SM PRIME HOLDINGS, INC.
(A corporation duly organized and existing under Philippine laws)

P15,000,000,000
○ % p.a. Series D Bonds due 2021
○ % p.a. Series E Bonds due 2025

Offer Price of 100% of Face Value

SM Prime Holdings, Inc. (the “Issuer” or “SM Prime” or the “Company”) is offering Fixed Rate Bonds (the “Bonds”) in the aggregate principal amount of P15,000,000,000 comprised of 5-year and 3-months or Series D Bonds and 10-year or Series E Bonds due on 2021 and 2025 respectively, with an Over-subscription Option of up to P5,000,000,000 (the “Offer”). Assuming the Over-subscription Option is fully exercised, up to P20,000,000,000.00 in aggregate principal amount of the Bonds will be issued by the Company pursuant to the Offer on [●] (the “Issue Date”).

The Series D Bonds shall have a term of five (5) years and three (3) months from the Issue Date, with a fixed interest rate equivalent to [●]% p.a. The Series E Bonds shall have a term of ten (10) years from the Issue Date, with a fixed interest rate equivalent to [●]% p.a. Interest on the Series D Bonds and Series E Bonds shall be payable quarterly in arrears on [●], [●], [●] and [●] of each year for each Interest Payment Date at which the Series D Bonds and the Series E Bonds are outstanding, or the subsequent Business Day without adjustment if such Interest Payment Date is not a Business Day. The Maturity Dates of the Series D Bonds and Series E Bonds shall be on [●] 2021 and [●] 2025, respectively, which will also be the last Interest Payment Dates for each respective series of the Bonds.

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

Prospectus dated [●]
The Bonds will be repaid at 100% of Face Value on the respective Maturity Dates of the Series D and Series E Bonds, unless otherwise redeemed, cancelled or purchased prior to the relevant Maturity Date, or as otherwise set out in "Description of the Bonds – Redemption and Purchase" and "Description of the Bonds – Payment in the Event of Default” sections found on page [●] of this Prospectus.

The Bonds have been rated [●] by Philippine Rating Services Corporation ("PhilRatings"). A rating of [●] is [●]. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.

The Bonds shall be offered to the public at Face Value through the Underwriters named herein with the Philippine Depository & Trust Corp. ("PDTC") as the Registrar of the Bonds. It is intended that upon issuance, the Bonds shall be issued in scripless form, with PDTC maintaining the scripless Register of Bondholders, and, as soon as reasonably practicable, listed in the Philippine Dealing & Exchange Corp. ("PDEx"). The Bonds shall be issued in denominations of ₱20,000.00 each, as a minimum, and in multiples of ₱10,000.00 thereafter, and traded in denominations of ₱10,000.00 in the secondary market.

SM Prime expects to raise gross proceeds amounting to at least ₱15,000,000,000, up to a maximum of ₱20,000,000,000 assuming full exercise of the Over-subscription Option. Without such Over-subscription Option being exercised, the net proceeds are estimated to be at least ₱14,856 million after deducting fees, commissions and expenses relating to the issuance of the Bonds. Assuming the Over-subscription Option is fully exercised, total net proceeds of the Offer is expected to amount to approximately ₱19,814 million. Proceeds of the Offer shall be used to finance the capital expenditures for the expansion of the Issuer’s mall operations (see "Use of Proceeds"). The Joint Lead Underwriters shall receive a fee of [●]% on the total face value of the Bonds issued. The fee is inclusive of the fees to be ceded to Participating Underwriters.

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

On [22 September 2015], SM Prime filed a Registration Statement with the Philippine Securities and Exchange Commission ("SEC"), in connection with the offer and sale to the public of debt securities with an aggregate principal amount of up to ₱15,000,000,000 constituting the Offer (inclusive of the Over-subscription Option). The SEC is expected to issue an order rendering the Registration Statement effective, and a corresponding permit to offer securities for sale covering the Offer.

The Company is allowed under Philippine laws to declare dividends, subject to certain requirements. The Company's Board of Directors is authorized to declare dividends only from its unrestricted retained earnings, except with respect to ₱3,356 million representing the cost of shares held in treasury and ₱40,785 million representing accumulated equity in net earnings of subsidiaries as at 30 June 2015. Dividends may be payable in cash, shares or property, or a combination of the three, as the Board of Directors shall determine. The declaration of stock dividends is subject to the approval of shareholders holding at least two-thirds of the Company's outstanding capital stock. The Company's Board of Directors may or may not declare dividends which will impair its capital.

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

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

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

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

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

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

SM Prime is organized under the laws of the Philippines. Its principal office address is at the 10th floor, Mall of Asia Arena Annex Building, Coral Way corner J. W. Diokno Boulevard, Mall of Asia Complex, CBP-1A, Pasay City 1300, Philippines, with telephone number +632 831 1000 and fax number +632 833 8991.

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE. NO OFFER TO BUY THE SECURITIES CAN BE ACCEPTED AND NO PART OF THE PURCHASE PRICE CAN BE ACCEPTED OR RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE, AND ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OR COMMITMENT OF ANY KIND, AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE GIVEN AFTER THE EFFECTIVE DATE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY.

SM Prime Holdings, Inc.

By:

HANS T. SY
President

SUBSCRIBED AND SWORN to before me this ________ day of ______________ 2015, affiant exhibiting to me his Philippine Passport no. _________________________ issued on _______________________ at ________________________.

Doc. No. ________
Book No. ________
Page No. ________
Series of 2015.
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**DEFINITIONS**

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

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<tr>
<th>Term</th>
<th>Definition</th>
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<tr>
<td>AFS</td>
<td>Available-for-sale assets</td>
</tr>
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<td>BDG</td>
<td>SM Prime’s Business Development Group</td>
</tr>
<tr>
<td>BDO Insurance</td>
<td>BDO Insurance Brokers, Inc.</td>
</tr>
<tr>
<td>BDO</td>
<td>BDO Unibank, Inc.</td>
</tr>
<tr>
<td>BDO Capital</td>
<td>BDO Capital &amp; Investment Corporation, an investment house and a wholly-owned subsidiary of BDO</td>
</tr>
<tr>
<td>BIR</td>
<td>the Bureau of Internal Revenue of the Philippines</td>
</tr>
<tr>
<td>Board or Board of Directors</td>
<td>The board of directors of SM Prime</td>
</tr>
<tr>
<td>Bondholder</td>
<td>a person or entity whose name appears, at any time, as a holder of the Bonds in the Register of Bondholders</td>
</tr>
<tr>
<td>Bonds</td>
<td>refers collectively to the Series D and Series E Bonds in the aggregate principal amount of P15,000,000,000, and an Over-subscription Option of up to P5,000,000,000, to be issued by SM Prime and which will mature on [●] 2021 and [●] 2025, respectively</td>
</tr>
<tr>
<td>B. P. 220</td>
<td><em>Batas Pambasa Blg. 220</em></td>
</tr>
<tr>
<td>BPI Capital</td>
<td>BPI Capital Corporation</td>
</tr>
<tr>
<td>BSP</td>
<td>Bangko Sentral ng Pilipinas, the Philippine Central Bank</td>
</tr>
<tr>
<td>Business Day</td>
<td>means a day, other than Saturday, Sunday and public holidays, on which facilities of the Philippine banking system are open and available for clearing and banks are generally open for the transaction of business in the cities of Pasay and Makati</td>
</tr>
<tr>
<td>By-laws</td>
<td>the By-laws of SM Prime</td>
</tr>
<tr>
<td>CAR</td>
<td>A Certificate Authorizing Registration from the BIR</td>
</tr>
<tr>
<td>CDHI</td>
<td>Costa del Hamilo, Inc.</td>
</tr>
<tr>
<td>China Bank</td>
<td>China Banking Corporation</td>
</tr>
<tr>
<td>Company or Issuer or SM Prime</td>
<td>SM Prime Holdings, Inc.</td>
</tr>
<tr>
<td>DAR</td>
<td>The Philippine Department of Agrarian Reform</td>
</tr>
<tr>
<td>DENR</td>
<td>The Philippine Department of Environment and Natural Resources</td>
</tr>
<tr>
<td>DOT</td>
<td>The Philippine Department of Tourism</td>
</tr>
<tr>
<td>Directors</td>
<td>Members of the Board of Directors of SM Prime</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>Earnings before interest expense, income taxes, depreciation and amortization</td>
</tr>
<tr>
<td>-----------</td>
<td>----------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Financial Statements</strong></td>
<td>SM Prime’s audited consolidated financial statements and related notes as at 31 December 2013 and 2014, for the years ended 31 December 2012, 2013 and 2014, and interim condensed consolidated financial statements and related notes as at 30 June 2015 and for the six-month periods ended 30 June 2014 and 2015</td>
</tr>
<tr>
<td><strong>FMIC</strong></td>
<td>First Metro Investment Corporation</td>
</tr>
<tr>
<td><strong>GFA</strong></td>
<td>gross floor area</td>
</tr>
<tr>
<td><strong>Government</strong></td>
<td>the Government of the Philippines</td>
</tr>
<tr>
<td><strong>GSIS</strong></td>
<td>Government Service Insurance System</td>
</tr>
<tr>
<td><strong>HLURB</strong></td>
<td>Housing and Land Use Regulatory Board</td>
</tr>
<tr>
<td><strong>HPI</strong></td>
<td>Highlands Prime, Inc.</td>
</tr>
<tr>
<td><strong>Joint Issue Managers and Joint Bookrunners</strong></td>
<td>BDO Capital, China Bank and FMIC</td>
</tr>
<tr>
<td><strong>Joint Lead Underwriters</strong></td>
<td>BDO Capital, BPI Capital, China Bank and FMIC, pursuant to the Issue Management and Underwriting Agreement dated [●] 2015</td>
</tr>
<tr>
<td><strong>LGU</strong></td>
<td>Local government unit</td>
</tr>
<tr>
<td><strong>Maceda Law</strong></td>
<td>Republic Act No. 6552</td>
</tr>
<tr>
<td><strong>Major Consignors</strong></td>
<td>Hardware Workshop, Home World, Baby Company, Signature Lines, Supplies Station, Toy World, Watsons, Sports Central and Kultura</td>
</tr>
<tr>
<td><strong>Majority Bondholders</strong></td>
<td>Holders of the Bonds representing not less than 51% of the outstanding Bonds</td>
</tr>
<tr>
<td><strong>Makro</strong></td>
<td>Prime Metro Estate, Inc.</td>
</tr>
<tr>
<td><strong>Malls</strong></td>
<td>SM City North EDSA, SM Mall of Asia, SM Megamall, SM Aura Premier, SM City Southmall, SM City BF Paranaque, SM City Fairview, SM City San Lazaro, SM City Marikina, SM City Manila, SM City Sta. Mesa, SM City Bicutan, SM City Sucat, SM Center Valenzuela, SM City Novaliches, SM Center Muntinlupa, SM Center Las Pinas, SM Center Pasig, SM City Cebu, SM City Dasmarinas, SM Lanang Premier, SM City Clark, SM City Pampanga, SM City Davao, SM City General Santos, SM City Bacoor, SM City Baguio, SM City Iloilo, SM City Consolacion, SM City Tarlac, SM City Taytay, SM City Marilao, SM City Masinag, SM City Cagayan de Oro, SM City Sta. Rosa, SM City Batangas, SM City Lucena, SM City Lipa, SM City Naga, SM City Bacolod, SM City Calamba, SM City Rosales, SM City Baliwag, SM City Rosario, SM City San Pablo, SM Center Molino, SM City Olongapo, SM City San Fernando, SM City Cauayan, SM Center Angono, SM Megacenter Cabanatuan, SM City San Mateo</td>
</tr>
<tr>
<td><strong>Management Companies</strong></td>
<td>companies that manage and operate the Malls, including the provision of manpower, maintenance and engineering, security and promotional activities; and are controlled, directly or indirectly, by the Sy Family</td>
</tr>
</tbody>
</table>
Master Certificate of Indebtedness

the certificate to be issued by the Issuer to the Trustee evidencing and covering such amount corresponding to the Bonds

<table>
<thead>
<tr>
<th>Material Subsidiary</th>
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</thead>
<tbody>
<tr>
<td>SM Development Corporation, SM China Companies, and any Subsidiary of the Issuer:</td>
</tr>
<tr>
<td>(a) whose gross revenues or (in the case of a Subsidiary which itself has subsidiaries) consolidated gross revenues, as shown by its latest audited income statement are at least 10% of the consolidated gross revenues as shown by the latest published audited consolidated income statement of the Issuer and its Subsidiaries; or</td>
</tr>
<tr>
<td>(b) whose net income or (in the case of a Subsidiary which itself has subsidiaries) consolidated net income before taxation and extraordinary items, as shown by its latest audited income statement is at least 15% of the consolidated net income before taxation and extraordinary items, as shown by the latest published audited consolidated income statement of the Issuer and its Subsidiaries; or</td>
</tr>
<tr>
<td>(c) whose gross assets or (in the case of a Subsidiary which itself has subsidiaries) gross consolidated assets, as shown by its latest audited balance sheet are at least 10% of the amount which equals the amount included in the consolidated gross assets of the Issuer and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Issuer and its Subsidiaries;</td>
</tr>
</tbody>
</table>

provided that, in relation to paragraphs (a), (b) or (c) above,

(i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published, be deemed to be a reference to the then latest consolidated audited accounts of the Issuer adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(ii) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, revenues, net income or gross assets of the Issuer and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Issuer and reviewed by the auditors for the purposes of preparing a certificate thereon to the Trustee;

(iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenues, net income or gross assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer and reviewed by the auditors for the purposes of preparing a certificate
thereon to the Trustee; and

(iv) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Issuer, then the determination of whether or not such Subsidiary is a Material Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer; or

(d) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Material Subsidiary, provided that the Material Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Material Subsidiary and the Subsidiary to which the assets are so transferred shall cease to become a Material Subsidiary as at the date on which the first published audited accounts (consolidated, if appropriate) of the Issuer prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Material Subsidiary on the basis of such accounts by virtue of the provisions of (a), (b) or (c) above.

Merger

The merger of SM Land and SM Prime pursuant to Title IX (Merger and Consolidation) of the Corporation Code and Section 40(C)(2) of the National Internal Revenue Code, as amended, with SM Prime as the surviving entity.

Metro Manila

The metropolitan area comprising the cities of Caloocan, Las Piñas, Makati, Malabon, Mandaluyong, Manila, Marikina, Muntinlupa, Navotas, Parañaque, Pasay, Pasig, Quezon, San Juan, Taguig and Valenzuela and the municipality of Pateros, which together comprise the “National Capital Region” and are commonly referred to as “Metropolitan Manila”.

Mezza

Mezza Residences

MOA

Mall of Asia

Mountain Bliss

Mountain Bliss Resort and Development Corporation

Offer

The offer of the Bonds to the public by the Issuer under the terms and conditions as herein contained.

Offer Period

The period commencing within two Business Days from the date of the issuance of the SEC Permit to Sell Securities, during which the Bonds shall be offered to the public.

PAS

Philippine Accounting Standards

Paying Agent

Philippine Depository & Trust Corp., the party which shall receive the funds from the Issuer for payment of principal, interest and other amounts due on the Bonds and remit the same to the Bondholders based on the records shown in the Register of Bondholders.

Payment Date

Each of the dates when payment of principal, interest and other amounts due on the Bonds are due and payable to the Bondholders; provided that, in the event any Payment Date falls on a day that is not a Business Day, the...
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<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
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<td>Payment Date</td>
<td>shall be automatically extended without adjustment to interest accrued to the immediately succeeding Business Day</td>
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<td>PCD</td>
<td>PCD Nominee Corporation</td>
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<td>P.D. 957</td>
<td>Presidential Decree No. 957, as amended, also known as the Subdivision and Condominium Buyers’ Protective Decree</td>
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<tr>
<td>PDEx</td>
<td>Philippine Dealing &amp; Exchange Corporation</td>
</tr>
<tr>
<td>PDTC</td>
<td>the Philippine Depository &amp; Trust Corporation, the central depository and clearing agency of the Philippines which provides the infrastructure for handling the lodgment of the scrippless Bonds and the electronic book-entry transfers of the lodged Bonds in accordance with the PDTC Rules, and its successor-in-interest</td>
</tr>
<tr>
<td>PDTC Rules</td>
<td>the SEC-approved rules of the PDTC, including the PDTC Operating Procedures and PDTC Operating Manual, as may be amended, supplemented, or modified from time to time</td>
</tr>
<tr>
<td>Person</td>
<td>any individual, firm, corporation, partnership, association, joint venture, tribunal, limited liability company, trust, government or political subdivision or agency or instrumentality thereof, or any other entity or organization</td>
</tr>
<tr>
<td>Pesos or ₱</td>
<td>the lawful currency of the Philippines</td>
</tr>
<tr>
<td>PEZA</td>
<td>The Philippine Economic Zone Authority</td>
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<td>PFRS</td>
<td>Philippine Financial Reporting Standards which includes statements named PFRS and PAS issued by the Financial Reporting Standards Council and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC)</td>
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<tr>
<td>Philippines</td>
<td>the Republic of the Philippines</td>
</tr>
<tr>
<td>PRC</td>
<td>People’s Republic of China</td>
</tr>
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<td>Property for Share Swap</td>
<td>The issuance of SM Prime shares to SMIC in exchange for several real estate properties of SMIC</td>
</tr>
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<td>PSE</td>
<td>The Philippine Stock Exchange, Inc.</td>
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<td>Public Debt</td>
<td>means any present or future indebtedness in the form of, or represented by bonds, notes, debentures, loan stock or other securities that are at the time, or are of the type customarily quoted, listed or ordinarily dealt in on any stock exchange, over the counter or other securities market</td>
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<td>R.A. 4726</td>
<td>Republic Act No. 4726, as amended, also known as the Condominium Act</td>
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<td>R.A. 7279</td>
<td>Republic Act No. 7279, also known as the Urban Development and Housing Act of 1992</td>
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<td>R.A. 8799 or SRC</td>
<td>Republic Act No. 8799, The Securities Regulation Code of the Philippines</td>
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<td>Register of Bondholders</td>
<td>the electronic record of the issuances, sales and transfers of the Bonds to be maintained by the Registrar pursuant to and under the terms of the</td>
</tr>
<tr>
<td><strong>Registry and Paying Agency Agreement</strong></td>
<td></td>
</tr>
<tr>
<td>------------------------------------------</td>
<td></td>
</tr>
<tr>
<td><strong>Registrar</strong></td>
<td></td>
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<tr>
<td>the Philippine Depository &amp; Trust Corporation, being the registrar appointed by the Issuer to maintain the Register of Bondholders pursuant to the Registry and Paying Agency Agreement</td>
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<td><strong>Reorganization</strong></td>
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<td>The reorganization of certain companies and assets of the SM Group as discussed in the section “Description of the Reorganization” found on page [●] of this Prospectus</td>
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</tr>
<tr>
<td><strong>ROA</strong></td>
<td></td>
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<tr>
<td>return on assets which measures the ratio of net income attributable to equity holders of the parent to average total assets</td>
<td></td>
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<tr>
<td><strong>ROE</strong></td>
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<tr>
<td>return on equity which measures the ratio of net income attributable to equity holders of the parent to average total equity (excluding non-controlling interest)</td>
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<tr>
<td><strong>RTC</strong></td>
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<tr>
<td>Regional Trial Court</td>
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<tr>
<td><strong>SEC</strong></td>
<td></td>
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<tr>
<td>the Securities and Exchange Commission of the Philippines</td>
<td></td>
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<tr>
<td><strong>SEC Permit</strong></td>
<td></td>
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<tr>
<td>the Permit to Sell Securities issued by the SEC in connection with the Offer</td>
<td></td>
</tr>
<tr>
<td><strong>Share for Share Swap</strong></td>
<td></td>
</tr>
<tr>
<td>The issuance of SM Prime shares to SMIC, Mountain Bliss and the Sy family, in exchange for the latter’s shares in the Unlisted Real Estate Companies</td>
<td></td>
</tr>
<tr>
<td><strong>Shares</strong></td>
<td></td>
</tr>
<tr>
<td>common shares of the Issuer, which have a par value of ₱1 per share</td>
<td></td>
</tr>
<tr>
<td><strong>SM China Companies</strong></td>
<td></td>
</tr>
<tr>
<td>SM Shopping Center (Chengdu) Co. Ltd., Xiamen SM City Co. Ltd. and Xiamen SM Mall Management Co. Ltd. (together, “SM Xiamen”) and SM International Square Jinjiang City Fujian (“SM Jinjiang”) and SM Shopping Center (Suzhou) Co. Ltd. (&quot;SM Suzhou&quot;) and SM Shopping Center (Chongqing) Co. Ltd. (SM Chongqing)</td>
<td></td>
</tr>
<tr>
<td><strong>SM Department Stores</strong></td>
<td></td>
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<tr>
<td><strong>SMDC</strong></td>
<td></td>
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<tr>
<td>SM Development Corporation</td>
<td></td>
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<tr>
<td><strong>SM Group</strong></td>
<td></td>
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<tr>
<td>The group of companies owned by SMIC</td>
<td></td>
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<tr>
<td><strong>SM Hotels</strong></td>
<td></td>
</tr>
<tr>
<td>SM Hotels and Conventions Corp. (formerly SM Hotels and Entertainment Corp.)</td>
<td></td>
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<tr>
<td><strong>SMIC</strong></td>
<td></td>
</tr>
<tr>
<td>SM Investments Corporation, the parent company of SM Prime</td>
<td></td>
</tr>
<tr>
<td><strong>SMIC Real Estate Assets</strong></td>
<td>The Taal Vista Hotel, the Radisson Cebu Hotel, the Pico Sands Hotel, the Park Inn Davao, the SMX Convention Center, the Mall of Asia Arena, the Mall of Asia Arena Annex, the SM corporate office in Pasay City, the Tagaytay casino and waste water treatment plant and certain other land in Tagaytay and EDSA West, Quezon City</td>
</tr>
<tr>
<td><strong>SM Land</strong></td>
<td>SM Land, Inc. (formerly Shoemart, Inc.) which was merged with SM Prime in October 2013</td>
</tr>
<tr>
<td><strong>SM Malls in China</strong></td>
<td>SM Xiamen and Xiamen/Lifestyle Center, SM City Jinjiang, SM City Chengdu, SM City Suzhou, and SM City Chongqing</td>
</tr>
<tr>
<td><strong>SM Network</strong></td>
<td>suppliers, tenants and other merchants that do business with entities affiliated with SMIC</td>
</tr>
<tr>
<td><strong>sq. m.</strong></td>
<td>square meter</td>
</tr>
<tr>
<td><strong>Subsidiary</strong></td>
<td>at any particular time, any company or other business entity which is then directly or indirectly controlled, or more than 50%, of whose issued equity share capital (or equivalent) is then beneficially owned, by the Issuer and/or one or more of its Subsidiaries. For a company to be &quot;controlled&quot; by another means that the other (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of that company or otherwise controls or has a power to control the affairs and policies of that company and control shall be construed accordingly</td>
</tr>
<tr>
<td><strong>Sy Family</strong></td>
<td>Mr. Henry Sy, Sr., his wife, Mrs. Felicidad T. Sy, and their children Teresita T. Sy, Elizabeth T. Sy, Henry T. Sy, Jr., Hans T. Sy, Herbert T. Sy and Harley T. Sy</td>
</tr>
<tr>
<td><strong>Tax Code</strong></td>
<td>the amended Philippine National Internal Revenue Code of 1997 and its implementing rules and regulations</td>
</tr>
<tr>
<td><strong>TFG</strong></td>
<td>SM Prime’s Treasury Finance Group</td>
</tr>
<tr>
<td><strong>Trustee</strong></td>
<td>Philippine National Bank Trust Banking Group, the entity appointed by the Issuer which shall act as the legal title holder of the Bonds and shall monitor compliance and observance of all covenants of and performance by the Issuer of its obligations under the Bonds and enforce all possible remedies pursuant to such mandate</td>
</tr>
<tr>
<td><strong>Underwriters</strong></td>
<td>the entities appointed as the Underwriters for the Bonds pursuant to the Issue Management and Underwriting Agreement dated [●]</td>
</tr>
<tr>
<td><strong>Unlisted Real Estate Companies</strong></td>
<td>Prime Metro Estate, Inc., Tagaytay Resort and Development Corporation, SM Hotels, SM Arena Complex Corporation, Rappel Holdings, Inc. and Costa del Hamilo, Inc.</td>
</tr>
<tr>
<td><strong>US$</strong></td>
<td>United States Dollars, the lawful currency of the United States of America</td>
</tr>
<tr>
<td><strong>VAT</strong></td>
<td>Value-added tax</td>
</tr>
<tr>
<td>Waltermart</td>
<td>Waltermart Supermarket, Inc.</td>
</tr>
</tbody>
</table>
SUMMARY

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

OVERVIEW

SM Prime Holdings, Inc. was incorporated in the Philippines and registered with the SEC on 6 January 1994. It is a leading integrated Philippine real estate company with business units focused on mall, residential, commercial, and hotels and convention centers. SM Prime is the surviving company of a series of transactions involving the real estate companies of the SM Group. See “Description of the Reorganization” found on page [●] of this Prospectus.

As at 30 June 2015, SM Prime’s consolidated total assets stood at ₱405.9 billion, consolidated total liabilities were at ₱198.9 billion, with net debt-to-equity ratio (being the ratio of aggregate consolidated interest-bearing indebtedness net of cash and cash equivalent and investment held for trading over equity) of 37%.

The Company has four business segments, namely, malls, residential, commercial and hotel and convention centers. The table below sets out each business unit’s contribution to SM Prime’s consolidated revenue for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015.

<table>
<thead>
<tr>
<th>(in ₱ million)</th>
<th>For the years ended 31 December</th>
<th></th>
<th></th>
<th>For the six months ended 30 June</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2013</td>
<td>2014</td>
<td>2014</td>
<td>2015</td>
</tr>
<tr>
<td>Malls</td>
<td>30,640</td>
<td>34,467</td>
<td>38,701</td>
<td>18,998</td>
<td>20,613</td>
</tr>
<tr>
<td>Residential</td>
<td>22,514</td>
<td>20,916</td>
<td>22,723</td>
<td>12,085</td>
<td>12,653</td>
</tr>
<tr>
<td>Commercial</td>
<td>2,697</td>
<td>2,914</td>
<td>2,939</td>
<td>1,415</td>
<td>1,616</td>
</tr>
<tr>
<td>Hotels and Convention Centers</td>
<td>1,297</td>
<td>1,670</td>
<td>2,011</td>
<td>905</td>
<td>1,026</td>
</tr>
<tr>
<td>Eliminations</td>
<td>67</td>
<td>(173)</td>
<td>(134)</td>
<td>(77)</td>
<td>(48)</td>
</tr>
<tr>
<td>Combined Total</td>
<td>57,215</td>
<td>59,794</td>
<td>66,240</td>
<td>33,326</td>
<td>35,860</td>
</tr>
</tbody>
</table>

The charts below display the composition of SM Prime’s combined revenue by segment and geographical region as of and for the year ended 30 June 2015.
SM Prime is listed on the PSE and as at 30 June 2015 was 49.60% directly and indirectly owned by SMIC. SM Prime had a market capitalization of ₱606.5 billion as of 17 September 2015.

RISKS OF INVESTING

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

Risks Relating to the Company

- The Philippine property market is cyclical and can be affected by domestic and global economic conditions
- SM Prime may face challenges of title to land
- SM Prime will continue to compete with other mall operators and commercial and residential developers
- SM Prime is exposed to risks associated with the operation of its malls and commercial businesses
- SM Prime faces numerous risks including reputational risk and operational risks relating to its residential and commercial businesses
- SM Prime is exposed to general risks associated with the ownership and management of real estate
- SM Prime’s reputation may be affected by the operations of some of its affiliates
- SM Prime may be subject to tax liabilities in relation to the Reorganization
- SM Prime is effectively controlled by the Sy family and their interests may differ significantly from the interests of other shareholders
- SM Prime has entered into and expects to continue to enter into material agreements and other arrangements with the Sy family and its affiliated companies and persons
- SM Prime’s leasing operations depend on key tenants, which are affiliates of the SM Group
- SM Prime depends on retaining the services of its senior management team and its ability to attract and retain talented personnel
- Malls and other commercial properties owned by SM Prime may be subject to an increase in operating and other expenses
- SM Prime faces risks relating to the management of its land bank
- SM Prime operates in a highly regulated environment and it is affected by the development and application of regulations in the Philippines
• Zoning restrictions and local opposition may delay or preclude construction
• Infringement of intellectual property rights could have a material adverse effect on SM Prime’s business
• Land and/or real property may be subject to compulsory acquisition
• Fluctuations in interest rates, changes in Government borrowing patterns and Government regulations could have a material adverse effect on SM Prime’s and its customers’ ability to obtain financing
• Construction defects and other building-related claims may be asserted against SM Prime, and SM Prime may be subject to liability for such claims
• SM Prime may suffer material losses in excess of insurance proceeds
• SM Prime faces property development risk
• SM Prime will continue to face certain risks related to the cancellation of sales involving its residential projects
• The loss of certain tax exemptions and incentives for residential home sales may increase the price of SM Prime’s residential units and may lead to a reduction in sales
• SM Prime will be exposed to risks associated with in-house financing activities, including the risk of customer default, and it may not be able to sustain its in-house financing program
• A domestic asset price bubble could adversely affect the Company’s business

Risks Relating to the Philippines

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

Risks Relating to the Bonds

• The priority of debt evidenced by a public instrument
• An active trading market for the Bonds may not develop
• The Issuer may be unable to redeem the Bonds

Please refer to the section entitled “Risk Factors” found on page [●] of this Prospectus which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Bonds.

COMPETITIVE STRENGTHS OF THE COMPANY

Integrated real estate platform with strong track record across segments

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

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

SM Prime is one of the largest integrated real estate developer in Southeast Asia by market capitalization as of 30 June 2015, and the largest listed real estate developer on the PSE by market capitalization, total assets and net income as of 30 June 2015. SM Prime believes it is the largest shopping mall developer in the Philippines in terms of gross leasable area. According to Colliers International, SM Prime was the largest vertical residential developer in Metro Manila in terms of units sold over the past four years. SM Prime believes that it is well positioned to take advantage of greater demand for residential homes resulting from the growth of the Philippine economy and increasing demand from expatriate Filipinos, among other factors.

Leading retail malls business

As of 30 June 2015, SM Prime was the largest mall operator in the Philippines, with 52 malls across 43 cities in the Philippines and an additional 5 malls in the PRC. SM Prime’s track record of operating malls dates back to 1985 when the first SM Mall was opened.

Drawing on its relationship with key tenants, SM Prime believes it is able to establish an appropriate mix of tenants in its malls and hence attract retail foot traffic. SM Prime enjoys long-standing relationships with anchor tenants such as SM Department Stores, SM Supermarkets, SM Hypermarkets, Bench, Jollibee and National Bookstore in the Philippines and Walmart and Vanguard in the PRC. In addition, SM Prime has long-term relationships with an extensive base of international and domestic tenants and has access to a wide leasing network, with approximately 17,192 tenants in the Philippines and 1,113 tenants in the PRC across multiple segments as of 30 June 2015. These tenants include well-known Philippine brands such as Bench and Jollibee as well as international brands such as Uniqlo, Forever 21, H&M, Starbucks, McDonalds, Zara, Brooks Brothers, Muji and Yum Brands.

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

SM Prime believes that close to its 30 years of operating history, the SM Malls have established strong brand equity. SM City North EDSA, SM Megamall and SM Mall of Asia were each recognized with Reader’s Digest Trusted Brand Awards during the past three years.

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

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

SM Prime aims to have a significant growth pipeline as underscored by its large and diversified land bank consisting of retail, commercial, and residential land in prime locations across the Philippines. As of 30 June 2015, SM Prime possessed a land bank of 10,275,156 sq. m. including around the MOA complex, South Road Properties in Cebu, Clark in Pampanga, North EDSA and SMDC properties in Metro Manila, among others, which SM Prime believes is among the largest land banks in the country. SM Prime has access to approximately 180 hectares of unused lots in existing retail developments, which may be optimized for mixed use development. For example, SM Prime was able to add 159,652 sq. m. of office and retail GFA by building SM Megamall buildings C and D on an 86,342 sq. m. old parking lot in front of SM Megamall.

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

**Strong balance sheet and access to capital**

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

SM Prime believes that its strong balance sheet boosted by a large asset and equity base ensures that it is able to move quickly to acquire real estate assets and additional land bank. As of 30 June 2015, SM Prime had consolidated total assets of ₱405.9 billion and a consolidated equity of ₱203.9 billion. As of 30 June 2015, SM Prime’s consolidated net debt to equity ratio was 37%, providing sufficient debt headroom flexibility for current and future capital expenditure and expansion plans.

SM Prime believes that its stable real estate portfolio contributes to its liquidity and strong mix of recurring income from its mall and office operations. In the six months ended 30 June 2015, 62% of SM Prime’s consolidated revenue was derived from mall and commercial. SM Prime believes that its long-term leases help to create a steady stream of cash flow.

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

SM Prime’s senior management team comprises Mr. Henry T. Sy, Jr. as Chairman of the Board, and Mr. Hans T. Sy and Mr. Jeffrey Lim as President and Executive Vice President, respectively. Each of these individuals has been with SM Prime or its component businesses for at least 20 years.
SM Prime adheres to strong corporate governance practices, with three out of the eight members of its Board of Directors being independent directors. In recognition of SM Prime’s corporate governance practices, SM Prime was awarded as Best Corporate Governance in the 4th Asian Excellence Recognition in 2014 and Asia’s Icon on Corporate Governance in the 3rd Asian Excellence Recognition in 2013.

BUSINESS STRATEGIES

Continue to expand SM Prime’s land bank and develop integrated lifestyle cities

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

A successful land banking strategy creates the foundation for the next phase in the development of lifestyle city projects, being the master planning for an integrated township design. These lifestyle cities are anchored by SM Prime’s retail malls, supported by commercial, residential, hotel and convention center developments, creating a synergistic value enhancement across product classes and offering a complete selection of products to customers. For example, SM Prime aims to replicate the successful model of its MOA complex, a 60 hectare master-planned bayside development in Pasay City. The MOA complex had a total estimated land value of ₱58.3 billion according to CBRE as of February 28, 2013. SM Prime believes that the success of the MOA complex is a result of the substantial synergies from each real estate offering in the integrated development. For example, the MOA Arena has been a preferred venue for events due to its proximity to the MOA, which in turn increased foot traffic at the MOA. SEA Residences has been one of SM Prime’s fastest selling residential development projects in part due to its proximity to the MOA, while again providing additional foot traffic to the MOA. SM Prime was also awarded by the cities of Pasay and Paranaque to reclaim land adjacent to the MOA complex totalling around 600 hectares.

SM Prime has a large and diverse land bank suitable for projects that are modeled after the MOA complex and creating lifestyle cities across the Philippines. For example, SM Prime is building a 30 hectare mixed use development project in Cebu City, the SM Seaside City. The mall in SM Seaside City is expected to be that city’s largest mall, with a gross floor area (“GFA”) of approximately 461,000 sq. m. It will consist of a four-storey complex featuring a cineplex, IMAX theater, bowling center and ice skating rink. Other potential developments in SM Seaside City complex may include high-rise residential condominiums, office buildings, convention center and hotels. Development of the property started in 2012 with a 15-year development timeframe.

