing Significant Influence over Associates. Management assessed that the Group has significant influence over all its associates by virtue of the Group's more than 20% voting power in the investee, representation in the board of directors, and participation in policy-making processes of the associates.

Assessing Joint Control of an Arrangement and the Type of Arrangement. The Group has 25% ownership in Waltermart Mall. Management assessed that the Group has joint control of Waltermart Mall by virtue of a contractual agreement with other shareholders. Waltermart Mall is a joint venture arrangement as it is a separate legal entity and its stockholders have rights to its net assets.

Assessing of Control or Significant Influence of Investees

SM Prime. The Group has 50% ownership interest in SM Prime. Management assessed that the Group has control of SM Prime as it holds significantly more voting rights than any other vote holder or organized group of vote holders, and the other shareholdings are widely dispersed giving the Group the power to direct relevant activities of SM Prime.

BDO Unibank, Inc. (BDO). The Group has 45% ownership interest in BDO. Management assessed that the Group does not have control of BDO as the Group's aggregate voting rights is not sufficient to give it power to direct the relevant activities of BDO (see Note 13).

Premium Leisure Corp. (PLC). The Group has 5% ownership interest in PLC. PLC is a subsidiary of Belle Corporation (Belle). Management assessed that the Group has significant influence over PLC through its associate, Belle (see Note 13).

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

Estimates and Assumptions

The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that pose a significant risk of causing material adjustments to the carrying amounts of assets and liabilities in the succeeding years are discussed below.

Revenue Recognition Method and Measure of Progress. The Group recognizes revenue for real estate sales over time in consideration of the following (a) the Group's performance does not create an asset with an alternative use, and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. 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 addition, under the current legal framework, the customer is contractually obliged to make payments to the Group for performance completed to date.

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

Provision for ECL of Receivables and Contract Assets (referred also in the consolidated financial statements as "Unbilled revenue from sales of real estate"). The Group maintains an allowance for impairment loss at a level considered adequate to provide for potential uncollectible receivables. The Group uses a provision matrix for rent and other receivables and vintage approach for receivables from sale of real estate (billed and unbilled) to calculate ECLs. The Group 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. See Note 10 for related balances.

Net Realizable Value of Merchandise Inventories, Condominium and Residential Units for Sale, and Land and Development. The Group recognizes an allowance for impairment of value of merchandise inventories, condominium and residential units for sale, and land and development to value these assets at net realizable value. Impairment may be due to damage, physical deterioration, obsolescence, changes in price levels or other causes. See Note 11 for related balances.

The estimate of net realizable value is based on the most reliable evidence of the realizable value of the assets, available at the time the estimate is made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the reporting date to the extent that such events confirm conditions existing at the reporting date.

The allowance account is reviewed on a regular basis. In 2021 and 2020, the Group assessed that the net realizable value of merchandise inventories, condominium and residential units for sale and land and land development is higher than cost, hence, the Group did not recognize any impairment loss.

Estimated Useful Life of Property and Equipment and Investment Properties (except for ROU Assets). The useful life of each of the Group's property and equipment and investment properties 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. See Notes 14 and 15 for related balances.

Impairment of Investments in Associate Companies and Joint Ventures. Impairment review of investments in associate companies and joint ventures is performed when events or changes in circumstances indicate that the carrying value may not be recoverable. This requires management to make an estimate of the expected future cash flows from the investments using key assumptions such as growth rates, gross margins, projected earnings before interest and taxes, effective tax rates, non-cash charges, net working capital changes, capital expenditures and others and to choose a suitable discount rate in order to calculate the present value of those cash flows. See Note 13 for related balances.



Impairment of Goodwill and Trademarks, Brand Names and Copyright with Indefinite Useful Lives. Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculations is based on a discounted cash flow model. The cash flows are derived from the forecast for the relevant period and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the assets. The recoverable amount is most sensitive to the pre-tax discount rates used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. See Note 16 for related balances.

Impairment of Other Nonfinancial Assets. The Group assesses at each reporting date whether there is an indication that an item of property and equipment, investment properties and ROU assets may be impaired. This assessment requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. Future events could cause the Group to conclude that these assets are impaired. Any resulting impairment loss could have a material impact on the financial position and performance of the Group.

The preparation of the estimated future cash flows involves judgment and estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Group's assessment of recoverable values and may lead to future additional impairment charges. There is no impairment on other nonfinancial assets for each of the three years in the period ended December 31, 2021. See Notes 14, 15 and 26 for related balances.

Purchase Price Allocation in Business Combinations. The acquisition method requires extensive use of accounting estimates and judgments to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities at acquisition date. It also requires the acquirer to recognize goodwill. The Group's acquisitions have resulted in goodwill and separate recognition of trademarks and brand names. In estimating the fair value of the acquiree's identifiable assets and liabilities, the Group used judgments, valuation methods and key assumptions such as the list prices, current replacement and reproduction cost and adjustment factors by reference to relevant market data. See Note 5 for related balances.

Fair Value of Previously Held Interest in an Acquiree. A business combination that is achieved in stages requires the Group to remeasure its previously held interest in the acquiree at its fair value at acquisition date and recognize any resulting gain or loss in profit or loss. The determination of fair value of the previously held interest involves judgment, estimations and assumptions. See Note 5 for related balances.

Realizability of Deferred Tax Assets. The carrying amount of deferred tax assets is reviewed at the end of 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 tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of excess MCIT and NOLCO is based on the projected taxable income in future periods. Based on the projection, not all deductible temporary differences and carryforward benefits of excess MCIT and NOLCO will be realized. Accordingly, only a portion of the Group's deferred tax assets is recognized. See Note 25 for related balances.

Present Value of Defined Benefit Obligation. The present value of the pension obligations depends on a number of factors including assumptions of discount rate and rate of salary increase, among others.



The Group determines the appropriate discount rate at the reporting date. In determining the discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based on current market conditions. Management believes that the assumptions used are reasonable and appropriate. However, significant differences in actual experience or significant changes in assumptions would materially affect the Group's pension and other pension obligations. See Note 24 for related balances.

Fair Value of Financial Assets and Liabilities. 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 Group utilized different valuation methodologies and assumptions. Any changes in the fair value of these financial assets and liabilities would directly affect profit or loss and OCI. See Note 28 for related balances.

Valuation of Unquoted Equity Investments. Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's-length market transactions;
- current fair value of other instruments that is substantially the same;
- the expected cash flows discounted at current rates applicable for investments with similar terms and risk characteristics; or,
- other valuation models.

The determination of cash flows and discount factors for unquoted equity investments requires significant estimation. In valuing the Group's financial assets at FVOCI at fair value in compliance with PFRS 9, management applied judgement in selecting the valuation technique and used assumptions in estimating future cash flows from its equity instruments considering the information available to the Group.

Leases – Estimating the Incremental Borrowing Rate. The Group cannot readily determine the interest rate implicit in the lease, therefore, it used its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating). See Note 26 for related balances.

Contingencies. The Group is involved in certain legal and administrative proceedings. The Group, in collaboration with outside legal counsel handling defense, as the case may be, does not believe that these proceedings will have a material adverse effect on its financial position and performance. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings. No accruals were made in relation to these proceedings.



5. Business Combination

Acquisition

2GO Group, Inc. (2GO). In April and June 2021, the Parent Company acquired additional 551.4 million common shares of 2GO increasing its equity interest in 2GO to 52.9% from 30.5% previously. 2GO is the largest integrated supply chain operator in the Philippines offering shipping, freight forwarding, warehousing, and express delivery services.

Beginning June 1, 2021, 2GO became a subsidiary in accordance with PFRS 3, *Business Combinations*. The transaction was accounted for as a step acquisition. The fair value of the identifiable assets and liabilities as at the date of acquisition follows:

	Fair Value
	<i>(In Thousands)</i>
Cash and cash equivalents	₱2,101,999
Receivables and contract assets	4,192,282
Merchandise inventories (Note 11)	516,155
Other current assets	2,699,758
Investments in associate companies and joint ventures (Note 13)	260,037
Property and equipment (Note 14)	9,919,064
Right-of-use assets (Note 26)	786,597
Other noncurrent assets	1,008,558
<u>Total identifiable assets</u>	<u>21,484,450</u>
Bank loans	3,036,500
Accrued payable and other current liabilities	7,206,250
Long-term debt - net of current portion	3,984,077
Deferred tax liabilities	1,257,749
Other noncurrent liabilities	1,071,851
<u>Total identifiable liabilities</u>	<u>16,556,427</u>
Net identifiable assets	4,928,023
Non-controlling interests (proportionate share in 2GO's net identifiable assets)	(2,352,991)
Fair value of previously held interest	(1,484,612)
<u>Goodwill arising from the acquisition (Note 16)</u>	<u>3,602,620</u>
<u>Purchase consideration transferred</u>	<u>₱4,693,040</u>

The cash flows from this acquisition follow:

Cash acquired	₱2,101,999
<u>Purchase consideration transferred</u>	<u>(4,693,040)</u>
<u>Net</u>	<u>(₱2,591,041)</u>

At the date of the acquisition, the fair value of 2GO's receivables approximates its carrying amount. The receivables comprise mainly of trade and nontrade receivables carried at cost. These are noninterest-bearing with trade receivables generally on 30- to 60-day terms while nontrade receivables are collectible on demand. The fair value of the property and equipment was determined using the current replacement cost. The fair value measurement is classified as level 3 with unobservable inputs.



The goodwill of ₱3,602.6 million represents the value of synergies expected to arise from the business combination.

From the date of acquisition, 2GO's revenues and net loss amounting to ₱8,835.0 million and ₱962.7 million, respectively, formed part of the consolidated statements of income. If the combination had taken place at the beginning of the year, the Group's consolidated revenues and net income attributable to parent would have been ₱434,759.9 million and ₱38,375.3 million, respectively.

Goldilocks Bakeshop, Inc. (GBI). In August 2021, the Parent Company acquired additional 224.5 million common shares of GBI increasing its equity interest in GBI to 74.1% from 34.1% previously. GBI is primarily engaged in the purchase and sale, manufacture and production, import and export, and distribution of food items such as cakes, pastries, bread and candies on wholesale, retail or franchising; operation of restaurants, refreshment parlors or food outlets; and serving, arranging and catering food, drinks and refreshments.

Beginning August 1, 2021, GBI became a subsidiary in accordance with PFRS 3, *Business Combinations*. The transaction was accounted for as a step acquisition. The fair value of the identifiable assets and liabilities as at the date of acquisition follows:

	Fair Value
	<i>(In Thousands)</i>
Cash and cash equivalents	₱945,964
Time deposits	210,925
Receivables and contract assets	330,036
Merchandise inventories (Note 11)	564,858
Other current assets	502,915
Financial assets	1,406
Investments in associate companies and joint ventures (Note 13)	249,157
Property and equipment (Note 14)	2,563,094
Right-of-use assets (Note 26)	912,876
Other noncurrent assets	471,983
Total identifiable assets	6,753,214
Accrued payable and other current liabilities	2,233,095
Deferred tax liabilities	338,599
Other noncurrent liabilities	1,435,383
Total identifiable liabilities	4,007,077
Net identifiable assets	2,746,137
Non-controlling interests (proportionate share in GBI's net identifiable assets)	(720,721)
Fair value of previously held interest	(931,874)
Goodwill arising from the acquisition (Note 16)	2,946,029
Purchase consideration transferred	₱4,039,571

The cash flows from this acquisition follow:

Cash acquired	₱945,964
Purchase consideration transferred	(4,039,571)
Net	(₱3,093,607)



At the date of the acquisition, the fair value of GBI's receivables approximates its carrying amount. GBI's receivables comprise mainly of trade and nontrade receivables, royalties and advances carried at cost. These are noninterest-bearing with trade receivables generally on 15- to 30- day terms while nontrade receivables and royalties are collectible on demand. Advances consist of salary loans due within 1 year and other cash advances that are subject to liquidation within 1 to 2 weeks. The fair value of the property and equipment was determined using the market approach and current replacement cost. The fair value measurement is classified as level 3 with unobservable inputs.

The goodwill of ₱2,946.0 million represents the value of synergies expected to arise from the business combination.

From the date of acquisition, GBI's revenues and net income amounting to ₱5,016.9 million and ₱114.8 million, respectively, formed part of the consolidated statements of income. If the combination had taken place at the beginning of the year, the Group's consolidated revenues and net income attributable to parent would have been ₱433,908.2 million and ₱38,563.3 million, respectively.

The Group remeasured its previously held interest in 2GO and GBI at acquisition-date fair value. The key assumptions used in determining the acquisition-date fair value of the property and equipment of GBI include list prices, current replacement cost and reproduction cost. Included in Selling, general and administrative expenses for the year ended December 31, 2021 is the remeasurement loss recognized for 2GO at ₱4,917.6 million and ₱2,440.5 million for GBI, representing the loss from remeasuring the Group's equity interest in 2GO and GBI before the business combination to fair value, in accordance with PFRS 3, *Business Combinations*.

6. Segment Information

The Group has identified three reportable operating segments as follows: property, retail, and banking and others.

The property segment is involved in mall, residential and commercial development and hotel and convention center operations. The 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 and cinemas within the compound of the shopping centers. The 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. The hotels and convention centers segment engages in and carries on the business of hotels and convention centers and operates and maintains any and all services and facilities incident thereto.

The retail segment is engaged in the retail/wholesale trading of merchandise such as dry goods, wearing apparels, food and other merchandise.

The banking and others segment primarily includes the operations of the Parent Company which is engaged in asset management and capital investments as well as its associate companies which include the banks.

The BOD monitors the operating results of each of its business units 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.



Operating Segment Financial Data

Year Ended December 31, 2021					
	Property	Retail	Banking and Others	Eliminations	Consolidated
<i>(In Thousands)</i>					
Revenues:					
External customers	₱80,178,590	₱303,789,225	₱44,089,840	₱-	₱428,057,655
Revenues from contracts with customers	45,615,494	294,694,316	13,569,885	-	353,879,695
Merchandise sales	-	294,694,316	7,912,997	-	302,607,313
Real estate sales	45,116,570	-	-	-	45,116,570
Cinema ticket sales, amusement and others	498,924	-	-	-	498,924
Shipping, logistics and other services	-	-	5,656,888	-	5,656,888
Rent	26,218,182	1,093,378	2,330,684	-	29,642,244
Equity in net earnings of associate companies and joint ventures	1,187,419	527,733	25,053,659	-	26,768,811
Royalty, management and service fees	698,143	2,392,634	1,303,300	-	4,394,077
Dividend income	77,149	-	509,554	-	586,703
Others	6,382,203	5,081,164	1,322,758	-	12,786,125
Inter-segment	9,423,189	2,108	2,384,449	(11,809,746)	-
	₱89,601,779	₱303,791,333	₱46,474,289	(₱11,809,746)	₱428,057,655
Segment results:					
Income before income tax	₱28,243,532	₱14,180,061	₱19,047,128	₱-	₱61,470,721
Provision for (benefit from) income tax	5,942,801	3,261,945	(465,663)	-	8,739,083
Net income	₱22,300,731	₱10,918,116	₱19,512,791	₱-	₱52,731,638
Net income attributable to:					
Owners of the Parent	₱11,000,880	₱7,697,477	₱19,801,533	₱-	₱38,499,890
Non-controlling interests	11,299,851	3,220,639	(288,742)	-	14,231,748
Year Ended December 31, 2020					
	Property	Retail	Banking and Others	Eliminations	Consolidated
<i>(In Thousands)</i>					
Revenues:					
External customers	₱76,881,024	₱296,637,376	₱20,667,305	₱-	₱394,185,705
Revenues from contracts with customers	48,119,240	289,726,442	-	-	337,845,682
Merchandise sales	-	289,726,442	-	-	289,726,442
Real estate sales	47,023,795	-	-	-	47,023,795
Cinema ticket sales, amusement and others	1,095,445	-	-	-	1,095,445
Shipping, logistics and other services	-	-	-	-	-
Rent	23,481,703	1,061,700	2,361,576	-	26,904,979
Equity in net earnings of associate companies and joint ventures	694,473	313,554	16,028,340	-	17,036,367
Royalty, management and service fees	593,767	2,192,823	1,149,947	-	3,936,537
Dividend income	88,616	-	342,080	-	430,696
Others	3,903,225	3,342,857	785,362	-	8,031,444
Inter-segment	9,695,786	151,810	2,562,464	(12,410,060)	-
	₱86,576,810	₱296,789,186	₱23,229,769	(₱12,410,060)	₱394,185,705
Segment results:					
Income before income tax	₱23,442,549	₱7,200,165	₱10,772,948	₱-	₱41,415,662
Provision for income tax	4,349,645	2,509,821	231,154	-	7,090,620
Net income	₱19,092,904	₱4,690,344	₱10,541,794	₱-	₱34,325,042
Net income attributable to:					
Owners of the Parent	₱9,670,834	₱3,375,743	₱10,343,373	₱-	₱23,389,950
Non-controlling interests	9,422,070	1,314,601	198,421	-	10,935,092



Year Ended December 31, 2019					
	Property	Retail	Banking and Others	Eliminations	Consolidated
<i>(In Thousands)</i>					
Revenues:					
External customers	₱106,759,524	₱366,036,864	₱29,172,941	₱-	₱501,969,329
Revenues from contracts with customers	52,239,290	354,088,848	-	-	406,328,138
Merchandise sales	-	354,088,848	-	-	354,088,848
Real estate sales	44,499,529	-	-	-	44,499,529
Cinema ticket sales, amusement and others	7,739,761	-	-	-	7,739,761
Shipping, logistics and other services	-	-	-	-	-
Rent	47,959,728	1,398,662	2,214,767	-	51,573,157
Equity in net earnings of associate companies and joint ventures	1,492,093	963,196	23,583,137	-	26,038,426
Royalty, management and service fees	503,423	5,516,233	1,328,823	-	7,348,479
Dividend income	99,707	-	380,806	-	480,513
Others	4,465,283	4,069,925	1,665,408	-	10,200,616
Inter-segment	15,127,079	189,391	3,315,815	(18,632,285)	-
	₱121,886,603	₱366,226,255	₱32,488,756	(₱18,632,285)	₱501,969,329
Segment results:					
Income before income tax	₱50,151,617	₱20,463,932	₱15,998,949	₱-	₱86,614,498
Provision for income tax	10,508,037	6,235,716	426,431	-	17,170,184
Net income	₱39,643,580	₱14,228,216	₱15,572,518	₱-	₱69,444,314
Net income attributable to:					
Owners of the Parent	₱19,410,225	₱9,840,717	₱15,317,302	₱-	₱44,568,244
Non-controlling interests	20,233,355	4,387,499	255,216	-	24,876,070

In 2021, 2020 and 2019, no single customer accounted for 10% or more of consolidated revenues. The Group's revenues are substantially earned within the Philippines.

The disaggregation of revenues is as indicated in the consolidated statements of income and in the operating segment financial data.

7. Cash and Cash Equivalents

This account consists of:

	2021	2020
<i>(In Thousands)</i>		
Cash on hand and in banks (Note 21)	₱28,563,623	₱26,603,364
Temporary investments (Note 21)	60,180,602	51,555,833
	₱88,744,225	₱78,159,197

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 Group. These investments earn interest at prevailing rates (see Note 23).

8. Time Deposits

This account consists of time deposits as follows:

	2021	2020
<i>(In Thousands)</i>		
Current	₱311,233	₱31,012
Noncurrent	3,905,618	1,356,442
	₱4,216,851	₱1,387,454



The time deposits bear interest ranging from 0.4% to 3.8% in 2021 and 0.5% to 1.6% in 2020.

Time deposits with various maturities within one year were used as collateral for some credit lines.

Interest earned from time deposits is disclosed in Note 23.

9. Financial Assets at FVOCI

This account consists of:

	2021	2020
	<i>(In Thousands)</i>	
Shares of stock		
Listed	₱26,764,759	₱26,133,219
Unlisted	1,714,725	1,701,227
Club shares	14,550	11,940
	28,494,034	27,846,386
Less current portion	547,041	568,146
Noncurrent portion	₱27,946,993	₱27,278,240

Financial assets at FVOCI pertain to equity investments in shares of stock and club shares which are not held for trading and which the Group has irrevocably designated at FVOCI, as the Group considers these investments to be strategic in nature.

The movements in net unrealized gain on financial assets at FVOCI and share in unrealized loss on financial assets at FVOCI of associates attributable to the owners of the Parent follow:

	2021	2020
	<i>(In Thousands)</i>	
Balance at beginning of year	₱16,506,435	₱14,399,640
Share in net unrealized gain (loss) on financial assets at FVOCI of associates	(2,129,429)	2,200,527
Gain (loss) due to changes in fair value of financial assets at FVOCI	541,761	(92,868)
Transferred to retained earnings - realized loss (gain) on sale of financial assets at FVOCI	253,175	(864)
Balance at end of year	₱15,171,942	₱16,506,435



10. Receivables and Contract Assets

This account consists of:

	2021	2020
	<i>(In Thousands)</i>	
Trade:		
Real estate buyers*	₱110,932,754	₱97,178,460
Third-party tenants	7,473,461	5,868,337
Shipping and logistics**	3,111,428	-
Related-party tenants (Note 21)	380,963	972,723
Others	366,205	38,512
Royalty, management and service fees (Note 21)	1,980,327	2,437,479
Due from related parties (Note 21)	617,465	1,180,589
Dividends (Note 21)	579,053	732,953
	125,441,656	108,409,053
Less allowance for ECL	1,323,187	1,066,130
	124,118,469	107,342,923
Less noncurrent portion of receivables from real estate buyers (Note 16)	49,518,978	46,816,693
Current portion	₱74,599,491	₱60,526,230

* Includes unbilled revenue from sales of real estate amounting to ₱98,589.0 million and ₱86,631.4 million as at December 31, 2021 and 2020, respectively.

** Includes contract assets representing shipping and logistics services delivered but not yet invoiced amounting to ₱639.0 million as at December 31, 2021.

The terms and conditions of these receivables follow:

- Receivables from real estate buyers pertain mainly to sale of condominium and residential units at various terms of payment that are noninterest-bearing. Portions of these receivables have been assigned to local banks: on without recourse basis, ₱358.9 million and ₱7,170.2 million as at December 31, 2021 and 2020, respectively, and, on with recourse basis, ₱324.2 million and ₱1,808.7 million as at December 31, 2021 and 2020, respectively (see Note 21). The corresponding liability from the assignment of receivables on with recourse basis bears interest at 4.5% in 2021 and 4.3% to 4.5% in 2020. The fair value of these assigned receivables and liability approximates cost.

The transaction price allocated to the remaining performance obligations totaling ₱34,308.2 million and ₱28,108.3 million as at December 31, 2021 and 2020, respectively, are expected to be recognized over the construction period ranging from one to five years.

- Trade receivables from tenants and royalty, management and service fee receivables are noninterest-bearing and are normally collectible on 30- to 90-day terms.
- Trade receivables from tenants, shipping and logistics, royalty, management and service fee receivables are noninterest-bearing and are normally collectible on 30- to 90-day terms.
- Dividends receivables are noninterest-bearing and are normally collectible within the next financial year.
- The terms and conditions relating to Due from related parties are discussed in Note 21.



Allowance for ECL is provided for receivables from sales of real estate, receivables from tenants, shipping and logistics, and other receivables which were identified to be impaired based on specific and collective assessment. The movements in this account follow:

	2021	2020
	<i>(In Thousands)</i>	
Balance at beginning of year	₱1,066,130	₱1,053,549
Provisions - net of writeoff (Note 22)	257,057	12,581
Balance at end of year	₱1,323,187	₱1,066,130

The aging of receivables follow:

	2021	2020
	<i>(In Thousands)</i>	
Neither past due nor impaired	₱ 113,304,925	₱ 98,262,466
Past due but not impaired:		
Less than 30 days	2,896,901	2,029,881
31-90 days	2,094,140	1,350,479
91-120 days	955,920	2,055,131
Over 120 days	4,866,583	3,644,966
Impaired	1,323,187	1,066,130
	₱125,441,656	₱108,409,053

Receivables other than those identified as impaired, are assessed as good and collectible.

11. Inventories

This account consists of:

	2021	2020
	<i>(In Thousands)</i>	
Merchandise inventories - at cost	₱30,185,662	₱28,352,564
Land and development - current	37,229,527	34,933,442
Condominium and residential units for sale	19,351,999	8,770,039
	₱86,767,188	₱72,056,045

Merchandise Inventories

The movements in this account follow:

	2021	2020
	<i>(In Thousands)</i>	
Balance at beginning of year	₱28,352,564	₱33,157,622
Purchases	228,460,783	215,440,140
Effect of business combination (Note 5)	1,081,013	-
Total goods available for sale	257,894,360	248,597,762
Less cost of merchandise sales	227,708,698	220,245,198
Balance at end of year	₱30,185,662	₱28,352,564

The merchandise inventories are stated at cost as at December 31, 2021 and 2020.



Land and Development

The movements in “Land and development - current” accounted as real estate inventories follow:

	2021	2020
	<i>(In Thousands)</i>	
Balance at beginning of year	₱34,933,442	₱37,935,968
Development cost incurred	25,409,833	18,139,432
Transfer from investment property (Note 15)	5,448,334	1,830,013
Cost of real estate sold	(16,867,820)	(18,447,226)
Transfer to condominium and residential units for sale	(12,318,589)	(4,850,262)
Reclassification and others	624,327	325,517
Balance at end of year	₱37,229,527	₱34,933,442

Land and development includes the cost of land as well as construction cost of ongoing residential projects.

Included in land and development accounted as real estate inventories are contract fulfillment assets amounting to ₱1,839.9 million and ₱1,745.0 million as at December 31, 2021 and 2020, respectively, representing the unamortized portion of land cost.

The estimated cost to complete the projects amounted to ₱111,500.0 million and ₱106,678.6 million as at December 31, 2021 and 2020, respectively.

Land and development is stated at cost. There is no allowance for inventory writedown as at December 31, 2021 and 2020.