Leverage retail malls to anchor lifestyle city developments

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

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

SM Prime plans to develop four to five malls in the Philippines each year for the near term, and also to opportunistically expand its presence in second and third tier cities in China by building one mall per year for the near term, in each case subject to market conditions. SM Prime is targeting to increase its overall mall GFA by 8-10% per year to approximately 7.3 million sq. m. in the Philippines and approximately 0.9 million sq. m. in China by 2015. SM Prime believes it will be able to do this given its direct access to a larger land bank that should allow it to accelerate its mall development throughout the country.

**Optimize existing properties by adding complementary developments**

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

SM Prime intends to further expand these complimentary projects by adding retail, office, residential and leisure developments to its existing property projects, including those projects with underutilized plots of vacant land. For example, SM Prime developed Radisson Blu Cebu, Park Inn by Radisson Davao and the soon to be opened Park Inn by Radisson Clark and Conrad Manila within existing mall developments such as SM City Cebu, SM City Davao, SM City Clark and SM Mall of Asia. SM Prime believes that SM Megamall, SM City North EDSA, and SM Seaside City still have significant under-utilized plot ratios that are suitable for commercial, hospitality and residential developments.

**Continue aggressive rollout of BPO office development**

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

**Focus on a “one product-one market” strategy for the residential business**

SM Prime intends to capitalize on the increasing urbanization and economic development of the Philippines to develop vertical residential projects in key areas across Metro Manila specifically the cities of Makati, Mandaluyong, Manila, Paranaque, Pasay, Pasig, Quezon City, and Taguig, as well as Tagaytay City and Cebu that target the Philippine mass middle market. By leveraging the already strong SM brand and its leadership in the residential condominium segment, SM Prime believes it can aggressively roll-out new projects in the strategically placed land bank throughout Metro Manila and the rest of the country. SM Prime will focus its residential development on the low-to-middle income segments, which is underpinned by resilient housing demand driven by a housing supply backlog, growing household creation and increasing urbanization. As of 30 June 2015, SM Prime has 11 completed residential projects and 15 ongoing residential projects.

SM Prime plans to accelerate residential project launches in areas near existing SM Prime developments. For 2015, SM Prime’s residential unit will launch at least five new condominiums with about 12,000-15,000 additional units located in the cities of Taguig, Quezon, Mandaluyong, Tagaytay, Las Piñas, Parañaque and Pasay at the Mall of Asia Complex.

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

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

Capital expenditure for 2015 is approximately ₱64.0 billion, with 51% for mall, 37% for residential, 7% for commercial and 5% for hotels and convention centers. Capital expenditure for 2016 is approximately ₱65.0 billion, with 52% for mall, 38% for residential, 7% for commercial and 3% for hotels and convention centers. SM Prime plans to fund its capital expenditure plan through recurring income flows and external financing. SM Prime intends to apply global corporate governance standards and risk management best practices, as well as embark on integrated sustainability and corporate social responsibility initiatives.
SUMMARY FINANCIAL INFORMATION

The following tables set forth the summary consolidated financials of the Issuer as at and for the periods indicated. The selected audited financial information presented below as at 31 December 2013a and 2014 and for the years ended 31 December 2012, 2013 and 2014, and the selected reviewed financial information as at 30 June 2015 and for the first six months ended 30 June 2014 and 2015 have been derived from the Issuer’s consolidated financial statements. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant consolidated financial statements of the Issuer, including the notes thereto, included elsewhere in this Prospectus.

CONSOLIDATED BALANCE SHEETS

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>As at 31 December</th>
<th>As at 30 June</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013 Audited</td>
<td>2014 Audited</td>
</tr>
<tr>
<td>Current Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>27,141,506</td>
<td>35,245,206</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>887,900</td>
<td>-</td>
</tr>
<tr>
<td>Investments held for trading</td>
<td>1,151,464</td>
<td>967,511</td>
</tr>
<tr>
<td>Receivables</td>
<td>27,184,434</td>
<td>30,686,968</td>
</tr>
<tr>
<td>Condominium and residential units for sale</td>
<td>6,102,653</td>
<td>7,571,526</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>85,685,323</td>
<td>104,016,168</td>
</tr>
<tr>
<td>Noncurrent Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available-for-sale investments – net of current portion</td>
<td>23,369,074</td>
<td>28,994,983</td>
</tr>
<tr>
<td>Property and equipment – net</td>
<td>1,578,893</td>
<td>2,258,387</td>
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<tr>
<td>Investment properties – net</td>
<td>171,666,409</td>
<td>202,180,666</td>
</tr>
<tr>
<td>Land and development – net of current portion</td>
<td>21,539,938</td>
<td>22,886,306</td>
</tr>
<tr>
<td>Derivative assets</td>
<td>1,778,810</td>
<td>1,632,814</td>
</tr>
<tr>
<td>Deferred tax assets - net</td>
<td>690,525</td>
<td>650,153</td>
</tr>
<tr>
<td>Investments and advances to associates and joint ventures</td>
<td>5,756,294</td>
<td>6,050,884</td>
</tr>
<tr>
<td>Total Noncurrent Assets</td>
<td>249,898,359</td>
<td>284,823,991</td>
</tr>
<tr>
<td>Total Assets</td>
<td>335,583,682</td>
<td>388,840,159</td>
</tr>
</tbody>
</table>

a SM Prime Holdings, Inc. initiated a corporate restructuring in 2013 to consolidate all of the SM Group’s real estate companies and real estate assets under SM Prime. SM Land was merged with the Company, and certain unlisted real estate companies and real estate assets were acquired by the Company from SMIC and the Sy Family. The corporate restructuring was approved by the SEC on 10 October 2013. The Company’s consolidated balance sheet and statement of income for the year ended 31 December 2012 was restated following the corporate restructuring.
<table>
<thead>
<tr>
<th></th>
<th>As at 31 December</th>
<th>As at 30 June</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2014</td>
</tr>
<tr>
<td></td>
<td>Audited</td>
<td>Audited</td>
</tr>
<tr>
<td><strong>LIABILITIES AND EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans payable</td>
<td>3,250,000</td>
<td>2,670,000</td>
</tr>
<tr>
<td>Accounts payable and other current liabilities</td>
<td>45,298,216</td>
<td>36,378,819</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>7,387,260</td>
<td>11,006,880</td>
</tr>
<tr>
<td>Income tax payable</td>
<td>946,593</td>
<td>743,506</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>56,882,069</td>
<td>50,799,205</td>
</tr>
<tr>
<td><strong>Noncurrent Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt – net of current portion</td>
<td>95,675,730</td>
<td>115,606,147</td>
</tr>
<tr>
<td>Tenants’ and customers’ deposits</td>
<td>10,248,792</td>
<td>13,251,526</td>
</tr>
<tr>
<td>Liability for purchased land – net of current portion</td>
<td>1,117,809</td>
<td>1,170,855</td>
</tr>
<tr>
<td>Deferred tax liabilities - net</td>
<td>2,022,539</td>
<td>1,934,174</td>
</tr>
<tr>
<td>Derivative liabilities</td>
<td>159,974</td>
<td>58,705</td>
</tr>
<tr>
<td>Other noncurrent liabilities</td>
<td>3,255,244</td>
<td>3,781,344</td>
</tr>
<tr>
<td><strong>Total Noncurrent Liabilities</strong></td>
<td>112,480,088</td>
<td>135,802,751</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>169,362,157</td>
<td>186,601,956</td>
</tr>
<tr>
<td><strong>Equity Attributable to Equity Holders of the Parent</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital stock</td>
<td>33,166,300</td>
<td>33,166,300</td>
</tr>
<tr>
<td>Additional paid-in capital - net</td>
<td>22,303,436</td>
<td>39,302,194</td>
</tr>
<tr>
<td>Cumulative translation adjustment</td>
<td>1,381,268</td>
<td>840,430</td>
</tr>
<tr>
<td>Net unrealized gain on available-for-sale investments</td>
<td>19,958,330</td>
<td>25,905,440</td>
</tr>
<tr>
<td>Net fair value changes on cash flow hedges</td>
<td>429,149</td>
<td>249,332</td>
</tr>
<tr>
<td>Remeasurement gain (loss) on defined benefit obligation</td>
<td>771</td>
<td>(141,524)</td>
</tr>
<tr>
<td>Retained earnings:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriated</td>
<td>42,200,000</td>
<td>42,200,000</td>
</tr>
<tr>
<td>Unappropriated</td>
<td>47,807,664</td>
<td>60,921,048</td>
</tr>
<tr>
<td>Treasury stock</td>
<td>(3,980,378)</td>
<td>(3,355,530)</td>
</tr>
<tr>
<td><strong>Total Equity Attributable to Equity Holders of the Parent</strong></td>
<td>163,266,540</td>
<td>199,087,690</td>
</tr>
<tr>
<td><strong>Non-controlling Interests</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Equity</td>
<td>166,221,525</td>
<td>202,238,203</td>
</tr>
<tr>
<td>Total Liabilities and Equity</td>
<td>335,583,682</td>
<td>388,840,159</td>
</tr>
</tbody>
</table>

18
### CONSOLIDATED STATEMENTS OF INCOME

<table>
<thead>
<tr>
<th></th>
<th>For the years ended 31 December</th>
<th>For the six months ended 30 June</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent</td>
<td>28,951,727</td>
<td>32,195,285</td>
</tr>
<tr>
<td>Sales:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate</td>
<td>22,575,692</td>
<td>20,775,195</td>
</tr>
<tr>
<td>Others</td>
<td>2,210,413</td>
<td>3,083,900</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>57,215,094</td>
<td>59,794,410</td>
</tr>
<tr>
<td><strong>Costs and Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Income from Operations</strong></td>
<td>22,069,817</td>
<td>24,135,545</td>
</tr>
<tr>
<td><strong>Other Income (Charges)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>(3,064,825)</td>
<td>(3,686,603)</td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td>1,062,028</td>
<td>1,093,870</td>
</tr>
<tr>
<td>Restructuring costs and others</td>
<td>366,874</td>
<td>(832,721)</td>
</tr>
<tr>
<td>- net</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Other Income (Charges)</strong></td>
<td>(1,635,923)</td>
<td>(3,425,454)</td>
</tr>
<tr>
<td><strong>Income Before Income Tax</strong></td>
<td>20,433,894</td>
<td>20,710,091</td>
</tr>
<tr>
<td><strong>Provision for (Benefit from) Income Tax</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>3,687,530</td>
<td>4,392,114</td>
</tr>
<tr>
<td>Deferred</td>
<td>102,931</td>
<td>(407,951)</td>
</tr>
<tr>
<td><strong>Total Provision for Income Tax</strong></td>
<td>3,790,461</td>
<td>3,984,163</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>16,643,433</td>
<td>16,725,928</td>
</tr>
<tr>
<td>Attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity holders of the Parent</td>
<td>16,202,777</td>
<td>16,274,820</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>440,656</td>
<td>451,108</td>
</tr>
<tr>
<td><strong>Total Net Income</strong></td>
<td>16,643,433</td>
<td>16,725,928</td>
</tr>
<tr>
<td><strong>Basic/Diluted earnings per share</strong></td>
<td>P0.584</td>
<td>P0.586</td>
</tr>
</tbody>
</table>
### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<table>
<thead>
<tr>
<th></th>
<th>For the years ended 31 December</th>
<th>For the six months ended 30 June</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Income</strong></td>
<td>16,643,433</td>
<td>16,725,928</td>
</tr>
<tr>
<td><strong>Other Comprehensive Income (Loss)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income transferred to profit or loss:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realized gain from sale of available-for-sale investments</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized gain (loss) due to changes in fair value in available-for-sale investments</td>
<td>6,457,624</td>
<td>177,309</td>
</tr>
<tr>
<td>Net fair value changes on cash flow hedges</td>
<td>-</td>
<td>429,149</td>
</tr>
<tr>
<td>Cumulative translation adjustment</td>
<td>(290,688)</td>
<td>774,031</td>
</tr>
<tr>
<td></td>
<td>6,166,936</td>
<td>1,380,489</td>
</tr>
<tr>
<td>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remeasurement gain (loss) on defined benefit obligation</td>
<td>(33,088)</td>
<td>61,192</td>
</tr>
<tr>
<td><strong>Total Comprehensive Income</strong></td>
<td>22,777,281</td>
<td>18,167,609</td>
</tr>
</tbody>
</table>

**Attributable to:**

|                                | 2012                             | 2013                             | 2014                             | 2014 Unaudited | 2015 Unaudited |
|--------------------------------|----------------------------------|----------------------------------|----------------------------------|                |                |
| Equity holders of the Parent  | 22,336,625                       | 17,717,168                       | 23,474,512                       | 13,636,253     | 10,882,202     |
| Non-controlling interests     | 440,656                          | 450,441                          | 505,288                          | 241,346        | 293,731        |
|                                | 22,777,281                       | 18,167,609                       | 23,979,800                       | 13,877,599     | 11,175,933     |
## SUMMARY OF THE OFFERING

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this prospectus.

<table>
<thead>
<tr>
<th><strong>Issuer</strong></th>
<th>SM Prime Holdings, Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Issue</strong></td>
<td>Fixed rate bonds constituting the direct, unconditional and unsubordinated obligations of SM Prime Holdings, Inc.</td>
</tr>
<tr>
<td><strong>Issue Size</strong></td>
<td>PHP15,000,000,000</td>
</tr>
<tr>
<td><strong>Oversubscription Option</strong></td>
<td>The Issuer, in consultation with the Joint Issue Managers and Joint Lead Underwriters, shall have the option to increase the Issue Size by up to PHP5,000,000,000 in the event of oversubscription</td>
</tr>
<tr>
<td><strong>Manner of Distribution</strong></td>
<td>Public offering</td>
</tr>
<tr>
<td><strong>Use of Proceeds</strong></td>
<td>To finance capital expenditures for the expansion of the Issuer’s mall operations (see &quot;Use of Proceeds&quot;)</td>
</tr>
<tr>
<td><strong>Issue Price</strong></td>
<td>At par (or 100% of face value)</td>
</tr>
<tr>
<td><strong>Form and Denomination of the Bonds</strong></td>
<td>The Bonds shall be issued in scripless form in minimum denominations of PHP20,000.00 each, and in multiples of PHP10,000.00 thereafter, and traded in denominations of PHP10,000.00 in the secondary market</td>
</tr>
<tr>
<td><strong>Offer Period</strong></td>
<td>The offer of the Bonds shall commence at 9:00 am on [●] 2015 and end at 12:00 pm on [●] 2015</td>
</tr>
<tr>
<td><strong>Issue Date</strong></td>
<td>[●] 2015</td>
</tr>
<tr>
<td><strong>Maturity Date</strong></td>
<td>Series D: Five (5) years and three (3) months from Issue Date; [and] Series E: Ten (10) years from Issue Date</td>
</tr>
</tbody>
</table>
Interest Rate

Series D: [●] % per annum
Series E: [●] % per annum

Interest Computation & Payment

Interest on the Bonds shall be calculated on a 30/360-day count basis and shall be paid quarterly in arrears commencing on [●] and on [●], [●], [●] and [●] of each year.

Optional Redemption

Prior to the Maturity Date of the Series E Bonds, the Issuer shall have a one-time option, but shall not be obligated, to redeem in whole, and not a part only, the Series E Bonds in accordance with the following schedule:

<table>
<thead>
<tr>
<th>Optional Redemption Dates</th>
<th>Optional Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twenty ninth (29th) Interest Payment Date</td>
<td>101.5%</td>
</tr>
<tr>
<td>Thirty third (33rd) Interest Payment Date</td>
<td>101.0%</td>
</tr>
<tr>
<td>Thirty seventh (37th) Interest Payment Date</td>
<td>100.5%</td>
</tr>
</tbody>
</table>

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

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

Final Redemption

Unless otherwise earlier redeemed or previously purchased and cancelled, the Bonds will be redeemed at par or 100% of face value on their respective Maturity Dates.

Bond Rating

The Bonds are rated [●] by the Philippine Rating Services Corporation

Trustee

Philippine National Bank Trust Banking Group

Registrar & Paying Agent

Philippine Depository & Trust Corp.

Taxation of Bond Interest

Interest income derived by Philippine citizens or resident foreign
individuals from the Bonds is subject to income tax, which is withheld at source, at the rate of 20%. Interest on the Bonds received by non-resident foreign individuals engaged in trade or business in the Philippines is subject to a 20% final withholding tax while that received by non-resident foreign individuals not engaged in trade or business is subject to a 25% final withholding tax. Interest income received by domestic corporations and resident foreign corporations is taxed at the rate of 20%. Interest income received by non-resident foreign corporations is subject to a 30% final withholding tax. The tax withheld constitutes a final settlement of Philippine income tax liability with respect to such interest.

Bondholders who are exempt from or are not subject to final withholding tax on interest income or are covered by a lower final withholding tax rate by virtue of a tax treaty may claim such exemption or lower rate, as the case may be, by submitting the necessary documents as required by the Bureau of Internal Revenue and the Issuer.

**Ranking**

The Bonds shall constitute the direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will rank pari passu and rateably without any preference or priority among themselves and with all other present and future unsecured and unsubordinated obligations of the Issuer, other than obligations preferred by law.

**Listing**

The Bonds are intended to be listed at the Philippine Dealing & Exchange Corporation, or such other securities exchange licensed as such by the SEC on which the trading of debt securities in significant volume occurs.

**Governing Law**

Philippine Law
RISK FACTORS

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

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

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

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

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

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

The means by which the Company plans to address the risks discussed herein are presented in the sections of this Prospectus entitled “Description of the Issuer and the Group – Strengths,” “Description of the Issuer and the Group – Strategies,” and “Management’s Discussion and Analysis of Financial Position and Financial Performance.”

RISKS RELATING TO THE COMPANY

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

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

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

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

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

General cyclical trends in the Philippines and international property markets, as well as significant uncertainties and volatilities in the domestic, regional and global economic conditions affecting those property markets, are expected to continue, and accordingly SM Prime’s results of operations may fluctuate from period to period in accordance with those fluctuations. There can be no assurance that such variances will not have a material adverse effect on the business, financial condition and results of operations of SM Prime.

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

While the Philippines has adopted a system of land registration which is intended to conclusively confirm land ownership, and which is binding on all persons (including the Government), it is not uncommon for third parties to claim ownership of land that has already been registered and over which a title has been issued. There have also been cases where third parties have produced false or forged title certificates over land. In particular, Quezon City, Metro Manila and the province of Cavite, have been known to experience problems with syndicates of squatters and forged or false title holders. Although SM Prime generally conducts extensive title searches before it acquires any parcel of land, from time to time it has defended itself against third parties who claim to be the rightful owners of land which has been either titled in the name of the persons selling the land to those companies or which has already been titled in those companies’ names. In the event a greater number of similar third-party claims are brought against SM Prime in the future or any such claims involve land that is material to SM Prime’s malls, residential developments and other real estate assets, SM Prime’s management may be required to devote significant time and incur significant costs in defending against such claims. If any such claims are successful, SM Prime may have to either incur additional costs to settle such third-party claims or surrender title to land that may be material in the context of SM Prime’s operations. In addition, title claims made by third parties against SM Prime may have an adverse effect on its reputation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SM Prime’s reputation could also be adversely affected if projects are not completed on time or if projects do not meet customers’ requirements. If any of SM Prime’s projects experiences construction or infrastructure failures, design flaws, significant project delays, quality control issues or otherwise, this could negatively affect its brand image and its ability to pre-sell its residential development projects. This would reduce cash flow and impair its ability to meet funding requirements.

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

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

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

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

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

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

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

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

In relation to the Reorganization, on 9 December 2013, the Company filed certain applications with the BIR for rulings confirming the tax treatment of the transaction in the Reorganization as a “tax-free merger” under Philippine tax law and regulations. As of the date of this Prospectus, the ruling request is still pending with the BIR.

Previously, the BIR allowed the delegation of the authority to rule on this type of application to BIR’s Assistant Commissioner, however, the new BIR administration that took over in 2010 has adopted a policy that this type of application must be signed off by the BIR Commissioner. This new policy has resulted in the delayed issuance of BIR rulings. While SM Prime and its Philippine legal counsel believe that the Reorganization is fully compliant with the requirements for tax-free status under the law and existing regulations, there can be no assurance that the requested tax rulings will be issued by the BIR in the near future, or at all. In the event that no such tax ruling is issued, the BIR could issue tax assessments in connection with the Reorganization subjecting the transfer of assets pursuant to the Reorganization to the payment of applicable taxes. Although SM Prime believes that it would have sufficient grounds to challenge an adverse tax ruling by the BIR, if SM Prime is forced to pay a tax assessment, it could be a substantial amount and could materially and adversely affect SM Prime’s financial condition and business reputation.

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

As a result of the completion of the Reorganization, the Sy family currently holds voting power over 23.66% of the outstanding share capital of SM Prime. In addition, members of the Sy family currently hold four seats on the Board of Directors. As a result, the Sy family effectively controls SM Prime, including in relation to major policy decisions such as its overall strategic and investment decisions, dividend plans, capital raisings and other financings, mergers and disposals, amendments to its Articles of Incorporation and By-laws, election of members of its Board of Directors, appointment of its senior managers and other significant corporate actions.

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

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

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

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

SM Prime has entered into and expects to continue to enter into a number of material agreements and other arrangements with companies controlled by members of the Sy family and affiliated companies and persons. Transactions with related parties pose the risk of SM Prime entering into transactions on terms less favorable than could be obtained in arm’s-length transactions with unrelated parties. In particular, Sy family-controlled companies operating in the retail and banking sectors account for a significant portion of the total rental revenue from SM Prime’s malls and other commercial properties. Moreover, the Sy family could cause SM Prime to enter into transactions with SM Prime’s affiliates on terms less favorable than could
be obtained in arm’s-length transactions with unrelated parties. Any such transactions could materially adversely affect SM Prime’s business, financial condition and results of operations. For more information concerning related party transactions, see “Related Party Transactions”, Note 22 to the audited consolidated financial statements and Note 20 to the reviewed interim condensed consolidated financial statements included elsewhere in this Prospectus.

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

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

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

SM Prime’s senior management team, whose details are set out in “Board of Directors and Management of the Issuer” found on page [●] of this Prospectus, is critical to its success, and the loss of the services of any key member of the team could have an adverse effect on SM Prime’s strategy and operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Under Philippine law, the Government has the power to acquire any land in the Philippines if such acquisition is for public benefit or utility or any other public interest. Accordingly, in the event that land is compulsorily acquired from SM Prime, SM Prime’s businesses, financial condition and results of operations could be adversely affected.

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

The owner of such real property that has been compulsorily acquired may be compensated in accordance with the laws of the respective jurisdictions, which compensation may be less than its market value. Any instance of land being compulsorily acquired from SM Prime may materially and adversely affect SM Prime’s business, financial conditions and results of operations.
Fluctuations in interest rates, changes in Government borrowing patterns and Government regulations could have a material adverse effect on SM Prime’s and its customers’ ability to obtain financing.

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

1. In connection with SM Prime’s property development business generally, higher interest rates make it more expensive to borrow funds to finance ongoing projects or to obtain financing for new projects.

2. In connection with SM Prime’s core residential development business, a substantial portion of SM Prime’s customers procure financing to fund their property purchases, thus higher interest rates make financing, and therefore purchases of real estate, more expensive, which could adversely affect the demand for SM Prime’s residential projects.

3. If the Government significantly increases its borrowing levels in the domestic currency market, this could increase the interest rates charged by banks and other financial institutions and also effectively reduce the amount of bank financing available to both prospective property purchasers and real estate developers, including SM Prime.

4. SM Prime’s access to capital and its cost of financing are also affected by restrictions, such as single borrower limits, imposed by the BSP on bank lending. If SM Prime were to reach the single borrower limit with respect to any of its primary lenders, it may have difficulty obtaining financing with reasonable rates of interest from other banks. SM Prime is approaching the single borrower limit with certain of the banks from which it obtains financing, and as a result, SM Prime expects to make more use of alternative sources of financing in the future, which may have a higher cost of funding or be on terms less favorable than its existing financing arrangements.

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

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

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

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

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

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

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

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

SM Prime's portfolio of malls, residential properties and other real estate assets could suffer physical damage caused by fire, flooding, typhoons, earthquakes or other causes, or third-party liability claims, any of which could result in losses (including loss of rent) which may not be fully compensated for by insurance. SM Prime may also be exposed to liability for damages or injuries from accidents occurring on its properties. In addition, certain types of risks and insurance cover (such as war risk and acts of terrorism) may be uninsurable or the cost of insurance may be prohibitive when compared to the risk. Should an uninsured loss or a loss in excess of insured limits occur, SM Prime could lose capital invested in the affected property as well as any anticipated future revenue from such property, and may also remain liable for any debt or other financial obligation related to such property. No assurance can be given that material losses in excess of insurance proceeds will not occur in the future.

SM Prime faces property development risk.

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

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

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

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

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

SM Prime’s operations involving the development and sale of residential real estate could be adversely affected in the event that a material number of condominium unit, subdivision lot or house and lot sales are cancelled. SM Prime’s transactions are subject to the Maceda Law, which applies to all transactions or contracts involving the sale or financing of real estate through installment payments paid to the developer, including residential condominium units (but excluding industrial and commercial lots). Under the Maceda Law, buyers who have paid at least two years of installments are granted a grace period of one month for every year of paid installments to cure any payment default. A buyer is given such a right only once every five years during the life of the contract and its extensions, if any. If the contract is cancelled, the buyer is entitled to receive a refund of at least 50% of the total payments made by the buyer. Buyers who have paid less than two years of installments and who default on installment payments are given a 60 day grace period to pay all unpaid installments before the sale can be cancelled, but without the right of refund.

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

From time to time SM Prime will commence construction of a condominium project or house even before the full amount of the required down payment is made and thus, before the sale is recorded as revenue. SM Prime will therefore risk having expended cash to begin construction of the condominium project or the house before being assured that the sale will eventually be booked as revenue, particularly if the buyer is unable to complete the required down payment and SM Prime is unable to find another purchaser for such property.
There can be no assurance that SM Prime will not suffer from substantial sales cancellations and that such cancellations will not materially and adversely affect SM Prime’s business, financial condition and results of operations.

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

SM Prime’s customers benefits from provisions under Philippine law and regulations which exempt sales of residential lots with a gross selling price of ₱1,919,500 and below and sales of residential houses and lots with a gross selling price of ₱3,199,200 and below from the value-added tax (“VAT”) of 12.0%. However, if two or more adjacent lots, or houses and lots, are sold to one buyer from the same seller for the purpose of utilizing them as one residential area, the sale shall be exempt from VAT only if the aggregate value of the properties does not exceed the threshold prices for exemption. Adjacent lots or houses and lots sold to the same person shall be presumed to be a sale of one residential area although covered by separate titles and/or tax declarations and by separate deeds of conveyance. In the event that sales become subject to VAT, due to a change in Government policy or otherwise, the purchase prices for SM Prime's subdivision lots and housing and condominium units will increase and this could adversely affect its sales. Because taxes such as the VAT are expected to have indirect effects on SM Prime’s results of operations by affecting general levels of spending in the Philippines and the prices of subdivision lots and houses, any adverse change in the Government’s VAT-exemption policy could have an adverse effect on SM Prime’s results of operations.

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

One of the risks inherent in any real estate property market is the possibility of an asset price bubble. This occurs when there is a gross imbalance between the supply and demand in the property market, causing an unusual increase in asset prices, followed by a drastic drop in prices when the bubble bursts. In the Philippines, the growth of the real estate sector is mainly driven by low interest rates, robust remittances from Overseas Filipino Workers, and the fast growing Business Process Outsourcing sector which is vulnerable to global economic changes.

The Company believes that the Philippine property sector is adequately protected against a domestic asset price bubble burst. The country has a very young demographic profile benefitting from rising disposable income. It likewise has one of the fastest growing emerging economies, registering Gross Domestic Product growth rates of 7.2% in 2013, 6.1% in 2014 and 5.6% in the second quarter of 2015 and the growth in the property sector is largely supported by infrastructure investments from both the public and private sectors and strong macroeconomic fundamentals.

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

**RISKS RELATING TO THE PHILIPPINES**

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

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

- decreases in business, industrial, manufacturing or financial activities in the Philippines, the Southeast Asian region or globally;
- scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines, the Southeast Asian region or globally;
- exchange rate fluctuations;
- inflation or increases in interest rates;
- levels of employment, consumer confidence and income;
- changes in the Government or of the Government’s fiscal and regulatory policies;
- re-emergence of SARS, avian influenza (commonly known as bird flu), including the H1N1 and H7N9 strains of the disease, or the emergence of another similar disease in the Philippines or in other countries in Southeast Asia;
- natural disasters, including but not limited to tsunamis, typhoons, earthquakes, fires, floods and similar events;
- political instability, terrorism or military conflict in the Philippines, other countries in the region or globally; and
- other social, political or economic developments in or affecting the Philippines.

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

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

The Philippines has from time to time experienced political, social and economic instability. In May 2004, the Philippines held presidential elections as well as elections for the Senate and the House of Representatives. President Macapagal-Arroyo was elected for a second six-year term. However, certain opposition candidates questioned the election results, alleging massive fraud and disenfranchisement of voters. On 25 July 2005, the impeachment complaints that were filed by several citizens and opposition lawmakers in the House of Representatives against President Arroyo, based on the allegations of culpable violation of the Constitution, graft and corruption and betrayal of the public trust, were referred by the speaker of the House to the Committee on Justice. All impeachment complaints previously filed were ultimately dismissed; however several cases were filed with the Supreme Court questioning the constitutionality of the decision.

On 24 February 2006, President Arroyo declared a state of emergency after security forces thwarted what they claimed was a plot to overthrow the President. The purported coup d’etat coincided with demonstrations marking the 20th anniversary of the “people power” revolution that toppled former President Marcos. The President lifted the state of emergency on 03 March 2006.

In November 2007, a group of military rebels together with a senator walked out of their trial in Makati City and occupied the second floor of the Manila Peninsula Hotel calling for President Arroyo to resign. They were soon joined by a few church officials and former Vice President Teofisto Guingona who appealed to the public for support. After a few hours, the mutinous group agreed to surrender to avoid bloodshed.

Since 2007 the Philippine Senate has been conducting inquiries into the allegedly anomalous US$329 million deal to construct the National Broadband Network. In February 2008, former Philippine Forest Corporation president Rodolfo Noel Lozada Jr. testified in the Senate and accused key allies of President Arroyo of overpricing the deal and receiving and/or demanding hefty commissions for the implementation of said deal. The controversy fuelled mass protests by various cause-oriented groups calling for the
President to resign. The implementation of the project, in the meantime, has been suspended.

In 2008, the Philippine Senate resumed its Blue Ribbon Committee inquiry into allegedly anomalous disbursements of ₱780 million for the purchase of fertilizers by the Department of Agriculture and alleged diversion of said funds to finance the 2004 election of President Arroyo.

In May 2010, the Philippines held its very first automated presidential election, as well as elections for members of the Senate and the Congress. Consequently, Benigno Aquino III was elected as the new President of the Philippines, with effect on 30 June 2010.

In December 2011, the 23rd Chief Justice of the Supreme Court of the Philippines, Renato Corona, was impeached by the House of Representatives. The Senate, convened as an impeachment court, began the trial in January 2012 and consequently found Corona guilty of Article II of the Articles of Impeachment filed against him pertaining to his failure to disclose to the public his statement of assets, liabilities, and net worth.

On 31 May 2012, the Philippine Senate impeached Renato Corona, then Chief Justice of the Supreme Court of the Philippines. The impeachment trial, which lasted several months, tried Corona on accusations of improperly issuing decisions that favored former President Arroyo, as well as failure to disclose certain properties, in violation of rules applicable to all public employees and officials.

Although there can be no assurance that President Aquino will continue to implement the economic, development and regulatory policies favored by President Arroyo's administration, including those policies that have a direct effect on the Group's assets and operations, President Aquino's administration has already taken steps towards economic reforms, such as raising government revenues by curbing tax evasion and other forms of corruption.

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

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

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

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

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

Metro Manila has experienced severe natural disasters, and authorities may not be prepared or equipped to respond to such disasters. On 26 September 2009, Typhoon Ondoy resulted in 341.3 millimeters of rainfall in six hours, causing massive flooding that submerged several areas of Metro Manila and adjacent provinces. The typhoon caused 464 deaths and approximately P86 billion in property damage. On 6 August 2012, a monsoon hit Metro Manila and other nearby provinces which also caused severe flooding and landslides. Other calamities that have affected Metro Manila in recent years include unusually strong earthquakes and outbreaks of infectious diseases such as H1N1 influenza (commonly known as swine flu).

Other regions of the Philippines have also experienced severe natural disasters. In December 2011, Typhoon Washi (Sendong) caused massive flooding in the southern Philippine city of Cagayan de Oro, claiming thousands of lives and displacing tens of thousands of residents. On 3 December 2012, Typhoon Bopha struck the southern island of Mindanao as a category five typhoon, triggering widespread flash flooding and landslides throughout the region. Typhoon Bopha killed over 1,000 people and caused an estimated P42 billion in property damage.

In October 2013, an earthquake occurred in Central Visayas, Philippines. The magnitude of the earthquake was recorded at Mw 7.2, at the epicenter which was located six kilometers southwest of Sagbayan town, at a depth of 12 kilometers. The seismic event affected the whole Central Visayas region, particularly Bohol and Cebu. According to recent official reports by the National Disaster Risk Reduction and Management Council, 198 people were reported dead, 11 were missing, and 651 were injured as a result of the earthquake, making it the deadliest earthquake in the Philippines in 23 years. In all, more than 53,000 structures were damaged or destroyed, including commercial buildings, malls, public edifices, hotels and churches. SM Prime’s Radisson Blu Cebu sustained cosmetic damages on tiles and walls, however, the structural integrity of the building has been certified by three structural engineering companies. As a result, total business lost was estimated at approximately P60 million and forecasted year end occupancy of 74% had dropped to 66%.

In addition, the Central Philippines experienced a severe typhoon, Typhoon Haiyan (Yolanda), in November 2013 which caused extensive damage and claimed thousands of lives. The typhoon is expected to have a significant effect on the Philippine economy, which may, among other things, lead to an increase in inflation, a decrease in the pace of economic growth and/or a reduction in consumer spending, all of which would have an adverse effect on the Group’s results of operations.

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

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

During the last decade, the Philippine economy has from time to time experienced volatility in the value of the Peso and limited availability of foreign exchange. In July 1997, the BSP announced that it would allow market forces to determine the value of the Peso. Since 30 June 1997, the Peso experienced periods of significant depreciation and declined from approximately P29.00 = U.S.$1.00 in July 1997 to a low of P49.90 = U.S.$1.00 for the month ended (period average) December 2000. In recent years, the Peso has generally appreciated and the exchange rate (period average) was P42.23 in 2012, P42.45 in 2013 and
The revenues of the Company are predominantly denominated in Pesos, while certain expenses, including fixed debt obligations, are denominated in currencies other than Pesos. Certain of the Company’s borrowings are denominated in US dollars and China renminbi and accordingly, the Company is exposed to fluctuations in the Peso to US dollar and other foreign currency exchange rates. A depreciation of the Peso against the US dollar and other foreign currencies will increase the amount of Peso revenue required to service foreign currency denominated debt obligations.