Condominium and Residential Units for Sale

The movements in this account follow:

	2021	2020
	<i>(In Thousands)</i>	
Balance at beginning of year	₱8,770,039	₱6,026,426
Transfer from real estate inventories	12,318,589	4,850,262
Cost of real estate sold	(1,819,337)	(2,136,756)
Repossessed inventories and others	82,708	30,107
Balance at end of year	₱19,351,999	₱8,770,039

The condominium and residential units for sale are stated at cost as at December 31, 2021 and 2020.



12. Other Current Assets

This account consists of:

	2021	2020
	<i>(In Thousands)</i>	
Prepaid taxes and other prepayments	₱18,465,016	₱14,249,890
Bonds and deposits	9,912,846	9,983,733
Non-trade receivables	8,280,351	4,854,679
Receivables from banks	5,406,748	5,537,179
Input tax	4,078,202	5,113,251
Uniform and supplies inventory	1,032,107	1,165,786
Derivative assets	753,506	2,747
Accrued interest receivable (Note 21)	370,911	188,685
Escrow fund (Notes 16 and 21)	335,583	144,209
Others	2,452,891	1,930,219
	₱51,088,161	₱43,170,378

- Prepaid taxes and other prepayments consist of creditable tax certificates received by the Group and prepayments for insurance, real property taxes, rent, and other expenses which are normally utilized within the next financial year.
- Bonds and deposits pertain to down payments made to suppliers and contractors to cover preliminary expenses of the Group's construction projects. These are noninterest-bearing and are applied to progress billings depending on the percentage of project accomplishment.
- Receivables from banks are noninterest-bearing and are normally collectible on 30- to 90-day terms.
- Non-trade receivables include interest-bearing advances to third parties which are normally collectible within the next financial year (see Note 23).
- Input tax represents VAT paid to suppliers that can be claimed as credit against future output VAT liabilities without prescription.
- Accrued interest receivable relates mostly to time deposits and is normally collected within the next financial year.
- Escrow fund pertains to amounts deposited with an escrow agent, a requisite for the issuance of temporary license to sell by the Housing and Land Use Regulatory Board (HLURB), pending issuance of a license to sell and certificate of registration. Amounts deposited include all amounts received from buyers including down payments, reservation and monthly amortization, among others.



13. Investments in Associate Companies and Joint Ventures

The movements in this account follow:

	2021	2020
	<i>(In Thousands)</i>	
Balance at beginning of year	₱296,265,722	₱280,971,638
Additions	358,120	390,350
Step acquisition (Note 5)	(9,774,630)	–
Effect of business combination (Note 5)	509,194	–
Reclassifications	(12,427)	32,934
Equity in net earnings	26,768,811	17,036,367
Dividends received and others	(4,973,879)	(4,443,565)
Share in other comprehensive gain (loss) of associate companies	(4,185,761)	3,262,981
Translation adjustment	116,876	15,017
Provision for impairment loss	–	(1,000,000)
Balance at end of year*	₱305,072,026	₱296,265,722

* Investment in associate companies amounted to ₱295,741.7 million and ₱287,655.9 million as at December 31, 2021 and 2020, respectively.

The Group regularly tests for impairment of its investments comparing the expected cash flows against the carrying values. In 2020, the Group recognized ₱1.0 billion of impairment loss due to the adverse impact of COVID-19 on certain investments. In 2019, the impairment loss recognized in profit and loss amounted to ₱4.0 billion.

The recoverable amount of investments in associate companies is determined based on value-in-use calculations using the cash flow projections from the financial budgets approved by senior management.

The calculation of value-in-use is sensitive to the following assumptions:

- a. *Revenues.* Revenue forecasts are management's best estimates considering factors such as index growth to market, customer projections and economic factors. The revenue growth rates used in the cash flow projections ranged from 2.1% to 4.0%.
- b. *Pre-tax discount rates.* Discount rates reflect the current market assessment of the risks and are estimated based on the weighted average cost of capital for the industry. The rates are further adjusted to reflect the market assessment of any risk specific to the entity for which future estimates of cash flows have not been adjusted. Pre-tax discount rates applied to cash flow projections ranged from 10.5% to 12.6% as at December 31, 2021 and 2020.



The associate companies and joint ventures of the Group follow:

Company	Percentage of Ownership				Principal Activities
	2021		2020		
	Gross	Effective	Gross	Effective	
Associates					
BDO Unibank, Inc. (BDO)	47	45	47	45	Financial services
China Banking Corporation (China Bank)	23	23	23	23	Financial services
Belle Corporation (Belle)	27	26	27	26	Real estate development and tourism
Atlas Consolidated Mining and Development Corporation (Atlas)	34	34	34	34	Mining
Sodexo Benefits and Rewards Services Philippines, Inc.	40	40	40	40	Retail
Fast Retailing Philippines, Inc.	25	19	25	19	Retail
Win With Love, Inc.	33	13	33	13	Retail
CityMall Commercial Centers, Inc.	34	34	34	34	Real estate development and tourism
Premium Leisure Corp. (PLC)	5	5	5	5	Gaming
Ortigas Land Corporation (formerly OCLP Holdings, Incorporated)	40	20	40	20	Real estate development
Feihua Real Estate (Chongqing) Company Ltd. (FREC)	50	25	50	25	Real estate development
Fitness Health & Beauty Holdings Corp.	40	31	40	31	Retail
Premier Shoes Distribution Corp.	49	38	49	38	Retail
Ecco Philippines, Inc.	50	39	50	39	Retail
Andwil Corporation	50	20	-	-	Retail
2Go Group, Inc. (Note 5)	-	-	30	30	Integrated supply chain
Neo Associates ^(a)	34	34	34	34	Real estate development
Goldilocks Bakeshop, Inc. (Note 5)	-	-	34	34	Bakery products and other food items
Asia-Pacific Computer Technology Center, Inc.	42	42	42	42	Investment
GPAY Network, PH, Inc.	35	35	35	35	Providing electronic money through electronic instruments
AIC Group of Companies Holding Corp.	35	35	35	35	Investment
MCCP Transport Philippines, Inc.	33	18	-	-	Integrated supply chain
Mober Technology PTE Inc.	50	26	-	-	Integrated supply chain
Clarmil Manufacturing Incorporated	42	31	-	-	Bakery products and other food items
Three Bears Group Holdings Corporation	35	26	-	-	Bakery products and other food items
Joint Ventures					
Waltermart Mall ^(b)	51	25	51	25	Shopping mall development
Metro Rapid Transit Service, Inc.	51	25	51	25	Transportation
ST 6747 Resources Corporation	50	25	50	25	Real estate development
Kerry Logistics (Phils), Inc.	49	26	-	-	Integrated supply chain

The principal place of business and country of incorporation of the associate companies and joint ventures listed above is in the Philippines except for FREC which was incorporated in China.

(a) Neo Associates consists of N-Park BGC Properties, Inc., N-Lima BGC Properties, Inc. and N-Park BGC Land, Inc.

(b) Waltermart Mall consists of Winsome Development Corporation, Willin Sales, Inc., Willimson, Inc., Waltermart Ventures, Inc. and WM Development Inc.

BDO

The condensed financial information of the Group's material associate, BDO, follows:

	2021	2020
	(In Millions)	
Total assets	₱3,623,749	₱3,374,900
Total liabilities	3,199,201	2,981,879
Total equity	424,548	393,021
Proportion of the Group's ownership	45%	45%
	192,403	178,138
Goodwill and others	27,341	29,676
Carrying amount of the Group's investment	₱219,744	₱207,814



	2021	2020	2019
	<i>(In Millions)</i>		
Interest income	₱144,879	₱157,031	₱160,572
Interest expense	(13,533)	(23,331)	(40,681)
Other expenses - net	(88,491)	(105,446)	(75,723)
Net income	42,855	28,254	44,168
Other comprehensive income (loss)	(5,810)	(725)	515
Total comprehensive income	₱37,045	₱27,529	₱44,683
Group's share in net income	₱20,019	₱13,208	₱20,592
Group's share in other comprehensive income (loss)	(₱5,405)	₱4,325	(₱936)

The aggregate comprehensive income of associates and joint ventures that are not individually material follows:

	2021	2020	2019
	<i>(In Millions)</i>		
Share in net income	₱6,750	₱3,828	₱5,446
Share in other comprehensive income (loss)	1,219	(1,062)	(9)
Share in total comprehensive income	₱7,969	₱2,766	₱5,437

The fair value of investments in associate companies which are listed in the PSE follows:

	2021	2020
	<i>(In Thousands)</i>	
BDO	₱263,000,272	₱232,855,091
China Bank	15,748,155	15,112,172
Belle	3,516,400	4,454,106
Atlas	7,479,289	7,830,828
PLC	11,377,831	11,774,732

These investments are categorized as Level 1 in the fair value hierarchy.



14. Property and Equipment

The movements in this account follow:

	Land	Buildings and Improvements	Store Equipment and Improvements	Data Processing Equipment	Furniture, Fixtures and Office Equipment	Machinery and Equipment	Leasehold Improvements	Transportation Equipment	Vessels in Operation	Containers and Reefer Vans	Construction in Progress	Total
<i>(In Thousands)</i>												
Cost												
As at December 31, 2019	₱-	₱14,326,958	₱4,010,449	₱8,588,993	₱9,884,981	₱10,337,665	₱20,599,451	₱1,047,794	₱-	₱-	₱2,718,921	₱71,515,212
Additions	-	659,964	197,056	464,927	527,832	907,077	787,008	14,012	-	-	2,538,278	6,096,154
Reclassifications	-	416,344	(24,817)	(45,252)	669,489	56,251	105,969	-	-	-	(737,665)	440,319
Disposals/retirements	-	(130)	(9,120)	(99,936)	(31,676)	(56,161)	(404,282)	(5,933)	-	-	(9,649)	(616,887)
As at December 31, 2020	-	15,403,136	4,173,568	8,908,732	11,050,626	11,244,832	21,088,146	1,055,873	-	-	4,509,885	77,434,798
Additions	73,712	3,778,529	273,618	1,126,989	760,423	1,065,265	1,331,713	50,369	516,381	26,093	1,445,993	10,449,085
Effect of business combination (Note 5)	1,655,830	581,758	195,673	15,569	255,995	565,060	314,584	119,112	8,292,637	345,843	140,097	12,482,158
Reclassifications	-	58,852	(1,966,055)	45,010	(167,670)	47,570	2,589,222	(20,317)	-	-	(4,279,324)	(3,692,712)
Disposals/retirements	-	(77)	(15,861)	(65,324)	(114,689)	(45,846)	(352,804)	(8,100)	(305,905)	-	(11,734)	(920,340)
As at December 31, 2021	₱1,729,542	₱19,822,198	₱2,660,943	₱10,030,976	₱11,784,685	₱12,876,881	₱24,970,861	₱1,196,937	₱8,503,113	₱371,936	₱1,804,917	₱95,752,989
Accumulated Depreciation and Amortization												
As at December 31, 2019	₱-	₱6,524,772	₱2,847,421	₱6,866,473	₱8,380,192	₱7,173,549	₱14,402,453	₱599,479	₱-	₱-	₱-	₱46,794,339
Depreciation and amortization	-	707,728	365,100	662,284	829,839	1,007,121	1,151,824	60,550	-	-	-	4,784,446
Reclassifications	-	(20,844)	(3,766)	(28,391)	445,821	16,330	(124,214)	549	-	-	-	285,485
Disposals/retirements	-	(32)	(7,065)	(70,007)	(25,515)	(39,421)	(368,990)	(5,890)	-	-	-	(516,920)
As at December 31, 2020	-	7,211,624	3,201,690	7,430,359	9,630,337	8,157,579	15,061,073	654,688	-	-	-	51,347,350
Depreciation and amortization	-	588,297	218,853	756,204	808,175	1,042,329	1,577,809	100,782	1,077,060	44,531	-	6,214,040
Reclassifications	-	(8,879)	(1,507,780)	(2,947)	(5,488)	3,884	1,711,919	(13,003)	-	-	-	177,706
Disposals/retirements	-	(77)	(9,724)	(62,809)	(95,174)	(39,065)	(329,950)	(4,827)	-	-	-	(541,626)
As at December 31, 2021	₱-	₱7,790,965	₱1,903,039	₱8,120,807	₱10,337,850	₱9,164,727	₱18,020,851	₱737,640	₱1,077,060	₱44,531	₱-	₱57,197,470
Net Book Value												
As at December 31, 2021	₱1,729,542	₱12,031,233	₱757,904	₱1,910,169	₱1,446,835	₱3,712,154	₱6,950,010	₱459,297	₱7,426,053	₱327,405	₱1,804,917	₱38,555,519
As at December 31, 2020	-	8,191,512	971,878	1,478,373	1,420,289	3,087,253	6,027,073	401,185	-	-	4,509,885	26,087,448

As at December 31, 2021, a certain vessel is mortgaged as collateral to a long-term debt (see Note 19).



15. Investment Properties

The movements in this account follow:

	Land held for future development	Land and Improvements	Buildings and Leasehold Improvements	Building Equipment, Furniture and Others	Construction in Progress	Total
<i>(In Thousands)</i>						
Cost						
As at December 31, 2019	₱74,946,694	₱75,010,749	₱256,054,842	₱42,705,274	₱54,184,595	₱502,902,154
Additions	6,619,150	3,540,562	2,072,819	1,486,926	24,695,842	38,415,299
Reclassifications (Note 11)	(1,830,013)	(620,425)	7,509,703	862,027	(7,962,160)	(2,040,868)
Translation adjustment	–	15,655	469,724	37,418	42,657	565,454
Disposals	(4,113,632)	(44,242)	(80)	(121,218)	–	(4,279,172)
As at December 31, 2020	75,622,199	77,902,299	266,107,008	44,970,427	70,960,934	535,562,867
Additions	10,389,753	6,248,816	2,076,809	1,868,856	21,571,340	42,155,574
Reclassifications (Note 11)	(3,703,930)	(937,539)	12,948,381	1,480,656	(16,339,759)	(6,552,191)
Translation adjustment	–	151,173	3,718,179	292,203	617,031	4,778,586
Disposals	(189,848)	(139,625)	(236)	(310,873)	–	(640,582)
As at December 31, 2021	₱82,118,174	₱83,225,124	₱284,850,141	₱48,301,269	₱76,809,546	₱575,304,254
Accumulated Depreciation, Amortization and Impairment Loss						
As at December 31, 2019	₱–	₱2,366,460	₱60,326,773	₱27,186,924	₱–	₱89,880,157
Depreciation and amortization	–	251,543	7,589,858	2,358,514	–	10,199,915
Reclassifications	–	–	735	–	–	735
Translation adjustment	–	12,180	111,470	25,372	–	149,022
Disposals	–	(26,301)	(8)	(107,377)	–	(133,686)
As at December 31, 2020	–	2,603,882	68,028,828	29,463,433	–	100,096,143
Depreciation and amortization	–	281,520	7,695,570	2,589,460	–	10,566,550
Reclassifications	–	–	9,384	(9,728)	–	(344)
Translation adjustment	–	90,772	837,982	183,511	–	1,112,265
Disposals	–	(59,694)	(167)	(175,873)	–	(235,734)
As at December 31, 2021	₱–	₱2,916,480	₱76,571,597	₱32,050,803	₱–	₱111,538,880
Net Book Value						
As at December 31, 2021	₱82,118,174	₱80,308,644	₱208,278,544	₱16,250,466	₱76,809,546	₱463,765,374
As at December 31, 2020	75,622,199	75,298,417	198,078,180	15,506,994	70,960,934	435,466,724

Rent income from investment properties, which is primarily attributable to SM Prime, amounted to ₱28,532.4 million, ₱25,843.3 million and ₱50,172.0 million in 2021, 2020 and 2019, respectively. The corresponding direct operating expenses amounted to ₱18,901.8 million, ₱19,635.6 million and ₱27,459.7 million in 2021, 2020 and 2019, respectively.

Construction in progress includes construction costs incurred for new shopping malls, commercial building and redevelopment of existing malls amounting to ₱74,517.7 million and ₱70,277.9 million as at December 31, 2021 and 2020, respectively.

Portions of investment properties located in China amounting to ₱1,872.5 million and ₱1,738.0 million as at December 31, 2021 and 2020, respectively, are mortgaged as collaterals to secure domestic borrowings (see Note 19).

Construction contracts with various contractors related to the construction of the above-mentioned projects amounted to ₱84,200.6 million and ₱65,457.5 million as at December 31, 2021 and 2020, respectively, inclusive of overhead, cost of labor and materials and all other costs necessary for the proper execution of the works. The outstanding contracts are valued at ₱20,598.5 million and ₱22,641.0 million as at December 31, 2021 and 2020, respectively.



Interest capitalized to the construction of investment properties amounted to ₱4,004.7 million and ₱3,539.8 million as at December 31, 2021 and 2020, respectively. Capitalization rates used range from 2.4% to 4.6% in 2021 and 2.4% to 4.7% in 2020.

As at December 31, 2021, the fair value of substantially all investment properties amounting to ₱1,980.0 billion was determined by accredited independent appraisers with appropriate qualifications and experience in the valuation of similar properties in the relevant locations. The fair value represents the price that would be received to sell the investment properties in an orderly transaction between market participants at the measurement date. Management also believes that the carrying values of additions to investment properties subsequent to the most recent valuation date would approximate their fair values. In conducting the appraisal, the independent appraisers mainly used the Market Approach and Income Approach. The Income Approach is based on the premise that the value of a property is directly related to the income it generates. The significant assumptions used in the valuation are discount rates and capitalization rates of 8.0% to 9.0% with an average growth of 5.0%.

These investment properties are categorized as Level 3 in the fair value hierarchy since valuation is based on unobservable inputs.

Management believes that the impact of COVID-19 on the fair value measurement of investment properties is short-term and temporary.

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

16. Intangibles and Other Noncurrent Assets

Intangible Assets

This account consists of:

	2021	2020
	<i>(In Thousands)</i>	
Goodwill	₱24,766,063	₱17,456,385
Less accumulated impairment loss	138,787	91,620
Net book value	24,627,276	17,364,765
Trademarks, brand names and copyright	6,988,491	7,223,738
	₱31,615,767	₱24,588,503

Goodwill is attributable mainly to SM Prime, Supervalu, Inc., Neo Subsidiaries, Waltermart Supermarket, Incorporated, PULSI, 2GO and GBI (see Note 5).

Trademarks and brand names include the following:

- a. Brand names of SM Supermarket and SM Hypermarket that were acquired in a business combination in 2006. These are assessed to have an indefinite life and valued using the Relief-from-Royalty Method. The royalty rate used was 3.5%, the prevailing royalty rate in 2006 in the retail assorted category.
- b. Rights, title and interest in the trademark of Cherry Foodarama, Inc. that was acquired in 2015 and assessed to have a definite useful life of 10 years. In 2020, provisions for impairment of ₱458.0 million was taken up in profit or loss.



The recoverable amount of goodwill, trademarks and brand names have been determined based on value-in-use calculations using the cash flow projections from the financial budgets approved by senior management covering a five-year period and fair value less cost of disposal calculations of the underlying net assets of the CGUs.

The calculation of value-in-use is most sensitive to the following assumptions:

- a. *Revenue.* Revenue forecasts are management’s best estimates considering factors such as index growth to market, customer projections and economic factors. Revenue growth rates used in the cash flow projections ranged from 4.1% to 4.7%.
- b. *Pre-tax discount rates.* Discount rates reflect the current market assessment of the risks to each CGU and are estimated based on the weighted average cost of capital for the industry. The rates are further adjusted to reflect the market assessment of any risk specific to the CGU for which future estimates of cash flows have not been adjusted. Pre-tax discount rates applied to cash flow projections ranged from 8.2% to 12.9% and 10.2% to 14.4% as at December 31, 2021 and 2020, respectively.

Fair value less cost of disposal. The fair value of the CGUs were in reference to the available market price for quoted instruments less cost of disposal.

Management assessed that no reasonably possible change in pre-tax discount rates, future cash inflows and fair values would cause the carrying value of goodwill in 2021 and 2020 to materially exceed its recoverable amount.

Other Noncurrent Assets

This account consists of:

	2021	2020
	<i>(In Thousands)</i>	
Bonds and deposits	₱59,598,624	₱56,259,937
Receivables from real estate buyers* (Note 10)	49,518,978	46,816,693
Long-term notes (Notes 21 and 28)	5,371,668	4,999,359
Deferred input VAT	2,092,464	1,804,670
Derivative assets (Note 28)	965,006	–
Defined benefit asset (Note 24)	753,637	546,515
Land use rights	353,626	353,217
Escrow fund (Note 21)	132,460	132,460
Others	373,098	1,405,799
	₱119,159,561	₱112,318,650

* Pertains to the noncurrent portion of unbilled revenue from sales of real estate.

- Bonds and deposits include other assets used to secure certain obligations of the Group as well as deposits for its leased properties.
- Long-term notes pertain to a 7-year loan amounting to US\$108.4 million that was extended to Carmen Copper Corporation (CCC), a wholly owned subsidiary of Atlas. The loan bears a 5.4% fixed interest.
- Included under “Land use rights” account are certain parcels of real estate properties planned for residential development in accordance with the cooperative contracts entered into by SM Prime with Grand China International Limited (Grand China) and Oriental Land



Development Limited (Oriental Land) in March 2007. The value of these real estate properties was not part of the consideration paid by SM Prime to Grand China and Oriental Land. Accordingly, the assets were recorded at carrying value under “Other noncurrent assets” account and a corresponding liability equivalent to the same amount, which is shown as part of “Tenants’ deposits and others” account in the consolidated balance sheets.

- Escrow fund pertains mainly to funds deposited by the Parent Company in the account of an escrow agent as required by the SEC, in connection with the corporate restructuring in 2013.

17. Bank Loans

This account consists of:

	2021	2020
	<i>(In Thousands)</i>	
Parent Company -		
Peso-denominated loans	₱12,250,000	₱—
Subsidiaries:		
China Yuan renminbi-denominated loans	3,882,427	—
Peso-denominated loans	10,100,000	24,126,000
	₱26,232,427	₱24,126,000

These unsecured loans bear interest ranging from 1.0% to 4.5% in 2021 and 1.0% to 5.3% in 2020 .

These loans have maturities of less than one year. Interest on bank loans is disclosed in Note 23.

18. Accounts Payable and Other Current Liabilities

This account consists of:

	2021	2020
	<i>(In Thousands)</i>	
Trade	₱93,232,308	₱82,599,493
Accrued expenses	18,880,701	12,713,644
Nontrade	10,797,606	14,474,774
Tenants and customers’ deposits*	13,770,713	12,411,589
Payable arising from acquisition of land	7,918,778	7,357,422
Payables to government agencies	6,345,264	4,722,145
Accrued interest (Note 21)	3,017,462	3,112,821
Subscriptions payable	1,966,477	2,021,790
Due to related parties (Note 21)	872,591	823,779
Lease liabilities (Note 26)	2,553,084	2,011,714
Gift checks redeemable and others	4,619,686	6,981,937
	₱163,974,670	₱149,231,108

* Includes unearned revenue from sale of real estate amounting to ₱6,102.4 million and ₱7,615.0 million as at December 31, 2021 and 2020, respectively.



The terms and conditions of the above liabilities follow:

- Trade payables primarily consist of liabilities to suppliers and contractors. These are noninterest-bearing and are normally settled on 30-to 60-day terms.
- Accrued expenses pertain to selling, general and administrative expenses which are normally settled within the next financial year. Accrued expenses consist of:

	2021	2020
	<i>(In Thousands)</i>	
Payable to contractors	₱7,153,158	₱4,045,630
Utilities	2,885,190	2,618,176
Co-loading termination cost	1,194,687	–
Salaries and wages	924,780	681,653
Marketing and advertising and others	6,722,886	5,368,185
	₱18,880,701	₱12,713,644

- Nontrade payables, accrued interest, subscriptions payable and others are expected to be settled within the next financial year.
- Tenants' deposits refer to security deposits received from tenants normally at the time of signing lease contracts. These deposits may be returned to the tenants at lease termination, net of unpaid rental, penalties and/or cost of repairs for any damage on the leased properties. Customers' deposits mainly represents the excess of collections from real estate buyers over the related revenue recognized based on POC and the non-refundable reservation fees from prospective real estate buyers which are applied to the receivable when the reservation is converted to sales. In 2021 and 2020, revenue recognized from unearned revenue from sales of real estate at the beginning of the year amounted to ₱1,490.8 million and ₱3,689.4 million, respectively.
- Payable arising from acquisition of land is expected to be settled within the next financial year.
- Payables to government agencies mainly consist of output tax which is normally settled within the next financial year.
- The terms and conditions relating to Due to related parties are discussed in Note 21.
- Gift checks are redeemable at face value.



19. Long-term Debt

This account consists of:

	Availment	Maturity	Interest Rate/Term	Security	2021	2020
<i>(In Thousands)</i>						
Parent Company						
U.S. dollar-denominated	June 10, 2014 - July 16, 2019	March 28, 2022 - June 28, 2024	Fixed 4.9%; Three-Month LIBOR + margin; semi-annual and quarterly	Unsecured	₱44,224,229	₱42,604,024
Peso-denominated	July 16, 2012 - December 7, 2021	January 17, 2021 - May 14, 2031	Fixed 2.9%-6.9%; Three-Month PHP BVAL + margin; semi-annual and quarterly	Unsecured	65,173,610	79,023,014
Subsidiaries						
U.S. dollar-denominated*	March 21, 2016 - September 27, 2021	January 29, 2021 - March 30, 2026	LIBOR USD + spread; semi-annual and quarterly	Unsecured	73,177,366	49,754,404
China Yuan Renminbi-denominated**	October 16, 2017 - October 28, 2021	October 16, 2022 - June 1, 2031	Fixed 4.2%-5.9%; LPR; annually	Secured	8,497,291	2,559,639
Peso-denominated***	June 19, 2012 - December 29, 2021	February 8, 2021 - December 15, 2031	Fixed 2.5%-6.5%; BVAL + margin	Unsecured/Secured	249,461,959	218,882,964
					440,534,455	392,824,045
Less debt issue cost					2,672,016	1,970,809
					437,862,439	390,853,236
Less current portion					63,706,559	60,121,438
					₱374,155,880	₱330,731,798

BVAL – Bloomberg Valuation

LIBOR – London Interbank Offered Rate

LPR – China Loan Prime Rate

**Hedged against foreign exchange and interest rate risks using derivative instruments (see Note 23)*

*** Secured by portions of investment properties located in China (see Note 15)*

****Secured by portions of property and equipment (see Note 14)*

Debt Issue Cost

The movements in unamortized debt issue cost follow:

	2021	2020
<i>(In Thousands)</i>		
Balance at beginning of year	₱1,970,809	₱1,650,800
Additions	1,501,100	924,470
Amortization and others	(799,893)	(604,461)
Balance at end of year	₱2,672,016	₱1,970,809

Repayment Schedule

The repayment schedule of long-term debt as at December 31, 2021 follows:

	Gross Debt	Debt Issue Cost	Net
<i>(In Thousands)</i>			
Within 1 year	₱64,375,537	₱668,978	₱63,706,559
Over 1 year to 5 years	335,669,308	1,833,375	333,835,933
Over 5 years	40,489,610	169,663	40,319,947
	₱440,534,455	₱2,672,016	₱437,862,439



Covenants

The long-term debt of the Group is covered with certain covenants including adherence to financial ratios. As at December 31, 2021 and 2020, the Group is in compliance with the terms of its debt covenants.