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

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

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

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

In 2011, tensions rose in relation to long-standing territorial disputes involving the Philippines, other Southeast Asian nations (including Vietnam, Malaysia and Brunei) and China over certain islands in the West Philippine Sea, also known as the South China Sea. The increased tensions were brought about by allegations of more aggressive measures being taken by certain nations to assert their claims in these disputes.

On 8 April 2012, during one of its regular maritime patrols, a Philippine Navy surveillance aircraft identified eight Chinese fishing vessels anchored inside and around Bajo de Masinloc (Scarborough Shoal), an area in the Municipality of Masinloc, Province of Zambales that the Philippines regards as an integral part of its territory. On 10 April 2012, an inspection team reported that large amounts of illegally collected corals, clams and sharks were found in the compartments of the fishing vessels. The arrival of Chinese maritime surveillance vessels resulted in a standoff. These actions threatened to disrupt trade and other ties between the two countries, including a temporary ban by China on Philippine banana imports, as well as a temporary suspension of tours to the Philippines by Chinese travel agencies. Since July 2012, Chinese vessels have reportedly turned away Philippine fishing boats attempting to enter the shoal, and the Philippines has continued to protest China’s presence there. In January 2013, the Philippines sent notice to the Chinese embassy in Manila that it intended to seek international arbitration to resolve the dispute under the U.N. Convention on the Law of the Seas. China has rejected and returned the notice sent by the Philippines requesting arbitral proceedings. On 10 May 2013, the Philippines formally lodged a protest with China concerning vessels which arrived on or around May 8, 2013, escorting a fleet of 30 fishing boats in another disputed area – the Second Thomas Shoal. The Second Thomas Shoal is part of a group of islands known collectively as the Spratly Islands, which are claimed in part or in whole by Brunei, China, Malaysia, the Philippines, Taiwan and Vietnam. It is a strategic gateway to Reed Bank, believed to be rich in oil and natural gas. On 30 March 2014, the Philippines invoked the compulsory settlement of dispute clause under the U.N. Convention on the Law of the Seas and submitted a case to the Permanent Court of Arbitration in The Hague against China over the territorial dispute in the West Philippine Sea.

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

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

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

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

**RISKS RELATING TO THE BONDS**

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

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

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

**An active trading market for the Bonds may not develop.**

The Bonds are a new issue of securities for which there is currently no trading market. Even if the Bonds are listed on the PDEx, trading in securities such as the Bonds may be subject to extreme volatility at times, in response to fluctuating interest rates, developments in local and international capital markets and the overall market for debt securities among other factors. Although the Bonds are intended to be listed on PDEx as soon as reasonably practicable, no assurance can be given that an active trading market for the Bonds will develop and, if such a market were to develop the Joint Issue Managers are under no obligations to maintain such a market. The liquidity and the market prices for the Bonds can be expected to vary with changes in market and economic conditions, the financial position and prospects of the Company and other factors that generally influence the market prices of securities.
The Company has no control over this risk as active trading of the Bonds is highly dependent on the bondholders. The Group actively cooperates in efforts aimed at improving the capital markets in the Philippines.

**The Issuer may be unable to redeem the Bonds.**

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

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

The net proceeds from the issue of the Bonds, without the Over-subscription Option (after deduction of commissions and expenses) is approximately ₱14,856.3 million and is presently intended to be used by the Issuer to finance capital expenditures for the expansion of the Issuer's mall operations. Assuming the Over-subscription Option of up to ₱5.0 billion is fully exercised, the Company expects total net proceeds of approximately ₱19,813.8 million after fees, commissions and expenses.

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

<table>
<thead>
<tr>
<th>For a ₱15.0 billion Issue Size</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated proceeds from the sale of Bonds</td>
<td>₱15,000,000,000</td>
</tr>
<tr>
<td>Less: Estimated expenses</td>
<td></td>
</tr>
<tr>
<td>Documentary Stamp Tax</td>
<td>75,000,000</td>
</tr>
<tr>
<td>SEC Registration</td>
<td></td>
</tr>
<tr>
<td>SEC Registration Fee and Legal Research</td>
<td>5,618,125</td>
</tr>
<tr>
<td>SEC Publication Fee</td>
<td>150,000</td>
</tr>
<tr>
<td>Underwriting and Other Professional Fees</td>
<td></td>
</tr>
<tr>
<td>Underwriting and Legal Fee</td>
<td>54,000,000</td>
</tr>
<tr>
<td>Rating Fee</td>
<td>5,025,000</td>
</tr>
<tr>
<td>Listing Application Fee</td>
<td>336,000</td>
</tr>
<tr>
<td>Listing Maintenance Fee</td>
<td>504,000</td>
</tr>
<tr>
<td>Printing Cost</td>
<td>450,000</td>
</tr>
<tr>
<td>Trustee Fees</td>
<td>130,000</td>
</tr>
<tr>
<td>Paying Agency and Registry Fees</td>
<td>2,362,500</td>
</tr>
<tr>
<td>Miscellaneous fees</td>
<td>750,000</td>
</tr>
<tr>
<td><strong>Estimated net proceeds for ₱15.0 billion Issue</strong></td>
<td><strong>₽14,856,349,375</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>For the ₱5.0 billion Over-Subscription Option</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated proceeds from the sale of Bonds</td>
<td>₱5,000,000,000</td>
</tr>
<tr>
<td>Less: Estimated expenses</td>
<td></td>
</tr>
<tr>
<td>Documentary Stamp Tax</td>
<td>25,000,000</td>
</tr>
<tr>
<td>Underwriting Fees</td>
<td>17,500,000</td>
</tr>
<tr>
<td><strong>Estimated net proceeds for ₱5.0 billion Over-Subscription Option</strong></td>
<td><strong>₽4,957,500,000</strong></td>
</tr>
</tbody>
</table>

Total Net Proceeds (inclusive of Over-Subscription Option of ₱5.0 billion) --- ₱19,813,849,375

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

1. The Issuer will be charged the first year Annual Maintenance Fee in advance upon the approval of the Listing;
2. The Issuer will pay a yearly retainer fee to the Trustee amounting to ₱130,000 per annum; and
3. After the Issue Date, a Paying Agency fee amounting to ₱150,000 is payable every interest payment date. The Registrar will charge a monthly maintenance fee based on the face value of the Bonds and the number of Bondholders.
The net proceeds of the Issue of ₱14,856.3 million, assuming an Issue Size of ₱15.0 billion, shall be used primarily to finance capital expenditures for the expansion of malls as set out below.

<table>
<thead>
<tr>
<th>Amount and Schedule of Disbursement</th>
<th>Launch date</th>
<th>Target completion date</th>
<th>Percentage completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Amounts in million ₱)</td>
<td>4Q 2015</td>
<td>1H 2016</td>
<td></td>
</tr>
<tr>
<td>Malls</td>
<td>7,759</td>
<td>7,263</td>
<td></td>
</tr>
<tr>
<td>SM City Seaside Cebu</td>
<td>5,816</td>
<td>-</td>
<td>4Q 2011</td>
</tr>
<tr>
<td>SM City Cabanatuan</td>
<td>1,489</td>
<td>-</td>
<td>2H 2014</td>
</tr>
<tr>
<td>SM Center Sangandaan</td>
<td>455</td>
<td>-</td>
<td>2H 2014</td>
</tr>
<tr>
<td>SM Trece Martires Cavite</td>
<td>-</td>
<td>1,592</td>
<td>1H 2015</td>
</tr>
<tr>
<td>SM Tuguegarao Center</td>
<td>-</td>
<td>1,099</td>
<td>1H 2015</td>
</tr>
<tr>
<td>SM Puerto Princesa Center</td>
<td>-</td>
<td>299</td>
<td>1H 2015</td>
</tr>
<tr>
<td>SM Urdaneta 2</td>
<td>-</td>
<td>491</td>
<td>1H 2015</td>
</tr>
<tr>
<td>SM San Jose Del Monte</td>
<td>-</td>
<td>2,410</td>
<td>2H 2015</td>
</tr>
<tr>
<td>SM Calamba – expansion</td>
<td>-</td>
<td>1,372</td>
<td>2H 2015</td>
</tr>
</tbody>
</table>

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

If the ₱5.0 billion Over-subscription Option is exercised, the additional net proceeds of ₱4,957.5 million from the Over-subscription Option shall be used to finance the Issuer’s mall projects.

<table>
<thead>
<tr>
<th>Amount and Schedule of Disbursement</th>
<th>Launch date</th>
<th>Target completion date</th>
<th>Percentage completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Amounts in million ₱)</td>
<td>4Q 2015</td>
<td>1H 2016</td>
<td></td>
</tr>
<tr>
<td>Malls</td>
<td>0</td>
<td>5,035</td>
<td></td>
</tr>
<tr>
<td>SM Commonwealth – OLGM</td>
<td>-</td>
<td>2,291</td>
<td>4Q 2011</td>
</tr>
<tr>
<td>SM Bicutan – expansion</td>
<td>-</td>
<td>1,727</td>
<td>2H 2014</td>
</tr>
<tr>
<td>SM Dagupan</td>
<td>-</td>
<td>405</td>
<td>2H 2014</td>
</tr>
<tr>
<td>SM Cagayan de Oro 2 and Tower</td>
<td>-</td>
<td>376</td>
<td>1H 2015</td>
</tr>
<tr>
<td>SM Caloocan - Grand Central</td>
<td>-</td>
<td>236</td>
<td>2H 2015</td>
</tr>
</tbody>
</table>

Note 1: Percentage completion as of the date of this Prospectus.
DESCRIPTION OF THE PROJECTS

Any shortfall in the net proceeds for the intended uses described above shall be funded by the Issuer from internal sources.

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

The mall projects that will be funded by the proceeds of the Offer are described below.

- **SM City Seaside Cebu**, regarded as one of the world's largest shopping malls, is set to open in 2015. The mall has a gross floor area of approximately 460,791 square meters and houses major anchor tenants like The SM Store and SM Hypermarket. The mall will also have cinemas, including an IMAX theater, amusement and bowling center and foodcourt.

- **SM City San Jose Del Monte** is scheduled to open in 2016 with approximately 114,186 square meters of gross floor area. The mall has a lot size of 60,193 square meters located in Rizal. The anchor tenants for the mall are The SM Store and SM Hypermarket.

- **SM Commonwealth** has a lot size of 20,877 square meters with a gross floor area of 104,218 square meters. Anchor tenants are SM Store and SM Supermarket. The mall is set to open in 2016.

- **SM City Trece Martires** which is set to open in 2016 has a lot size of 49,498 square meters with a gross floor area of 80,715 square meters. Anchor tenants are SM Store and SM Supermarket. The mall will also have its own cinema and cyberzone.

- **SM Tuguegarao Center** has a lot size of 16,181 square meters with a gross floor area of 50,181 square meters. The mall is set to open in 2016.

- **SM City Puerto Princesa** has a lot size of 58,168 square meters with a gross floor area of 59,113 square meters. Anchor tenants are SM Store and SM Supermarket. The mall is set to open in 2016.

- **SM Urdaneta 2** has a lot size of 38,808 square meters with a gross floor area of 22,256 square meters. Anchor tenants are SM Store and SM Supermarket. The mall is set to open in 2016.

- **SM Cagayan de Oro 2** has a lot size of 28,974 square meters with a gross floor area of 174,399 square meters. The anchor tenants are The SM Store and SM Hypermarket. The mall is set to open in 2017.

- **SM Caloocan** has a gross floor area of 102,086 square meters. The anchor tenants are The SM Store and SM Hypermarket. The mall is set to open in 2017.

- **SM Dagupan** has a gross floor area of 87,366 square meters. The anchor tenants are The SM Store and SM Hypermarket. The mall is set to open in 2017.

Proceeds from the Issue will also finance the development of malls that are scheduled to open in 2016 and 2017. These are located in Quezon City, Caloocan City, San Jose Del Monte, Trece Martires City, Tuguegarao City, Puerto Princesa, Urdaneta and Cagayan de Oro with a total gross floor area of
approximately 1,170,000 square meters. The Issuer will also use proceeds from the Issue to finance the expansions of SM City Calamba and SM City Bicutan with a gross floor area of 62,000 and 78,000 square meters, respectively and the mall renovations of SM Molino and SM Sucat.

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

The Company undertakes that it will not use the net proceeds from the Issue for any purpose, other than as discussed above. However, the Company’s plans may change, based on factors including changing macroeconomic and market conditions, or new information regarding the cost or feasibility of these plans. The Company’s cost estimates may also change as these plans are developed further, and actual costs may be different from budgeted costs. For these reasons, timing and actual use of the net proceeds may vary from the foregoing discussion and the Company’s management may find it necessary or advisable to reallocate the net proceeds within the categories described above, or to alter its plans, including modifying the projects described in the foregoing and/or pursuing different projects. In the event of any substantial deviation/adjustment in the planned uses of proceeds, the Company shall inform the SEC and the stockholders within 30 days prior to its utilization.
DETERMINATION OF THE OFFER PRICE

The Bonds shall be issued at 100% of principal amount or face value.
PLAN OF DISTRIBUTION

BDO Capital, BPI Capital, China Bank and FMIC, pursuant to an Issue Management and Underwriting Agreement with SM Prime executed on [●] (the “Underwriting Agreement”), have agreed to act as the Joint Lead Underwriters for the Offer and as such, distribute and sell the Bonds at the Offer Price, and have also committed to underwrite up to ₱15,000,000,000 on a firm basis, in either case subject to the satisfaction of certain conditions and in consideration for certain fees and expenses, with a ₱5,000,000,000 Over-subscription Option.

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

<table>
<thead>
<tr>
<th>Joint Lead Underwriters</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>BDO Capital &amp; Investment Corporation</td>
<td>₱3,750,000,000</td>
</tr>
<tr>
<td>BPI Capital Corporation</td>
<td>₱3,750,000,000</td>
</tr>
<tr>
<td>China Banking Corporation</td>
<td>₱3,750,000,000</td>
</tr>
<tr>
<td>First Metro Investment Corporation</td>
<td>₱3,750,000,000</td>
</tr>
</tbody>
</table>

The Joint Lead Underwriters shall have exclusive rights and priority to exercise the Over-subscription Option of up to ₱5,000,000,000.

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

SM Prime will pay the Joint Lead Underwriters a fee of [●]% on the final aggregate nominal principal amount of the Bonds issued, which is inclusive of the fee to be ceded to Participating Underwriters. No fees will be given to Broker-Dealers selling the Bonds.

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

BDO Capital is the wholly-owned investment banking subsidiary of BDO Unibank, Inc., which, in turn, is an associate of the SM Group. BDO Capital is a full-service investment house primarily involved in securities underwriting and trading, loan syndication, financial advisory, private placement of debt and equity, project finance, and direct equity investment. Incorporated in December 1998, BDO Capital commenced operations in March 1999.

BPI Capital is the wholly-owned investment banking subsidiary of the Bank of the Philippine Islands. BPI Capital is an investment house focused on corporate finance and the securities distribution business. It began operations as an investment house in December 1994 and has grown to be one of the biggest investment banks in the country.

China Bank has been in the business for over 90 years and has extensive operations in lending, treasury, trust, investment banking, investment advisory services and insurance. It has significant presence across corporate, commercial, middle and retail markets, and has a strong niche in the Chinese-Filipino commercial sector. China Bank is a key player in major capital market transactions across various industries in the Philippines. China Bank, through its Investment Banking Group, offers a wide array of advisory and capital raising services to institutional clients. China Bank’s dedicated team of seasoned investment bankers
develops tailor-made funding structures and liability management solutions for all types of corporations, and carries out placements for the entire range of capital markets products.

FMIC was incorporated in the Philippines in 1972, and is the investment banking arm of the Metrobank Group, one of the largest financial conglomerates in the Philippines. FMIC provides investment banking services through its four strategic business units: Investment Banking, Treasury, Investment Advisory and Strategic Finance. FMIC also has a quasi-bank license and is a government securities eligible dealer (GSED) licensed by the Bureau of the Treasury. On September 13, 2011, FMIC received a Certificate of Authority issued by the BSP to engage in Trust and Other Fiduciary Business. FMIC is listed in the Philippine Stock Exchange and is a member of the Investment House Association of the Philippines (IHAP).

Except for BDO Capital and China Bank which are associates of the SM Group, the other Joint Lead Underwriters, namely BPI Capital and FMIC, have no direct relations with SM Prime in terms of ownership. The Underwriters have no right to designate or nominate any member of the Board of SM Prime.

SALE AND DISTRIBUTION

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

There are no persons to whom the Bonds are allocated or designated. The Bonds shall be offered to the public at large and without preference.

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

OFFER PERIOD

The Offer Period shall commence at 9:00 am of [●] 2015, and end at 12:00 pm of [●] 2015.

APPLICATION TO PURCHASE

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

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

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

A corporate and institutional investor who is exempt from or is not subject to withholding tax shall be required to submit the following requirements to the Registrar, subject to acceptance by the Issuer as being sufficient in form and substance: (i) certified true copy of the tax exemption certificate, ruling or opinion
issued by the Bureau of Internal Revenue; (ii) a duly notarized undertaking, in the prescribed form, declaring and warranting its tax exempt status, undertaking to immediately notify the Issuer of any suspension or revocation of the duly-accepted tax exemption certificates and agreeing to indemnify and hold the Issuer free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding of the required tax; and (iii) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities; provided that, all sums payable by the Issuer to tax exempt entities shall be paid in full without deductions for taxes, duties, assessments or government charges subject to the submission by the Bondholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar.

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

**MINIMUM PURCHASE**

A minimum purchase of Twenty Thousand Pesos (₱20,000.00) for each series of the Bonds shall be considered for acceptance. Purchases for each series of the Bonds in excess of the minimum shall be in multiples of Ten Thousand Pesos (₱10,000.00) for each series.

**ALLOTMENT OF THE BONDS**

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

**ACCEPTANCE OF APPLICATIONS**

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

**REFUNDS**

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

**PAYMENTS**

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

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

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

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

SECONDARY MARKET

SM Prime intends to list the Bonds in the PDEx. SM Prime may purchase the Bonds at any time without any obligation to make pro-rata purchases of Bonds from all Bondholders.

REGISTRY OF BONDHOLDERS

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

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

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

The issue of up to ₱15,000,000,000 aggregate principal amount of [●]% per annum Series D Bonds and [●]% per annum Series E Bonds with an oversubscription option of up to ₱5,000,000,000 was authorized by a resolution of the Board of Directors of SM Prime dated September 18, 2015. The Bonds shall be constituted by a Trust Indenture Agreement executed on [●] 2015 (the “Trust Agreement”) entered into between the Issuer and Philippine National Bank Trust Banking Group (the “Trustee”), which term shall, wherever the context permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Agreement. The description of the terms and conditions of the Bonds set out below includes summaries of, and is subject to, the detailed provisions of the Trust Agreement. A registry and paying agency agreement was executed on [●] 2015 (the “Registry and Paying Agency Agreement”) in relation to the Bonds among the Issuer, Philippine Depository & Trust Corp. as registrar (the “Registrar”) and as paying agent (the “Paying Agent”). The Bonds shall be offered and sold through a general public offering in the Philippines, and issued and transferable in minimum principal amounts of Twenty Thousand Pesos (₱20,000.00) and in multiples of Ten Thousand Pesos (₱10,000.00) thereafter, and traded in denominations of Ten Thousand Pesos (₱10,000.00) in the secondary market. The Bonds will be repaid at 100% of Face Value on the respective Maturity Dates of the Series D and Series E Bonds, unless SM Prime exercises its optional redemption according to the conditions therefore. See “Description of the Bonds — Redemption and Purchase”.

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

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

FORM, DENOMINATION AND TITLE

Form and Denomination

The Bonds are in scripless form, and shall be issued in denominations of Twenty Thousand Pesos (₱20,000.00) each as a minimum, in multiples of Ten Thousand Pesos (₱10,000.00) thereafter, and traded in denominations of Ten Thousand Pesos (₱10,000.00) in the secondary market.

Title

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

**BOND RATING**

The Bonds have been rated [●] by PhilRatings, having considered SM Prime’s diversified business portfolio, business plans, growth prospects and cash flows. A rating of [●] is assigned to [●]. A rating of [●] is the [●] credit rating on PhilRatings’ long-term credit rating scale. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization.

The rating was arrived at after considering the following factors: [SM Prime’s diversified business portfolio which includes core companies with strong market positions, sustained earnings, and recurring cash flows; solid brand equity and experienced management team; strong liquidity; and sound capitalization. The ratings also consider the continued positive prospects for the Philippine economy in general, and the industries where the SM Group has primary investments, in particular.]

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

**TRANSFER OF THE BONDS**

**Register of Bondholders**

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

**Transfers; Tax Status**

The Bonds may be transferred upon exchange of confirmation of sale and confirmation of purchase, or by book entry in recording platforms maintained by approved securities dealers. The Registrar shall ultimately and conclusively determine all matters regarding the evidence necessary to effect any such transfers. Settlement in respect of such transfers or change of title to the Bonds, including the settlement of any documentary stamps taxes, if any, arising from subsequent transfers, shall be settled directly between the transferee and/or the transferor Bondholders.

Subject to the provisions of the Registry and Paying Agency Agreement, Bondholders may transfer their Bonds at any time, regardless of tax status of the transferor vis-à-vis the transferee.

Should a transfer between Bondholders of different tax status occur on a day which is not an Interest Payment Date, tax-exempt entities trading with non tax-exempt entities shall be treated as non tax-exempt entities for the interest period within which such transfer occurred. A Bondholder claiming tax-exempt status is required to submit a written notification of the sale or purchase to the Trustee and the Registrar,
including the tax status of the transferor or transferee, as appropriate, together with the supporting documents specified under the Registry and Paying Agency Agreement within three days from the settlement date for such transfer. Transfers taking place in the Register of Bondholders after the Bonds are listed on PDEsx shall be allowed between tax-exempt and non-tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if and/or when so allowed under and in accordance with the relevant rules, conventions and guidelines of PDEsx and PDTC.

**Secondary Trading of the Bonds**

The Issuer intends to list the Bonds on PDEsx for secondary market trading. The Bonds will be traded in a minimum board lot size of ₱10,000.00 as a minimum, and in multiples of ₱10,000.00 in excess thereof for so long as any of the Bonds are listed on PDEsx. Secondary market trading in PDEsx shall follow the applicable PDEsx rules and conventions and guidelines, including rules, conventions and guidelines governing trading and settlement between Bondholders of different tax status, and shall be subject to the relevant fees of PDEsx and PDTC.

**RANKING**

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

**INTEREST**

**Interest Payment Dates**

The Series D Bonds bear interest on its principal amount from and including Issue Date at the rate of [●]% p.a., payable quarterly in arrears starting on [●] for the first Interest Payment Date, and on [●], [●], [●] and [●] of each year for each subsequent Interest Payment Date at which the Bonds are outstanding, or the subsequent Business Day, without adjustment for accrued interest, if such Interest Payment Date is not a Business Day.

The Series E Bonds bear interest on its principal amount from and including Issue Date at the rate of [●]% p.a., payable quarterly in arrears starting on [●] for the first Interest Payment Date, and on [●], [●], [●] and [●] of each year for each subsequent Interest Payment Date at which the Bonds are outstanding, or the subsequent Business Day, without adjustment for accrued interest, if such Interest Payment Date is not a Business Day.

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

**Interest Accrual**

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

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

**REDEMPTION AND PURCHASE**

**Final Redemption**

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

**Redemption for Taxation Reasons**

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

**Optional Redemption**

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

<table>
<thead>
<tr>
<th>Bonds</th>
<th>Optional Redemption Dates</th>
<th>Optional Redemption Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series E Bonds</td>
<td>Twenty ninth (29th) Interest Payment Date</td>
<td>101.5%</td>
</tr>
<tr>
<td></td>
<td>Thirty third (33rd) Interest Payment Date</td>
<td>101.0%</td>
</tr>
<tr>
<td></td>
<td>Thirty seventh (37th) Interest Payment Date</td>
<td>100.5%</td>
</tr>
</tbody>
</table>

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

**Purchase and Cancellation**

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

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

**Change in Law or Circumstance**

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

(a) Any government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Agreement or the Bonds shall be modified, withdrawn or withheld in a manner which, in the reasonable opinion of the Trustee, will materially and adversely affect the ability of the Issuer to comply with such obligations; or

(b) Any provision of the Trust Agreement or any of the related documents is or becomes, for any reason, invalid, illegal or unenforceable to the extent that it becomes for any reason unlawful for the Issuer to give effect to its rights or obligations thereunder, or to enforce any provisions of the Trust Agreement or any of the related documents in whole or in part; or any law is introduced or any applicable existing law is modified or rendered ineffective or inapplicable to prevent or restrain the performance by the parties thereto of their obligations under the Trust Agreement or any other related documents; or

(c) Any concessions, permits, rights, franchise or privileges required for the conduct of the business and operations of the Issuer shall be revoked, cancelled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, in such manner as to materially and adversely affect the financial condition or operations of the Issuer.

**Payments**

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

**Payment of Additional Amounts - Taxation**

Interest income on the Bonds is subject to a withholding tax at rates of between 20% and 30% depending on the tax status of the relevant Bondholder under relevant law, regulation or tax treaty. Except for such withholding tax and as otherwise provided, all payments of principal and interest are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of Republic of the Philippines, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties, if any. If such taxes or duties are imposed, the same shall be for the account of the Issuer; provided however that, the Issuer shall not be liable for the following:

a) The withholding tax applicable on interest earned on the Bonds prescribed under the Tax Code, as amended, and its implementing rules and regulations as may be in effect from time to time. An investor who is exempt from the aforesaid withholding tax, or is subject to a preferential
withholding tax rate shall be required to submit the following requirements to the Registrar, subject to acceptance by the Issuer as being sufficient in form and substance:

(i) certified true copy of the tax exemption certificate, ruling or opinion issued by the Bureau of Internal Revenue confirming the exemption or preferential rate;

(ii) a duly notarized undertaking, in the prescribed form, declaring and warranting its tax-exempt status or preferential rate entitlement, undertaking to immediately notify the Issuer of any suspension or revocation of the tax exemption certificates or preferential rate entitlement, and agreeing to indemnify and hold the Issuer and the Registrar free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding of the required tax; and

(iii) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities which for purposes of claiming tax treaty withholding rate benefits, shall include evidence of the applicability of a tax treaty and consularized proof of the Bondholder's legal domicile in the relevant treaty state, and confirmation acceptable to the Issuer that the Bondholder is not doing business in the Philippines; provided further that, all sums payable by the Issuer to tax exempt entities shall be paid in full without deductions for taxes, duties, assessments or government charges subject to the submission by the Bondholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar;

b) Gross Receipts Tax under Section 121 of the Tax Code;

c) Taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding; and

d) Value Added Tax ("VAT") under Sections 106 to 108 of the Tax Code, and as amended by Republic Act No. 9337.

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

**FINANCIAL RATIOS**

Similar to the covenants contained in other debt agreements of the Issuer, the Issuer shall maintain the following financial ratios:

a) Debt to Equity Ratio of not more than 70:30; and

b) Interest Coverage Ratio of not less than 2.5x.

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

So long as any Bond or coupon remains outstanding (as defined in the Trust Agreement):

(i) the Issuer will not create or permit to subsist any lien upon the whole or any part of its undertaking, assets or revenues present or future to secure any Indebtedness or any guarantee of or indemnity in respect of any Indebtedness;

(ii) the Issuer shall procure that its Material Subsidiaries will not create or permit to subsist any lien upon the whole or any part of any Material Subsidiary’s undertaking, assets or revenues present or future to secure any Public Debt or any guarantee of or indemnity in respect of any Public Debt;

(iii) the Issuer will procure that no other Person creates or permits to subsist any lien or gives any guarantee of, or indemnity upon the whole or any part of the undertaking, assets or revenues present or future of that other Person to secure any Public Debt of the Issuer, or any Material Subsidiary or to secure any guarantee of or indemnity in respect of the Public Debt of the Issuer or any Material Subsidiary; and

(iv) the Issuer will procure that no Person gives any guarantee of, or indemnity in respect of, the Public Debt of the Issuer or any Material Subsidiary

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

EVENTS AND CONSEQUENCES OF DEFAULT

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

(a) The Issuer shall fail to pay when due, the principal of or interest on or any amount payable under the Bonds, and such failure to pay is not remedied within seven (7) Business Days from due date thereof; or

(b) The Issuer shall default in the due performance, observance of or compliance with any other covenant contained in the Trust Agreement or the Bonds, and such default shall remain unremedied for a period of thirty (30) days after the Issuer shall have received written notice thereof from the Trustee; or
(c) Any statement, representation, or warranty made by the Issuer in the Trust Agreement or in any other document delivered or made pursuant thereto shall prove to be incorrect or untrue in any material respect as and when made and the circumstances which cause such representation or warranty to be incorrect or misleading continue for not less than thirty (30) days (or such longer period as the Majority Bondholders shall approve) after receipt of written notice from the Trustee to that effect; or

(d) The Issuer or any of its Subsidiaries fails to pay or defaults in the payment of any installment of the principal or interest relative to, or fails to comply with or to perform, any other obligation, or commits a breach or violation of any of the terms, conditions or stipulations, of any agreement, contract or document relating to any of their respective Indebtedness, including without limitation any credit extended by Bondholders or any third Person or Persons and under the terms of which such agreement, contract or document, shall constitute an event of default thereunder, but allowing for all applicable grace periods thereunder; provided, however, that no Event of Default will occur under this paragraph unless the aggregate amount of Indebtedness in respect of which one or more of the events above-mentioned has or have occurred equals or is in excess of fifteen percent (15%) of the Fair Market Value of Consolidated Assets as determined and recognized in the Issuer’s latest audited consolidated financial statements; or

(e) The Issuer or any of its Subsidiaries shall:

(i) become insolvent or unable to pay its Indebtedness as they mature; or

(ii) stop, suspend or threaten to stop or suspend payment of all or a material part of (or a particular type of) its Indebtedness; or

(iii) propose or make any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its Indebtedness, unless such deferral, rescheduling or other readjustment is not due to its inability to pay its Indebtedness and the Issuer gives prior notice of such deferral, rescheduling or other readjustment to the Bondholders through the Trustee and the reasons therefor; or

(iv) propose or make a general assignment or an arrangement or composition with or for the benefit of relevant creditors in respect of any of such Indebtedness, unless such general assignment, arrangement or composition is not due to its inability to pay its Indebtedness and the Issuer gives prior notice of such general assignment, arrangement or composition to the Bondholders through the Trustee and the reasons therefor; or

(v) take advantage of insolvency, moratorium, corporate rehabilitation or other laws for the relief of debtors; or

(vi) there shall be commenced against the Issuer or any Subsidiary any proceeding under such laws, or any judgment or order is entered by a court of competent jurisdiction for the appointment of a receiver, trustee or the like to take charge of all or substantially all of the assets of the Issuer, and such proceedings shall not have been discharged or stayed within a period of fifteen (15) days or such longer period as the Issuer satisfies the Majority Bondholders as appropriate under the circumstances; or

(f) Any act or deed or judicial or administrative proceeding in the nature of an expropriation, confiscation, nationalization, intervention, acquisition, seizure, or condemnation of or with respect to the whole or a substantial portion of the business and operations, capital stock, property, or assets of the Issuer or any Subsidiary, shall be undertaken or instituted by any governmental
authority, unless such act, deed or proceedings are otherwise contested in good faith by the Issuer or the Subsidiary concerned; or

(g) An attachment or garnishment of or levy upon a material part of the properties of the Issuer or any Subsidiary is made and is not discharged, stayed or fully bonded, within sixty (60) days (or such longer period as the Issuer satisfies the Majority Bondholders as appropriate under the circumstances); or

(h) Any of the Trust Agreement or the Bonds or any material portion thereof is declared to be illegal or unenforceable, unless such illegality or enforceability is remedied within thirty (30) days of the occurrence or declaration of the illegality or unenforceability, as the case may be; or

(i) Any of the concessions, permits, rights, franchises, or privileges required for the conduct of the business and operations of the Issuer or any Subsidiary shall be revoked, canceled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented in such manner as shall have a Material Adverse Effect as reasonably determined by the Majority Bondholders, and such continues unremedied for a period of sixty (60) days from the date of such revocation, cancellation, termination or curtailment; or

(j) A final judgment, decree or order has been entered against the Issuer or any Subsidiary by a court of competent jurisdiction from which no appeal may be made or is taken for the payment of money in excess of One Billion Pesos (₱1,000,000,000.00), and any relevant period specified for payment of such judgment, decree or order shall have expired without it being satisfied, discharged or stayed; or

(k) Any lien created or assumed by the Issuer or any Subsidiary becomes unenforceable and any step is taken to enforce it (including the taking possession or the appointment of a receiver, manager or other similar person) and the Indebtedness secured by the lien is not discharged or such steps stayed within thirty (30) days of such steps being so taken unless and for so long as the Bondholders are satisfied that it is being contested in good faith and with due diligence; or

(l) The Issuer shall contest in writing the validity or enforceability of the Trust Agreement or the Bonds or shall deny generally in writing the liability of the Issuer under the Trust Agreement or the Bonds; or

(m) Any event occurs which under the law has an analogous effect to any of the events referred to in the foregoing paragraphs of this section.

Notice of Default

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

Penalty Interest

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

**Payment in the Event of Default**

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

**Application of Payments**

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

**Prescription**

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

**Remedies**

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

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

**Ability to File Suit**

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

Waiver of Default by the Bondholders

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

SUBSTITUTION

Substitution of the Bonds is not contemplated.

TRUSTEE; NOTICES

Notice to the Trustee

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

To the Trustee: Philippine National Bank Trust Banking Group
Attention: Atty. Josephine Jolejole
Address: 3rd Floor, PNB Financial Center
Diosdado Macapagal Boulevard, Pasay City
Subject: SM Prime Bonds due 2021 and 2025
Facsimile: +63 2 526 3379

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

Notice to the Bondholders

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

**Binding and Conclusive Nature**

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

**Duties and Responsibilities of the Trustee**

(a) The Trustee is appointed as trustee for and on behalf of the Bondholders and accordingly shall perform such duties and shall have such responsibilities as provided in the Trust Agreement. The Trustee shall, in accordance with the terms and conditions of the Trust Agreement, monitor the compliance or non-compliance by the Issuer with all its representations and warranties, and the observance by the Issuer of all its covenants and performance of all its obligations, under and pursuant to the Trust Agreement. The Trustee shall observe due diligence in the performance of its duties and obligations under the Trust Agreement. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the Bondholders, and to whom the Bondholders shall communicate with in respect to any matters that must be taken up with the Issuer.

(b) The Trustee shall, prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, perform only such duties as are specifically set forth in the Trust Agreement. In case of default, the Trustee shall exercise such rights and powers vested in it by the Trust Agreement, and use such judgment and care under the circumstances then prevailing that individuals of prudence, discretion and intelligence, and familiar with such matters exercise in the management of their own affairs.

(c) None of the provisions contained in the Trust Agreement or Prospectus shall require or be interpreted to require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

**Resignation and Change of Trustee**

(a) The Trustee may at any time resign by giving ninety (90) days’ prior written notice to the Issuer and to the Bondholders of such resignation.

(b) Upon receiving such notice of resignation of the Trustee, the Issuer shall immediately appoint a successor trustee by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the resigning Trustee and one (1) copy to the successor trustee. If no successor shall have been so appointed and have accepted appointment within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor, or any Bondholder who has been a _bona fide_ holder for at least six months (the “_bona fide_ Bondholder”) may, for and in behalf of the Bondholders, petition any such court for the appointment of a successor. Such court may thereupon after notice, if any, as it may deem proper, appoint a successor trustee.
A successor trustee should possess all the qualifications required under pertinent laws, otherwise, the incumbent trustee shall continue to act as such.

In case at any time the Trustee shall become incapable of acting, or has acquired conflicting interest, or shall be adjudged as bankrupt or insolvent, or a receiver for the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its properties or affairs for the purpose of rehabilitation, conservation or liquidation, then the Issuer may within thirty (30) days from there remove the Trustee concerned, and appoint a successor trustee, by written instrument in duplicate, executed by its authorized officers, one (1) copy of which instrument shall be delivered to the Trustee so removed and one (1) copy to the successor trustee. If the Issuer fails to remove the Trustee concerned and appoint a successor trustee, any bona fide Bondholder may petition any court of competent jurisdiction for the removal of the Trustee concerned and the appointment of a successor trustee. Such court may thereupon after such notice, if any, as it may deem proper, remove the Trustee and appoint a successor trustee.

The Majority Bondholders may at any time remove the Trustee for cause, and appoint a successor trustee, by the delivery to the Trustee so removed, to the successor trustee and to the Issuer of the required evidence of the action in that regard taken by the Majority Bondholders.

Any resignation or removal of the Trustee and the appointment of a successor trustee pursuant to any of the provisions of this Subsection shall become effective upon the earlier of: (i) acceptance of appointment by the successor trustee as provided in the Trust Agreement; or (ii) the effectivity of the resignation notice sent by the Trustee under the Trust Agreement (a) (the "Resignation Effective Date") provided, however, that after the Resignation Effective Date and, as relevant, until such successor trustee is qualified and appointed (the "Holdover Period"), the resigning Trustee shall discharge duties and responsibilities solely as a custodian of records for turnover to the successor Trustee promptly upon the appointment thereof by SM Prime.

Successor Trustee

Any successor trustee appointed shall execute, acknowledge and deliver to the Issuer and to its predecessor Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor trustee, without further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trusteeship with like effect as if originally named as trustee in the Trust Agreement. The foregoing notwithstanding, on the written request of the Issuer or of the successor trustee, the Trustee ceasing to act as such shall execute and deliver an instrument transferring to the successor trustee, all the rights, powers and duties of the Trustee so ceasing to act as such. Upon request of any such successor trustee, the Issuer shall execute any and all instruments in writing as may be necessary to fully vest in and confer to such successor trustee all such rights, powers and duties.

Upon acceptance of the appointment by a successor trustee, the Issuer shall notify the Bondholders in writing of the succession of such trustee to the trusteeship. If the Issuer fails to notify the Bondholders within 10 days after the acceptance of appointment by the trustee, the latter shall cause the Bondholders to be notified at the expense of the Issuer.

Reports to the Bondholders

The Trustee shall submit to the Bondholders on or before February 28 of each year from the relevant Issue Date, until full payment of the Bonds, a brief report dated December 31 of the immediately preceding year with respect to:
(i) The funds, if any, physically in the possession of the Paying Agent held in trust for the Bondholders on the date of such report; and

(ii) Any action taken by the Trustee in the performance of its duties under the Trust Agreement which it has not previously reported and which in its opinion materially affects the Bonds, except action in respect of a default, notice of which has been or is to be withheld by it.

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

Inspection of Documents

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

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

MEETINGS OF BONDHOLDERS

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

Notice of Meetings

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

In case at any time the Issuer, pursuant to a resolution of its board of directors or executive committee, or the holders of at least twenty five percent (25%) of the aggregate outstanding principal amount of the Bonds shall have requested the Trustee to call a meeting of the Bondholders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed and published, in accordance with the notice requirements, the notice of such meeting, then the Issuer or the Bondholders in the amount above specified may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof.

Quorum

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

Procedure for Meetings

(a) The Trustee shall preside at all the meetings of the Bondholders, unless the meeting shall have been called by the Issuer or by the Bondholders, in which case the Issuer or the Bondholders calling the meeting, as the case may be, shall in like manner move for the election of the chairman and secretary of the meeting.

(b) Any meeting of the Bondholders duly called may be adjourned for a period or periods not to exceed in the aggregate of one (1) year from the date for which the meeting shall originally have been called and the meeting as so adjourned may be held without further notice. Any such adjournment may be ordered by persons representing a majority of the aggregate principal amount of the Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

Voting Rights

To be entitled to vote at any meeting of the Bondholders, a person shall be a registered holder of one (1) or more Bonds or a person appointed by an instrument in writing as proxy by any such holder as of the date of the said meeting. Bondholders shall be entitled to one vote for every Ten Thousand Pesos (₱10,000.00) interest. The only persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the persons entitled to vote at such meeting and any representatives of the Issuer and its legal counsel.

Voting Requirement

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

Notwithstanding any other provisions of the Trust Indenture Agreement, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of the Bondholders, in regard to proof of ownership of the Bonds, the appointment of proxies by registered holders of the Bonds, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidences of the right to vote and such other matters concerning the conduct of the meeting as it shall deem fit.

Amendments

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

(1) reduce the amount of Bondholder that must consent to an amendment or waiver;

(2) reduce the rate of or extend the time for payment of interest on any Bond;

(3) reduce the principal of or extend the Maturity Date of any Bond;

(4) impair the right of any Bondholder to receive payment of principal of and interest on such Holder's Bonds on or after the due dates therefore or to institute suit for the enforcement of any payment on or with respect to such Bondholders;

(5) reduce the amount payable upon the redemption or repurchase of any Bond under the Terms and Conditions or change the time at which any Bond may be redeemed;

(6) make any Bond payable in money other than that stated in the Bond;

(7) subordinate the Bonds to any other obligation of SM Prime;

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

(9) amend or modify the Payment of Additional Amounts, Taxation, the Events of Default of the Terms and Conditions or the Waiver of Default by the Bondholders; or

(10) make any change or waiver of this Condition.

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

Evidence Supporting the Action of the Bondholders

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

Non-Reliance

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

GOVERNING LAW

The Bond Agreements are governed by and are construed in accordance with Philippine law.
INDEPENDENT AUDITORS AND COUNSEL

All legal opinion/matters in connection with the issuance of the Bonds which are subject of this Offer shall be passed upon by Angara Abello Concepcion Regala & Cruz (“ACCRA”), for the Joint Issue Managers and Joint Lead Underwriters, and SM Prime’s Legal Affairs Division for the Company. ACCRA has no direct and indirect interest in SM Prime. ACCRA may, from time to time, be engaged by SM Prime to advise in its transactions and perform legal services on the same basis that ACCRA provides such services to its other clients.

INDEPENDENT AUDITORS

The consolidated financial statements of SM Prime as at 31 December 2013 and 2014 and for the years ended 31 December 2012, 2013 and 2014 have been audited by SyCip Gorres Velayo and Co. (“SGV & Co.”), independent auditors, in accordance with Philippine Standards on Auditing as set forth in their report thereon appearing elsewhere in this Prospectus. The interim condensed consolidated financial statements as at June 30, 2015 and for the six-month periods ended 30 June 2014 and 2015 have been reviewed by SGV & Co. in accordance with Philippine Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

The Company’s Audit and Risk Management Committee of the Board reviews and approves the scope of audit work of the independent auditors and the amount of audit fees for a given year. The financial statements will then be presented for approval by the stockholders in the annual meeting. As regards to services rendered by the external auditor other than the audit of financial statements, the scope of and amount for the same are subject to review and approval by the Audit and Risk Management Committee.

SM Prime’s audit fees for each of the last two fiscal years for professional services rendered by the external auditor was ₱7 million for both 2013 and 2014.

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

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS

SM Prime has not had any changes in or disagreements with its independent accountants/ auditors on any matter relating to financial or accounting disclosures.
CAPITALIZATION AND INDEBTEDNESS

As at 30 June 2015, the authorized capital stock of the Issuer was ₱40.0 billion divided into 40 billion common shares each with ₱1 par value per share, and its issued capital stock was ₱33.166 billion consisting of 33.166 billion common shares of ₱1 par value each.

The following table sets forth the consolidated capitalization and indebtedness of the Issuer as at 30 June 2015 and as adjusted to give effect to the issue of the Bonds (assuming the Oversubscription Option is not exercised). This table should be read in conjunction with the Issuer’s interim condensed consolidated financial statements as at 30 June 2015 and for the six-month periods ended 30 June 2014 and 2015 and notes thereto, included elsewhere in this Prospectus.

<table>
<thead>
<tr>
<th></th>
<th>As at 30 June 2015</th>
<th>Adjusted</th>
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<tbody>
<tr>
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<td>Actual</td>
<td>Adjusted</td>
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<tr>
<td><strong>Short-term debt</strong></td>
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<tr>
<td>Loans payable</td>
<td>10,815</td>
<td>10,815</td>
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<tr>
<td>Current portion of long-term debt</td>
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<tr>
<td><strong>Total short-term debt</strong></td>
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<td>37,139</td>
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<tr>
<td><strong>Long-term debt - net of current portion</strong></td>
<td></td>
<td></td>
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<tr>
<td>Banks and other financial institutions</td>
<td>104,061</td>
<td>104,061</td>
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<tr>
<td>The Bonds to be issued</td>
<td>-</td>
<td>14,856</td>
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<tr>
<td><strong>Total long-term debt - net of current portion</strong></td>
<td>104,061</td>
<td>118,917</td>
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<td><strong>Equity</strong></td>
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<tr>
<td>Equity Attributable to Equity Holders of the Parent:</td>
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<td></td>
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<tr>
<td>Capital stock</td>
<td>33,166</td>
<td>33,166</td>
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<tr>
<td>Additional paid-in capital - net</td>
<td>39,302</td>
<td>39,302</td>
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<td>Cumulative translation adjustment</td>
<td>934</td>
<td>934</td>
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<tr>
<td>Net unrealized gain on available-for-sale investments</td>
<td>17,891</td>
<td>17,891</td>
</tr>
<tr>
<td>Net fair value changes on cash flow hedges</td>
<td>397</td>
<td>397</td>
</tr>
<tr>
<td>Remeasurement loss on defined benefit obligation</td>
<td>(141)</td>
<td>(141)</td>
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<td>Retained earnings</td>
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<tr>
<td>Appropriated</td>
<td>42,200</td>
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<tr>
<td>Unappropriated</td>
<td>73,521</td>
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<tr>
<td>Treasury stock</td>
<td>(3,355)</td>
<td>(3,355)</td>
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<tr>
<td><strong>Total Equity Attributable to Equity Holders of the Parent</strong></td>
<td>203,915</td>
<td>203,915</td>
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<tr>
<td><strong>Total capitalization</strong></td>
<td>307,976</td>
<td>322,832</td>
</tr>
</tbody>
</table>

Notes:

1. Adjusted amount as at 30 June 2015 includes proceeds of ₱15.0 billion principal amount of the Bonds offered hereunder, after deduction of commissions and expenses.
2. Total capitalization is the sum of long-term debt and equity.
DESCRIPTION OF THE ISSUER

OVERVIEW

SM Prime Holdings, Inc. was incorporated in the Philippines and registered with the SEC on 6 January 1994. It is a leading integrated Philippine real estate company with business units focused on malls, residential, commercial, and hotels and convention centers. SM Prime is the surviving company of a series of transactions involving the real estate companies of the SM Group. See “Description of the Reorganization” found on page [●] of this Prospectus.

As at 30 June 2015, SM Prime’s consolidated total assets stood at ₱405.9 billion, consolidated total liabilities were at ₱198.9 billion, with net debt-to-equity ratio (being the ratio of aggregate consolidated indebtedness net of cash and cash equivalent and investment held for trading over equity) of 37%.

The Company has four business segments, namely, malls, residential, commercial and hotel and convention centers. The table below sets out each business unit’s contribution to SM Prime’s consolidated revenue for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015.

<table>
<thead>
<tr>
<th>Segment</th>
<th>For the years ended 31 December</th>
<th>For the six months ended 30 June</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in ₱ million)</td>
<td>Audited</td>
</tr>
<tr>
<td>Malls</td>
<td>30,640</td>
<td>34,467</td>
</tr>
<tr>
<td>Residential</td>
<td>22,514</td>
<td>20,916</td>
</tr>
<tr>
<td>Commercial</td>
<td>2,697</td>
<td>2,914</td>
</tr>
<tr>
<td>Hotels and Convention Centers</td>
<td>1,297</td>
<td>1,670</td>
</tr>
<tr>
<td>Eliminations</td>
<td>67</td>
<td>(173)</td>
</tr>
<tr>
<td>Combined Total</td>
<td>57,215</td>
<td>59,794</td>
</tr>
</tbody>
</table>

The charts below display the composition of SM Prime’s consolidated revenue by segment and geographical region for the six months ended 30 June 2015.
The contribution of each of SM Prime’s subsidiaries to the Company’s total consolidated revenues for the years ended 31 December 2012, 2013 and 2014 is set out below.

<table>
<thead>
<tr>
<th>Name of Subsidiary</th>
<th>2012 Revenue</th>
<th>2012 % to Total</th>
<th>2013 Revenue</th>
<th>2013 % to Total</th>
<th>2014 Revenue</th>
<th>2014 % to Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Amounts in ₱ thousands)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SM Prime Holdings Inc. - Malls</td>
<td>23,260,289</td>
<td>41%</td>
<td>25,720,387</td>
<td>43%</td>
<td>28,437,743</td>
<td>43%</td>
</tr>
<tr>
<td>SM Prime Holdings Inc. - Commercial</td>
<td>2,514,483</td>
<td>4%</td>
<td>2,834,294</td>
<td>5%</td>
<td>2,335,945</td>
<td>4%</td>
</tr>
<tr>
<td>SM Prime Holdings Inc. - Hotels</td>
<td>170,228</td>
<td>0%</td>
<td>182,039</td>
<td>0%</td>
<td>131,994</td>
<td>0%</td>
</tr>
<tr>
<td>First Asia Realty Development Corp.</td>
<td>2,677,964</td>
<td>5%</td>
<td>2,809,794</td>
<td>5%</td>
<td>3,383,803</td>
<td>5%</td>
</tr>
<tr>
<td>Premier Central, Inc.</td>
<td>585,873</td>
<td>1%</td>
<td>643,742</td>
<td>1%</td>
<td>781,159</td>
<td>1%</td>
</tr>
<tr>
<td>Consolidated Prime Dev. Corp.</td>
<td>632,316</td>
<td>1%</td>
<td>709,055</td>
<td>1%</td>
<td>864,147</td>
<td>1%</td>
</tr>
<tr>
<td>Premier Southern Corp.</td>
<td>809,724</td>
<td>1%</td>
<td>871,071</td>
<td>1%</td>
<td>956,255</td>
<td>1%</td>
</tr>
<tr>
<td>San Lazaro Holdings Corporation</td>
<td>-</td>
<td>0%</td>
<td>-</td>
<td>0%</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Southernpoint Properties Corp.</td>
<td>91,202</td>
<td>0%</td>
<td>424,559</td>
<td>1%</td>
<td>496,587</td>
<td>1%</td>
</tr>
<tr>
<td>First Leisure Ventures Group Inc.</td>
<td>131,942</td>
<td>0%</td>
<td>153,047</td>
<td>0%</td>
<td>174,847</td>
<td>0%</td>
</tr>
<tr>
<td>CHAS Realty and Development Corporation and Subsidiaries</td>
<td>-</td>
<td>0%</td>
<td>-</td>
<td>0%</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Affluent Capital Enterprises Limited and Subsidiaries</td>
<td>1,887,429</td>
<td>3%</td>
<td>2,469,655</td>
<td>4%</td>
<td>2,721,557</td>
<td>4%</td>
</tr>
<tr>
<td>Mega Make Enterprises Limited and Subsidiaries</td>
<td>521,447</td>
<td>1%</td>
<td>538,510</td>
<td>1%</td>
<td>650,428</td>
<td>1%</td>
</tr>
<tr>
<td>Springfield Global Enterprises Limited</td>
<td>-</td>
<td>0%</td>
<td>-</td>
<td>0%</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Simply Prestige Limited and Subsidiaries</td>
<td>-</td>
<td>0%</td>
<td>-</td>
<td>0%</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>SM Land (China) Limited and Subsidiaries</td>
<td>53,364</td>
<td>0%</td>
<td>112,490</td>
<td>0%</td>
<td>241,419</td>
<td>0%</td>
</tr>
<tr>
<td>SM Development Corporation and Subsidiaries</td>
<td>21,740,485</td>
<td>38%</td>
<td>19,870,380</td>
<td>33%</td>
<td>20,800,382</td>
<td>32%</td>
</tr>
<tr>
<td>Summerhills Home Development Corp.</td>
<td>12,870</td>
<td>0%</td>
<td>240,608</td>
<td>0%</td>
<td>521,683</td>
<td>1%</td>
</tr>
<tr>
<td>Magenta Legacy, Inc.</td>
<td>7,800</td>
<td>0%</td>
<td>14,400</td>
<td>0%</td>
<td>14,790</td>
<td>0%</td>
</tr>
<tr>
<td>Associated Development Corporation</td>
<td>18,490</td>
<td>0%</td>
<td>18,900</td>
<td>0%</td>
<td>18,900</td>
<td>0%</td>
</tr>
<tr>
<td>Prime Metro Estate, Inc.</td>
<td>237,896</td>
<td>0%</td>
<td>130,956</td>
<td>0%</td>
<td>131,463</td>
<td>0%</td>
</tr>
<tr>
<td>Tagaytay Resorts and Development Corporation</td>
<td>-</td>
<td>0%</td>
<td>-</td>
<td>0%</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>SM Arena Complex Corporation</td>
<td>298,262</td>
<td>1%</td>
<td>429,985</td>
<td>1%</td>
<td>499,800</td>
<td>1%</td>
</tr>
<tr>
<td>Highlands Prime Inc</td>
<td>524,604</td>
<td>1%</td>
<td>512,493</td>
<td>1%</td>
<td>655,530</td>
<td>1%</td>
</tr>
<tr>
<td>Costa del Hamilo, Inc.</td>
<td>483,389</td>
<td>1%</td>
<td>292,669</td>
<td>0%</td>
<td>745,836</td>
<td>1%</td>
</tr>
<tr>
<td>SM Hotels and Conventions Corp. and Subsidiaries</td>
<td>1,285,489</td>
<td>2%</td>
<td>1,632,671</td>
<td>3%</td>
<td>1,824,018</td>
<td>3%</td>
</tr>
<tr>
<td>Eliminations</td>
<td>(730,452)</td>
<td>-1%</td>
<td>(817,295)</td>
<td>-1%</td>
<td>(259,685)</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>57,215,094</strong></td>
<td><strong>100%</strong></td>
<td><strong>59,794,410</strong></td>
<td><strong>100%</strong></td>
<td><strong>66,240,070</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
The Company’s operations in China account for a portion of the SM Prime’s consolidated revenues and net income. The contribution of the Company’s China operations to its consolidated revenues and net income for each of the last three years is set out below.

<table>
<thead>
<tr>
<th>Year</th>
<th>Contribution to Revenues</th>
<th>Contribution to Net Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>2013</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>2014</td>
<td>5%</td>
<td>5%</td>
</tr>
</tbody>
</table>

SM Prime is listed on the PSE and as at 30 June 2015 was 49.60% directly and indirectly owned by SMIC. SM Prime had a market capitalization of [₱606.5 billion as of 17 September 2015].

**Description of the Reorganization**

In 2013, SMPH initiated a corporate restructuring exercise to consolidate all of the SM Group’s real estate companies and real estate assets under SM Prime. The Reorganization was approved by the Board of Directors of SM Prime on 31 May 2013 and subsequently ratified by the stockholders on 10 July 2013. This was subsequently approved by the SEC on 10 October 2013.

The Reorganization was achieved through the following transactions:

**SM Land’s tender offers for SMDC and HPI**

On 4 June 2013, SM Land, Inc. (SM Land) launched a tender offer to the existing shareholders of SMDC and HPI, which were at the time listed on the PSE, in exchange for SM Prime shares held by SM Land. The terms of the tender offer were executed at an exchange ratio of 0.472 SM Prime share for 1 SMDC share and 0.135 SM Prime share for 1 HPI share. The tender offers were completed on 12 August 2013.

**Merger of SM Prime and SM Land**

Following the completion of the tender offers, on 10 October 2013, the SEC approved the merger of SM Prime and SM Land via a share-for-share swap where the stockholders of SM Land received new SM Prime shares in exchange for their shareholdings in SM Land. As a result of the merger, SMDC and HPI became subsidiaries of SM Prime effective 10 October 2013. In addition to the shareholdings in SMDC and HPI, SM Prime now holds SM Land’s real estate assets. The merger ratio was 738 SM Prime shares for 1 SM Land share. The total number of new SM Prime common shares issued to SM Land shareholders were 14,390,923,857 shares. On 5 November 2013, SMDC and HPI were delisted from the PSE.

**Acquisition of Unlisted Real Estate Companies and Assets from SMIC and the Sy Family**

On 10 October 2013, the SEC also approved SM Prime’s acquisition of SMIC’s unlisted real estate companies, including SM Hotels and Conventions Corp., SM Arena Complex Corporation, Costa del Hamilo, Inc., Prime Metro Estate, Inc. and Tagaytay Resort and Development Corporation (collectively, the “Unlisted Real Estate Companies”). The SEC also approved SM Prime’s acquisition of certain real property assets of SMIC (the “SMIC Real Estate Assets”) by issuing new SM Prime shares to SMIC. The total acquisition price of the Unlisted Real Estate Companies and SMIC Real Estate Assets amounted to ₱25.8 billion, equivalent to 1,382,841,458 SM Prime common shares issued based on the 30-day volume weighted average price of SM Prime’s shares of ₱18.66.
Subsidiaries of the Company

Following the Reorganization, the subsidiaries of the Company by business segment are set out below:

**MALLS**

<table>
<thead>
<tr>
<th>Name of company</th>
<th>Year of incorporation</th>
<th>Percentage ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Asia Realty Development Corporation</td>
<td>1987</td>
<td>74.19</td>
</tr>
<tr>
<td>Premier Central, Inc.</td>
<td>1998</td>
<td>100.00</td>
</tr>
<tr>
<td>Consolidated Prime Dev. Corp.</td>
<td>1998</td>
<td>100.00</td>
</tr>
<tr>
<td>Premier Southern Corp.</td>
<td>1998</td>
<td>100.00</td>
</tr>
<tr>
<td>San Lazaro Holdings Corporation</td>
<td>2001</td>
<td>100.00</td>
</tr>
<tr>
<td>First Leisure Ventures Group, Inc.</td>
<td>2007</td>
<td>50.00</td>
</tr>
<tr>
<td>Southernpoint Properties Corp.</td>
<td>2008</td>
<td>100.00</td>
</tr>
<tr>
<td>CHAS Realty and Development Corporation and subsidiaries</td>
<td>1997</td>
<td>100.00</td>
</tr>
<tr>
<td>Mega Make Enterprises Limited and subsidiaries</td>
<td>2007</td>
<td>100.00</td>
</tr>
<tr>
<td>Affluent Capital Enterprises Limited and subsidiaries</td>
<td>2006</td>
<td>100.00</td>
</tr>
<tr>
<td>SM Land (China) Limited and subsidiaries</td>
<td>2006</td>
<td>100.00</td>
</tr>
<tr>
<td>Simply Prestige Limited and subsidiaries</td>
<td>2013</td>
<td>100.00</td>
</tr>
<tr>
<td>Springfield Global Enterprises Limited</td>
<td>2007</td>
<td>100.00</td>
</tr>
</tbody>
</table>

**RESIDENTIAL**

<table>
<thead>
<tr>
<th>Name of company</th>
<th>Year of incorporation</th>
<th>Percentage ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>SM Development Corporation and subsidiaries</td>
<td>1974</td>
<td>100.00</td>
</tr>
<tr>
<td>Summerhills Home Development Corporation</td>
<td>2007</td>
<td>100.00</td>
</tr>
<tr>
<td>Costa del Hamilo, Inc. and subsidiary</td>
<td>2006</td>
<td>100.00</td>
</tr>
<tr>
<td>Highlands Prime, Inc.</td>
<td>2001</td>
<td>100.00</td>
</tr>
</tbody>
</table>

**COMMERCIAL**

<table>
<thead>
<tr>
<th>Name of company</th>
<th>Year of incorporation</th>
<th>Percentage ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Magenta Legacy, Inc.</td>
<td>2006</td>
<td>100.00</td>
</tr>
<tr>
<td>Associated Development Corporation</td>
<td>1950</td>
<td>100.00</td>
</tr>
<tr>
<td>SM Arena Complex Corporation</td>
<td>2012</td>
<td>100.00</td>
</tr>
<tr>
<td>Prime Metro Estate, Inc. and subsidiary</td>
<td>1995</td>
<td>60.00</td>
</tr>
<tr>
<td>Tagaytay Resorts and Development Corporation</td>
<td>1988</td>
<td>100.00</td>
</tr>
</tbody>
</table>

**HOTELS AND CONVENTION CENTERS**
### COMPETITIVE STRENGTHS

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

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

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

SM Prime is one of the largest integrated real estate developer in Southeast Asia by market capitalization as of 30 June 2015, and the largest listed real estate developer on the PSE by market capitalization, total assets and net income as of 30 June 2015. SM Prime believes it is the largest shopping mall developer in the Philippines in terms of gross leaseable area. According to Colliers International, SM Prime was the largest vertical residential developer in Metro Manila in terms of units sold over the past four years. SM Prime believes that it is well positioned to take advantage of greater demand for residential homes resulting from the growth of the Philippine economy and increasing demand from expatriate Filipinos, among other factors.

**Leading retail malls business**

As of 30 June 2015, SM Prime was the largest mall operator in the Philippines, with 52 malls across 43 cities in the Philippines and an additional 5 malls in the PRC. SM Prime’s track record of operating malls dates back to 1985 when the first SM Mall was opened.

Drawing on its relationship with key tenants, SM Prime believes it is able to establish an appropriate mix of tenants in its malls and hence attract retail foot traffic. SM Prime enjoys long-standing relationships with anchor tenants such as SM Department Stores, SM Supermarkets, SM Hypermarkets, Bench, Jollibee and National Bookstore in the Philippines and Walmart and Vanguard in the PRC. In addition, SM Prime has long-term relationships with an extensive base of international and domestic tenants and has access to a wide leasing network, with approximately 17,192 tenants in the Philippines and 1,113 tenants in the PRC across multiple segments as of 30 June 2015. These tenants include well-known Philippine brands such as Bench and Jollibee as well as international brands such as Uniqlo, Forever 21, H&M, Starbucks, McDonalds, Zara, Brooks Brothers, Muji and Yum Brands.

SM Prime’s diverse network of tenants allows it to pursue a dynamic leasing and marketing strategy. For example, international brands such as Uniqlo, Forever 21 and H&M have chosen SM Malls as the locations to open their flagship stores in the Philippines. SM Prime’s diverse network of tenants generally also allows it to achieve high occupancy levels in a short period time following the opening of new malls. Significant demand backlog gives SM Prime the flexibility to optimize its tenant mix, ensuring steady foot traffic and consistent same store sales growth at its malls.
SM Prime believes that close to its 30 years of operating history, the SM Malls have established strong brand equity. SM City North EDSA, SM Megamall and SM Mall of Asia were each recognized with Reader’s Digest Trusted Brand Awards during the past three years.

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

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

SM Prime aims to have a significant growth pipeline as underscored by its large and diversified land bank consisting of retail, commercial, and residential land in prime locations across the Philippines. As of 30 June 2015, SM Prime possessed a land bank of 10,275,156 sq. m. including around the MOA complex, South Road Properties in Cebu, Clark in Pampanga, North EDSA and SMDC properties in Metro Manila, among others, which SM Prime believes is among the largest land banks in the country. SM Prime has access to approximately 180 hectares of unused lots in existing retail developments, which may be optimized for mixed use development. For example, SM Prime was able to add 159,652 sq. m. of office and retail GFA by building SM Megamall buildings C and D on a 86,342 sq. m. old parking lot in front of SM Megamall.

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

**Strong balance sheet and access to capital**

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

SM Prime believes that its strong balance sheet boosted by a large asset and equity base ensures that it is able to move quickly to acquire real estate assets and additional land bank. As at 30 June 2015, SM Prime had consolidated total assets of ₱405.9 billion and a consolidated equity of ₱203.9 billion. As at 30 June 2015, SM Prime’s combined net debt to equity ratio was 37%, providing sufficient debt headroom flexibility for current and future capital expenditure and expansion plans.

SM Prime believes that its stable real estate portfolio contributes to its liquidity and strong mix of recurring income from its mall and office operations. In the six months ended 30 June 2015, 62% of SM Prime’s consolidated revenue was derived from mall and commercial. SM Prime believes that its long-term leases help to create a steady stream of cash flow.

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

SM Prime’s senior management team comprises Mr. Henry T. Sy, Jr., as Chairman of the Board, and Mr. Hans T. Sy and Mr. Jeffrey Lim as President and Executive Vice President, respectively. Each of these individuals has been with SM Prime or its component businesses for at least 20 years.

SM Prime adheres to strong corporate governance practices, with three out of the eight members of its Board of Directors being independent directors. In recognition of SM Prime’s corporate governance
practices, SM Prime was awarded as Best Corporate Governance in the 4th Asian Excellence Recognition in 2014 and Asia’s Icon on Corporate Governance in the 3rd Asian Excellence Recognition in 2013.

BUSINESS STRATEGIES

Continue to expand SM Prime’s land bank and develop integrated lifestyle cities

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

A successful land banking strategy creates the foundation for the next phase in the development of lifestyle city projects, being the master planning for an integrated township design. These lifestyle cities are anchored by SM Prime’s retail malls, supported by commercial, residential, hotel and convention center developments, creating a synergistic value enhancement across product classes and offering a complete selection of products to customers. For example, SM Prime aims to replicate the successful model of its MOA complex, a 60 hectare master-planned bayside development in Pasay City. The MOA complex had a total estimated land value of ₱58.3 billion according to CBRE as of February 28, 2013. SM Prime believes that the success of the MOA complex is a result of the substantial synergies from each real estate offering in the integrated development. For example, the MOA Arena has been a preferred venue for events due to its proximity to the MOA, which in turn increased foot traffic at the MOA. SEA Residences has been one of SM Prime’s fastest selling residential development projects in part due to its proximity to the MOA, while again providing additional foot traffic to the MOA.

SM Prime was also awarded by the cities of Pasay and Paranaque to reclaim land adjacent to the MOA complex totalling around 600 hectares.

SM Prime has a large and diverse land bank suitable for projects that are modeled after the MOA complex and creating lifestyle cities across the Philippines. For example, SM Prime is building a 30 hectare mixed use development project in Cebu City, the SM Seaside City. The mall in SM Seaside City is expected to be that city’s largest mall, with a gross floor area of approximately 461,000 sq. m. It will consist of a four-storey complex featuring a cineplex, IMAX theater, bowling center and ice skating rink. Other potential developments in SM Seaside City complex may include high-rise residential condominiums, office buildings, convention center and hotels. Development of the property started in 2012 with a 15-year development timeframe.

Leverage retail malls to anchor lifestyle city developments

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

SM Prime also plans to expand within Metro Manila on a selective basis, developing supercenters (malls consisting of less than 100,000 sq. m.) that are situated between mega malls in Metro Manila. SM Prime believes that the current demand backlog for leases in several of its developments provides an opportunity for further mall expansion.
SM Prime plans to develop four to five malls in the Philippines each year for the near term, and also to opportunistically expand its presence in second and third tier cities in China by building one mall per year for the near term, in each case subject to market conditions. SM Prime is targeting to increase its overall mall GFA by 8-10% per year to approximately 7.3 million sq. m. in the Philippines and approximately 0.9 million sq. m. in China by 2016. SM Prime believes it will be able to do this given its direct access to a larger land bank that should allow it to accelerate its mall development throughout the country.

**Optimize existing properties by adding complementary developments**

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

SM Prime intends to further expand these complimentary projects by adding retail, office, residential and leisure developments to its existing property projects, including those projects with underutilized plots of vacant land. For example, SM Prime developed Radisson Blu Cebu, Park Inn by Radisson Davao and the soon to be opened Park Inn by Radisson Clark and Conrad Manila within existing mall developments such as SM City Cebu, SM City Davao, SM City Clark and SM Mall of Asia. SM Prime believes that SM Megamall, SM City North EDSA, and SM Seaside City still have significant under-utilized plot ratio that are suitable for commercial, hospitality and residential developments.

**Continue aggressive rollout of BPO office development**

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

**Focus on a “one product-one market” strategy for the residential business**

SM Prime intends to capitalize on the increasing urbanization and economic development of the Philippines to develop vertical residential projects in key areas across Metro Manila specifically the cities of Makati, Mandaluyong, Manila, Paranaque, Pasay, Pasig, Quezon City, and Taguig, as well as Tagaytay City and Cebu that target the Philippine mass middle market. By leveraging the already strong SM brand and its leadership in the residential condominium segment, SM Prime believes it can aggressively roll-out new projects in the strategically placed land bank throughout Metro Manila and the rest of the country. SM Prime will focus its residential development on the low-to-middle income segments, which is underpinned by resilient housing demand driven by a housing supply backlog, growing household creation and increasing urbanization. As of 30 June 2015, SM Prime has 11 completed residential projects and 15 ongoing residential projects.

SM Prime plans to accelerate residential project launches in areas near existing SM Prime developments. For 2015, SM Prime’s residential unit will launch at least five new condominiums with about 12,000-15,000 additional units located in the cities of Taguig, Quezon, Mandaluyong, Tagaytay, Las Piñas, Parañaque and Pasay at the Mall of Asia Complex.

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

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

Capital expenditure for 2015 is approximately ₱64.0 billion, with 51% for mall, 37% for residential, 7% for commercial and 5% for hotels and convention centers, Capital expenditure for 2016 is approximately ₱65.0 billion, with 52% for mall, 38% for residential, 7% for commercial and 3% for hotels and convention centers. SM Prime plans to fund its capital expenditure plan through recurring income flows and external financing. SM Prime intends to apply global corporate governance standards and risk management best practices, as well as embark on integrated sustainability and corporate social responsibility initiatives.