20. **Equity**

Capital Stock

a. Common stock

	Number of Shares	
	2021	2020
Authorized - ₱10 par value per share	2,790,000,000	2,790,000,000
Issued and subscribed	1,204,582,867	1,204,582,867

As at December 31, 2021 and 2020, the Parent Company is compliant with the minimum public float as required by the PSE.

Information on the Parent Company's registration of securities under the Securities Regulation Code follows:

Date of SEC Approval	Authorized Shares	Number of Shares Issued	Issue/Offer Price
March 22, 2005		105,000,000	₱250
November 6, 2007		56,000,000	218
June 14, 2007	100,000,000		10
April 25, 2007 (4.3% stock dividends)		25,023,038	10
October 4, 2010 to March 13, 2012			
Conversion of convertible bonds		2,851,582	453
September 24, 2012		9,100,000	700
January 23, 2013 to July 5, 2013			
Conversion of convertible bonds		7,651,851	781
June 14, 2013	500,000,000		10
June 24 and July 12, 2013			
(25.0% stock dividends)		157,657,314	10
July 18, 2013 to November 1, 2013			
Conversion of convertible bonds		738,483	625
August 1, 2013		7,250,000	900
August 27, 2014			
Conversion of convertible bonds		68,378	625
January 15, 2015 to April 9, 2015			
Conversion of convertible bonds		6,714,759	625
July 15, 2016	1,600,000,000		10
July 20, 2016 (50.0% stock dividends)		401,527,462	10

The total number of shareholders of the Company is 1,261 and 1,256 as at December 31, 2021 and 2020, respectively.



b. Redeemable preferred shares

	Number of Shares	
	2021	2020
Authorized - ₱10 par value per share	10,000,000	10,000,000

There are no issued and subscribed preferred shares as at December 31, 2021 and 2020.

Equity Adjustments from Common Control Transactions

Equity adjustments from common control transactions include the following:

- Acquisition of various SM China Companies by SM Prime in 2007.
- Acquisition of various service companies by SM Retail in 2009.
- Corporate restructuring to consolidate the Group's real estate subsidiaries and real estate assets in SM Prime in 2013.
- Merger of SM Retail with other retail affiliates in 2016.
- SM Prime common control business acquisitions in 2016 and 2017.

These acquisitions were considered as a combination of businesses under common control for which the pooling of interests method was applied in the preparation of the consolidated financial statements.

Retained Earnings

- Appropriated

Following are the appropriations approved by the BOD:

	Date of BOD Approval	Amount
		<i>(In Thousands)</i>
Balance as at January 1, 2015		₱27,000,000
Reversal	November 4, 2015	(18,000,000)
Addition	November 4, 2015	27,000,000
Reversal	November 8, 2017	(27,800,000)
Addition	November 8, 2017	28,800,000
Reversal	November 10, 2021	(37,000,000)
Addition	November 10, 2021	37,000,000

Retained earnings appropriated as at December 31, 2021 is intended for the payment of certain long-term debts and new investments as follows:

	Timeline	Amount
		<i>(In Thousands)</i>
Debt service	2022 - 2024	₱27,000,000
Investments	2022 - 2024	10,000,000
		₱37,000,000



- Unappropriated

The Parent Company's cash dividend declarations in 2021 and 2020 follow:

<u>Declaration Date</u>	<u>Record Date</u>	<u>Payment Date</u>	<u>Per Share</u>	<u>Total</u>
				<i>(In Thousands)</i>
April 28, 2021	May 13, 2021	May 27, 2021	₱4.25	₱5,119,477
June 24, 2020	July 9, 2020	July 23, 2020	4.25	5,119,477

Unappropriated retained earnings include the accumulated equity in net earnings of subsidiaries, associates and joint ventures amounting to ₱274,720.9 million and ₱254,371.2 million as at December 31, 2021 and 2020, respectively, that is not available for distribution until such time that the Parent Company receives the dividends from the respective subsidiaries, associates and joint ventures.

The retained earnings of the Parent Company available for dividend declaration amounted to ₱30,295.3 million and ₱17,267.6 million as at December 31, 2021 and 2020, respectively.

21. Related Party Disclosures

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. The Group has a policy that requires approval of related party transactions by the Related Party Transactions Committee of the BOD when these breach certain limits and/or when these are not of a usual nature.

The significant transactions with related parties follow:

- Rent

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

- Royalty, Management and Service Fees

The Parent Company and SM Retail receive management and service fees from retail entities under common stockholders for management, consultancy, manpower and other services. In addition to management and service fees, the Parent Company also receives royalty fees from certain related parties.

- Dividend Income

The Group earns dividend income from certain related parties under common stockholders.

- Cash Placements and Loans

The Group has certain bank accounts and cash placements as well as bank loans and debts with BDO and China Bank. Such accounts earn interest at prevailing market rates.



▪ Notes Receivable

The Group has certain notes receivable from Carmen Copper Corporation (see Notes 16 and 27).

▪ Others

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

The related party transactions and outstanding balances follow:

	Transaction Amount			Outstanding Amount		Terms	Conditions
	2021	2020	2019	2021	2020		
<i>(In Thousands)</i>							
Banking Group							
Cash placement and investment in marketable securities				₱69,348,747	₱60,776,796	Interest-bearing	Unsecured; no impairment
Interest receivable				56,294	54,407	—	—
Interest income	₱1,186,646	₱1,639,790	₱2,738,310			—	—
Interest-bearing debt				57,560,251	34,555,640	Interest-bearing	Unsecured
Interest payable				157,990	87,662	—	—
Interest expense	2,022,309	1,837,740	1,885,429			—	—
Rent receivable				115,722	60,454	Noninterest-bearing	Unsecured; no impairment
Rent income	692,948	466,976	1,018,963			—	—
Receivable financed	358,861	7,170,156	7,689,986			Without recourse	Unsecured
Dividends receivable				-	13,462	Noninterest-bearing	Unsecured; no impairment
Bonds and deposits				17,849,650	16,808,050	Interest-bearing 4.5%	Unsecured; no impairment
Royalty, management and service fee receivable				8,441	8,077	Noninterest-bearing	Unsecured; no impairment
Royalty, management and service fee income	47,481	15,478	2,799			—	—
Escrow fund				298,044	276,669	Interest-bearing	Unsecured; no impairment
Retail and Other Entities							
Rent receivable				265,241	912,269	Noninterest-bearing	Unsecured; no impairment
Rent income	1,062,615	937,306	2,144,633			—	—
Royalty, management and service fee receivable				1,951,068	2,049,081	Noninterest-bearing	Unsecured; no impairment
Royalty, management and service fee income	1,642,340	1,448,870	1,713,152			—	—
Due from related parties				617,465	1,180,589	Noninterest-bearing	Unsecured; no impairment
Due to related parties				872,591	823,779	Noninterest-bearing	Unsecured
Dividends receivable				329,800	526,507	Noninterest-bearing	Unsecured
Interest receivable				8,244	7,763	—	—
Interest income	352,192	362,183	387,437			—	—
Notes receivable				5,371,668	4,999,359	Interest-bearing 5.4 %	Unsecured; no impairment

Terms and Conditions of Transactions with Related Parties

Outstanding balances at yearend are unsecured and are normally settled in cash. The Group did not make any provision for impairment loss relating to amounts owed by related parties.



Compensation of Key Management Personnel

The aggregate compensation and benefits relating to key management personnel in 2021, 2020 and 2019 consist of short-term employee benefits amounting to ₱3,197.9 million, ₱3,204.2 million and ₱3,270.9 million, respectively, and post-employment benefits amounting to ₱457.0 million, ₱517.8 million and ₱372.7 million, respectively.

22. Selling, General and Administrative Expenses

This account consists of:

	2021	2020	2019
	<i>(In Thousands)</i>		
Personnel cost (Note 21)	₱22,887,305	₱24,832,719	₱29,924,102
Depreciation and amortization (Notes 14, 15, 16 and 26)	19,799,590	18,763,579	19,370,843
Utilities	15,685,288	14,769,462	18,028,601
Taxes and licenses	8,662,092	9,275,332	9,714,573
Outside services	8,424,616	8,180,283	7,048,795
Remeasurement loss (Note 5)	7,358,144	-	-
Provisions (reversal of provisions) - net	(4,277,758)	1,620,414	2,609,386
Marketing and selling	4,263,815	3,826,199	6,803,530
Repairs and maintenance	3,789,946	2,984,440	3,067,465
Supplies	1,742,850	1,577,357	2,474,260
Pension (Note 24)	1,253,169	1,320,622	1,145,678
Rent (Note 26)	1,200,679	1,114,634	4,474,401
Insurance	877,686	953,741	864,113
Data processing	827,128	600,271	788,316
Transportation and travel	772,406	790,018	1,179,285
Entertainment, representation and amusement	372,204	382,134	378,813
Communications	311,256	313,823	343,261
Donations	204,679	306,217	359,975
Professional fees	195,795	379,769	311,659
Royalty, management and service fees (Note 21)	173,467	145,011	197,555
Others	3,355,482	3,346,529	4,173,320
	₱97,879,839	₱95,482,554	₱113,257,931

Others mainly consists of dues and subscriptions, commissions and bank charges.



23. Interest Income and Interest Expense

The sources of interest income and interest expense follow:

	2021	2020	2019
	<i>(In Thousands)</i>		
Interest income on:			
Time deposits and other noncurrent assets (Notes 8 and 16)	₱797,114	₱713,251	₱1,221,890
Cash in banks and temporary investments (Note 7)	932,957	1,454,905	2,038,322
Others (Note 12)	471,120	267,859	620,944
	₱2,201,191	₱2,436,015	₱3,881,156
Interest expense on:			
Long-term debt (Note 19)	₱15,850,586	₱14,857,593	₱16,585,412
Lease liabilities (Note 26)	1,994,871	1,874,726	1,676,045
Bank loans (Note 17)	847,889	1,087,746	1,006,880
Others	66,495	203,545	243,408
	₱18,759,841	₱18,023,610	₱19,511,745

24. Pension Benefits

The Group has funded defined benefit pension plans covering all regular and permanent employees.

Net benefit expense (included under “Selling, general and administrative expenses” and “Cost of services”) consists of:

	2021	2020	2019
	<i>(In Thousands)</i>		
Current service cost	₱1,249,919	₱1,133,762	₱1,050,358
Net settlement loss (gain)	2,573	(2,923)	–
Net interest cost	95,847	196,309	98,138
Past service cost - curtailment	(14,120)	(6,526)	(2,818)
	₱1,334,219	₱1,320,622	₱1,145,678

Changes in the net defined benefit liability and asset follow:

▪ Net Defined Benefit Liability

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Amount not Recognized due to Asset Limit	Defined Benefit Liability (Asset)
	<i>(In Thousands)</i>			
As at December 31, 2019	₱13,878,528	₱9,806,407	₱–	₱4,072,121
Net benefit expense (Note 22):				
Current service cost	886,876	–	–	886,876
Settlement loss	563	–	–	563
Net interest cost	526,669	361,494	15	165,190
	1,414,108	361,494	15	1,052,629

(Forward)



	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Amount not Recognized due to Asset Limit	Defined Benefit Liability (Asset)
<i>(In Thousands)</i>				
Remeasurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	₱-	(₱523,091)	₱-	₱523,091
Actuarial changes arising from:				
Changes in financial assumptions	(1,948,734)	-	-	(1,948,734)
Changes in demographic assumptions	(107,954)	-	-	(107,954)
Experience adjustment	13,285	-	-	13,285
Others	-	-	(32)	(32)
	(2,043,403)	(523,091)	(32)	(1,520,344)
Reclassifications from defined benefit assets	(3,733,524)	(2,810,818)	-	(922,706)
Actual contributions	-	622,667	-	(622,667)
Benefits paid	(1,141,453)	(1,140,586)	-	(867)
Transfer to related parties	(80,911)	(125,999)	-	45,088
Other adjustments	-	-	17	17
As at December 31, 2020	8,293,345	6,190,074	-	2,103,271
Net benefit expense (Note 22):				
Current service cost	940,087	-	-	940,087
Settlement loss	2,573	-	-	2,573
Net interest cost	362,138	254,671	120	107,587
Past service cost - curtailment	(10,072)	-	-	(10,072)
	1,294,726	254,671	120	1,040,175
Remeasurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	-	14,299	-	(14,299)
Actuarial changes arising from:				
Changes in financial assumptions	(589,082)	-	-	(589,082)
Changes in demographic assumptions	(21,150)	-	-	(21,150)
Experience adjustment	980,910	-	-	980,910
Others	-	-	(120)	(120)
	370,678	14,299	(120)	356,259
Reclassifications from defined benefit assets	(834,319)	(108,961)	-	(725,358)
Effect of common control business combination	1,928,359	758,160	-	1,170,199
Actual contributions	-	422,975	-	(422,975)
Benefits paid	(1,198,692)	(1,193,786)	-	(4,906)
Transfer to related parties	1,993	5,116	-	(3,123)
Other adjustments	(2,316)	-	-	(2,316)
As at December 31, 2021	₱9,853,774	₱6,342,548	₱-	₱3,511,226

▪ Net Defined Benefit Asset

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Amount not Recognized due to Asset Limit	Defined Benefit Liability (Asset)
<i>(In Thousands)</i>				
As at December 31, 2019	₱320,581	₱426,932	₱11,294	(₱95,057)
Net benefit expense (Note 22):				
Current service cost	246,886	-	-	246,886
Settlement gain	(3,486)	-	-	(3,486)
Net interest cost	212,714	182,217	622	31,119
Past service cost - curtailment	(6,526)	-	-	(6,526)
	449,588	182,217	622	267,993
Remeasurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	-	(156,981)	-	156,981
Actuarial changes arising from:				
Changes in financial assumptions	(1,474,549)	-	-	(1,474,549)
Changes in demographic assumptions	(15,423)	-	-	(15,423)
Experience adjustment	195,578	-	-	195,578
Others	-	-	50,700	50,700
	(1,294,394)	(156,981)	50,700	(1,086,713)

(Forward)



	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Amount not Recognized due to Asset Limit	Defined Benefit Liability (Asset)
	<i>(In Thousands)</i>			
Reclassifications from defined benefit liabilities	₱3,477,855	₱2,788,251	₱-	₱689,604
Actual contributions	-	322,326	-	(322,326)
Benefits paid	(296,125)	(296,125)	-	-
Transfer from the plan	83,842	83,842	-	-
Amount not recognized due to asset limit	-	-	62,605	62,605
Other adjustments	-	-	(62,621)	(62,621)
As at December 31, 2020	2,741,347	3,350,462	62,600	(546,515)
Net benefit expense (Note 22):				
Current service cost	309,832	-	-	309,832
Net interest cost	119,971	132,379	668	(11,740)
Past service cost - curtailment	(4,048)	-	-	(4,048)
	425,755	132,379	668	294,044
Remeasurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	-	21,473	-	(21,473)
Actuarial changes arising from:				
Changes in financial assumptions	(464,387)	-	-	(464,387)
Changes in demographic assumptions	(176)	-	-	(176)
Experience adjustment	(168,812)	-	-	(168,812)
Others	-	-	8,550	8,550
	(633,375)	21,473	8,550	(646,298)
Reclassifications from defined benefit liabilities	423,823	123,921	-	299,902
Actual contributions	-	149,118	-	(149,118)
Benefits paid	(210,465)	(210,284)	-	(181)
Transfer from the plan	(106)	(106)	-	-
Amount not recognized due to asset limit	-	-	71,824	71,824
Other adjustments	(5,471)	-	(71,824)	(77,295)
As at December 31, 2021	₱2,741,508	₱3,566,963	₱71,818	(₱753,637)

The principal assumptions used in determining the pension obligations of the Group follow:

	2021	2020
Discount rate	3.3% - 5.6%	2.7% - 5.6%
Future salary increases	2.0% - 9.0%	2.0% - 9.0%

The assets of the Pension Plan are held by a trustee bank, BDO, a related party. The investing decisions of the Plan are made by the Board of Trustees of the Pension Plan. The carrying amounts, which approximate the estimated fair values of the Plan assets, follow:

	2021	2020
	<i>(In Thousands)</i>	
Cash and cash equivalents	₱107,595	₱66,755
Investment in debt and other securities	1,741,789	2,033,788
Investment in common trust funds	3,961,750	3,720,297
Investment in equity securities	222,710	141,993
Investment in government securities	3,631,950	3,354,562
Others	243,717	223,141
	₱9,909,511	₱9,540,536



- Cash and cash equivalents include regular savings and time deposits.
- Investments in debt and other securities, consisting of both short-term and long-term corporate loans, notes and bonds, bear interest ranging from 2.6% to 7.5% in 2021 and 2020. These have maturities from April 2022 to December 2028 and February 2021 to October 2026 in 2021 and 2020, respectively.
- Investment in common trust funds consists of unit investment trust fund placements.
- Investment in equity securities consists of listed and unlisted equity securities.
- Investment in government securities consists of retail treasury bonds. These bonds bear interest ranging from 2.4% to 11.9% and 2.6% to 6.3% in 2021 and 2020, respectively. These bonds have maturities from January 2022 to August 2028 and February 2023 to September 2025 in 2021 and 2020, respectively.
- Others pertain to accrued interest income on cash deposits and debt securities held by the Plan.

The outstanding balances and transactions of the Pension Plan with the trustee bank follow:

	2021	2020
	<i>(In Thousands)</i>	
Balances:		
Cash and cash equivalents	₱107,595	₱66,755
Investment in common trust funds	3,961,750	3,720,297
Transactions:		
Interest income from cash and cash equivalents	99,689	41,161

The Group expects to contribute about ₱1,085.0 million to its Pension Plan in 2022.

The sensitivity analysis below has been determined based on reasonably possible changes in each significant assumption on the defined benefit obligation as at December 31, 2021 and 2020, with all other assumptions held constant:

	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation
	<i>(In Thousands)</i>	
2021		
Discount rates	50	(₱739,516)
	(50)	792,026
Future salary increases	100	1,037,314
	(100)	(903,627)
No attrition rate	-	1,193,088
2020		
Discount rates	50	(₱458,782)
	(50)	451,759
Future salary increases	100	881,326
	(100)	(766,679)
No attrition rate	-	1,772,843



The average duration of the Group's defined benefit obligation is 3 to 32 years in 2021 and 3 to 30 years in 2020.

The maturity analysis of the undiscounted benefit payments follows:

	2021	2020
	<i>(In Thousands)</i>	
Year 1	₱2,408,251	₱2,152,675
Year 2	1,193,797	807,739
Year 3	1,502,274	889,078
Year 4	1,692,685	899,571
Year 5	1,750,994	943,484
Year 6 -10	11,971,084	5,316,001

The Plan assets are not matched to any specific defined benefit obligation.

25. Income Tax

The details of the Group's deferred tax assets and liabilities follow:

	2021	2020
	<i>(In Thousands)</i>	
Deferred tax assets:		
Excess of fair values over cost of investment properties	₱755,221	₱936,986
NOLCO	1,547,244	957,572
Lease liabilities	9,412,623	8,700,166
Accrued leases	130,647	101,619
Provision for doubtful accounts and others	1,010,581	686,475
Unamortized past service cost and defined benefit liability	1,167,741	535,173
MCIT	625,335	589,212
	14,649,392	12,507,203
Deferred tax liabilities:		
Appraisal increment on investment property	4,635,324	2,843,288
ROU assets	7,955,496	6,995,580
Trademarks and brand names	1,470,771	1,879,000
Capitalized interest	2,606,754	2,442,990
Unrealized gross profit on sale of real estate	8,379,622	5,426,854
Excess of fair values over cost of equity instruments	184,935	146,893
Unamortized past service cost and defined benefit asset	76,797	83,053
Others	404,005	632,555
	25,713,704	20,450,213
Net deferred tax liabilities	₱11,064,312	₱7,943,010



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

	2021	2020
	<i>(In Thousands)</i>	
Deferred tax assets	₱4,732,558	₱4,671,969
Deferred tax liabilities	15,796,870	12,614,979
	₱11,064,312	₱7,943,010

The unrecognized deferred tax assets from the deductible temporary differences and carryforward benefits of NOLCO and MCIT amounted to ₱3,715.4 million and ₱5,737.5 million as at December 31, 2021 and 2020, respectively.

Corporate Recovery and Tax Incentives for Enterprises Act

On March 26, 2021, the President of the Philippines signed into law Republic Act No. 11534, Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, which took effect on April 11, 2021. The CREATE Act introduces reforms to the corporate income tax and incentive systems by implementing changes to the current tax regulations. Some of these changes, which became effective beginning July 1, 2020, are as follows:

- Reduction in the RCIT rate from 30% to 20% for entities with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million (excluding the value of land on which the business entity's office, plant and equipment are situated);
- Reduction in the RCIT from 30% to 25% for all other corporations;
- Reduction in the MCIT rate from 2% to 1% of gross income for 3 years or until June 30, 2023; and
- Repeal of the imposition of 10% improperly accumulated earnings tax (IAET).

The Group recognized in its consolidated financial statements as at and for the year ended December 31, 2021, a reduction in Provision for income tax (current and deferred), Deferred tax on comprehensive income directly charged to Equity and Deferred tax liabilities - net amounting to ₱1,104.4 million, ₱17.9 million, and ₱1,051.9 million, respectively, pertaining to the one-time impact of CREATE for the year ended December 31, 2020.

The reconciliation between the statutory tax rates and the Group's effective tax rate on income before income tax follows:

	2021	2020	2019
Statutory income tax rate	25%	30%	30%
Income tax effect of reconciling items:			
Equity in net earnings of associate companies and joint ventures	(11)	(12)	(9)
Interest income subjected to final tax	(1)	(2)	(1)
Others	1	1	-
Effective income tax rate	14%	17%	20%



26. Lease Agreements

As Lessor. The Group's lease agreements with its tenants are generally granted for a term of one to twenty-five years. Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits. Tenants likewise pay a fixed monthly rent which is calculated with reference to a fixed sum per square meter of area leased except for a few tenants which pay either a fixed monthly rent or a percentage of gross sales, whichever is higher.

The future minimum lease receivables under the non-cancellable operating leases follow:

	2021	2020
	<i>(In Millions)</i>	
Within one year	₱9,141	₱8,594
Over one year to five years	18,963	18,199
Over five years	9,385	9,256
	₱37,489	₱36,049

As Lessee. The Group leases certain parcels of land where some of its malls are situated as well as retail store, office spaces, warehouses, containers, reefer vans, ISO tanks, cargo handling equipment, transportation equipment and container yards. The terms of the lease are for periods ranging from one to fifty years, renewable for the same period under the same terms and conditions. Rental payments are generally computed based on a certain percentage of gross rental income or a certain fixed amount, whichever is higher.

There are also non-cancellable operating lease commitments with lease periods ranging from two to thirty years, mostly containing renewal options and those that provide for the payment of additional rental based on a certain percentage of sales of the sub-lessees.

The rollforward analysis of ROU assets follows:

	December 31, 2021		
	Land Use Rights	Retail Stores, Office Spaces, Warehouses and Others	Total
	<i>(In Thousands)</i>		
Cost			
As at beginning of year	₱24,343,193	₱23,428,730	₱47,771,923
Additions	1,631,609	2,420,420	4,052,029
Effect of business combination (Note 5)	-	1,699,473	1,699,473
Translation adjustment	1,173,704	-	1,173,704
Disposals	(196,065)	(411,323)	(607,388)
As at end of year	26,952,441	27,137,300	54,089,741
Accumulated Depreciation and Amortization			
As at beginning of year	1,014,825	4,778,069	5,792,894
Depreciation and amortization	592,597	3,078,340	3,670,937
Translation adjustment	34,084	-	34,084
Disposals	(51,624)	(132,469)	(184,093)
As at end of year	1,589,882	7,723,940	9,313,822
Net Book Value	₱25,362,559	₱19,413,360	₱44,775,919



	December 31, 2020		
	Land Use Rights	Retail Stores, Office Spaces and Warehouses	Total
	<i>(In Thousands)</i>		
Cost			
As at beginning of year	₱20,955,223	₱20,291,858	₱41,247,081
Additions	3,276,229	4,175,989	7,452,218
Translation adjustment	111,741	-	111,741
Disposals	-	(1,039,117)	(1,039,117)
As at end of year	24,343,193	23,428,730	47,771,923
Accumulated Depreciation and Amortization			
As at beginning of year	505,171	3,077,734	3,582,905
Depreciation and amortization	504,613	2,566,999	3,071,612
Translation adjustment	5,041	-	5,041
Disposals	-	(866,664)	(866,664)
As at end of year	1,014,825	4,778,069	5,792,894
Net Book Value	₱23,328,368	₱18,650,661	₱41,979,029

The rollforward analysis of lease liabilities follows:

	December 31, 2021	December 31, 2020
	<i>(In Thousands)</i>	
As at beginning of year	₱30,879,878	₱29,134,546
Additions	4,052,029	4,175,989
Effect of business combination	1,906,990	-
Interest expense (Note 23)	1,994,871	1,874,726
Rent concessions	(207,182)	(275,102)
Terminations	(381,609)	(192,237)
Payments	(4,630,284)	(3,838,044)
As at end of year	33,614,693	30,879,878
Less current portion (Note 18)	2,553,084	2,011,714
Noncurrent portion	₱31,061,609	₱28,868,164

Following are the amounts recognized in the consolidated statements of income:

	2021	2020
	<i>(In Thousands)</i>	
Depreciation of ROU assets	₱3,670,937	₱3,071,612
Interest expense on lease liabilities	1,994,871	1,874,726

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased assets portfolio. Management exercises significant judgment in determining whether these extension and termination options are reasonably certain to be exercised.