OWNERSHIP AND CORPORATE STRUCTURE

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

SM Prime develops, operates and maintains modern commercial shopping malls and is involved in all related businesses, such as the operation and maintenance of shopping spaces for rent, amusement centers and cinema theaters within the compound of the shopping malls. As of the date of this Prospectus, SM Prime owns 52 malls (as listed below) covering a total GFA of approximately 6.6 million sq. m. located across the Philippine archipelago, attracting an average of approximately 4 million visitors daily. SM Prime is the leading owner and operator of shopping malls in the Philippines. SM Prime plans to continue to expand its existing malls and develop new ones, with a target of opening approximately four to five new malls in the Philippines each year for the near term, subject to market conditions.

SM Prime has in the past concentrated on the development of its malls in the Metro Manila area, where it currently operates 18 malls. In addition, SM Prime currently plans to develop in the future three plots of land outside Metro Manila, all of which are owned. As the Metro Manila area becomes increasingly well served by shopping malls, SM Prime’s strategy is to expand its activities in the provinces, where it currently operates 34 malls and holds an additional 22 plots of land available for development, all of which are owned.

SM Prime has also expanded its shopping mall operations outside of the Philippines. SM Prime owns five operational malls located in the cities of Xiamen, Jinjiang, Chengdu, Suzhou and Chongqing in the southern and western parts of China with a total GFA of approximately 0.8 million sq. m., with two additional malls under development. SM Prime is targeting the acquisition of additional properties in China in the future as it prepares for opportunistic expansion into second and third tier cities. SM Prime plans to build one mall in China per year for the near term, subject to market conditions.

The principal sources of mall revenue for SM Prime comprise rental income payable by tenants (including its retail subsidiaries) within the malls, ticket sales derived from the operations of cinemas, and fees payable for the use of SM Prime’s parking facilities, bowling, ice skating and other leisure facilities. Approximately 50% of SM Prime’s gross leasable space is currently leased by members of the SM Group or companies who are affiliated with the Sy family. Such tenants contributed approximately 26% (₱10.0 billion) of SM Prime’s consolidated mall revenues of ₱38.7 billion for the year ended 31 December 2014.

SM Prime retains ownership of all of the sites on which the SM Prime malls are built, with the exception of SM Aura Premier, SM City Bacoor, SM City Manila, SM City Baguio, SM Center Valenzuela, SM Center Molino, SM City Clark, SM Center Pasig, SM City Taytay, SM Center Muntinlupa, SM City Naga, SM City Tarlac, SM City San Pablo, SM City Calamba, SM City Olongapo, SM City Consolacion and SM City General Santos, which are held under long-term leases. SM Megamall is owned by First Asia Realty Development Corporation, a 74.2% owned subsidiary of SM Prime, with the remaining interest being held by an unaffiliated third party. The land where SM City San Lazaro is located is owned by San Lazaro Holdings Corporation, a wholly owned subsidiary. The land where SM City Baguio is built is owned by SMIC.

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

Metro Manila Malls

SM Megamall

Year opened – 1991. SM Megamall is currently the country’s largest shopping mall in the Philippines located on a 10.5 hectare property in the Ortigas business district of Metro Manila. It stands along the main EDSA thoroughfare and is near the Metro Rail Transit. SM Megamall has two main buildings, Mega A and Mega B, with the addition of Mega Atrium in 2008, Building C in 2011 and Mega Fashion Hall in January 2014. It has a total GFA of 474,225 sq. m. It features 14 cinemas including the newly opened IMAX theatre and Director’s Club with its own butler service, a fully-computerized 14-lane bowling center, an
Olympic-sized ice skating rink, a mega fashion hall, event center and parking for 2,976 vehicles. The anchor tenants for SM Megamall are The SM Store, SM Supermarket, Forever 21 and Toy Kingdom.

**SM City North EDSA**

Year opened – 1985. SM City North EDSA has a GFA of 457,403 sq. m. featuring 12 cinemas including a 3D IMAX theater with a total seating capacity of 9,346, 24-computerized synthetic lane bowling center, food court, amusement centers and multi-level carpark which provides a total capacity of 4,349 vehicles, located on a 16.1 hectare site in Diliman, Quezon City. Following the opening of The Block and renovation of The Annex, The Sky Garden was unveiled in May 2009. It is a 400-meter elevated walkway shaded by a long sketch of white canopy connecting building to another, with a park-like ambiance and green architecture. The Sky Garden includes the roof garden, water features, food and retail outlets and sky dome, a 1,000-seat amphitheater for shows and special events. The anchor tenants for SM City North EDSA are The SM Store, SM Hypermarket and SM Supermarket, Forever 21 and Uniqlo.

**SM Mall of Asia**

Year opened – 2006. SM Mall of Asia is located on a 19.5 hectare property overlooking Manila Bay. The mall consists of four buildings linked by elevated walkways—Main Mall, the North Parking Building, the South Parking Building, and the Entertainment Center Building. The mall has a GFA of 406,962 sq. m. with parking buildings that has 3,984 spaces each that are available for vehicles. The Entertainment Building houses the country’s first IMAX theatre, a special Director’s Club screening room for exclusive film showings, eight state-of-the art cinemas, 32-lane bowling facility, an Olympic-sized ice skating rink, an Exploreum and fine dining restaurants and bars. In 2014, the mall opened the XD 4D cinema that is equipped with 48 pneumatic controlled seats and in-theatre effects including snow, wind, water, smell, fog and strobe lightings, leg tickler, motion seats and seat vibrators. The anchor tenants for SM Mall of Asia are The SM Store, SM Hypermarket and SM Supermarket, Forever 21 and Uniqlo.

**SM Aura Premier**

Year opened – 2013. SM Aura Premier, opened in May 2013, is a state of the art civic center at the heart of Taguig City. The mall has a GFA of 251,094 sq. m. As an integrated development, SM Aura Premier incorporates office towers, a chapel, a convention center and mini-coliseum, supported by a retail podium with an upscale look and feel. The mall also has two regular cinemas, two Director’s Clubs and an IMAX Theater with a total seating capacity of 921 and a food court. The anchor tenants for SM Aura Premier are The SM Store, SM Supermarket, Forever 21 and Uniqlo.

**SM City Fairview**

Year opened – 1997. SM City Fairview is a two-building, four-level complex with a GFA of 188,681 sq. m. located on a 20.2 hectare site in Quezon City, Metro Manila. The mall features 12 cinemas with a seating capacity of 6,533, 20-lane bowling center, food court and amusement areas. In early 2009, the mall launched its annex, adding 28,600 sq. m. of GFA to the main mall. The anchor tenants for SM City Fairview are The SM Store, SM Hypermarket, SM Supermarket, Ace Builders Center and Toy Kingdom.

**SM Southmall**

Year opened – 1995. SM Southmall, with a GFA of 184,552 sq. m., was the first shopping mall in the southern region of Metro Manila located Alabang-Zapote Road in Las Piñas City. As major renovations completed in 2012, SM Southmall became one of the premier malls and it features nine cinemas with a seating capacity of 7,049, including an IMAX theater, an ice skating rink, bowling center, food court and a carpark with 3,068 slots. The anchor tenants for SM Southmall are The SM Store, SM Supermarket and Ace Hardware.
SM City San Lazaro

Year opened – 2005. SM City San Lazaro is located at the center of a densely populated residential area with bustling commercial activities in Sta. Cruz, Manila. The four-storey mall has a GFA of 181,593 sq. m. The mall features a food court, amusement center, six cinemas with a seating capacity of 3,274, and parking for 1,256 vehicles. The anchor tenants for SM City San Lazaro are The SM Store, SM Supermarket and SM Appliance Center.

SM City Marikina

Year opened – 2008. SM City Marikina on Marcos Highway, Brgy. Calumpang, Marikina City has a GFA of 178,178 sq. m. Marikina is a key city for the SM Group, as its shoemakers became vital partners during its growth years in the sixties as a shoe store in Carriedo, Manila. It features a food court and eight cinemas with a 3,136 seating capacity. The anchor tenants for SM City Marikina are The SM Store, SM Supermarket and Ace Hardware.

SM City Manila

Year opened – 2000. SM City Manila is a five-level mall with a GFA of 167,812 sq. m. The mall is located in downtown Manila next to Manila City Hall. The mall has 12 cinemas with a seating capacity of 7,440, a food court and a carpark available for 920 vehicles. It has become a major destination for shoppers, given its strategic location and easy accessibility by the Light Railway Transit and other public transportation. The anchor tenants for SM City Manila are The SM Store, SM Supermarket and SM Appliance Center.

SM City Sta. Mesa

Year opened – 1990. SM City Sta. Mesa, located in Quezon City, Metro Manila, is a seven level complex with a GFA of 132,965 sq. m featuring 10 cinemas with a seating capacity of 7,451, a food court, an amusement center, carpark with a total capacity of 1,052 vehicles. The anchor tenants for SM City Sta. Mesa are The SM Store, SM Supermarket and SM Appliance Center.

SM City BF Parañaque

Year opened – 2013. SM City BF Parañaque, strategically located at the main gate of Parañaque’s prime residential village, opened on November 29, 2013 which has a GFA of 125,582 sq. m. Its design and construction features three skylight domes in its main atrium to reduce the use of electricity by fully maximizing the use of sunlight, while air conditioning is automatically regulated to help ensure efficient energy consumption. The mall is the first mall to have four Director’s Club cinemas equipped with electronic recliner (lazyboy type) seats that can accommodate up to 200 moviegoers and also houses two premier cinemas with 180 seats each. It provides ample parking space for 1,420 vehicles and 179 slot for motorcycles. The anchor tenants for SM City BF Parañaque are The SM Store, SM Supermarket, Our Home and Uniqlo.

SM City Bicutan

Year opened – 2002. SM City Bicutan is a two-building mall located along Doña Soledad Ave. corner West Service Road, Bicutan, Parañaque City. This mall has a GFA of 114,214 sq. m. It features a food court and four cinemas with a total seating capacity of 1,352. SM City Bicutan serves nearly half a million residents within a 3 kilometer radius. The anchor tenants for SM City Bicutan are The SM Store, SM Supermarket and Ace Hardware.
SM City Sucat

Year opened – 2001. SM City Sucat is a two-building mall located on a 10.1 hectare site along Dr. A. Santos Ave. (Sucat Road), Brgy. San Dionisio, Parañaque City. The mall has a GFA of 96,277 sq. m. featuring four cinemas with total seating capacity of 1,955, a food court and carpark with 1,475 slots. The anchor tenants for SM City Sucat are The SM Store, SM Supermarket and Ace Hardware.

SM Center Valenzuela

Year opened – 2005. SM Center Valenzuela has a total GFA of 70,681 sq. m., situated in Brgy. Karuhatan, Valenzuela City. The mall caters to the bustling industrial areas that surround the property. The mall features four cinemas with a 2,172 seating capacity, 12-lane bowling center, a food court and parking for 557 vehicles. It also features the Fashion Avenue, a multi-shop style center that houses a wide array of apparel, shoes and accessory picks. The anchor tenants for SM Center Valenzuela are SM Supermarket, SM Appliance Center and Ace Hardware.

SM City Novaliches

Year opened – 2010. SM City Novaliches, having a GFA of 60,044 sq. m., is located along Quirino Highway in Brgy. San Bartolome, Novaliches, Quezon City. Novaliches, being the largest district in the city, is growing with residential subdivisions and industrial companies. The amenities of the mall include a food court, four cinemas with 1,610 seats and parking for almost 1,206 vehicles. The anchor tenants for SM City Novaliches are The SM Store, SM Supermarket and Ace Hardware.

SM Center Muntinlupa

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

SM Center Las Piñas

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

SM Center Pasig

Year opened – 2006. SM Center Pasig is located in Frontera Verde, Pasig City serving residents of the neighboring upscale subdivisions and customers who regularly pass through the C5 route. Its GFA is 28,829 sq. m. including its basement parking for almost 282 vehicles. The anchor tenants for SM Center Pasig are SM Hypermarket, Ace Hardware and Watsons.
Malls Outside of Metro Manila

SM City Cebu

Year opened – 1993. SM City Cebu is a multi-level complex with a GFA of 273,804 sq. m. featuring eight cinemas, including a 3D IMAX theater with a total seating capacity of 6,318, a food court, a fully computerized 28-lane bowling center, a trade hall and a carpark with a 1,874 vehicle capacity located on a 13.8 hectare site in Cebu Port Center, Barrio Mabolo, Cebu City. The anchor tenants for SM City Cebu are The SM Store, SM Supermarket, Ace Hardware and Forever 21.

SM City Dasmariñas

Year opened – 2004. SM City Dasmariñas sits on a 12.4 hectare property situated along Governor’s Drive, approximately 100 meters from the Aguinaldo Highway junction in Dasmariñas, Cavite. The mall has a GFA of 201,645 sq. m. The mall features a food court and six cinemas with a seating capacity of 2,710 people. In late 2011, the mall launched its annex, adding 36,486 sq. m. of GFA to the main mall. The anchor tenants for SM City Dasmariñas are The SM Store, SM Supermarket, SM Appliance Center and Uniqlo.

SM Lanang Premier

Year opened – 2012. SM Lanang Premier is a four-level mall with a GFA of 145,174 sq. m. The mall is located at J.P. Laurel Avenue, Brgy. Lanang, Davao City. It is the largest and first premier mall development project in Mindanao. It houses the SMX Davao Convention Center. SM Lanang Premier's amenities include six cinemas and an IMAX theater, with a combined seating capacity of 2,695, a bowling center, an Exploreum, and parking for 1,660 vehicles. It also features a Skygarden with water fountains, art installations, and landscaping. The anchor tenants for SM Lanang Premier are The SM Store, SM Supermarket and Forever 21.

SM City Clark

Year opened – 2006. The two-storey SM City Clark is located along M.A. Roxas Avenue and is approximately 80 kilometers north of Manila and 60-kilometers east of Subic Bay Freeport, within close proximity of the Clark Special Economic Zone in Pampanga. The mall has a GFA of 144,484 sq. m. which features seven cinemas with a seating capacity of 3,210. With its unique design resembling a coliseum, this mall offers tourists and shoppers a variety of retail, dining, and entertainment establishments. The anchor tenants for SM City Clark are The SM Store, SM Hypermarket, Ace Hardware and Uniqlo.

SM City Lipa

Year opened – 2006. SM City Lipa is a two-level mall strategically located along Lipa’s Ayala Highway. It occupies 10.3 hectares of land, with 141,283 sq. m. of GFA. In late 2014, an additional 34,437 sq. m. of GFA was added due to the expansion of the main mall. Lipa City features natural attractions and is a commercial, educational and industrial destination. The mall features a food court and four cinemas with 2,393 seating capacity. The anchor tenants for SM City Lipa are The SM Store, SM Supermarket and Ace Hardware.

SM City Bacolod

Year opened – 2007. SM City Bacolod is a two-building mall located along Rizal Street, Reclamation Area, Bacolod City in Negros Occidental. It has a total land area of 17.0 hectare and has a GFA of 137,229 sq. m. In late 2014, an additional 61,999 sq. m. of GFA was added due to the expansion of the north wing of the main mall. The mall features a food court, amusement centers and four cinemas with 2,001 seating capacity. The anchor tenants for SM City Bacolod are The SM Store, SM Supermarket and Ace Hardware.
**SM City Pampanga**

Year opened – 2000. SM City Pampanga is a 131,158 sq. m. shopping mall with three annexes, straddling the municipalities of San Fernando and Mexico in Pampanga. It features six state-of-the-art cinemas with a seating capacity of 2,603, a food court and amusement centers. The mall is strategically located at the Olongapo Gapan Road to serve the city’s residents as well as those in the provinces of Bulacan, Tarlac, Bataan, Zambales and Nueva Ecija. The anchor tenants for SM City Pampanga are The SM Store, SM Supermarket, Ace Hardware, SM Appliance Center and Uniqlo.

**SM City General Santos**

Year opened – 2012. SM City General Santos is a three level mall located at San Miguel St., cor. Santiago Blvd., Lagao District, General Santos City. The mall has a GFA of 131,818 sq. m. featuring a food court, four cinemas with a combined seating capacity of 1,526, and parking for more than 1,407 vehicles. The anchor tenants for SM City General Santos are The SM Store, SM Supermarket and Ace Hardware.

**SM City Davao**

Year opened – 2001. SM City Davao is located on a 13.2 hectare property along Quimpo Boulevard corner Tulip and Eco Drives, Brgy. Matina, Davao City. Its location is walking distance from some of the largest schools in Mindanao such as Ateneo de Davao, University of Mindanao, Philippine Women’s College and the Agro-Industrial Foundation College. The mall has a GFA of 126,425 sq. m. It has six cinemas which can accommodate 2,377 movie patrons. The anchor tenants for SM City Davao are The SM Store, SM Supermarket, Ace Hardware and SM Appliance Center.

**SM City Bacoor**

Year opened – 1997. SM City Bacoor is a five level complex with a GFA of 120,202 sq. m. located in General Emilio Aguinaldo Highway corner Tirona Highway, Brgy. Habay, Bacoor City, Cavite. The shopping complex features eight cinemas with a 4,381 seating capacity, and food court and amusement areas. It is the very first SM mall in the entire Luzon region (outside Metro Manila) and the very first in the Cavite province. The anchor tenants of SM City Bacoor are The SM Store, SM Supermarket and Our Home.

**SM City Baguio**

Year opened – 2003. SM City Baguio is situated along Session Road in Baguio City. Baguio City is a promising site for SM Prime to develop its presence in the northern part of Luzon. Known for its cool climate, beautiful scenery and historic culture, the city offers multifold opportunities for entrepreneurs, retailers and service oriented establishments. SM City Baguio has a GFA of 107,950 sq. m. It has four cinemas with a total seating capacity of 1,932. The anchor tenants for SM City Baguio are The SM Store, SM Supermarket and Ace Hardware.

**SM City Iloilo**

Year opened – 1999. SM City Iloilo is a 104,942 sq. m. mall constructed on a 17.5 hectare property at the juncture of the Northwest and the Northeast of the Iloilo-Jaro West Diversion Road in Manduriao, Iloilo City. Its location is a quick drive from the airport and from the center of the city. It serves the city’s residents, as well as those of the rest of Panay Island and the neighboring islands in the Visayas. SM City Iloilo has eight cinemas with a seating capacity of 4,995. The anchor tenants for SM City Iloilo are The SM Store, SM Supermarket and SM Appliance Center.
**SM City Consolacion**

Year opened – 2012. SM City Consolacion is located along the Cebu North Road, Barangay Lamac, Consolacion, Cebu. It has a GFA of 103,558 sq. m. The mall’s amenities include a food court that seats up to 668 diners, four cinemas with a combined seating capacity of 1,475, and parking for over 707 vehicles. The anchor tenants for SM City Consolacion are The SM Store and SM Supermarket.

**SM City Tarlac**

Year opened – 2010. SM City Tarlac is located along MacArthur Highway, San Roque, Tarlac City. It is the very first SM mall in the province of Tarlac. The four-level mall has a GFA of 101,369 sq. m. The mall features a food court, four cinemas with 1,872 seating capacity, and parking for over 1,122 vehicles. The anchor tenants for SM City Tarlac are The SM Store, SM Supermarket and Ace Hardware.

**SM City Taytay**

Year opened – 2007. SM City Taytay is a two-building mall located in Brgy. Dolores, Taytay, Rizal. The mall has a GFA of 98,928 sq. m. that features a food court, three cinemas with 1,209 seating capacity and a carpark for 985 vehicles. SM City Taytay is situated as a stopover for travelers, especially those coming from Laguna via the Marikina Infanta Road. The anchor tenants for SM City Taytay are The SM Store, SM Hypermarket and Ace Hardware.

**SM City Masinag**

Year opened – 2011. SM City Masinag is a three-floor mall located along Brgy. Mayamot, Marcos Highway, Antipolo City. It has a GFA of 96,313 sq. m. SM City Masinag’s amenities include a food court, four cinemas with a combined seating capacity of 1,140, and parking for more than 454 vehicles. The anchor tenants for SM City Masinag are The SM Store, SM Supermarket and Ace Hardware.

**SM City Marilao**

Year opened – 2003. SM City Marilao is the first SM mall in the Bulacan province with a land area of 20.3 hectare and GFA of 93,910 sq. m. It is located at MacArthur Highway, Brgy. Ibayo, Marilao, Bulacan. The four-level mall features a food court, event center and four cinemas with seating capacity of 1,188. The anchor tenants for SM City Marilao are The SM Store, SM Supermarket and Ace Hardware.

**SM City Baliwag**

Year opened – 2008. SM City Baliwag is located in Brgy. Pagala, Baliwag, Bulacan, approximately 40 kilometers from the EDSA—Balintawak interchange of the North Luzon Expressway. It has a GFA of 91,241 sq. m. In late 2014, an additional 29,979 sq. m. of GFA was added due to the expansion of the main mall. Among the facilities included are four cinemas with a combined seating capacity of 1,232, a food court and parking for over 1000 vehicles. The anchor tenants for SM City Baliwag are The SM Store, SM Hypermarket and Ace Hardware.

**SM City Cagayan De Oro**

Year opened – 2002. SM City Cagayan De Oro sits along Mastersons Avenue corner Gran Via St., Cagayan de Oro City, Misamis Oriental. The mall has a GFA of 87,837 sq. m. It features four cinemas with a total seating capacity of 1,590. The anchor tenants for SM City Cagayan De Oro are The SM Store, SM Supermarket and Ace Hardware.
**SM City Sta. Rosa**

Year opened – 2006. SM City Sta. Rosa is the first SM mall in the Laguna province with 86,463 sq. m. of GFA. Located on a 17.1 hectare site in Barrio Tagapo, Sta. Rosa, the two-level mall is a 10-minute drive from the Mamplasan exit. SM City Sta. Rosa includes a variety of retail establishments, four cinemas with a seating capacity of 1,854 and a food court. The anchor tenants for SM City Sta. Rosa are The SM Store, SM Supermarket and Ace Hardware.

**SM City Batangas**

Year opened – 2004. SM City Batangas is situated along the National Highway, Brgy. Pallocan West, Batangas City. The mall is approximately 3.7 kilometers from the Batangas International Port. SM City Batangas has a GFA of 80,350 sq. m. It has four cinemas with a seating capacity of 1,661. The anchor tenants for SM City Batangas are The SM Store, SM Supermarket and Ace Hardware.

**SM City Lucena**

Year opened – 2003. SM City Lucena is located along Maharlika Highway corner Dalahican Road, Brgy. Ibabang Dupay, Lucena City, Quezon. It is the first SM mall in the province of Quezon. This four-level mall has a GFA of 78,655 sq. m. It features four cinemas with a total seating capacity of 1,989. The anchor tenants for SM City Lucena are The SM Store, SM Supermarket and Ace Hardware.

**SM City Naga**

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

**SM City San Mateo**

Year opened – 2015. SM City San Mateo is located in Gen. Luna Avenue, Brgy. Ampid 1, San Mateo, Rizal. It is the fourth SM supermall in Rizal Province after SM City Taytay, SM City Masinag and SM Center Angono and has a GFA of 75,623 sq. m. The mall has its disaster resilient features which include expansion joints for mitigating earthquake damage and rainwater catchment basin for prevention of flood within its perimeter and surrounding community. The mall offers a food court and four cinemas with a combined seating capacity of 1,232. The anchor tenants for SM City San Mateo are SM Department Store and SM Supermarket.

**SM City Calamba**

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

**SM City Cauayan**

Year opened – 2014. SM City Cauayan, the first mall in Region 2 known as Cagayan Valley, has a GFA of 70,964 sq. m. and is located along National Highway, District II, Cauayan City, Isabela. The mall serves customers from the country’s second largest province Isabela as well as the nearby provinces of Cagayan, Nueva Vizcaya, and Quirino. SM City Cauayan includes a variety of retail establishments, six cinemas with a
total seating capacity of 1,122. The anchor tenants for SM City Cauayan are The SM Store, SM Supermarket and SM Appliance Center.

**SM City Rosales**

Year opened – 2008. SM City Rosales in Brgy. Carmen, Pangasinan stands on a 12.2 hectare lot and has a GFA of 63,330 sq. m. It is the first SM mall in the province of Pangasinan. The amenities of the mall include a food court and four cinemas with capacity of 1,704 seats. The mall contains a public transport terminal and also serves as a bus stop of various inter provincial bus lines. The anchor tenants for SM City Rosales are The SM Store, SM Hypermarket and Ace Hardware.

**SM City Rosario**

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

**SM City San Pablo**

Year opened – 2010. SM City San Pablo has a GFA of 56,609 sq. m. It is located along Maharlika Highway in Brgy. San Rafael, San Pablo City in the province of Laguna. The mall features a business center, a food court and four cinemas with seating capacity of 1,212. It also has an atrium for various events. The anchor tenants for SM City San Pablo are The SM Store, SM Supermarket and Ace Hardware.

**SM Center Molino**

Year opened – 2005. SM Center Molino is located at the southern end of Molino Road, Bacoor, Cavite and has a GFA of 52,061 sq. m. SM Center Molino is the first to have the Service Lane, which comprises of different shops that offer a wide array of services situated outside the mall across the covered parking. The mall features four cinemas with 1,881 seating capacity and parking for 1,194 vehicles. The mall's anchor tenants are the SM Hypermarket, SM Appliance Center and Ace Hardware.

**SM Megacenter Cabanatuan**

Year opened – 2015. SM Megacenter Cabanatuan is located in Gen. Tinio and Melencio Streets, Cabanatuan City, Nueva Ecija. The mall is re-branded to SM Megacenter Cabanatuan after acquisition of SM Prime from CHAS Realty and Development Corporation in 2013. It is the first SM supermall in Cabanatuan City and has a GFA of 49,688 sq. m. The mall offers a food court and four cinemas with a combined seating capacity of 1,607. The mall's anchor tenant is SM Supermarket.

**SM City Olongapo**

Year opened – 2012. SM City Olongapo, the very first mall in the province of Zambales, has a GFA of 44,975 sq. m. that is strategically located in Magsaysay Drive Corner Gordon Avenue in the city’s Central Business District. The mall serves customers in Zambales, Bataan, and other nearby provinces. SM City Olongapo’s major amenities consist of an al fresco dining area, which offers a view of Olongapo's mountain landscape, three state-of-the-art digital cinemas, with a combined seating capacity of 758, and parking for over 300 vehicles. The anchor tenants for SM City Olongapo are The SM Store, SM Supermarket and SM Appliance Center.
SM City San Fernando

Year opened – 2012. SM City San Fernando is a seven-storey mall located at the Downtown Heritage District, Barangay Sto. Rosario, San Fernando, Pampanga. It has a GFA of 43,130 sq. m. and features a unique facade, a distinctive exterior design which complies with the architectural theme of a heritage area. The mall’s amenities include three cinemas with a combined seating capacity of 1,068 and parking slots for 246 vehicles. The anchor tenants for SM City San Fernando are The SM Store, SM Supermarket and SM Appliance Center.

SM Center Angono

Year opened – 2014. SM Center Angono, located along Manila East Road and Quezon Avenue in Barangay San Isidro, Angono, Rizal, is marked as the fiftieth SM Supermall in the Philippines. It has a GFA of 41,481 sq. m. with parking slots for 190 vehicles. It serves customers in Angono and Binangonan as well as other towns in the province of Rizal such as Cardona, Teresa, Morong, Baras, Tanay, and Pililla. The anchor tenants for SM Center Angono are SM Savemore, Banco de Oro and Ace Hardware.

China Malls

SM City Xiamen

Year opened – 2001 (SM City Xiamen) & 2009 (SM Xiamen Lifestyle). SM City Xiamen in Xiamen City, Fujian Province is situated on a 10.4 hectare lot and has a GFA of 238,125 sq. m. plus an open carpark for 1,929 vehicle. The anchor tenants for SM City Xiamen are Wal-Mart, The SM Store, Watsons, H&M and Uniqlo plus several junior anchors.

SM City Jinjiang

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

SM City Chengdu

Year opened – 2006. SM City Chengdu in Chengdu City, Sichuan Province is situated on a 4.7 hectare lot and has a GFA of 166,665 sq. m. plus an open carpark for 810 vehicles. The anchor tenants for SM City Chengdu are Wal-Mart, The SM Store and Wanda Cinema plus several junior anchors.

SM City Chongqing

Year opened – 2012. SM City Chongqing, located in the Yubei District, Southwest China, has a GFA of 149,429 sq. m. SM City Chongqing is a one building structure with five levels. The anchor tenants are Vanguard Supermarket, The SM Store and Wanda Cinema plus several junior anchors.

SM City Suzhou

Year opened – 2011. SM City Suzhou in Wuzhong District, Jiangsu Province is situated on a 4.1 hectare lot and has a GFA of 72,552 sq. m. plus a carpark for 400 vehicles. The anchor tenants for SM City Suzhou are Vanguard Hypermarket, The SM Store, and Wanda Cinema plus several junior anchors.

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

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

<table>
<thead>
<tr>
<th></th>
<th>For the year ended 31 December</th>
<th>For the six months ended 30 June</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2013</td>
</tr>
<tr>
<td></td>
<td>(in millions of pesos, except percentage of SM Prime’s total)</td>
<td>2015</td>
</tr>
<tr>
<td>Revenue</td>
<td>2,462</td>
<td>4%</td>
</tr>
<tr>
<td>Net income</td>
<td>903</td>
<td>5%</td>
</tr>
</tbody>
</table>

Sky Ranch

Sky Ranch Tagaytay

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

Sky Ranch Pampanga

Sky Ranch Pampanga is the first amusement park and the newest destination for both local residents and tourists in the North Luzon. The park is embedded in a 10,000 square meter land of SM City Pampanga in the City of San Fernando. It has 23 different rides, including the Pampanga Eye which is said to be the tallest and biggest Ferris wheel in the Philippines at 65 meters tall and 50 meters in diameter.

Malls under Construction

For 2015, the Company’s malls business unit is set to open four more new malls, located in SRP Cebu, Sangandaan and Cabanatuan in the Philippines and Zibo in China, as well as the expansion of SM City Iloilo and SM City Lipa. By yearend, the malls business unit will have an estimated 8.3 million sq. m. of GFA.

Land Bank

The following table sets forth SM Prime’s existing land bank owned for development of new malls as at 30 June 2015:

<table>
<thead>
<tr>
<th>Location</th>
<th>Gross Area (sq. m.)</th>
</tr>
</thead>
</table>

92
<table>
<thead>
<tr>
<th>Location</th>
<th>Gross Area (sq. m.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luzon</td>
<td>1,126,177</td>
</tr>
<tr>
<td>Visayas/Mindanao</td>
<td>602,231</td>
</tr>
<tr>
<td>Metro Manila</td>
<td>67,218</td>
</tr>
<tr>
<td>PRC</td>
<td>290,494</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,086,120</strong></td>
</tr>
</tbody>
</table>
**Principal Tenants**

SM Prime enjoys a competitive advantage due to its long-standing retail experience in establishing an appropriate mix of tenants including its associated anchor tenants. SM Prime controls the tenant mix of each of its malls, which has contributed to the profitability of the malls. The principal anchor tenants in the malls include SM Department Stores, SM Supermarkets and SM Hypermarkets. Other significant tenants include National Bookstore, KFC, Jollibee, McDonalds, Chowking, Pizza Hut, Goldilocks, Greenwich, Mang Inasal and Max’s Restaurant.

As at 30 June 2015, the SM Department Stores occupied in aggregate a gross area of 1,004,807 sq. m. within the malls, or 31% of total leasable area. SVI and SSMI operate the SM Supermarkets and SM Hypermarkets occupying in aggregate a gross area of 462,858 sq. m. as at 30 June 2015, or 15% of total leasable area.

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

During the years ended 31 December 2012, 2013, 2014 and the six months ended 30 June 2015, approximately 33%, 33%, 34% and 35%, respectively, of the aggregate mall rental revenue received by SM Prime in respect of the malls was from members of the Group and companies affiliated with the Sy family. Out of the total increase in mall rental revenue of 13% for the year 2014, same store sales contributed 7% while new malls and expansion of existing malls contributed 6%.

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

The SM Mall of Asia also hosts some premier tenants, which specialize in higher-end merchandise, such as Mango, Zara, Marks & Spencer, Topshop and Muji.

**Leasing Policies**

The leasing policy of SM Prime in relation to each of the malls is to screen applicants carefully and to secure an appropriate mix of tenants, both in terms of the nature of their businesses and their size. An average of less than 3% of tenants per mall did not renew their leases upon expiry or had their leases terminated early in each of the three years ended 31 December 2012, 2013 and 2014. The high demand for tenancies within the malls means that SM Prime generally has a waiting list sufficient to cover any vacancies that may arise in the malls.

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

SM Prime’s tenancies are generally granted for a term of one year, with the exception of some of the larger tenants operating nationally, which are granted initial lease terms of two to five years, renewable on an annual basis thereafter. Sixty days’ notice is required of SM Prime’s tenants for termination of their leases, and a six-month deposit is paid at the commencement of the lease. Upon expiry of a lease, the rental rates are adjusted to reflect the prevailing market rent. SM Prime charges rent as either a fixed rent per sq. m. or a variable rate which is a minimum per sq. m. or a base charge plus a percentage of a tenant’s sales, whichever is higher.
Management of the Malls

Management and operation of the malls, including the provision of manpower, maintenance and engineering and security, leasing, marketing and other promotional activities, are assumed by the Management Companies. In addition, the Management Companies negotiate and handle major tenant issues for the malls, while reporting to and under the direction of SM Prime. The Management Companies also adjust the tenant mix according to instructions given by SM Prime, which is based on a variety of factors, including the target market, location of the mall, demographics, size of the retail spaces and market positioning, among others. Each of the Management Companies performs specific functions in relation to each of the malls. All operating expenses relating to the malls are charged directly to SM Prime by the Management Companies. As consideration for the services provided by the Management Companies under the management contracts between SM Prime and the Management Companies, the Management Companies are entitled to receive an annual fee which is equivalent to 5% of the annual operating income of each mall before income tax, financial charges and interest expense. The aggregate amount of such management fees for the years ended 31 December 2012, 2013, 2014 and the six months ended 30 June 2015 were ₱861 million, ₱964 million, ₱1,079 million and ₱581 million, respectively, amounting to approximately 3% of total consolidated revenue in each period.

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

Competition

SM Prime’s malls compete with other shopping malls in the geographic areas in which they operate. The other major shopping mall operators in the Philippines are Robinsons Land Corporation (“RLC”) and Ayala Land, Inc. (“ALI”). RLC owns and operates 37 malls in the Philippines, 9 in Metro Manila and 28 in urban areas outside Metro Manila. RLC’s total assets as at 30 June 2015 was ₱95.2 billion. ALI operates over 30 malls and retail spaces in the country, and has total assets of ₱423.5 billion as at 30 June 2015. SM Prime believes that it is well placed to face increased competition in the shopping mall industry given the competitive advantages it has, including, among others, the location of its existing malls, SM Prime’s land bank, its balance sheet strength, a proven successful tenant mix and selection criteria, and the presence of the SM Department Stores, SM Supermarkets, SM Hypermarkets and retail affiliates of the Group within the malls. SM Prime believes that its experience and understanding of the retail industry has also been a contributing factor to its competitive advantage in the industry.