The future minimum lease payables under the non-cancellable leases follow:

	2021	2020
	<i>(In Millions)</i>	
Within one year	₱4,391	₱4,119
Over one year to five years	15,560	14,858
Over five years	37,099	40,043
	₱57,050	₱59,020

Tenants' deposits amounted to ₱22,201.3 million and ₱22,551.7 million as at December 31, 2021 and 2020, respectively.

27. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivatives, consist of cash and cash equivalents, time deposits, financial assets at FVOCI, non-trade receivables, bonds and deposits, receivables from banks, accrued interest receivable, bank loans, long-term debt and lease liabilities. The main purpose of these financial instruments is to finance the Group's operations. The Group has other financial instruments such as receivables and accounts payable and other current liabilities, which arise directly from its operations.

The Group also enters into derivative transactions, mainly, cross-currency swaps, interest rate swaps, foreign currency call options and non-deliverable forwards. The purpose is to manage the interest rate and foreign currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments follow:

- *Interest rate risk.* Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk. Repricing of floating rate financial instruments is mostly done at intervals of three or six months.
- *Foreign currency risk.* The Group's exposure to foreign currency risk arises as the Parent Company and SM Prime have significant investments and debt issuances which are denominated in U.S. Dollars and China Yuan Renminbi.
- *Liquidity risk.* Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments.
- *Credit risk.* Refers to the risk that a borrower will default on any type of debt by failing to make the required payments.
- *Equity price risk.* The Group's exposure to equity price risk pertains to its investments in quoted equity shares which are classified as equity investments at FVOCI in the consolidated balance sheets. Equity price risk arises from changes in the levels of equity indices and the value of individual stocks traded in the stock exchange.

The BOD reviews and approves the policies for managing each of these risks.



Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations (see Note 19).

The Group maintains a conservative financing strategy and has preference for longer tenor credit with fixed interest rate that matches the nature of its investments. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps and cross-currency swaps in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed notional amount. The interest rate swaps and cross-currency swaps were designated by the Group under cash flow hedge accounting. Furthermore, the Group applied rollover hedging strategy to some of its currency forward contracts whereby the maturity of the hedging instrument is intentionally shorter than the maturity of the hedged item, and there is an expectation that on expiry of the original hedging instrument it will be replaced by a new hedging instrument with similar characteristics of the instrument being replaced.

As at December 31, 2021 and 2020, after taking into account the effect of the swaps, approximately 82.7% and 79.8%, respectively of the Group's borrowings, net of debt issue cost, is kept at fixed interest rates.

Interest Rate Risk Sensitivity Analysis. The sensitivity analysis for a reasonably possible change in interest rates, with all other variables held constant, of the Group's interest-bearing debt with floating interest rates, follows:

	Increase (Decrease) in Basis Points	Effect on Income Before Tax <i>(In Millions)</i>
2021	100	(₱238.3)
	50	(119.1)
	(100)	238.3
	(50)	119.1
2020	100	(₱169.1)
	50	(84.5)
	(100)	169.1
	(50)	84.5

The assumed movement in basis points for interest rate sensitivity analysis is based on observable market conditions.

Foreign Currency Risk

The Group aims to reduce foreign currency risks by employing on-balance sheet hedges and derivatives such as foreign currency swap contracts, foreign cross-currency swaps, foreign currency call options and non-deliverable forwards.



The Group's foreign currency-denominated financial assets and liabilities and their peso equivalents follow:

	2021		2020	
	US\$	PhP	US\$	PhP
	<i>(In Thousands)</i>			
Current assets:				
Cash and cash equivalents	\$3,796	₱193,604	\$3,162	₱151,858
Receivables and contract assets	1,318	67,223	986	47,335
Other current assets	139	7,065	–	–
Noncurrent assets:				
Time deposits	401,115	20,456,444	353,502	16,976,245
Other noncurrent assets	151,741	7,738,654	138,486	6,650,501
Total assets	558,109	28,462,990	496,136	23,825,939
Current liabilities:				
Accounts payable and other current liabilities	27,267	1,390,600	1,155	55,446
Current portion of long-term debt	107,858	5,500,668	–	–
Noncurrent liabilities:				
Long-term debt - net of current portion	348,963	17,796,754	475,850	22,851,753
Total liabilities	484,088	24,688,022	477,005	22,907,199
Net	\$74,021	₱3,774,968	\$19,131	₱918,740

As at December 31, 2021 and 2020, approximately 27.7% and 22.8%, respectively, of the Group's borrowings, net of debt issue cost, are denominated in foreign currency.

The Group recognized net foreign exchange gain of ₱796.2 million, ₱301.7 million and ₱561.7 million in 2021, 2020 and 2019, respectively. This resulted from movements in the closing rate of U.S. dollar against the Philippine peso as follows:

	U.S. Dollar to Peso
December 31, 2021	₱50.999
December 31, 2020	48.02
December 31, 2019	50.64

Foreign Currency Risk Sensitivity Analysis. The sensitivity analysis for a reasonably possible change in U.S. Dollar to Philippine peso exchange rate, with all other variables held constant, of the Group's financial assets and liabilities denominated in foreign currency, follows:

	Appreciation (Depreciation) of Peso	Effect on Income Before Tax
		<i>(In Millions)</i>
2021	₱1.50	₱111.0
	1.00	74.0
	(1.50)	(111.0)
	(1.00)	(74.0)
 2020	 ₱1.50	 ₱28.7
	1.00	19.1
	(1.50)	(28.7)
	(1.00)	(19.1)

Liquidity Risk

The Group manages its liquidity to ensure adequate financing of capital expenditures and debt service. Financing consists of internally generated funds, proceeds from debt and equity issues, and/or sale of assets.



The Group regularly evaluates its projected and actual cash flow information and assesses conditions in the financial markets for opportunities to pursue fund raising initiatives including bank loans, export credit agency-guaranteed facilities, bonds and equity market issues.

The Group's financial assets, which have maturities of less than 12 months and used to meet its short-term liquidity needs, include the following:

	2021	2020
	<i>(In Thousands)</i>	
Cash and cash equivalents	₱88,744,225	₱78,159,197
Current portion of time deposits	311,233	31,012

The maturity profile of the Group's financial liabilities follow:

	2021			
	Less than 1 Year	1 to 5 Years	More than 5 Years	Total
	<i>(In Thousands)</i>			
Bank loans	₱26,232,427	₱-	₱-	₱26,232,427
Accounts payable and other current liabilities *	143,523,327	-	-	143,523,327
Long-term debt (including current portion) **	74,981,225	368,529,413	47,368,238	490,878,876
Derivative liabilities**	335,367	3,092,624	-	3,427,991
Dividends payable	3,110,847	-	-	3,110,847
Lease liabilities	4,391,495	15,560,176	37,098,569	57,050,240
Tenants' deposits **	38,427	20,982,320	1,824,398	22,845,145
Other noncurrent liabilities ***	-	4,421,067	1,699,633	6,120,700
	₱252,613,115	₱412,585,600	₱87,990,838	₱753,189,553

*Excluding payables to government agencies of ₱6,345.3 million, which are not considered as financial liabilities.

**Based on estimated future cash flows.

***Excluding nonfinancial liabilities amounting to ₱10,561.8 million.

	2020			
	Less than 1 Year	1 to 5 Years	More than 5 Years	Total
	<i>(In Thousands)</i>			
Bank loans	₱24,126,000	₱-	₱-	₱24,126,000
Accounts payable and other current liabilities *	131,739,712	-	-	131,739,712
Long-term debt (including current portion) **	68,844,675	354,465,676	18,264,810	441,575,161
Derivative liabilities**	357,662	5,767,463	-	6,125,125
Dividends payable	3,829,207	-	-	3,829,207
Lease liabilities	4,118,901	14,857,947	40,042,860	59,019,708
Tenants' deposits **	351,473	21,641,732	130,122	22,123,327
Other noncurrent liabilities ***	-	5,756,541	794,710	6,551,251
	₱233,367,630	₱402,489,359	₱59,232,502	₱695,089,491

*Excluding payables to government agencies of ₱4,772.0 million, which are not considered as financial liabilities.

**Based on estimated future cash flows.

***Excluding nonfinancial liabilities amounting to ₱8,806.2 million.

Credit Risk

The Group trades only with recognized and creditworthy related and third parties. The Group policy requires customers who wish to trade on credit terms to undergo credit verification. In addition, receivable balances are monitored on a regular basis to keep exposure to bad debts at the minimum. Given the Group's diverse customer base, it is not exposed to large concentrations of credit risk.

With respect to credit risk arising from the other financial assets of the Group which consist of cash and cash equivalents, time deposits and certain derivative instruments, the Group's credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.



Receivables from sale of real estate have minimal credit risk and are effectively collateralized by the respective units sold since title to the real estate properties are not transferred to the buyers until full payment is made.

As at December 31, 2021 and 2020, the financial assets, except for certain receivables, are generally viewed by management as good and collectible considering the credit history of the counterparties. Past due or impaired financial assets are very minimal in relation to the Group's total financial assets.

Credit Quality of Financial Assets

The credit quality of financial assets is managed by the Group using high quality and standard quality as internal credit ratings.

High Quality. This pertains to a counterparty who is not expected to default in settling its obligations, thus credit risk is minimal. This normally includes large prime financial institutions, companies and government agencies.

Standard Quality. Other financial assets not belonging to the high quality category are included in this category.

	2021			2020		
	High Quality	Standard Quality	Total	High Quality	Standard Quality	Total
<i>(In Thousands)</i>						
Cash and cash equivalents (excluding cash on hand)	₱86,930,685	₱-	₱86,930,685	₱76,819,031	₱-	₱76,819,031
Time deposits including noncurrent portion	4,216,851	-	4,216,851	1,387,454	-	1,387,454
Financial assets at FVOCI	26,779,309	1,714,725	28,494,034	26,145,159	1,701,227	27,846,386
Receivables and contract assets - net (including noncurrent portion of receivables from real estate buyers)*	61,770,134	4,364,178	66,134,312	50,056,968	6,736,112	56,793,080
Advances and other receivables - net (includes non-trade receivables, bonds and deposits, receivable from banks, notes receivable and accrued interest receivable under "Other current assets" account in the consolidated balance sheets)**	23,794,763	-	23,794,763	20,442,625	-	20,442,625
Escrow fund	468,043	-	468,043	276,669	-	276,669
Other noncurrent assets:						
Bonds and deposits	17,849,650	-	17,849,650	16,808,050	-	16,808,050
Long-term notes	5,371,668	-	5,371,668	4,999,359	-	4,999,359
Derivative assets (including noncurrent portion)	1,718,512	-	1,718,512	2,747	-	2,747
	₱228,899,615	₱6,078,903	₱234,978,518	₱196,938,062	₱8,437,339	₱205,375,401

*Excluding non-financial assets amounting to ₱42,427.5million and ₱44,272.2 million as at December 31, 2021 and 2020, respectively.

**Excluding non-financial assets amounting to ₱176.1million and ₱121.7 million as at December 31, 2021 and 2020, respectively.

Equity Price Risk

Management closely monitors the equity securities in its investment portfolio. Material equity investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by management.



The sensitivity analysis for a reasonably possible change in equity indices, with all other variables held constant, of the Group's investments in listed shares of stock, follows:

	Change in Equity Price	Effect on Equity
		<i>(In Millions)</i>
2021	+0.57%	₱109.5
	-0.57%	(109.5)
2020	+1.2%	₱359.1
	-1.2%	(359.1)

Capital Management

The primary objective of the Group'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 Group manages its capital structure and makes appropriate adjustments based on changes in economic conditions. Accordingly, the Group may adjust dividend payments to shareholders, secure new and/or pay off existing debts, return capital to shareholders or issue new shares.

The Group monitors its capital gearing by maintaining its net debt at no higher than 50% of the sum of net debt and equity.