Subsidiaries

SM Prime has six wholly-owned mall related Philippine subsidiaries, namely, Premier Central, Inc., Premier Southern Corp., Consolidated Prime Dev. Corp., San Lazaro Holdings Corporation, Southernpoint Properties Corp. and CHAS Realty and Development Corp. SM Prime holds its interests in SM City Batangas and SM City Lipa, SM City Dasmarinas, SM City Clark, SM City Lanang, and SM Megacenter Cabanatuan through Premier Southern Corp., Consolidated Prime Dev. Corp., Premier Central, Inc., Southernpoint Properties Corp., and CHAS Realty and Development Corp., respectively. First Asia Realty Development Corporation is a 74.2% owned subsidiary of SM Prime, through which SM Prime holds its interest in SM Megamall. First Leisure Ventures Group, Inc. is a 50.0% owned subsidiary of SM Prime, through which SM Prime holds its interest in SM by the Bay. All malls not otherwise mentioned in this paragraph are owned directly by SM Prime.
RESIDENTIAL (PRIMARY)

SM Prime’s revenue from residential operations is derived largely from the sale of condominium units. As of 30 June 2015, residential business unit has twenty-six residential projects in the market, twenty-four of which are in Metro Manila and two in Tagaytay.

Completed Residential Projects

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

*Chateau Elysee*

Chateau Elysee is a six-cluster, six-storey residential condominium project in a 4.7-hectare lot in Parañaque City, Metro Manila. This project offers one-bedroom and two-bedroom units. Cluster one, comprising 384 units, was launched in the third quarter of 2003 and completed in December 2004. Construction of cluster two with 384 units was completed in May 2006. Construction of cluster three with 400 units was completed in May 2007. Construction of cluster six with 504 units was completed in December 2008. Construction of cluster five, with 560 units was completed in November 2009. Construction of Cluster four with 588 units began in February 2010 and was completed in June 2011.

*Mezza Residences*

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

*Berkeley Residences*

Berkeley Residences is a 35-storey high-rise condominium project situated just across Miriam College in Quezon City. Berkeley Residences comprises 1,276 units which were completed in June 2011.

*Sea Residences*

Sea Residences is a 15-storey residential and commercial condominium project comprising of six buildings with 2,899 residential units and 21 commercial units, located at the Mall of Asia (MOA) Complex Pasay City. Phase One of Sea Residences comprises 1,159 units; construction for Phase One started in January 2009 and was completed in March 2012. Phase Two comprises 920 units; construction for Phase Two started in December 2009 and was completed in November 2012. Phase Three of Sea Residences comprises 820 units; construction for Phase Three started in March 2010 and was completed in December 2012.

*Princeton Residences*

Princeton Residences is a 38-storey high-rise condominium project located along Aurora Blvd., Quezon City which was completed in March 2013. Princeton Residences comprises 1,096.

*Sun Residences*

Sun Residences is a project comprising two 40-storey towers located along España Blvd., Quezon City near Welcome Rotonda. Sun Residences Tower 1 comprises 2,057 units. Tower 2 comprises 1,982 units. Construction of Tower 1 and 2 were completed in November 2013 and June 2014, respectively.
Blue Residences

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

Grass Residences – Phase 1

Grass Residences – Phase 1 was launched in March 2008, a three tower 40-storey high-rise condominium project located behind SM City North EDSA, Manila. Tower 1 of Grass Residences comprises 1,988 units, which were completed in October 2011. Tower 2 comprises 2,025 units and was completed in May 2014. Tower 3 comprises 1,990 units and was completed in December 2013.

Light Residences

Light Residences is a mixed use development project with three 40-storey towers located along EDSA, Mandaluyong City. It has a total of 4,227 units. Construction of Phase 1, which consists of the podium and Tower 1, started in March 2010 and was completed in December 2013. Construction of Phase 2 (Tower 3) started in March 2012 and was completed in December 2013. Construction of Phase 3 (Tower 2) commenced in March 2010 and was completed in January 2015.

M Place @ South Triangle

M Place @ South Triangle is a four 25-storey tower condominium in South Triangle, Quezon City. Tower A started construction on January 2011 and was completed in December 2013. Tower A comprises 827 units. Tower B started construction in July 2011 and was completed in December 2013. Tower B comprises 912 units. Tower C comprises 778 units; construction of Tower C began in January 2012 and was completed in 2015. Tower D comprises of 920 units. Construction of Tower D commenced in December 2011 and was completed in January 2015.

Mezza II Residences

Mezza II Residences is a 38-storey residential condominium located just beside the first Mezza Residences in Quezon City. Construction of Mezza II started in December 2010. It comprises 1,324 units and was completed in January 2015.

Ongoing Residential Projects

The following projects are still under construction and are being sold by SM Prime:

Grass Residences – Phase 2

Grass Residences – Phase 2 was launched in March 2013, a two tower 43-storey high-rise condominium project located behind SM City North EDSA, Manila. Tower 4 comprises 1,964 units and is expected to be completed in 2017. Tower 5 comprises 1,957 units and is expected to be completed in 2019.

Field Residences

Field Residences is a residential condominium project that will ultimately consist of ten buildings located behind SM Sucat, Parañaque. Buildings 1, 2, 3, 7 and 8 of Field Residences comprise 1,974 units. Construction of buildings 1, 2, 8, 3 and 7 were completed in April 2010, April 2011, December 2011, December 2012 and September 2013, respectively. Building 4 comprises of 602 units and is expected to be
completed in 2016.

**Jazz Residences**

Jazz Residences is a mixed use development project comprising four 41-storey towers located at N. Garcia corner Jupiter, Makati City. Towers A, B, C and D of the project with 5,367 units. Construction of Tower A started in April 2010 and was completed in December 2013 while construction of Tower C started in October 2010 and was completed in May 2014. Tower D was completed in June 2015. Tower B are expected to be completed in 2015.

**Wind Residences**

Wind Residences is a residential condominium development with 5 20-storey towers located along Emilio Aguinaldo Highway, Tagaytay City. Towers 1 to 5 have a total of 3,524 units. Towers 1 and 2 were completed in August 2013. Tower 3 was completed in December 2013. Construction of Tower 4 began in April 2013 and is expected to be completed in 2015. Construction of Tower 5 started in October 2013 and is expected to be completed in 2016.

**Cool Suites @ Wind Residences**

Cool Suites @ Wind Residences is a residential condominium project that will consist of 6 Towers located along Emilio Aguinaldo Highway, Tagaytay City. Cool Suites @ Wind Residences is a Phase 2 Project at the 15-hectare development of Wind Residences. Building 1 was launched in December 2014 with a total of 363 units. Construction of Building 1 will commence in 3rd quarter of 2015 and expected to be completed in 2016.

**Shine Residences**

Shine Residences is a 22-storey residential condominium located in Pasig City. Construction of Shine Residences commenced in January 2013 and is expected to be completed in 2015. It comprises 892 units.

**Green Residences**

Green Residences is a 50-storey residential condominium situated on Taft Avenue, Manila near De La Salle University. Construction of Green Residences started in August 2011 and is expected to be completed in 2015. Green Residences comprises 3,378 units.

**Shell Residences**

Shell Residences is a 16-storey residential and commercial condominium project and is located at the MOA Complex in Pasay City. It comprises four buildings with 3,093 residential units. Construction of Shell Residences commenced in May 2012 and is expected to be completed in 2015.

**Breeze Residences**

Breeze Residences is a 38-storey residential and commercial condominium project and is located along Roxas Boulevard in Pasay City. Breeze Residences comprises 2,133 units. Construction of Breeze Residences commenced in June 2013 and is expected to be completed in 2016.

**Grace Residences**

Grace Residences is a residential condominium development with four towers located along Levi Mariano Avenue in Taguig City. Towers 1, 2 and 3 have a total of 2,452 units. Construction of Tower 1 started in May
2013 and is expected to be completed in 2015. Construction of Tower 2 and 3 commenced in October 2013 and May 2014, respectively and are expected to be completed in 2016. Construction of Tower 4 started in April 2015 and is expected to be completed in 2018.

Trees Residences

Trees Residences is a residential condominium development with nineteen 7-storey towers located near Quezon City. Buildings 1, 2,3,5,6 and 7 ("Phase 1 Buildings") have a total of 2,093 units. Construction of the Phase 1 Buildings commenced in June 2014 and expected to be completed in 2016. Buildings 8, 9 and 11 ("Phase 2 Buildings") have a total of 1,073 units. Construction of the Phase 2 Buildings commenced in April 2015 and expected to be completed in 2017.

Shore Residences

Shore Residences is a residential condominium development with four towers located at the MOA Complex in Pasay City. Shore Residences comprises 5,691 units. Construction of Shore Residences commenced on the second quarter of 2014 and is expected to be completed in 2018.

Air Residences

Air Residences is a residential condominium situated across Ayala Avenue Extension corner Yakal and Malugay Street, Barangay San Antonio, Makati City. Construction of Air Residences will commence in second quarter of 2015 and is expected to be completed in 2020. Air Residences comprises of 3,642 units.

Fame Residences

Fame Residences is a residential condominium project that will ultimately consist of four Towers located along EDSA and Mayflower Street, Barangay Highway Hills, Mandaluyong City. Tower 1 of Fame Residences comprises 1,210 units. Construction of Tower 1 will commence in 3rd quarter of 2015 and expected to be completed in 2019. Tower 2 of Fame Residences comprises 1,276 units. Construction of Tower 2 will commence in 3rd quarter of 2015 and expected to be completed in 2020.

Shore 2 Residences

Shore 2 Residences is a residential condominium development with three towers located just beside Shore Residences in Pasay City. Shore 2 Residences comprises 5,488 units. Construction of Shore 2 Residences will commence in the 3rd quarter of 2015 and is expected to be completed in 2019.

RESIDENTIAL (SECONDARY)

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

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

The Woodridge Place Phase I at Tagaytay Highlands

The construction of the seven condominiums of The Woodridge Place was completed, and all 71 units were turned over to unit owners in December 2010. SM Prime generated approximately ₱1.0 billion in revenue from the sale of the 71 units.

The Hillside at Tagaytay Highlands

Site development for lots began in the fourth quarter of 2007 and was completed in December 2009.

The Woodlands Point at Tagaytay Highlands

The Company has completed site development and construction of 24 log houses.

The Horizon at Tagaytay Midlands

This is a medium-density residential condominium development located inside The Tagaytay Midlands mountain resort community. The development overlooks the Tagaytay Midlands golf course, Taal Lake and Volcano in the west, Mt. Makiling in the south east and the mountain range of Batangas in the south. This has 6 buildings with 108 units of approximately 137 to 150 sq. m. each. The project was launched in 2004 and was fully completed.

Pueblo Real at Tagaytay Midlands

The development is adjacent to The Horizon, situated on a six hectare property and has 86 lots with an average lot size of 400 sq. m.

Woodridge Place Phase 2

This is a condominium project at Tagaytay Highlands that was introduced to the market in May 2010. This project consists of two mid-rise buildings with 177 condominium residential units with areas ranging from 85 to 212 sq. m. per unit.

Sierra Lago

This is a lot subdivision development located at Tagaytay Midlands that was launched in November 2010. This development has 185 lots with sizes of approximately 200 to 300 sq. m..

Aspen Hills

This is a leisure lot development located at Tagaytay Highlands that was launched in summer of 2012. This development is situated on 27 hectare property which offers lot sizes from 320 to 800 sq. m. The surrounding village is expected to include the Meadows Community Clubhouse, the Little Ranch playground, the Sunshine Picnic Grove and Spinner’s Trail.

Residential Developments in Pico de Loro

Jacana

Jacana is a residential condominium project located at Pico De Loro Cove, Nasugbu, Batangas. It is comprised of two buildings, building A with six floors and building B with seven floors. Of the total 246
residential units. Construction of Jacana commenced in August 2007 and was completed in December 2009.

Myna

Myna is a residential condominium project located at Pico De Loro Cove, Nasugbu, Batangas. It comprises two buildings, building A with six floors and building B with seven floors. Of the total 246 residential units. Construction of Myna commenced in May 2008 and was completed in July 2010.

Carola

Carola is a residential condominium project located at Pico De Loro Cove, Nasugbu, Batangas. It comprises two buildings, building A with six floors and building B with seven floors. Of the total 248 residential units. Construction of Carola commenced in August 2009 and was completed in Aug 2012.

Miranda

Miranda is a residential condominium project located at Pico De Loro Cove, Nasugbu, Batangas. It comprises two buildings, building A with six floors and building B with seven floors. Of the total of 248 residential units. Construction of Miranda commenced in August 2009 and was completed in October 2011.

Pico de Loro Beach and Country Club

Pico de Loro Beach and Country Club is a leisure facility located at Pico de Loro Cove. The beach club was completed and opened in 2009, while the country club was completed in June 2010.

Land Bank for Residential (Primary) Development

As of 30 June 2015, the residential business unit launched projects located in the cities of Quezon, Tagaytay, Taguig, Las Piñas, Parañaque, Pasay and Mandaluyong equivalent to 15,136 units.

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

Potential land acquisitions are evaluated against a number of criteria, including the attractiveness of the acquisition price relative to the market and the suitability or the technical feasibility of the planned development. The Company identifies land acquisitions through active search and referrals.
The table below sets forth the locations of SM Prime’s residential undeveloped land inventory as of 30 June 2015:

<table>
<thead>
<tr>
<th>Location</th>
<th>Area (sq. m.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metro Manila</td>
<td>633,754</td>
</tr>
<tr>
<td>Outside Metro Manila</td>
<td>1,446,981</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,080,735</strong></td>
</tr>
</tbody>
</table>

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

**Land Bank for Residential (Secondary) Development**

SM Prime owns 542 hectares of land located around the vicinity of Tagaytay Highlands International Golf Club in Tagaytay City, Cavite and Tagaytay Midlands Golf Club in Batangas.

The table below sets forth the location and area of SM Prime’s land bank as of 30 June 2015:

<table>
<thead>
<tr>
<th>Location</th>
<th>Area (sq. m.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Batangas</td>
<td>4,329,339</td>
</tr>
<tr>
<td>Laguna</td>
<td>940,728</td>
</tr>
<tr>
<td>Tagaytay</td>
<td>327,764</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,597,831</strong></td>
</tr>
</tbody>
</table>
COMMERCIAL

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

Completed Commercial Properties

Mall of Asia (MOA) Complex

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

Two E-com Center

Two E-com Center is a 15-storey office and commercial building housing BPOs and technology intensive businesses, as well as location based firms such as shipping and logistics. This iconic structure located in the MOA complex in Pasay City offers 71,570 sq. m. of office and commercial space, and premium views of Manila Bay and the Makati skyline. It is designed by Miami based Arquitectonica, with FS Lim & Associates as local architect of record. Commercial spaces are located at both the ground floor and the fourth floor podium level called the Prism Plaza. Current tenants of the building include SMDC, EXL Service, Sky Logistics/Kitchen, World Energy Corporation, OOCL Philippines, XO Minerals, Microsourcing, Stream International Global Services Philippines Inc., ACS of the Philippines, Ben Line Agencies/Simba Logistics, Klaveness, SITC, IGT, Asia Pilot Capital Holdings, Ocwen Business Solutions, Altisource Business Solutions, Teletech Global, Belle Corporation, CMA CGM, Altron Logistics Inc./Enzo Express Logistics Inc./DSF Consolidated Freight Services Inc., Anscor Swire Ship Management Corporation and Esco Global.

Five E-Com Center

Five E-com Center, which broke ground in the first quarter of 2012, was fully constructed as of 30 June 2015. Similar to its predecessor Two E-com Center, Five E-com Center features architectural designs of Miami based firm Arquitectonica, with FS Lim & Associates as the local architect of record. The 15-level office building covers a GFA of over 141,706 sq. m. and an estimated gross leasable area (GLA) of 82,719 sq. m. Floor plates. Similar to Two E-com Center as well, Five E-com Center also features a mixed-use component on its fourth level podium. Xerox Business Services Philippines, Inc., New Oriental Club 88 Corporation, KHI Design and Technical Services, Inc., Vestas BPC Philippines, Inc., Teletech Customer Care Management (Philippines), Inc., Telstra International Philippines, Inc., Tupperware Brands Philippines, Inc., Grieg Philippines, Inc., Klaveness Shore Services, Inc., F21 Call Center Services Corporation, Regus Business Center, Flight Raja Travels Private Limited – Philippine Branch, CTrade Asia Crowd, Inc., Xiamen Airlines, and ESCO are some of the office tenants, while BDO Unionbank, Inc., China Banking Corporation, Beyond Yoga, Starbucks/ Rustans Coffee Corporation, Jollibee Foods Corporation, Greenwich Pizza / Fresh & Famous Foods, Inc., St. Luke’s Medical Center, Inc. and Anytime Fitness Philippines are some of the retail tenants of this building.

SM Makati Cyber One

SM Makati Cyber One is a 4-storey office building located along Gil Puyat Avenue with GFA of approximately 22,100 sq. m. Current tenants of the building include Perimeter E Security, ABM Global Solutions, Inc., K
SM Makati Cyber Two

SM Makati Cyber Two is a 4-storey office building with GFA of approximately 16,700 sq. m. The development is along corners of Sen. Gil J. Puyat Avenue (Buendia)/Jupiter/Zodiac Streets, Makati City. The major tenant of the building is VXI Global Holdings B.V. (Philippines). SM Prime also owns the land SM Makati Cyber Two is built upon.

SM Cyber West

A new standalone office building development in the SM Cyber series, SM Cyber West is a 15-level office building development located on a highly visible and prime 2,910 sq. m. owned property at the corner of EDSA and West Avenue. The building was completed in October 2014 that covers a GFA of more or less 38,654 sq. m., with approximately 26,000 sq. m. of GLA for office space. Additionally, it is linked via bridgeways to the SM City North EDSA mall as well as nearby MRT stations. Major tenants of the building include Emerson Electric Asia Ltd. ROHQ and Concentrix Daksh Services Phils. Corp. The remaining leasable area in the ground and second levels features a SaveMore supermarket and other support retail and commercial establishments.

Anza Commercial Building

The building is a 2-storey commercial center located at Makati Avenue corner Anza St., Makati City with a GFA of 2,177 sq. m. The development was completed in the third quarter of 2014. Burger King, Kenny Rogers and Bingo Boutique are the tenants of the building.

Ongoing Commercial Developments

Three E-Com Center

Three E-com Center will be a 15-storey office building with a three level parking podium and the ground level designed to cater the commercial and retail tenants. Similar to Two E-com Center and Five E-com Center, Three E-com Center will feature architectural designs of Miami based firm Arquitectonica. The GFA is expected to be approximately 114,000 sq. m. The project started to break ground last September 2014. SM Prime again pioneers development in the bay area by being the first to offer a Gold LEED certified office building with Three E-Com Center.

Others

Department Stores and Supermarkets

SM Prime also owns several department store and supermarket buildings with a total GFA of approximately 289,000 sq. m. The major tenant of these buildings is the SM Retail Group. The following table sets forth certain information regarding SM Prime’s department store and supermarket buildings as at 30 June 2015:

<table>
<thead>
<tr>
<th>Department Store</th>
<th>Location</th>
<th>Gross Floor Area (sq. m.)</th>
<th>Occupancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>SM Cubao</td>
<td>Quezon City</td>
<td>109,253</td>
<td>98%</td>
</tr>
<tr>
<td>SM Makati</td>
<td>Makati City</td>
<td>109,667</td>
<td>100%</td>
</tr>
<tr>
<td>SM Iloilo</td>
<td>Iloilo City</td>
<td>26,390</td>
<td>97%</td>
</tr>
</tbody>
</table>
Supermarkets  
(Hypermarket and Savemore)  

<table>
<thead>
<tr>
<th>Location</th>
<th>Gross Floor Area (sq. m.)</th>
<th>Occupancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adriatico</td>
<td>15,823</td>
<td>100%</td>
</tr>
<tr>
<td>Caloocan</td>
<td>14,479</td>
<td>100%</td>
</tr>
<tr>
<td>Novaliches</td>
<td>3,980</td>
<td>100%</td>
</tr>
<tr>
<td>Jaro Iloilo</td>
<td>3,759</td>
<td>100%</td>
</tr>
<tr>
<td>Del Monte</td>
<td>2,884</td>
<td>100%</td>
</tr>
<tr>
<td>Kamas</td>
<td>2,277</td>
<td>100%</td>
</tr>
<tr>
<td>P. Tuazon</td>
<td>1,945</td>
<td>100%</td>
</tr>
<tr>
<td>Pedro Gil</td>
<td>1,830</td>
<td>100%</td>
</tr>
<tr>
<td>Tandang Sora</td>
<td>1,327</td>
<td>100%</td>
</tr>
</tbody>
</table>

Except for the department stores and the Adriatico and Jaro Supermarkets, SM Prime also owns the land on which the retail establishments listed in the table above are situated.

Warehouses

SM Prime also owns several warehouses with a total GFA of approximately 37,000 sq. m. that are strategically located in various areas that support the retail operations.

SM Prime owns a parcel of land located in Parañaque City with a lot area of 50,584 sq. m. The property is leased to SMIC where the Asinan warehouses currently stand.

Laon Laan Property

The property is located at Laon Laan corner Blumentritt Streets, Sampaloc District, City of Manila. The building GFA is, 1,220 sq. m, with a lot area of 1,211 sq. m. This property is currently vacant.

Jetty Terminal

SM Prime owns Jetty Terminal located in MOA Complex. It was built in compliance to the sea-based mass transit of the MOA Complex master plan. SM Prime completed the development of breakwater and terminal building in 2014 to further improve the Jetty Terminal service.

SM Arena

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

Mall of Asia Arena Annex Building

MOA Arena Annex is an 11-storey building with total GFA of 95,273 sq. m. It is designed to serve the parking needs of MOA Arena with 1,469 parking slots from ground to 7th floor. The 8th to 11th floors, with approximately 30,000 sq. m., are leased out as office space. The current tenants are SM Affiliates Prime Head Office and Teleperformance, a BPO company.

Tagaytay Lot

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

*Corporate Office Buildings A to F*

Corporate Office buildings are composed of Buildings A to F with a total GFA of 46,883 sq. m. Buildings A to E are leased to SM Affiliates while Building F is leased to Teletech Customer Care Management Corp. The Corporate Office buildings A to F was fully occupied as of 30 June 2015.

*Casino Building*

Casino Building is located along Gen. Emilio Aguinaldo Highway, within Barangays Mahabang Kahoy and Kaybagay, Tagaytay City with total GFA of 19,394 sq. m. Its only tenant is Philippine Amusement and Gaming Corp. for a 25-year lease term ending on 2033.

*Other Commercial Properties*

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

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

*Landbank for Commercial Development*

The table below sets forth the locations of land inventory as of 30 June 2015:

<table>
<thead>
<tr>
<th>Location</th>
<th>Area (sq. m.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luzon</td>
<td>340,364</td>
</tr>
<tr>
<td>Metro Manila</td>
<td>170,106</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>510,470</strong></td>
</tr>
</tbody>
</table>

*Competition*

SM Prime’s top competitors for commercial properties are ALI and Megaworld Corporation (“Megaworld”). ALI is involved in the development and lease or sale of office buildings, sale of industrial lots and lease of factory buildings, and fee-based management and operations of office buildings. Megaworld is involved in the development of mixed-use communities comprising high-end residential condominiums and commercial properties located in convenient urban locations in Metro Manila, and has launched approximately 320 residential buildings, office buildings and hotel projects. Megaworld’s total assets as at 30 June 2015 was ₱232.1 billion. SM Prime believes its commercial business unit competes primarily on the location of the properties (proximity to schools, malls and public transportation) and aggressive pricing.
HOTELS AND CONVENTION CENTERS

As of 30 June 2015, the hotels and convention centers business unit is composed of four hotels with 1,013 saleable rooms and four convention centers and two trade halls with 35,640 sq. m. of leasable space.

Hotels

Completed Hotel Projects

Taal Vista Hotel

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

Radisson Blu Cebu

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

The property has been classified as a deluxe hotel category by the Department of Tourism. Its facilities include an in-house spa, fitness center, business center, 800-sq. m. swimming pool, club lounge, two ballrooms and a number of smaller meeting rooms.

Pico Sands Hotel

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

Park Inn by Radisson Davao

Park Inn by Radisson Davao is strategically located across the SM Lanang Premier Mall and SMX Conventions Center. The 204-room hotel was formally opened on March 22, 2013. Guests are greeted with contemporary interiors and smart design elements complementing the hotel’s service philosophy – Adding Color to Life. Facilities include: Restaurant, Bar and Grill (RBG), 4 meeting rooms, fitness center, swimming pool and bar. Park Inn Davao is the first “next generation” mid-scale Park Inn by Radisson brand to be established in the Asia Pacific region.

Ongoing Hotel Projects

Conrad Manila

In March 2013, SM Prime signed with Hilton Worldwide an agreement to manage the first “Conrad” brand in the Philippines. The 347-room Conrad Manila will be located within the MOA complex with stunning views of the famed Manila Bay. The eight-storey hotel will incorporate two levels of retail and entertainment facilities on the ground floor. It will also have other hotel facilities as well as a 1,446 sq. m. ballroom and other function and meeting spaces. Conrad Manila is scheduled for completion by the last quarter of 2015.
**Park Inn by Radisson Clark**

The 154-room Park Inn by Radisson Clark is located in Mabalacat, Pampanga, about 40 miles (60km) northwest of Metro Manila. It is conveniently located beside SM City Clark and Clark Freeport Zone. Clark Freeport Zone is a redevelopment of the former Clark Air Base, a former United States Air Force base in the Philippines. The hotel is expected to open in the last quarter of 2015. Park Inn by Radisson Clark will be the leading 3-star hotel in its market with facilities that include an all-day dining restaurant with 64-seat capacity, a meeting room for 80 pax and a fitness center.

**Convention Centers and Tradehalls**

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

**Competition**

The primary competitors of SM Prime’s existing hotels are the Marriot for Radisson Blu Cebu, the Anvaya for Pico Sands Hotel in Batangas and the Seda Hotel for Park Inn Davao. Once completed, the Conrad Manila is expected to compete with the Shangri-La Makati, Solaire and the Sofitel Manila. SM Prime’s primary competitors for its convention centers are the PICC Convention Center and the World Trade Center.

**DEVELOPMENT**

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

The BDG of the mall business unit is responsible for identifying viable sites for the construction of new malls. The BDG determines the viability of a potential plot of land for a new mall site based on the demographics of the area, including the size of the population, its income levels, local government and the local infrastructure, particularly accessibility by public transport. For malls, once a suitable site is selected, based on the factors described above, the BDG then determines the size of the mall to be constructed by SM Prime, which typically may range from a gross area of 30,000 to 150,000 sq. m. The construction and development of each mall is overseen by a third party project management company appointed by SM Prime. The average time for the construction of each mall ranges from 12 to 24 months, depending on the size of the mall. For residential and commercial properties, once a suitable site is selected, based on the factors described above, the groups determine the type of development to be constructed. The construction and development of each residential condominium and commercial office building is overseen by SM Prime’s Project Engineering Management Group and a third party project management company appointed by SM Prime. The average time for construction is 36 to 48 months, depending on the size of the project. SM Prime believes it benefits from its significant development experience and focus on immediately developable sites in its construction activities. SM Prime has generally financed land purchases and the construction of its developments from internal funds and borrowings.

The amounts spent by the Company on development activities over the last three years and the percentage of these development costs to total revenues of the Company are set out below.
<table>
<thead>
<tr>
<th>Year</th>
<th>Development Cost (in million P)</th>
<th>Percentage to Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and development</td>
<td>2012</td>
<td>11,281</td>
</tr>
<tr>
<td></td>
<td>2013</td>
<td>11,109</td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>13,907</td>
</tr>
<tr>
<td>Investment properties</td>
<td>2012</td>
<td>22,413</td>
</tr>
<tr>
<td></td>
<td>2013</td>
<td>24,553</td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>35,511</td>
</tr>
</tbody>
</table>

**FINANCING**

Financing is handled by the Treasury Finance Group ("TFG"), which has the primary responsibility of ensuring that SM Prime has adequate funds on a daily basis for its capital and operational expenditures including land banking, construction, capital acquisitions, interest and debt servicing. Going forward, TFG will play a more active role with respect to fundraising as it will also service the needs of the other business units.

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

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

**SECURITY HOLDINGS**

SM Prime also holds shares of various Philippine companies, both directly and through SMDC.

The tables set forth below show the company and the number of shares that SM Prime holds as of 30 June 2015.

<table>
<thead>
<tr>
<th>Securities held directly by SM Prime</th>
<th>No. of shares held</th>
<th>Book value (in P thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BDO Unibank</td>
<td>75,254,191</td>
<td>8,157,554</td>
</tr>
<tr>
<td>Ayala Corporation</td>
<td>8,581,204</td>
<td>6,779,151</td>
</tr>
<tr>
<td>China Bank</td>
<td>76,337,193</td>
<td>3,458,075</td>
</tr>
<tr>
<td>SMIC</td>
<td>97,403</td>
<td>87,176</td>
</tr>
<tr>
<td>Prime Media Holding</td>
<td>500,000</td>
<td>510</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Securities held through SMDC</th>
<th>No. of shares held</th>
<th>Book value (in P thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belle Corp.</td>
<td>735,553,561</td>
<td>2,427,327</td>
</tr>
<tr>
<td>Shang Properties</td>
<td>189,550,548</td>
<td>633,099</td>
</tr>
<tr>
<td>Export and Industry Bank</td>
<td>7,829,000</td>
<td>2,036</td>
</tr>
<tr>
<td>Picop Resources</td>
<td>40,000,000</td>
<td>8,200</td>
</tr>
<tr>
<td>Republic Glass</td>
<td>15,070,000</td>
<td>39,935</td>
</tr>
<tr>
<td>Benguet A</td>
<td>88,919</td>
<td>605</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>21,593,668</strong></td>
</tr>
</tbody>
</table>

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

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

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

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

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

SM Prime and its subsidiaries are subject to various environmental, health and safety regulations in the
course of their operations, including but not limited to the Environmental Impact Statement Law, the Toxic
Substances and Nuclear Waste Act of 1990, the Philippine Clean Air Act, the Ecological Solid Waste
Management Act of 2000 and the Philippine Clean Water Act. As of the date of this Prospectus, SM Prime is,
and each of its principal subsidiaries are, in material compliance with all applicable environmental, health
and safety regulations.

LEGAL PROCEEDINGS

SM Prime may be subject to various legal proceedings and claims that arise in the ordinary course of
business. As of the date of this Prospectus, SM Prime is a party to the following legal/quasi-judicial cases:

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

This is a civil case filed by Cordillera Global Network, et al. ("Oppositors") against SM Investments
Corporation, SM Prime Holdings, Inc. and Shopping Center Management Corporation, together with officials
of the Department of Environment and Natural Resources and Department of Public Works and
Highways. The Oppositors assailed the expansion of SM City Baguio, specifically, the removal of trees. A
Temporary Environmental Protection Order ("TEPO") was issued which prevented the removal of the
affected trees. After a trial on the merits, the Regional Trial Court ("RTC"), in a Decision dated 3 December
2012, upheld the validity of the government issuances and permits, dismissed the cases, and dissolved the
TEPO. The RTC Decision was appealed to the Court of Appeals ("CA"). In a Decision dated 12 December
2014, the CA affirmed the RTC Decision. The CA Decision was then appealed to the Supreme Court ("SC")
through a Petition for Review dated 23 February 2015. On 24 March 2015, the SC issued a Temporary
Restraining Order. As a result, while the affected trees had been removed, the construction works have
been stopped. A Motion to Dissolve the Temporary Restraining Order dated 1 April 2015 has been filed but
the same is still pending. The Petition for Review is also pending resolution by the SC.
This is a civil case filed by the Company in connection with its acquisition of the Capitol Property in Bacolod. The Company filed a Petition for Certiorari with Application for Temporary Restraining Order and Preliminary Injunction. It maintains that it legally won the second bidding for the Capitol Property. However, since SM Prime was being required to waive its right to question the proceedings during the second bidding before it can participate in a third round of bidding, it was constrained to file this case. The Regional Trial Court of Bacolod denied the Petition. SM Prime filed a Motion for Reconsideration but the same was also denied by the RTC. SM Prime filed a Notice of Appeal and recently received a Notice from the RTC that the records have been transmitted to the Court of Appeals for proper disposition.

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

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

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

SM Prime et al filed an action for Declaratory Relief regarding the National Building Code provisions on parking. Both RTC Makati and the Court of Appeals ruled in favor of the Defendants, saying the National Building Code provisions do not stipulate that parking should be free of charge. The Office of the Solicitor General elevated the said Decision to the Supreme Court.
SM Prime is a defendant in the civil case filed by the Film Development Council of the Philippines ("FDCP") before the RTC Pasig questioning SM Prime’s remittance of amusement tax withheld to Cebu City instead of the FDCP. While the said case was pending, Cebu City questioned the FDCP Law by filing a Petition for Declaratory Relief before the RTC Cebu. Considering this, the RTC Pasig dismissed the case filed by FDCP and held that the RTC Cebu was in a better position to determine the issues. FDCP thereafter filed a Petition for Certiorari in the Supreme Court to assail the dismissal of the case by the RTC Pasig, which Petition was denied by the Supreme Court with finality. Meanwhile, the RTC Cebu has rendered a decision declaring Sections 13 and 14 of the FDCP Law unconstitutional for having violated the local fiscal autonomy provisions of the 1987 Constitution, which ruling was affirmed by the Supreme Court in a decision promulgated on 16 June 2015. In sum, the Supreme Court ordered that:

1. All amusement taxes remitted to the FDCP prior to the date of finality of the decision shall remain legal and valid.
2. Amusement taxes due to FDCP but unremitted up to the finality of this decision shall be remitted to FDCP within 30 days from the date of finality of the decision.
3. After the finality of this decision, amusement taxes previously covered by the FDCP Law must be remitted to the appropriate local government units.

As the Supreme Court decision has not yet attained finality, it may still be the subject of a Motion for Reconsideration by FDCP or any of the parties to the case.

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

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

The parties have exchanged drafts of their respective proposed compromise agreement. These drafts are subject of further negotiations. In the meantime, there is a scheduled preliminary conference on September 15, 2015 where the parties will request for another resetting considering the ongoing negotiations.

SM Prime Holdings, Inc. vs. Light Rail Transit Authority and Department of Transportation and Communications
G.R. No. 213324

SM Prime filed a special civil action for Injunction praying that the DOTC and LRTA be prevented from transferring the location of the Common Station from SM City North EDSA to Trinoma. On 30 July 2014, the Supreme Court issued a continuing temporary restraining order enjoining respondents from proceeding to transfer the Common Station to Trinoma. The Supreme Court gave Respondents 10 days to file their Comment.

In addition to the foregoing legal proceedings, the Company is subject to certain legal matters which are set out below.

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

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

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

SM Aura Premier is located on a property in Taguig City which the Company leases from the city government of Taguig. The property is covered by five Transfer Certificates of Title, all of which are registered under the name of the city government of Taguig. These titles were legally and validly conveyed by the Bases Conversion Development Authority (“BCDA”) to Taguig City without any restrictions whatsoever, as and by way of a compromise of a previous territory dispute. The property was removed from the coverage of R.A. 7227, as amended by R.A. 7917. All five titles are clean and do not carry any annotations.