Net Gearing Ratio

	2021	2020
	<i>(In Thousands)</i>	
Bank loans	₱26,232,427	₱24,126,000
Long-term debt (current and noncurrent)	437,862,439	390,853,236
Less:		
Cash and cash equivalents (excluding cash on hand)	(86,930,685)	(76,819,031)
Time deposits (current and noncurrent)	(4,216,851)	(1,387,454)
Net interest-bearing debt (a)	372,947,330	336,772,751
Total equity	612,439,925	564,727,898
Net interest-bearing debt and total equity (b)	₱985,387,255	₱901,500,649
Gearing ratio - net (a/b)	38%	37%

Gross Gearing Ratio

	2021	2020
	<i>(In Thousands)</i>	
Bank loans	₱26,232,427	₱24,126,000
Long-term debt	437,862,439	390,853,236
Total interest-bearing debt (a)	464,094,866	414,979,236
Total equity	612,439,925	564,727,898
Total interest-bearing debt and total equity (b)	₱1,076,534,791	₱979,707,134
Gearing ratio - gross (a/b)	43%	42%



28. Financial Instruments

The Group's financial assets and liabilities by category and by class, except for those with carrying amounts that are reasonable approximations of fair values, follow:

	2021				
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(In Thousands)</i>					
Assets Measured at Fair Value					
Financial assets at FVOCI					
Listed shares of stock	₱26,764,759	₱26,764,759	₱26,764,759	₱-	₱-
Unlisted shares of stock	1,714,725	1,714,725	-	-	1,714,725
Club shares	14,550	14,550	-	14,550	-
Derivative assets	1,718,512	1,718,512	-	1,718,512	-
	30,212,546	30,212,546	26,764,759	1,733,062	1,714,725
Assets for which Fair Values are Disclosed					
Time deposits - noncurrent portion	3,905,618	3,905,618	-	3,905,618	-
Other noncurrent assets:					
Bonds and deposits	17,849,650	19,348,542	-	-	19,348,542
Long-term notes	5,371,668	6,075,947	-	-	6,075,947
	27,126,936	29,330,107	-	3,905,618	25,424,489
	₱57,339,482	₱59,542,653	₱26,764,759	₱5,638,680	₱27,139,214
Liabilities Measured at Fair Value					
Derivative liabilities	₱3,427,991	₱3,427,991	₱-	₱3,427,991	₱-
Liabilities for which Fair Values are Disclosed					
Long-term debt (noncurrent portion, net of debt issue cost)	374,155,880	393,546,958	-	-	393,546,958
Lease liabilities - noncurrent portion	31,061,609	39,909,300	-	-	39,909,300
Tenants' deposits and others*	31,717,585	31,556,541	-	-	31,556,541
	436,935,074	465,012,799	-	-	465,012,799
	₱440,363,065	₱468,440,790	₱-	₱3,427,991	₱465,012,799

*Excluding nonfinancial liabilities amounting to ₱10,561.8 million

	2020				
	Carrying Value	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(In Thousands)</i>					
Assets Measured at Fair Value					
Financial assets at FVOCI					
Listed shares of stock	₱26,133,219	₱26,133,219	₱26,133,219	₱-	₱-
Unlisted shares of stock	1,701,227	1,701,227	-	-	1,701,227
Club shares	11,940	11,940	-	11,940	-
Derivative assets	2,747	2,747	-	2,747	-
	27,849,133	27,849,133	26,133,219	14,687	1,701,227
Assets for which Fair Values are Disclosed					
Time deposits - noncurrent portion	1,356,442	1,356,442	-	1,356,442	-
Other noncurrent assets:					
Bonds and deposits	16,808,050	19,271,918	-	-	19,271,918
Long-term notes	4,999,359	6,068,924	-	-	6,068,924
	23,163,851	26,697,284	-	1,356,442	25,340,842
	₱51,012,984	₱54,546,417	₱26,133,219	₱1,371,129	₱27,042,069
Liabilities Measured at Fair Value					
Derivative liabilities	₱6,125,125	₱6,125,125	₱-	₱6,125,125	₱-
Liabilities for which Fair Values are Disclosed					
Long-term debt (noncurrent portion, net of debt issue cost)	330,731,798	332,475,152	-	-	332,475,152
Lease liabilities - noncurrent portion	28,868,164	30,776,929	-	-	30,776,929
Tenants' deposits and others*	30,947,183	28,784,888	-	-	28,784,888
	390,547,145	392,036,969	-	-	392,036,969
	₱396,672,270	₱398,162,094	₱-	₱6,125,125	₱392,036,969

*Excluding nonfinancial liabilities amounting to ₱8,806.2 million



There were no transfers into and out of Levels 1, 2 and 3 fair value measurements as at December 31, 2021 and 2020.

The fair values of unlisted shares of stock classified under Level 3 were determined through the income valuation approach. This valuation approach is based on the assumption that the value of any asset can be estimated by ascertaining the amount and timing of future cash flows or earnings that are generated by that asset. As at December 31, 2021 and 2020, the Group's unlisted shares of stock were valued using discount rates of 9.3% to 16.1% and 9.6% to 14.5%, respectively.

The estimated fair value of the following financial instruments is based on the discounted value of future cash flows using the prevailing interest rates. Discount rates used follow:

	2021	2020
Other noncurrent assets:		
Bond and deposits	1.0%	0.3%
Long-term notes	0.2%–1.0%	0.2% - 0.3%
Tenants' deposits	1.0%–4.6%	1.0% - 5.5%

Long-term Debt. The fair value of long-term debt is estimated based on the following assumptions:

Debt	Fair Value Assumptions
Fixed Rate	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 0.3% to 6.2% and 0.2% to 4.7% as at December 31, 2021 and 2020, respectively.
Variable Rate	For variable rate loans that re-price every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates. For variable rate loans that re-price every six months, the fair value is determined by discounting the principal amount plus the next interest payment amount using the prevailing market rate for the period up to the next repricing date. Discount rates used were 4.3% to 5.2% and 3.7% to 4.4% as at December 31, 2021 and 2020, respectively.

Derivative Instruments. The fair values are based on quotes obtained from counterparties. The rollforward analysis of the fair value changes of derivative instruments follows:

	2021	2020
	<i>(In Thousands)</i>	
Balance at beginning of year	(P6,122,378)	(P1,139,775)
Net changes in fair value during the year	4,730,641	(4,989,106)
Fair value on settled derivatives	(317,743)	6,503
	(P1,709,480)	(P6,122,378)



Derivative Instruments Accounted for as Cash Flow Hedges

As at December 31, 2021, the Parent Company and SM Prime have outstanding arrangements to hedge both foreign currency and interest rate exposure on its foreign currency-denominated debt. Details follow:

Cross-currency swaps:

	Notional Amount			Principal	Fair Value	Receive	Pay	US\$:PhP	US\$:CN¥	Maturity
	(In US\$)	(In PhP)	(In CN¥)							
	(In Thousands)									
Parent:	\$53,000	₱2,761,300		₱2,702,947	(₱141,332)	LIBOR + spread	5.3%	₱52.10		March 6, 2023
	100,000	5,210,000		5,099,900	(360,490)	LIBOR + spread	5.9%	52.10		April 16, 2023
	56,159	3,000,000		2,864,040	(309,427)	LIBOR + spread	6.1%	53.42		July 26, 2023
	100,000	5,140,000		5,099,900	(243,067)	LIBOR + spread	5.5%	51.40		June 28, 2024
	100,000	5,115,000		5,099,900	(211,456)	LIBOR + spread	5.4%	51.15		June 28, 2024
SM Prime:	50,000	2,666,500		2,549,950	(227,875)	LIBOR + spread	6.4%	53.33		June 14, 2023
	60,000	3,199,200		3,059,940	(302,194)	LIBOR + spread	6.4%	53.32		June 14, 2023
	100,000	4,827,000		5,099,900	265,854	LIBOR + spread	3.3%	48.27		September 30, 2022
	75,000	3,639,000		3,824,925	208,157	LIBOR + spread	3.6% - 3.7%	48.52		April 5, 2024
	75,000	3,637,500		3,824,925	210,916	LIBOR + spread	3.6% - 3.7%	48.50		April 5, 2024
	25,000		¥172,100	1,274,975	(117,797)	LIBOR + spread	5.4%		¥6.884	March 27, 2022
	25,000		172,300	1,274,975	(114,061)	LIBOR + spread	5.4%		6.892	March 27, 2022
	50,000		327,315	2,549,950	(103,509)	LIBOR + spread	5.0%		6.546	June 30, 2022
	50,000		335,940	2,549,950	(164,625)	LIBOR + spread	4.0%		6.719	February 28, 2024
	50,000		335,725	2,549,950	(149,445)	LIBOR + spread	3.9%		6.715	February 28, 2024
	50,000		335,750	2,549,950	(164,052)	LIBOR + spread	3.9%		6.715	February 28, 2024
	50,000		334,400	2,549,950	(163,367)	LIBOR + spread	3.9%		6.688	February 28, 2024
	50,000		335,750	2,549,950	(162,006)	LIBOR + spread	3.9%		6.715	February 28, 2024
	36,000		241,643	1,836,000	(114,275)	LIBOR + spread	3.9%		6.712	February 28, 2024

Principal only, Foreign exchange and Interest rate swaps:

	Notional Amount	Principal	Principal only swap	Fair Value Foreign exchange swap	Interest rate swap	Rate	US\$ Swap Rate	Maturity
	(In Thousands)							
SM Prime	\$100,000	₱5,099,900	₱-	₱-	₱383,753	2.3%	-	March 29, 2026
	150,000	7,649,850	-	213,085	-	2.4%	₱48.8 - ₱50.9	March 30, 2026
	150,000	7,649,850	-	213,085	-	2.5%	₱48.8 - ₱50.9	March 30, 2026
	270,000	13,769,730	(300,347)	-	162,180	2.6%	¥6.4845 - ¥6.6496	January 25, 2026
	50,000	2,549,950	-	30,741	(39,332)	2.4%	₱50.3	March 21, 2025
	50,000	2,549,950	-	30,741	(39,332)	2.4%	₱50.3	March 21, 2025

As the terms of the swaps have been negotiated to match the terms of the hedged loans and advances, the hedges were assessed to be highly effective.

Other Derivative Instruments Not Designated as Accounting Hedges

Non-deliverable Forwards and Swaps. The net fair value changes from the settled currency forward and swap contracts recognized in the consolidated statements of income amounted to ₱216.0 million gain in 2021 and ₱6.5 million loss in 2020.

29. EPS Computation

	2021	2020	2019
	(In Thousands Except Per Share Data)		
Net income attributable to owners of the Parent (a)	₱38,499,890	₱23,389,950	₱44,568,244
Weighted average number of common shares outstanding (b)	1,204,583	1,204,583	1,204,583
EPS (a/b)	₱31.96	₱19.42	₱37.00



30. Change in Liabilities Arising From Financing Activities

	2021			2020		
	Bank Loans (Note 17)	Long-term Debt (Note 19)	Lease Liabilities (Note 26)	Bank Loans (Note 17)	Long-term Debt (Note 19)	Lease Liabilities (Note 26)
	<i>(In Thousands)</i>					
Balance at beginning of year	₱24,126,000	₱390,853,236	₱30,879,878	₱18,710,465	₱356,435,927	₱29,134,546
Availments	52,175,839	129,529,420	4,052,029	82,880,520	75,253,912	4,175,989
Payments	(53,324,257)	(92,624,775)	(4,630,284)	(77,464,985)	(36,158,696)	(3,838,044)
Cumulative translation adjustment on cash flow hedges	–	4,467,951	–	–	(702,490)	–
Foreign exchange movement	218,345	2,202,275	–	–	(3,685,613)	–
Business combination (Note 5)	3,036,500	3,984,077	1,906,990	–	–	–
Others	–	(549,745)	1,406,080	–	(289,804)	1,407,387
Balance at end of year	₱26,232,427	₱437,862,439	₱33,614,693	₱24,126,000	₱390,853,236	₱30,879,878

There are no non-cash changes in accrued interest and dividends payable. Others include debt accretion and debt issue cost amortization.

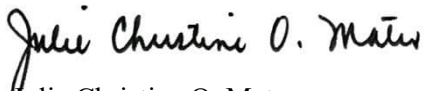


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
SM Investments Corporation
10th Floor, One E-Com Center
Harbor Drive, Mall of Asia Complex
CBP-1A, Pasay City 1300

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SM Investments Corporation (the Company) and Subsidiaries as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated February 28, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Julie Christine O. Mateo

Partner

CPA Certificate No. 93542

Tax Identification No. 198-819-116

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

SEC Partner Accreditation No. 93542-SEC (Group A)

Valid to cover audit of 2020 to 2024 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. 08-001998-068-2020, December 3, 2020, valid until December 2, 2023

PTR No. 8854345, January 3, 2022, Makati City

February 28, 2022

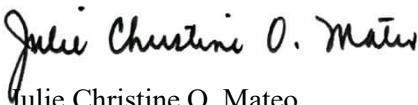


INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
SM Investments Corporation
10th Floor, One E-Com Center
Harbor Drive, Mall of Asia Complex
CBP-1A, Pasay City 1300

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SM Investments Corporation (the Company) and Subsidiaries as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated February 28, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule of 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 (PFRSs) 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 consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's consolidated financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Julie Christine O. Mateo

Partner

CPA Certificate No. 93542

Tax Identification No. 198-819-116

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

SEC Partner Accreditation No. 93542-SEC (Group A)

Valid to cover audit of 2020 to 2024 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. 08-001998-068-2020, December 3, 2020, valid until December 2, 2023

PTR No. 8854345, January 3, 2022, Makati City

February 28, 2022