As part of the development of SM Aura Premier, the Company incorporated several and substantial civic center components including, among others, a 4,000 sq. m. space for national government and local government offices, a park in the form of a roof garden which is accessible to the public at all hours, a 457.35 sq. m. chapel, and a 4,400.32 sq. m. trade hall.

Taguig City has filed a Petition for Injunction against the BCDA docketed as Civil Case No. 73900-TG pending before RTC – Pasig City, Branch 266.
Aside from the matters above-mentioned, SM Prime is not engaged in or subject to any litigation or arbitration proceedings nor, to the knowledge of the Directors, is any litigation or claim threatened against SM Prime which is material in the context of the Offer or which, if determined adversely against SM Prime, would have a material adverse effect on its results of operations or financial position.

INTELLECTUAL PROPERTY

SM Prime has intellectual property rights on the use of various trademark and names for each of its commercial and residential development projects. The “SM” name is owned by its parent company, SMIC, and is registered with the Philippine Intellectual Property Office (“IPO”). SMDC owns the trademark “SM Development”, which registration will expire in 2021. Most of SM Prime’s projects have been issued a Certificate of Registration by the IPO. SM Prime believes that its trademark and the names of its development projects play a significant role in its effort to create brand recall and strengthen its position in the industry.
CAPITAL EXPENDITURE

SM Prime incurred capital expenditure of approximately ₱34,275 million, ₱43,456 million, ₱59,038 million and ₱26,114 million in 31 December 2012, 2013, 2014 and 30 June 2015, respectively, related to construction of shopping malls and land banking activities, project development costs of condominium buildings and resort facilities, and hotel development costs.

The Company expects to incur capital expenditures of approximately ₱38 billion for the second half of 2015 and ₱65 billion in 2016. This will be funded with internally generated funds and external borrowings.

GOVERNMENT REGULATIONS AND AUTHORIZATIONS

The Issuer possesses, and each of its principal subsidiaries possesses, all Government authorizations and approvals necessary to conduct their respective businesses and the Issuer is, and each of its principal subsidiaries is, in material compliance with such authorizations and approvals.

See “Regulatory” beginning on page [●] of this Prospectus for a detailed discussion of the government regulations and environmental laws affecting the Company’s businesses. Other than obtaining the requisite regulatory permits and clearances, these governmental regulations and environmental laws have no significant effects on the Company’s businesses.

EMPLOYEES

As at 30 June 2015, the Company had 1,779 regular employees. The employees are classified as follows:

<table>
<thead>
<tr>
<th>No. of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rank and file</td>
</tr>
<tr>
<td>Junior/ mid-level managers</td>
</tr>
<tr>
<td>Senior executive officers</td>
</tr>
</tbody>
</table>

Headcount approximately increases by an average rate of 8% annually. The employees are not subject to a collective bargaining agreement. Apart from the basic employment compensation package, the Company does not and will not have any supplemental benefits or incentive arrangements with its employees.

As at 31 December 2014, SM Prime’s mall business unit is supported by 6,545 officers and employees of the Management Companies. Management Companies manage and operate the malls, including the provision of manpower, maintenance and engineering and security and promotional activities.

RELATED PARTY TRANSACTIONS

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

Rent

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

SM Prime pays management fees to Shopping Center Management Corporation, SM Lifestyle Entertainment, Inc. and Family Entertainment Center, Inc. for the management of the mall premises.

Service Fees

The Company provides manpower and other services to affiliates.

Dividend Income

SM Prime’s investments in AFS equity instruments of certain affiliates earn income upon the declaration of dividends by the investees.

Cash Placements and Loans

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

Others

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

For a discussion of related party transactions concerning the Company, see Note 22 to the Company’s audited consolidated financial statements as at 31 December 2013 and 2014 and for the three years ended 31 December 2012, 2013 and 2014, and Note 20 to the Company’s interim condensed consolidated financial statements as at 30 June 2015 and for the six-month periods ended 30 June 2015.

MATERIAL CONTRACTS

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

REAL ESTATE LAWS AND REGULATIONS

General

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

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

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

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

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

- a surety bond callable upon demand equivalent to 20.0% of the development cost of the unfinished portion of the approved plan, issued by a duly accredited surety company (whether private or government), and acceptable to the HLURB;

- a real estate mortgage executed by the developer as mortgagor in favor of the Republic of the Philippines as mortgagee, represented by the HLURB, over property other than the land used for the project for which the license to sell is being obtained, free from any liens and encumbrance and the value of such property, computed on the basis of the zonal valuation of the BIR, must be at least 20.0% of the total development cost; or

- other forms of security equivalent to 10.0% of the development cost of the unfinished portion of the approved plan which may be in the form of the following:
  - a cash bond;
- a fiduciary deposit made with the cashier and/or disbursing officer of the HLURB;
- a certificate of guaranty deposit issued by any bank or financing institution of good standing in favor of the HLURB for the total development cost;
- a letter from any bank of recognized standing certifying that so much has been set aside from the bank account of the developer in favor of the HLURB, which amount may be withdrawn by the Chief Executive Officer of HLURB or his authorized representative, at any time the developer fails or refuses to comply with his duties and obligations under the bond contract; or
- any irrevocable credit line to be utilized in the development of the project from any bank of recognized standing and a refinancing re-structuring program indicating sources of funding from duly accredited funding institutions.

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

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

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

Subdivision Projects

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

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

Republic Act No. 7279 further requires developers of proposed subdivision projects to develop an area for socialized housing equivalent to at least 20% of the total subdivision area or total subdivision project cost, at the option of the developer, within the same city or municipality, whenever feasible, and in accordance with the standards set by the HLURB. Alternatively, the developer may opt to choose any of the following:
• development of new settlement;
• slum upgrading or renewal of areas for priority development either through zonal improvement programs or slum improvement and resettlement programs;
• joint-venture projects with either the LGU or any of the housing agencies; or
• participation in the community mortgage program.

Condominium Projects

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

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

Real Estate Sales and Installments

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

Shopping Malls

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

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

Hotels and Resorts

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

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

Zoning and Land Use

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

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

Special Economic Zone

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

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

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

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

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

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

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

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

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

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

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

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

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

**Tax and Other Incentives**

Generally, the fiscal incentives enjoyed by PEZA registered enterprises include an income tax holiday ("ITH") for four to six years, depending on the nature and location of the enterprise; thereafter, the enterprise enjoys a preferential tax rate of 5% on gross income earned (the "5% GIT"), in lieu of all national and local taxes (except for real property tax).
"Tourism Ecozone Developer/Operator” refers to the owner and/or operator of a Tourism Development Zone/Tourism Estate seeking registration with PEZA and the required Presidential Proclamation of the Tourism Development Zone/Tourism Estate as a Tourism Ecozone for the availment of incentives provided under R.A. 7916, as amended. “Tourism Development Zone/Tourism Estate” refers to a tract of land with defined boundaries, suitable for development into an integrated resort complex, with prescribed carrying capacities of tourist facilities and activities, such as, but not limited to, sports and recreation centers, accommodations, convention and cultural facilities, food and beverage outlets, commercial establishments and other special interest and attraction activities/establishments, and provided with roads, water supply facilities, power distribution facilities, drainage and sewage systems and other necessary infrastructure and public utilities. A Tourism Development Zone/Tourism Estate must be under unified and continuous management, and can either be a component of an ecozone or the whole ecozone itself. “Tourism Ecozone” refers to a Tourism Development Zone/Tourism Estate which has been granted special economic zone status, through PEZA registration and issuance of the required Presidential Proclamation, with its metes and bounds delineated by the Proclamation pursuant to R.A. 7916, as amended.

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

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

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

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

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

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

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

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

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

ENVIRONMENTAL LAWS

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

The EIS refers to both the document and the study of a project’s environmental impact, including a discussion of scoping agreement identifying critical issues and concerns as validated by the EMB, environmental risk assessment if determined necessary by EMB during the scoping, environmental management program, the direct and indirect consequences to human welfare and ecological as well as environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas.

While the EIS or an IEE may vary from project to project, as a minimum, it contains all relevant information regarding the projects’ environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The issuance of an ECC is a Government certification, indicating that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System and that the proponent is committed to implement its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein before or during the operations of the project and in some cases, during the project’s abandonment phase. The ECC also provides for other terms and conditions, any violation of which would result in a fine or the cancellation of the ECC.
Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund (“EGF”) when the ECC is issued to projects determined by the DENR to pose a significant public risk to life, health, property and the environment. The EGF is intended to answer for damages caused by such a project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are mandated to include a commitment to establish an Environmental Monitoring Fund (“EMF”) when an ECC is eventually issued. The EMF shall be used to support the activities of a multi-partite monitoring team which will be organized to monitor compliance with the ECC and applicable laws, rules and regulations.

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

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

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

**PROPERTY REGISTRATION**

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

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

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

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

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

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

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

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

Pursuant to the above ruling of the Philippine Supreme Court, the SEC, on May 20, 2013, issued Memorandum Circular No. 8 or the Guidelines on Compliance with the Filipino-Foreign Ownership Requirements Prescribed in the Constitution and/or Existing Laws by Corporations Engaged in Nationalized and Partly Nationalized Activities. The Circular provides that for purposes of determining compliance therewith, the required percentage of Filipino ownership shall be applied to BOTH (a) the total number of outstanding shares of stock entitled to vote in the election of directors; AND (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors.” A petition for certiorari has since been filed sometime in June 2013, questioning the constitutionality of the Rules on Foreign Ownership (Memorandum Circular No. 8, Series of 2013) promulgated by the SEC. This petition remains pending with the Supreme Court as of this time.

**LAND RECLAMATION**

Land reclaimed from foreshore and reclaimed areas is public land owned by the Philippine State under the Regalian doctrine, under which the Philippine State owns all lands and waters in Philippine territory. The Government may allow land to become privately owned under relevant laws. The Constitution prohibits corporations from acquiring such public land unless such land is first reclassified as private. An additional rule applies to individual Philippine citizens; such individuals may also acquire public land classified as agricultural land and only up to 12.0 hectares of land classified as such. Commonwealth Act No. 141, or the Public Land Act, provides that before the Government alienates such public land, the President of the Philippines, upon the DENR’s recommendation, must reclassify these lands as alienable or disposable. However, Supreme Court decisions, including those dealing with reclaimed foreshore land, have ruled that such reclassification to make public land alienable may also be implied and a clear intent exhibited by the Government may effect the necessary reclassification.
The Philippine Reclamation Authority (formerly the Public Estates Authority), has been delegated the authority to approve reclamation projects, and is authorized by its charter to develop, lease and sell any and all kinds of lands managed by it; the disposition of reclaimed lands is subject to the above constitutional restrictions.

**PROPERTY TAXATION**

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

Prospective investors should read the following discussion and analysis of the Issuer’s consolidated financial position and financial performance together with (i) the report of independent auditors, (ii) the audited consolidated financial statements as at 31 December 2013 and 2014 and for the years ended 31 December 2012, 2013 and 2014 and the notes thereto, and (iii) the interim condensed consolidated financial statements as at 30 June 2015 and for the six-month periods ended 30 June 2014 and 2015 and the notes thereto.

Overview

SM Prime Holdings, Inc. was incorporated in the Philippines and registered with the SEC on 6 January 1994. It is a leading integrated Philippine real estate company with business units focused on malls, residential, commercial, and hotels and convention centers. SM Prime is the surviving company of a series of transactions involving the real estate companies of the SM Group. For a more detailed discussion of the Reorganization of the Company, please refer to “Description of the Issuer – Description of the Reorganization” section found on page [●] of this Prospectus.

As at 30 June 2015, SMPH is 49.60% and 23.66% directly owned by SMIC and the Sy Family, respectively. SMIC, the ultimate parent company, is a Philippine corporation which listed its common shares with the PSE in 2005. SMIC and all its subsidiaries are herein referred to as the “SM Group”.

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

Basis of Preparation

Basis of Preparation

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, investments held for trading and available-for-sale (AFS) investments which have been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Parent Company’s functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance

The accompanying audited consolidated financial statements have been prepared in compliance with PFRS. PFRS includes statements named PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from the International Financial Reporting and Interpretations Committee (IFRIC) issued by the Financial Reporting Standards Council.

The accompanying interim condensed consolidated financial statements have been prepared in accordance with PAS 34, Interim Financial Reporting.
Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS, which were adopted starting January 1, 2014:

- PFRS 10, PFRS 12 and PAS 27 - Investment Entities (Amendments), became effective for annual periods beginning on or after January 1, 2014
- PAS 36, Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments), became effective retrospectively for annual periods beginning on or after January 1, 2014
- PAS 39, Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments), became effective for annual periods beginning on or after January 1, 2014
- Philippine Interpretation IFRIC 21, Levies, became effective for annual periods beginning on or after January 1, 2014

The standards that have been adopted are deemed to have no material impact on the consolidated financial statements of the Company.

FINANCIAL PERFORMANCE

Six months ended 30 June 2015 vs. six months ended 30 June 2014

Revenue

SM Prime recorded consolidated revenues of P35.86 billion for the first six months of 2015, an increase of 8% from P33.33 billion in the same period 2014, primarily due to the following:

Rent

SM Prime recorded consolidated revenues from rent of P19.44 billion in 2015, an increase of 10% from P17.67 billion in 2014. The increase in rental revenue was primarily due to the new malls and expansions opened in 2013 and 2014, namely, SM Aura Premier, SM City BF Paranaque, Mega Fashion Hall in SM Megamall, SM City Cauayan, SM Center Angono and SM City Bacolod Expansion, with a total gross floor area of 652,000 square meters. Excluding the new malls and expansions, same-store rental growth is at 7%.

Rent from commercial operations also increased due to the opening of SM Cyber West and Five Ecom. Also, rentals from hotels and convention centers contributed to the increase due to improvement in average rates and occupancy rates.

Real Estate Sales

SM Prime recorded a 3% increase in real estate sales in 2015 from P11.90 billion to P12.28 billion primarily due to increase in sales take-up and higher construction accomplishments of projects launched in 2010 up
to 2013 namely, Wind, Green, Breeze, Grace, Shore and Trees Residences accounting for 60% of total revenues. Actual construction of projects usually starts within one year from launch date and revenues are recognized in the books based on percentage of completion.

**Cinema and Event Ticket Sales**


**Other Revenues**

Other revenues increased by 28% to P1.79 billion in 2015 from P1.40 billion in 2014. The increase was mainly due to opening of Sky Ranch Pampanga, increase in hotels' food and beverages income as well as increase in sponsorship income. This account is mainly composed of amusement income from rides, bowling and ice skating operations, merchandise sales from snackbars and sale of food and beverages in hotels.

**Costs and Expenses**

SM Prime recorded consolidated costs and expenses of P19.65 billion for the first six months of 2015, an increase of 3% from P19.17 billion in the same period 2014, as a result of the following:

**Costs of Real Estate**

Consolidated costs of real estate was P6.67 billion in 2015, representing a decrease of 1% from P6.75 billion in 2014. Despite the higher revenues from real estate sales, costs of real estate sales decreased as a result of improving cost efficiencies, tighter monitoring and control of construction costs hence, leading to improved gross profit margin on real estate sales from 43% in 2014 to 46% in 2015.

**Operating Expenses**

SM Prime’s consolidated operating expenses increased by 5% to P12.98 billion in 2015 compared to last year’s P12.41 billion. Out of the total operating expenses, 69% is contributed by the malls where same-store mall growth in operating expenses is 2%. Similarly, the residential segment accounting for 17% of total operating expenses increased by 7% from P2.04 billion in 2014 to P2.18 billion in 2015 due to increase in business taxes and licenses.

**Other Income (Charges)**

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

In 2015, SM Prime recorded a P7.41 billion realized gain on sale of AFS investments.

**Interest and Dividend Income**

Interest and dividend income increased by 103% to P558 million in 2015 from P275 million in 2014. This account is mainly composed of dividend and interest income received from cash and cash equivalents, investments held for trading and AFS investments. The increase in interest income is due to higher average balance of cash and cash equivalents in 2015 as compared to last year. The increase in dividend income is due to dividends received in 2015 on AFS investments held which was not present in 2014.
Interest Expense

SM Prime’s consolidated interest expense increased by 12% to ₱2.11 billion in 2015 compared to ₱1.88 billion in 2014 due to the ₱20.0 billion retail bond availed in September 2014 and new bank loans availed during 2015 for working capital and capital expenditure requirements.

Other income (charges) – net

This account reversed to a ₱130 million other expense in 2015 from a ₱1 million other income in 2014 due to increase in amortization of debt issuance cost as a result of the new loans and other charges.

Provision for income tax

SM Prime’s consolidated provision for income tax increased by 19% to ₱2.99 billion in 2015 from ₱2.51 billion in 2014. The increase is due to the related increase in taxable income and higher real estate revenues realized from projects with expired income tax holiday incentives.

Net income

As a result of the foregoing, consolidated net income for the six months ended June 30, 2015 increased by 90% to ₱18.65 billion from ₱9.80 billion in the same period last year. Excluding gain on sale of AFS, core net income increased by 15% to ₱11.24 billion.

Year ended 31 December 2014 vs. year ended 31 December 2013

Revenue

SM Prime recorded consolidated revenues of ₱66.24 billion in the year ended 2014, an increase of 11% from ₱59.79 billion in the year ended 2013, primarily due to the following:

Rent

SM Prime recorded consolidated revenues from rent of ₱36.50 billion in 2014, an increase of 13% from ₱32.20 billion in 2013. The increase in rental revenue was primarily due to the new malls and expansions opened in 2013 and 2014, namely, SM Aura Premier, SM City BF Parañaque, Mega Fashion Hall in SM Megamall, SM City Cauayan and SM Center Angono, with a total gross floor area of 564,000 square meters. Excluding the new malls and expansions, same-store rental growth is at 7%.

Real Estate Sales

SM Prime recorded a 7% increase in real estate sales in 2014 from ₱20.78 billion to ₱22.15 billion primarily due to increase in sales take-up and higher construction accomplishments of projects launched in 2011 up to 2013 namely, Shell, Green, Shine, Breeze, Grace, Shore, Grass Phase 2 and Trees Residences. Actual construction of projects usually starts within one year from launch date and revenues are recognized in the books based on percentage of completion.

Cinema Ticket Sales

SM Prime cinema ticket sales significantly increased by 14% to ₱4.27 billion in 2014 from ₱3.74 billion in 2013. The increase was due to the showing of local blockbuster movies with sales growth of 30% year-on-year and international movies as well as opening of additional digital cinemas in the new malls and expansions. The major blockbusters screened in 2014 were “Transformers: Age of Extinction,” “The Amazing Spiderman 2,” “Starting Over Again,” “Maleficent,” and “Bride for Rent.” The major blockbusters
shown in 2013 were "Ironman 3," "Man of Steel," "It Takes a Man and a Woman," "Thor: The Dark World," and "My Little Bossing." Excluding the new malls and expansions, same-store growth in cinema ticket sales is at 10%.

**Other Revenues**

Other revenues likewise increased by 8% to ₱3.32 billion in 2014 from ₱3.08 billion in 2013. The increase was mainly due to opening of new amusement rides in SM By the Bay in Mall of Asia and Sky Ranch in Tagaytay and in Pampanga, reopening of ice skating rink and bowling center in SM Megamall last January 2014, and increase in sponsorship income and merchandise sales from snackbars. This account is mainly composed of amusement income from rides, bowling and ice skating operations including the Exploreum and SM Storyland, merchandise sales from snackbars and food and beverages from hotels and convention centers.

**Costs and Expenses**

SM Prime recorded consolidated costs and expenses of ₱38.55 billion in the year ended 2014, an increase of 8% from ₱35.66 billion in the year ended 2013, as a result of the following:

**Costs of Real Estate**

Consolidated costs of real estate was ₱12.26 billion in 2014, representing an increase of 3% from ₱11.92 billion in 2013 primarily due to costs related to higher recognized real estate sales due to increase in construction accomplishments in 2014. Gross profit margin for residential improved to 45% in 2014 compared to 43% in 2013 as a result of improving cost efficiencies as well as rationalization of expenses.

**Operating Expenses**

SM Prime’s consolidated operating expenses increased by 11% to ₱26.30 billion in 2014 compared to last year’s ₱23.74 billion. Same-store mall growth in operating expenses is 5% and the balance is mainly attributable to the opening of new malls and expansions. Contributors to the increase are depreciation and amortization, administrative expenses, film rentals, and business taxes and licenses, in line with related increase in revenues as well as the opening of new malls and expansions.

**Other Income (Charges)**

**Interest Expense**

SM Prime’s consolidated interest expense increased by 11% to ₱4.10 billion in 2014 compared to ₱3.69 billion in 2013 due to new bank loans and the ₱20.0 billion retail bond availed in 2014 for working capital and capital expenditure requirements.

**Interest and Dividend Income**

Interest and dividend income decreased by 33% to ₱0.73 billion in 2014 from ₱1.09 billion in 2013. This account is mainly composed of dividend and interest income received from cash and cash equivalents, investments held for trading and available-for-sale investments. The decrease in interest income is due to the pretermination of short-term investments in February 2014 and lower average balance of cash and cash equivalents in 2014 as compared to last year. The decrease in dividend income is due to less dividends received on available-for-sale investments held compared to the same period last year.
Other income (charges) – net

Other charges – net decreased by 23% to ₱645 million in 2014 from ₱833 million in 2013. In 2013, SM Prime incurred restructuring costs amounting to ₱1.28 billion related to its Reorganization.

Provision for income tax

SM Prime’s consolidated provision for income tax increased by 20% to ₱4.78 billion in 2014 from ₱3.98 billion in 2013. The increase is due to the related increase in taxable income and expiration of income tax holiday incentives in the residential business unit.

Net income

As a result of the foregoing, consolidated net income for the year ended December 31, 2014 increased by 13% to ₱18.39 billion from ₱16.27 billion in the same period last year.

Year ended 31 December 2013 vs. year ended 31 December 2012

Revenue

SM Prime recorded consolidated revenues of ₱59.79 billion in the year ended 2013, an increase of 5% from ₱57.22 billion in the year ended 2012, primarily due to the following:

Rent

SM Prime recorded consolidated revenues from rent of ₱32.20 billion in 2013, an increase of 11% from ₱28.95 billion in 2012. The increase in rental revenue was primarily due to the full-year effect of new malls opened in 2012, namely, SM City Olongapo, SM City Consolacion, SM City San Fernando, SM City General Santos, SM Lanang Premier and the opening in 2013 of SM Aura Premier, with a total gross floor area of 698,000 sq. m. Excluding the new malls and expansions, same-store rental growth is at 7%. Rent from commercial operations also increased, primarily as a result of full year recognition of Two-Ecom, which began operations in mid-2012 and is now 98% occupied.

Real Estate Sales

SM Prime recorded an 8% decrease in real estate sales in 2013 to ₱20.78 billion from ₱22.58 billion in 2012. The decrease in real estate sales is primarily due to lower sales take up of projects in 2013 compared to last year. This is attributable to project launches in 2010 and 2011 which were more “blockbusters” namely, Shell, Green and Jazz compared to launches in 2012 of Breeze and Grace. Sale of projects launched in 2013 was towards the last quarter already which is expected to contribute significantly to revenues starting in 2014. Three projects were launched in 2013 namely, Grass Phase 2, Shore and Trees.

Cinema Ticket Sales

SM Prime cinema ticket sales increased by 8% to ₱3.74 billion in 2013 from ₱3.48 billion in 2012. The increase was primarily the result of opening of additional digital cinemas at the new malls which enabled simultaneous nationwide releases and more blockbuster movies screened, both local and international. The major blockbusters shown in 2013 were “Ironman 3,” “Man of Steel,” “It Takes a Man and a Woman,” “Thor: The Dark World,” and “My Little Bossing.”
Other Revenues

Other revenues likewise increased by 40% to ₱3.08 billion in 2013 from ₱2.21 billion in 2012. The increase was mainly due to opening of new amusement rides in SM by the Bay and the Sky Ranch in Tagaytay and increase in advertising income and sponsorship revenues.

Costs and Expenses

SM Prime recorded consolidated costs and expenses of ₱35.66 billion in the year ended 2013, an increase of 1% from ₱35.15 billion in the year ended 2012, primarily due to the following:

Costs of Real Estate

Consolidated costs of real estate was ₱11.92 billion in 2013, representing a decrease of 15% from ₱13.98 billion in 2012. Apart from the lower recognized real estate costs in line with the lower recognized real estate sales in 2013, the decrease also resulted from tighter cost controls during project engineering stage and stricter monitoring of project costs implemented in 2013, which resulted in improved gross margins. Gross profit margins for residential improved to 43% in 2013 compared to 38% in 2012.

Operating Expenses

SM Prime’s consolidated operating expenses increased by 12% to ₱23.74 billion in 2013 compared to last year’s ₱21.17 billion. Same-store mall growth in operating expenses is 4%. The increase is attributable to the opening of new malls and expansions, full year operations of commercial properties and launch of new residential projects.

Consolidated marketing and selling expenses increased to ₱2.05 billion in 2013, an increase of 16% from ₱1.76 billion in 2012 due to launch expenses related to new mall openings and mall events, which were partially offset by a reduction in expenses related to SM Residences showrooms and exhibits, out-of-home and media-based advertising, as part of SMDC’s overall rationalization of its cost structure.

Other contributors to the increase are business taxes and licenses, depreciation and amortization, and rent expenses, due to the opening of new malls and expansions, commercial properties and residential projects.

Other Income (Charges)

Interest Expense

SM Prime’s consolidated interest expense increased by 20% to ₱3.69 billion in 2013 compared to ₱3.06 billion in 2012 due to new bank loans availed during 2013 for working capital and capital expenditure requirements.

Restructuring Costs

SM Prime incurred restructuring costs amounting to ₱1.28 billion in 2013. This pertains to actual payments and accrual of transaction costs related to the Reorganization.
Interest and Dividend Income

Interest and dividend income increased slightly by 3% to P1.09 billion in 2013 from P1.06 billion in 2012. This account is mainly composed of dividend and interest income received from investments held for trading, available-for-sale investments and cash and cash equivalents.

Net income attributable to equity holders of the parent

As a result of the foregoing, consolidated net income attributable to equity holders of the parent is flat at P16.27 billion in 2013. Excluding restructuring costs of P1.28 billion, net income would have increased by 8% for the twelve months ended 31 December 2013.

Year ended 31 December 2012 vs. year ended 31 December 2011

Revenue

SM Prime recorded consolidated revenues of P57.22 billion in the year ended 2012, an increase of 14% from P50.07 billion in the year ended 2011, primarily due to the following:

Rent

SM Prime recorded consolidated revenues from rent of P28.95 billion in 2012, an increase of 15% from P25.21 billion in 2011. The increase in rental revenues was primarily due to rentals from new malls which opened in 2011 and 2012 namely, SM Masinag, SM City Olongapo, SM Consolacion, SM City San Fernando, SM City General Santos and SM Lanang Premier. These new malls added a total gross floor area of 527,000 sq. m. to SM Prime’s mall portfolio. Rental revenues also increased in the commercial segment due to the opening of Two-Ecom in mid-2012.

Real Estate Sales

SM Prime recorded a 30% increase in real estate sales in 2012 to P22.58 billion from P17.36 billion in 2011. The increase in real estate sales was primarily a result of more real estate sales being recognized in 2012 due to higher construction accomplishments in 2012 for project launches in 2010 namely, Jazz, Light, Wind, My Place South Triangle and Blue Residences compared to project launches in the second-half of 2009 namely, Field, Princeton and Sun Residences, which are the main contributors to revenues from real estate in 2011. Projects with the highest actual revenues realized coming from increases in percentage of completion included Sun, Light, Blue and Grass Residences.

Cinema Ticket Sales

SM Prime cinema ticket sales increased by 14% to P3.48 billion in 2012 from P3.05 billion in 2011. The increase in cinema ticket sales was primarily the result of opening additional cinemas at the new malls, having more blockbuster movies (both local and international) and the conversion to digital cinemas which enabled higher ticket prices and simultaneous nationwide releases. The major blockbusters shown in 2012 were “The Avengers,” “Twilight Saga: Breaking Dawn Part II,” “The Amazing Spiderman,” “This Guy’s in Love with U Mare,” “The Mistress” and “Sisterakas”.

Other Revenues

Other revenues decreased by 50% to P2.21 billion in 2012 from P4.45 billion in 2011. The decrease in other revenues was primarily the result of the conversion of Makro stores into SM Hypermarket stores starting 2011, which was previously recorded under Prime Metro Estate, Inc. (PMI). With the conversion of Makro stores into SM Hypermarkets, PMI likewise changed its business operations from wholesale/retail of food

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and non-food articles to leasing. Excluding the sale of merchandise recorded in 2011 amounting to ₱2.8 billion in 2011, other revenues increased by 34% to ₱2.21 billion in 2012 from ₱1.65 billion in 2011 mainly from an increase in amusement income as well as an increase in forfeited residential customer deposits resulting from forfeitures of sales reservations and sales cancellations, which increased to ₱0.6 billion in 2012 compared to ₱0.2 billion in 2011.

Costs and Expenses

SM Prime recorded consolidated costs and expenses of ₱35.15 billion in the year ended 2012, an increase of 14% from ₱30.77 billion in the year ended 2011, primarily due to the following:

Costs of Real Estate

Consolidated costs of real estate was ₱13.97 billion in 2012, representing an increase of 36% from ₱10.30 billion in 2011. The increase in costs of real estate was primarily due to costs related to higher recognized real estate sales due to greater construction accomplishments in 2012. Gross profit margins for residential decreased slightly to 38% in 2012 compared to 41% in 2011.

Operating Expenses

SM Prime’s consolidated operating expenses increased by 3% to ₱21.17 billion in 2012 compared to last year’s ₱20.47 billion 2011 due to new malls and expansions opened in 2012 and 2011. Same-store mall growth in operating expenses is 8%.

SM Prime’s consolidated marketing and selling expenses increased to ₱1.76 billion in 2012, an increase of 35% from ₱1.31 billion in 2011 primarily due to an increase in the number of residential sales people, increased selling events organized locally and abroad, as well as from higher media communication spending, sales commissions, allowances and incentives recognized as a result of an increase in real estate sales recognized.

SM Prime’s consolidated other operating expenses decreased to ₱0.92 billion in 2012, a decrease of 70% from ₱3.04 billion in 2011. The decrease in other operating expenses was primarily due to the discontinued operations of Makro, which led to a reduction in the cost of merchandise sold. Excluding the cost of Makro merchandise sold, other operating expenses increased by 26% from ₱0.73 billion in 2011 to ₱0.92 billion in 2012 due to accrual of retirement benefits, supplies, transportation, travel and others increasing over the prior year due to an increase in the number of malls and the corresponding manpower increase.

Other Income (Charges)

Interest Expense

SM Prime’s consolidated interest expense increased by 4% to ₱3.06 billion in 2012 compared to ₱2.93 billion in 2011. The increase in interest expense was relatively flat despite the availment of new loans to finance capital expenditure requirements due to refinancing of higher interest-bearing loans and an overall decrease in market interest rates.

Interest and Dividend Income

Interest and dividend income decreased by 10% to ₱1.06 billion in 2012 from ₱1.18 billion in 2011 due to lower dividend income received from AFS investments. This account is mainly composed of dividend and interest income received from investments held for trading, available-for-sale investments and cash and cash equivalents.
Net income attributable to equity holders of the parent

As a result of the foregoing, consolidated net income attributable to equity holders of the parent increased by 19% at ₱16.20 billion in 2012 from ₱13.63 billion in 2011.

FINANCIAL CONDITION

30 June 2015 vs. 31 December 2014

Cash and cash equivalents significantly decreased by 44% from ₱35.25 billion to ₱19.59 billion as of December 31, 2014 and June 30, 2015, respectively, mainly due to payments for capital expenditure projects during the period.

Receivables increased by 18% from ₱30.69 billion to ₱36.11 billion as of December 31, 2014 and June 30, 2015, respectively, mainly due to increase in construction accomplishments of sold units as well as new sales for the period. Out of the total receivables, 74% pertains to sale of real estate and 16% from leases of shopping mall and commercial spaces.

Condominium and residential units increased by 34% from ₱7.58 billion to ₱10.18 billion as of December 31, 2014 and June 30, 2015, respectively, mainly due to completion of condominium towers in M Place @ South Triangle, Jazz, Mezza II and Light Residences.

Land and development decreased by 8% from ₱42.46 billion to ₱39.02 billion as of December 31, 2014 and June 30, 2015, respectively, mainly due to landbanking and construction accomplishments for the period net of cost of sold units and transfers to completed condominium and residential units.

Investment properties increased by 9% from ₱202.18 billion to ₱219.73 billion as of December 31, 2014 and June 30, 2015, respectively, primarily because of ongoing new mall projects located in Cebu City, Cabanatuan, Cagayan de Oro and Caloocan in the Philippines and Zibo and Tianjin in China and the ongoing expansions and renovations of SM Mall of Asia and SM City Iloilo. Also, the increase is attributable to landbanking and construction costs incurred for ongoing projects of the hotel groups namely, Conrad Manila and Park Inn by Radisson Clark.

AFS investments decreased by 27% from ₱29.67 billion to ₱21.60 billion as of December 31, 2014 and June 30, 2015, respectively, mainly due to sale of listed shares held under this portfolio.

Derivative assets increased by 15% from ₱1.63 billion to ₱1.88 billion as of December 31, 2014 and June 30, 2015, respectively, mainly resulting from net fair value changes on a US$350 million cross-currency swap transaction designated as a cash flow hedge. While, derivative liabilities decreased by 83% from ₱59 million to ₱10 million as of December 31, 2014 and June 30, 2015, respectively, due to marked-to-market gains on interest rate swaps used to hedge interest rate exposure on loans and maturity of various interest rate swaps in March and June 2015.

Deferred tax assets increased by 21% from ₱650 million to ₱788 million as of December 31, 2014 and June 30, 2015, respectively, mainly due to NOLCO. Deferred tax liabilities increased by 14% from ₱1.93 billion to ₱2.21 billion as of December 31, 2014 and June 30, 2015, respectively, mainly due to unrealized gross profit on sale of real estate for tax purposes.

Investments and advances to associates and joint ventures increased by 256% from ₱6.05 billion to ₱21.56 billion as of December 31, 2014 and June 30, 2015, respectively, mainly due to acquisitions.

Other noncurrent assets increased by 12% from ₱20.17 billion to ₱22.65 billion as of December 31, 2014 and June 30, 2015, respectively, mainly due to additional bonds and deposits for land acquired.
Loans payable increased by 305% from ₱2.67 billion to ₱10.82 billion as of December 31, 2014 and June 30, 2015, respectively, due to availment of loans for general corporate purposes.

Long-term debt increased by 3% from ₱126.61 billion to ₱130.38 billion as of December 31, 2014 and June 30, 2015, respectively, due to drawdown on an existing loan facility amounting to US$90 million loan last January 2015 to fund capital expenditures and for working capital requirements.

Liability for purchased land decreased by 26% from ₱1.17 billion to ₱0.86 billion as of December 31, 2014 and June 30, 2015, respectively, due to subsequent payments. While other noncurrent liabilities increased by 23% from ₱3.78 billion to ₱4.64 billion, respectively, due to increase in retention payable.

2014 vs. 2013

Cash and cash equivalents significantly increased by 30% from ₱27.14 billion to ₱35.25 billion as of December 31, 2013 and 2014, respectively. Part of this account still includes portion of the proceeds from the issuance of bonds in September 2014 amounting to ₱20.00 billion, the US$210 million loan and the US$400 million top-up placement in November 2014 to finance working capital and capital expenditure requirements in 2014.

Investments held for trading decreased by 16% from ₱1.15 billion to ₱0.97 billion as of December 31, 2013 and 2014, respectively, due to scheduled maturities of investment in bonds.

Receivables increased by 13% from ₱27.18 billion to ₱30.69 billion as of December 31, 2013 and 2014, respectively, mainly due to increase in construction accomplishments of sold units as well as new sales for the period. This account also includes rent receivables from leases of shopping mall spaces.

Condominium and residential units increased by 24% from ₱6.10 billion to ₱7.58 billion as of December 31, 2013 and 2014, respectively, mainly due to completion of condominium towers in Blue, Grass Phase 1, Jazz and Sun.

Land and development increased by 22% from ₱34.82 billion to ₱42.46 billion as of December 31, 2013 and 2014, respectively, mainly due to land acquisitions and construction in progress related to residential projects.

Prepaid expenses and other current assets increased by 13% from ₱9.94 billion to ₱11.27 billion as of December 31, 2013 and 2014, respectively, mainly due to deposits and advances to contractors related to residential projects.

Investment properties increased by 18% from ₱171.67 billion to ₱202.18 billion as of December 31, 2013 and 2014, respectively primarily because of ongoing new mall projects located in Cebu City, Cabanatuan and San Mateo in the Philippines and Zibo and Tianjin in China. Also, the increase is attributable to landbanking and construction costs incurred for ongoing projects of the commercial and the hotel group namely, Five E-Com and Conrad Manila.

Available-for-sale investments increased by 27% from ₱23.37 billion to ₱29.67 billion as of December 31, 2013 and 2014, respectively, due to higher market prices of listed shares held under this portfolio.

Derivative assets decreased by 8% from ₱1.78 billion to ₱1.63 billion as of December 31, 2013 and 2014, mainly resulting from net fair value changes on a US$350 million cross-currency swap transaction designated as a cash flow hedge. Likewise, derivative liabilities decreased by 63% from ₱160 million to ₱59 million as of December 31, 2013 and 2014, respectively, due to marked-to-market gains on interest rate swaps used to hedge interest rate exposure on loans.
Deferred tax assets decreased by 6% from ₱691 million to ₱650 million as of December 31, 2013 and 2014, respectively, mainly due to MCIT. Deferred tax liabilities decreased by 4% from ₱2.02 billion to ₱1.93 billion as of December 31, 2013 and 2014, respectively, mainly due to unrealized gross profit on sale of real estate for tax purposes.

Other noncurrent assets decreased by 17% from ₱29.27 billion to ₱24.24 billion as of December 31, 2013 and 2014, respectively, mainly due to subsequent reclassification of deposits for land to land and development.

Loans payable decreased by 18% from ₱3.25 billion to ₱2.67 billion as of December 31, 2013 and 2014, respectively, due to subsequent payments of maturing loans.

Accounts payable and other current liabilities decreased by 20% from ₱45.30 billion to ₱36.38 billion as of December 31, 2013 and 2014, respectively, mainly due to payment of advances.

Long-term debt increased by 23% from ₱103.06 billion to ₱126.61 billion as of December 31, 2013 and 2014, respectively, due to issuance of bonds in September 2014 amounting to ₱20.00 billion and the availment of US$210 million loan to fund capital expenditures and for working capital requirements.

Tenants’ deposits increased by 29% from ₱10.25 billion to ₱13.25 billion as of December 31, 2013 and 2014, respectively, due to the new malls and expansions which opened in 2013 and 2014. Likewise, liability for purchased land increased by 5% from ₱1.12 billion to ₱1.17 billion as of December 31, 2013 and 2014, respectively, due to landbanking.

2013 vs. 2012

Cash and cash equivalents significantly increased by 27% from ₱21.30 billion to ₱27.14 billion as of December 31, 2012 and 2013, respectively. This account includes the remaining proceeds from short-term and long-term debt drawn in 2013 which will be used for working capital and capital expenditure requirements.

Investments held for trading decreased by 14% from ₱1.34 billion to ₱1.15 billion as of December 31, 2012 and 2013, respectively, mainly due to pretermination of investment in corporate bonds with an original maturity of 2016.

Receivables increased by 59% from ₱17.15 billion to ₱27.18 billion as of December 31, 2012 and 2013, respectively, mainly due to increase in sales of real estate and rental receivables.

Condominium and residential units for sale significantly increased by 105% from ₱2.97 billion to ₱6.10 billion as of December 31, 2012 and 2013, respectively, mainly due to transfers of costs of completed condominium towers to inventory coming from Field, Grass Phase 1, Jazz, Light, MPST, Princeton, Sun and Wind.

Likewise, land and development increased by 8% from ₱32.28 billion to ₱34.82 billion as of December 31, 2012 and 2013, respectively, mainly due to cumulative construction costs incurred for residential developments including land banking activities.

Available-for-sale investments slightly decreased by 4% from ₱24.30 billion to ₱23.37 billion as of December 31, 2012 and 2013, respectively, mainly due to early redemption of investment in corporate notes amounting to ₱1.0 billion at par last May 2013.
Investment properties - net increased by 16% from ₱147.85 billion to ₱171.67 billion as of December 31, 2012 and 2013, respectively, primarily because of ongoing new mall projects located in Cauayan City, Cebu City in the Philippines and Zibo and Tianjin in China. Expansions and renovations in SM Megamall which was recently opened last January 28, 2014, SM City Bacolod, SM City Sta. Rosa, SM City Lipa, SM City Clark and SM City Dasmariñas are also in progress. The increase is also attributable to the acquisition of additional land bank and construction costs incurred for ongoing projects of the commercial and the hotel group namely, Five-Ecom, SM Cyberwest and Conrad Hotel.

Derivative assets significantly increased from ₱109.98 million as of December 31, 2012 to ₱1,778.81 million as of December 31, 2013, mainly resulting from unrealized mark-to-market gains on a US$350 million cross currency swap transaction designated as a cash flow hedge and the outstanding interest rate swaps designated as fair value hedges. On the other hand, derivative liabilities decreased by 35% from ₱244.33 million as of December 31, 2012 to ₱159.97 million as of December 31, 2013, due to mark-to-market gains on interest rate swaps used to hedge interest rate exposure on loans.

Deferred tax assets - net significantly increased from ₱0.49 billion to ₱0.69 billion as of December 31, 2012 and 2013, respectively, mainly resulting from the SM Property group restructuring transaction.

Other noncurrent assets increased by 30% from ₱22.43 billion to ₱29.27 billion as of December 31, 2012 and 2013, respectively, mainly due to investment in associates and deposits for acquisition of properties. This account also includes noncurrent capitalized input tax, deposits to contractors, suppliers and advances and deposits paid for leased properties.

Loans payable decreased from ₱8.97 billion to ₱3.25 billion as of December 31, 2012 and 2013, respectively, due to subsequent payments of maturing loans.

The increase in accounts payable and other current liabilities by 32% from ₱34.40 billion to ₱45.30 billion as of December 31, 2012 and 2013, respectively, is mainly due to payables to mall and residential contractors and suppliers related to ongoing projects and accrued operating expenses.

Long-term debt increased by 44% from ₱71.61 billion to ₱103.06 billion as of December 31, 2012 and 2013, mainly to fund capital expenditures and for working capital requirements.

The increase in tenants’ deposits by 14% from ₱8.97 billion to ₱10.25 billion as of December 31, 2012 and 2013, respectively, is due to the new malls and expansions which opened in 2012 and 2013. On the other hand, liability for purchased land decreased from ₱4.20 billion to ₱1.12 billion as of December 31, 2012 and 2013, respectively, due to subsequent payments.
## KEY PERFORMANCE INDICATORS

The following are the major financial ratios of the Issuer as at and for the years ended 31 December 2012, 2013 and 2014, and as at and for the six-month period ended 30 June 2015:

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 December</th>
<th></th>
<th></th>
<th>Six months ended 30 June</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2013</td>
<td>2014</td>
<td>2015</td>
</tr>
<tr>
<td>Debt to Equity</td>
<td>0.35:0.65</td>
<td>0.39:0.61</td>
<td>0.39:0.61</td>
<td>0.41:0.59</td>
</tr>
<tr>
<td>Net Debt to Equity</td>
<td>0.28:0.72</td>
<td>0.32:0.68</td>
<td>0.32:0.68</td>
<td>0.37:0.63</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>0.12</td>
<td>0.10</td>
<td>0.10</td>
<td>0.11</td>
</tr>
<tr>
<td>Debt to EBITDA</td>
<td>2.96</td>
<td>3.55</td>
<td>3.82</td>
<td>3.66</td>
</tr>
<tr>
<td>Interest Coverage Ratio</td>
<td>8.87</td>
<td>8.12</td>
<td>8.26</td>
<td>9.14</td>
</tr>
<tr>
<td>Operating Income to Revenues</td>
<td>0.39</td>
<td>0.40</td>
<td>0.42</td>
<td>0.45</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>0.48</td>
<td>0.50</td>
<td>0.51</td>
<td>0.54</td>
</tr>
<tr>
<td>Net Income to Revenues</td>
<td>0.28</td>
<td>0.27</td>
<td>0.28</td>
<td>0.31</td>
</tr>
</tbody>
</table>

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

1. Debt to equity which measures the ratio of interest-bearing liabilities to equity;
2. Net debt to equity which measures the ratio of interest bearing liabilities net of cash and cash equivalents and investment held for trading to equity;
3. Return on equity ("ROE") which measures the ratio of net income to capital provided by stockholders;
4. Debt to EBITDA which measures the ratio of EBITDA to total interest-bearing liabilities;
5. Interest coverage ratio which measures the ratio of EBITDA to interest expense
6. Operating income to revenues which basically measures the gross profit ratio;
7. EBITDA margin which measures the ratio of EBITDA to gross revenues; and
8. Net income to revenues which measures the ratio of net income to gross revenues.

The key financial indicators of the Company are discussed below.

Interest-bearing debt to equity increased to 0.41:0.59 as of 30 June 2015 from 0.39:0.61 as of 31 December 2014 due to additional borrowings. Likewise, net interest-bearing debt to equity increased to 0.37:0.63 as of 30 June 2015 from 0.32:0.68 as of 31 December 2014 due to payments for capital expenditure projects and working capital.

In terms of profitability, ROE slightly decreased to 11% as of 30 June 2015 from 12% as of 30 June 2014 due to the $400 million top-up placement in November 2014.

Debt to EBITDA increased to 3.66:1 as of 30 June 2015 from 3.29:1 as of 30 June 2014 due to new borrowings, while interest coverage ratio slightly decreased to 9.14:1 as of 30 June 2015 from 9.16:1 as of 30 June 2014 as a result of increase in interest expense.
EBITDA margin improved to 54% as of 30 June 2015 from 52% as of 30 June 2014.

Consolidated operating income to revenues improved to 45% as of 30 June 2015 from 42% as of 30 June 2014. Net income to revenues likewise improved to 31% as of 30 June 2015 from 29% as of 30 June 2014.

**Expansion Plans / Prospects for the Future**

In 2015, SM Prime will open four more new malls located in SRP Cebu, Sangandaan and Cabanatuan the Philippines and Zibo in China as well as undertake the expansion of two existing malls. In 2016, SM Prime will open seven new malls located in Trece Martires, Commonwealth, San Jose Del Monte, Tuguegarao, Puerto Princesa and Urdaneta in the Philippines and Tianjin in China as well as undertake the expansion of two existing malls.

For 2015, SM Prime’s residential unit will launch at least five new condominiums with about 12,000-15,000 units in total in the cities of Taguig, Quezon, Mandaluyong, Tagaytay, Las Piñas, Parañaque and Pasay at the Mall of Asia Complex.

SM Prime’s Commercial Properties Group currently is constructing Three E-Com Center and is scheduled for opening in 2017.

For hotels and convention centers, Conrad Manila in the Mall of Asia Complex in Pasay and Park Inn by Radisson Clark in Pampanga are expected to open in the last quarter of 2015.

The Property Group’s land banking initiatives will continue in 2016.

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

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

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

There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Issuer's liquidity increasing or decreasing in any material way. The Issuer does not anticipate having any cash flow or liquidity problems within the next twelve months.

There are no significant elements of income or loss arising outside of the Issuer's continuing operations.

The Issuer is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement.

There are no significant amounts of the Issuer’s trade payables that have not been paid within the stated trade terms.
DESCRIPTION OF PROPERTIES

The Issuer’s principally owned properties consist of malls and lands. The land improvements, buildings, equipment, owned by the Issuer have a net book value of ₱ bil. as at 30 June 2015. The locations and general descriptions of these properties and equipment are described below.

Supermalls

The Issuer has 52 malls as at 30 June 2015 in the following locations:

- SM City North EDSA
  EDSA cor. North Ave., Quezon City
- SM City Sta. Mesa
  Ramon Magsaysay Boulevard cor Araneta, Quezon City, Metro Manila
- SM Megamall
  EDSA Corner Julia Vargas Avenue, Ortigas Business District, Mandaluyong City, Metro Manila
- SM City Cebu
  North Reclamation Area, Cebu City, Cebu
- SM Southmall
  Alabang-Zapote Road, Almanza, Las Piñas City
- SM City Bacoor
  General Aguinaldo Highway cor. Tirona Highway, Brgy. Habay, Bacoor, Cavite
- SM City Fairview
  Quirino Highway cor. Regalado Ave., Greater Lagro, Quezon City
- SM City Iloilo
  Benigno Aquino Jr. Avenue, West Diversion Road, Mandurriao, Iloilo City
- SM City Manila
  Concepcion corner Arroceros and San Marcelino Streets, Manila
- SM City Pampanga
  Olongapo-Gapan Road, Brgy. San Jose, San Fernando City, Pampanga
- SM City Sucat
  Dr. A. Santos Avenue, Brgy. San Dionisio, Parañaque City
- SM City Davao
  Quimpo Boulevard corner Tulip Drive, Ecoland Subdivision, Brgy. Matina, Davao City
- SM City Bicutan
  Doña Soledad Avenue corner West Service Road, Brgy. Don Bosco, Bicutan, Parañaque City
- SM City Cagayan de Oro
  Masterson’s Ave., Pueblo de Oro Business Park, Carmen, Cagayan de Oro City
- SM City Lucena
  Dalahican Road, corner Maharlika Highway Brgy. Ibabang Dupay, Lucena City
- SM City Baguio
  Luneta Hill, Upper Session Road corner Governor Pack Road, Baguio City, Benguet
- SM City Marilao
  Km 21 Mc Arthur Highway, Brgy. Ibayo, Marilao Bulacan
- SM City Dasmarñas
  Governors Drive, Brgy. Pala-Pala, Dasmarinas, Cavite
- SM City Batangas
  Pastor Village, Brgy Pallocan Kanluran, Batangas City
- SM City San Lazaro
  Felix Huertas Street corner A.H. Lacson Extension, Sta. Cruz, Manila
- SM Center Valenzuela
  Mc Arthur Highway, Brgy. Karuhatan, Valenzuela City
• SM Center Molino
  Molino Road, Molino 4, Bacoor, Cavite
• SM City Santa Rosa
  National Road, Barrio Tagapo, Sta. Rosa, Laguna
• SM City Clark
  M.A. Roxas Highway, Brgy. Malabanas, Angeles City, Pampanga
• SM Mall of Asia
  J.W. Diokno Boulevard, Mall of Asia Complex, 1300 Pasay City, Philippines
• SM Center Pasig
  Frontera Verde, C5, Brgy. Ugong, Pasig City
• SM City Lipa
  Ayala Highway, Lipa City, Batangas
• SM City Bacolod
  Rizal St., Bacolod City, Negros Occidental 2
• SM City Taytay
  Manila East Road, Brgy. Dolores, Taytay, Rizal
• SM Center Muntinlupa
  National Road, Brgy. Tunasan, Muntinlupa City
• SM City Marikina
  Marcos Highway, Brgy. Kalumpang, Marikina City
• SM City Rosales
  MacArthur Highway, Brgy. Carmen East, Rosales, Pangasinan
• SM City Baliwag
  Dona Remedios Trinidad Highway, Brgy. Pagala, Baliwag, Bulacan
• SM City Naga
  Central Business District II, Brgy. Triangulo, Naga City
• SM Center Las Piñas
  Alabang Zapote Rd., Brgy. Talon Dos, Las Piñas City
• SM City Rosario
  General Trias Drive, Brgy. Tejeros, Rosario, Cavite
• SM City Tarlac
  Mc Arthur Highway, Brgy. San Roque, Tarlac City
• SM City San Pablo
  National Highway, Brgy. San Rafael, San Pablo City
• SM City Calamba
  National Road, Brgy. Real, Calamba, Laguna
• SM City Novaliches
  Quirino Highway Brgy. San Bartolome, Novaliches, Quezon City
• SM City Masinag
  Marcos Highway, Brgy. Mayamot, Antipolo City
• SM City Olongapo
  Magsaysay Drive corner Gordon Avenue, Brgy. Pag-Asa, Olongapo City, Zambales
• SM San Fernando
  V. Tiomco Street, Brgy. Poblacion, San Fernando City, Pampanga
• SM General Santos
  Cor. Santiago Boulevard and San Miguel Street, Barangay Lagao, General Santos City
• SM Lanang
  J P Laurel Avenue Lanang, Brgy. San Antonio, Davao City, Davao del Sur
• SM City Consolacion
  North Road, Brgy. Lamac, Consolacion, Cebu
• SM Aura Premier
  26th Street corner McKinley Parkway, Brgy. Fort Bonifacio, Global City, 1630 Taguig City
Land and Development

Land and development costs pertain to the SMDC’s ongoing residential condominium projects. Estimated cost to complete the projects amounted to ₱32,645 million, ₱31,912 million and ₱[●] million as at 31 December 2013 and 2014 and as at 30 June 2015, respectively.

SMDC also acquired several parcels of land for future development with aggregate carrying values of ₱3,136.6 million, ₱6,857 million and ₱438 million as at 31 December 2013 and 2014 and as at 30 June 2015, respectively. These costs are included as part of land and development costs.

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

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

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

Costa del Hamilo, Inc.

CDHI’s construction projects located at Hamilo Coast in Nasugbu, Batangas consist of condominium buildings and beach and country club. As at 31 December 2010, the Company completed the construction of two condominium projects and the beach and country club. The completed condominium projects were reclassified as inventories in 2010 while the ownership of beach and country club was transferred to Pico de Loro in June 2010.

Depending on market conditions in the next 12 months, the Company may acquire additional properties for its commercial center, real estate development and tourism businesses. These potential acquisitions will
depend, among others, on the execution strategies for the Company’s expansion plans, and the availability of suitable properties at reasonable market prices.

**Leased Properties**

As at 30 June 2015, the Issuer and its subsidiaries had 27 leased properties with the details set forth below:

<table>
<thead>
<tr>
<th>Leased Properties</th>
<th>Annual Lease</th>
<th>Expiration Date</th>
<th>Renewal Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>SM Valenzuela</td>
<td>25,813,639</td>
<td>July 2043</td>
<td>No provision</td>
</tr>
<tr>
<td>SM Baguio</td>
<td>62,179,990</td>
<td>October 2053</td>
<td>No provision</td>
</tr>
<tr>
<td>SM Muntinlupa</td>
<td>26,502,920</td>
<td>March 2055</td>
<td>No provision</td>
</tr>
<tr>
<td>SM Pasig</td>
<td>44,959,886</td>
<td>July 2020</td>
<td>No provision automatically renewed for another 25 years</td>
</tr>
<tr>
<td>SM Bacoor</td>
<td>14,612,549</td>
<td>December 2043; December 2044</td>
<td>Automatically renewed for another 25 years</td>
</tr>
<tr>
<td>SM San Lazaro</td>
<td>9,168,711</td>
<td>July 2028</td>
<td>renewable for another 25 years automatically renewed for another 25 years</td>
</tr>
<tr>
<td>SM Calamba</td>
<td>34,632,978</td>
<td>February 2054; April 2060</td>
<td>No provision automatically renewed for another 25 years</td>
</tr>
<tr>
<td>SM Pampanga</td>
<td>14,115,760</td>
<td>October 2053</td>
<td>No provision automatically renewed for another 25 years</td>
</tr>
<tr>
<td>SM San Pablo</td>
<td>28,415,649</td>
<td>September 2058</td>
<td>No provision automatically renewed for another 25 years</td>
</tr>
<tr>
<td>SM Tarlac</td>
<td>10,314,386</td>
<td>April 2054</td>
<td>No provision</td>
</tr>
<tr>
<td>SM Naga</td>
<td>17,842,107</td>
<td>August 2055</td>
<td>No provision</td>
</tr>
<tr>
<td>SM Bacolod</td>
<td>220,000</td>
<td>February 2032</td>
<td>renewable for another 25 years automatically renewed for another 25 years</td>
</tr>
<tr>
<td>SM Taytay</td>
<td>25,074,484</td>
<td>January 2055; August 2055</td>
<td>automatically renewed for another 25 years automatically renewed for another 25 years</td>
</tr>
<tr>
<td>SM Masinag</td>
<td>1,789,162</td>
<td>April 2036</td>
<td>automatically renewed for another 25 years automatically renewed for another 25 years</td>
</tr>
<tr>
<td>SM Taguig Aura (Head Office)</td>
<td>75,873,101</td>
<td>November 2057; July 2058</td>
<td>renewable upon agreement automatically renewed for another 25 years</td>
</tr>
<tr>
<td>SM Hypermarket Sucat Lopez</td>
<td>7,640,698</td>
<td>July 2035</td>
<td>renew</td>
</tr>
<tr>
<td>SM Marketmall Dasmarillas</td>
<td>8,000,000</td>
<td>March 2060</td>
<td>automatically renewed for another 25 years</td>
</tr>
<tr>
<td>SM Consolacion Cebu (Head Office)</td>
<td>31,666,464</td>
<td>September 2060</td>
<td>automatically renewed for another 25 years</td>
</tr>
<tr>
<td>SM General Santos (Head Office)</td>
<td>21,975,000</td>
<td>February 2059</td>
<td>No provision</td>
</tr>
<tr>
<td>SM Olongapo</td>
<td>7,877,275</td>
<td>December 2035</td>
<td>No provision</td>
</tr>
<tr>
<td>SM Megamall</td>
<td>6,526,885</td>
<td>December 2031</td>
<td>No provision</td>
</tr>
<tr>
<td>SM Clark</td>
<td>89,693,354</td>
<td>June 2028; May 2058</td>
<td>renewable</td>
</tr>
<tr>
<td>SM By The Bay</td>
<td>26,561,851</td>
<td>November 2017</td>
<td>No provision</td>
</tr>
<tr>
<td>SM Dasmarillas</td>
<td>10,541,520</td>
<td>August 2050</td>
<td>No provision automatically renewed for another 25 years</td>
</tr>
<tr>
<td>SM Molino</td>
<td>27,016,093</td>
<td>May 2056</td>
<td>Automatically renewed for another 25 years</td>
</tr>
<tr>
<td>SM Manila</td>
<td>23,051,773</td>
<td>2047</td>
<td>Automatically renewed for another 25 years</td>
</tr>
<tr>
<td>SM San Mateo</td>
<td>5,410,651</td>
<td>February 2054</td>
<td>No provision</td>
</tr>
</tbody>
</table>

**Total Lease Payments** 657,476,866
BOARD OF DIRECTORS AND MANAGEMENT OF THE ISSUER

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the persons who served as a Director and/or executive officer of SM Prime as at the date of this Prospectus:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Henry Sy, Sr.</td>
<td>Chairman Emeritus</td>
<td>90</td>
</tr>
<tr>
<td>Henry T. Sy, Jr.</td>
<td>Chairman</td>
<td>61</td>
</tr>
<tr>
<td>Jose L. Cuisia, Jr.</td>
<td>Vice Chairman and Independent Director</td>
<td>71</td>
</tr>
<tr>
<td>Gregorio U. Kilayko</td>
<td>Independent Director</td>
<td>60</td>
</tr>
<tr>
<td>Joselito H. Sibayan</td>
<td>Independent Director</td>
<td>56</td>
</tr>
<tr>
<td>Hans T. Sy</td>
<td>Director and President</td>
<td>59</td>
</tr>
<tr>
<td>Herbert T. Sy</td>
<td>Director</td>
<td>58</td>
</tr>
<tr>
<td>Jorge T. Mendiola</td>
<td>Director</td>
<td>55</td>
</tr>
<tr>
<td>Teresita T. Sy</td>
<td>Adviser to the Board of Directors</td>
<td>64</td>
</tr>
<tr>
<td>Elizabeth T. Sy</td>
<td>Adviser to the Board of Directors</td>
<td>62</td>
</tr>
<tr>
<td>Elmer B. Serrano</td>
<td>Corporate Secretary/ Alternate Compliance Officer</td>
<td>47</td>
</tr>
<tr>
<td>Marianne M. Guerrero</td>
<td>Assistant Corporate Secretary</td>
<td>51</td>
</tr>
<tr>
<td>Jeffrey C. Lim</td>
<td>Executive Vice President/ Corporate Information Officer</td>
<td>53</td>
</tr>
<tr>
<td>John Nai Peng C. Ong</td>
<td>Chief Finance Officer/ Compliance Officer</td>
<td>44</td>
</tr>
<tr>
<td>Davee M. Zuniga</td>
<td>Vice President – Internal Audit</td>
<td>43</td>
</tr>
<tr>
<td>Anna Maria S. Garcia</td>
<td>Head, Malls</td>
<td>59</td>
</tr>
<tr>
<td>Jose Mari H. Banzon</td>
<td>Head, Residential (Primary)</td>
<td>54</td>
</tr>
<tr>
<td>Shirley C. Ong</td>
<td>Head, Residential (Secondary)</td>
<td>53</td>
</tr>
<tr>
<td>Dave L. Rafael</td>
<td>Head, Commercial</td>
<td>56</td>
</tr>
<tr>
<td>Ma. Luisa E. Angeles</td>
<td>Head, Hotels and Convention Centers</td>
<td>56</td>
</tr>
</tbody>
</table>

MANAGEMENT

Board of Directors

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

The following describes the background and business experience of the Issuer’s Directors and Executive Officers during the last five years from 2010 to the present:

**Henry Sy, Sr.** served as Chairman of the Board of Directors of SM Prime from 1994 until April 2014. He is the founder of the SM Group, and is currently, Chairman of SMIC and HPI. He is likewise Chairman Emeritus of BDO Unibank, Inc. and Honorary Chairman of China Banking Corporation. He opened the first ShoeMart store in 1958 and has been at the forefront of SM Group’s diversification into the commercial centers, retail merchandising, financial services, and real estate development and tourism businesses. Mr. Sy earned his Associate of Arts Degree in Commerce Studies at Far Eastern University and was conferred an Honorary Doctorate in Business Management by De La Salle University.
Henry T. Sy, Jr. 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. At present, he is Vice Chairman of SMIC, Chairman and Chief Executive Officer of SMDC, Vice Chairman and President of HPI, Chairman of Pico de Loro Beach and Country Club, Inc., and President of The National Grid Corporation of the Philippines. He graduated with a Management Degree from De La Salle University.

Jose L. Cuisia, Jr.* is the Vice Chairman of the Board of Directors of SM Prime. In 2011, he took his official diplomatic post as Ambassador Extraordinary and Plenipotentiary to the United States of America. He was the former President and Chief Executive Officer of the Philippine American Life and General Insurance Company (PhilamLife) and is currently the Vice-Chairman of PhilamLife since August 2009. He also served as Governor of Bangko Sentral ng Pilipinas from 1990 to 1993 and Administrator of the Social Security System from 1986 to 1990. He graduated with a Bachelor's Degree in Commerce from De La Salle University and took his Master in Business Administration (MBA) at the prestigious Wharton School of the University of Pennsylvania. In May 2011, he was awarded the “Joseph Wharton Award for Lifetime Achievement” by the Wharton School of the University of Pennsylvania for an outstanding career in banking and social security system.

Gregorio U. Kilayko* is the former Chairman of ABN Amro’s banking operations in the Philippines. He was the founding head of ING Barings’ stockbrokerage and investment banking business in the Philippines and a Philippine Stock Exchange Governor in 1996 and 2000. He also served as a director of the demutualized Philippine Stock Exchange in 2003. He took his MBA at the Wharton School of the University of Pennsylvania.

Joselito H. Sibayan* has spent the past 28 years of his career in investment banking. From 1987 to 1994, and after taking his MBA from University of California in Los Angeles, he was Head of International Fixed Income Sales at Deutsche Bank in New York and later moved to Natwest Markets to set up its International Fixed Income and Derivatives Sales/Trading operation. He then moved to London in 1995 to run Natwest Market’s International Fixed Income Sales Team. He is currently the President and CEO of Mabuhay Capital Corporation (MC2), an independent financial advisory firm. Prior to forming MC2 in 2005, he was Vice Chairman, Investment Banking - Philippines and Country Manager for Credit Suisse First Boston (CSFB). He helped establish CSFB’s Manila representative office in 1998, and later oversaw the transition of the office to branch status.

* Independent director – The Independent Directors of the Company are Messrs. Jose L. Cuisia, Jr., Gregorio U. Kilayko and Joselito H. Sibayan. The Company has complied and will comply with the Guidelines set forth by Securities Regulation Code (SRC) Rule 38, as amended, regarding the Nomination and Election of Independent Directors. The Company’s By-Laws incorporate the procedures for the nomination and election of independent director/s in accordance with the requirements of the said Rule.

Hans T. Sy has served as President since 2004. He has held key positions in businesses related to banking, real estate development, mall operations, as well as leisure and entertainment. In the SM Group, his current positions include Adviser to the Board of SMIC, Director of HPI, and Vice Chairman of SMDC. He is also Chairman of China Banking Corporation and National University. Mr. Sy is a Mechanical Engineering graduate of De La Salle University.

Herbert T. Sy is an Adviser to the Board of SMIC and is currently the Vice Chairman of Supervalue Inc., Super Shopping Market Inc. and Sanford Marketing Corporation and Director of China Banking Corporation. He also holds board positions in several companies within the SM Group. He holds a Bachelor’s Degree in Management from De La Salle University.

Jorge T. Mendiola is currently the President of SM Retail, Inc. He started his career with The SM Store as a Special Assistant to the Senior Branch Manager in 1989 and rose to become the President in 2011. He is
also the Vice Chairman for Advocacy of the Philippine Retailers Association. He received his Master in Business Management from the Asian Institute of Management and has an A.B. Economics degree from Ateneo de Manila University.

**Teresita T. Sy** has served as an Adviser to the Board since May 2008. She was a Director from 1994 up to April 2008. She has worked with the Group for over 20 years and has varied experiences in retail merchandising, mall development and banking businesses. A graduate of Assumption College, she was actively involved in ShoeMart’s development. At present, she is Chairperson of BDO Unibank, Inc. and Vice Chairperson of SMIC. She also holds board positions in several companies within the SM Group.

**Elizabeth T. Sy** was elected as an Adviser to the Board in April 2012. She was the Senior Vice President for Marketing from 1994 up to April 2012. She also oversees the SM Group’s involvement in the tourism and hospitality industry as Co-Chairman of the Pico de Loro Beach and Country Club Inc. and as President of the SMHCC. She also serves as Adviser to the Board of SMIC and as a member of the Board of Directors at the BDO Private Bank.

Members of the Board of Directors are given a standard per diem of ₱10,000 per Board meeting, except for the Chairman and Vice Chairman who are given ₱20,000 per Board meeting.

**Elmer B. Serrano** is the Corporate Secretary of the SMPH and of SMIC since November 2014. He is Name Partner of the law firm of Martinez Vergara Gonzalez & Serrano and has been practicing corporate law for over two decades. He is also the Corporate Secretary of Crown Equities, Inc. and its subsidiaries, BDO Capital & Investment Corporation, BDO Securities Corporation, BDO Insurance Brokers, Inc., BDO Elite Savings Bank, Inc., Banco De Oro Savings Bank and Averon Holding Corporation. He was previously a director of OCLP Holdings, Inc. until November 2014. He is a graduate of the Ateneo Law School and holds a degree of B.S. Legal Management from the Ateneo de Manila University.

**Marianne M. Guerrero** is the Assistant Corporate Secretary and also the Senior Vice President for Legal of SMIC. Prior to joining the SM Group, she was Senior Vice President of United Overseas Bank Philippines. She is a graduate of the Ateneo Law School and obtained her college degree from the Ateneo de Manila University.

**Executive Officers**

**Jeffrey C. Lim** is the Executive Vice President of SMPH, Inc. and a member of its Executive Committee, as well as the President of SMDC. He is a Director of Pico de Loro Beach and Country Club Inc. and holds various board and executive positions in other SMPH’s subsidiaries. He is a member of the Management Board of the Asia Pacific Real Estate Association. He is a Certified Public Accountant and holds a Bachelor of Science degree in Accounting from the University of the East. Prior to joining the Company in 1994, he worked for a multi-national company and SGV & Co.

**John Nai Peng C. Ong** is the Chief Finance Officer and Compliance Officer. He holds certain board positions in other SMPH’s subsidiaries. He is a Certified Public Accountant and holds a Bachelor of Science degree in Accounting from Ateneo de Zamboanga University. He received his Master in Management from the Asian Institute of Management. Prior to joining the Company in 2014, he was an assurance partner in SGV & Co.

**Davee M. Zuniga** is the Vice President for Internal Audit. He is a Certified Public Accountant and holds a Bachelor of Science degree in Commerce major in Accountancy from De La Salle University. He placed 14th in the CPA board examinations. He also attended the Executive MBA at Asian Institute of Management. Prior to joining the Company in 2013, he was an assurance partner in SGV & Co.

**Anna Maria S. Garcia** is the Business Unit Head for Malls as President of Shopping Center Management
Corp. (SCMC) since 2006. She is the Chairman of Mercantile Stores Group Inc., Chief Executive Officer of Henfels Investments Inc., Board of Director of the Gifts and Graces Fair Trade Foundation Inc. and a member of International Council of Shopping Centers and Philippine Retailers Association of the Philippines. She graduated from University of the Philippines with a degree of BS Foreign Service. Prior to joining SCMC in 1998, she worked as Assistant Vice-President for Department Store Operations, SM Inc.

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

Shirley C. Ong is the Business Unit Head for Residential (Secondary). She is also the Director of The Midlands Golf and Country Club, Inc. Before joining the Company in 2010, she was First Vice President for Business Development of Filinvest Alabang, Inc. She brings with her over 26 years of experience, 21 years of which has been in various areas of real estate from city development, office/residential, high rise development, residential village development including finance, marketing, sales and property management. She holds a Bachelor of Arts degree, Major in Economics (Cum Laude) from the University of Sto. Tomas and is a candidate for Master in Economics at the Institute of Economic Policy Research of the University of Asia & Pacific.

Dave L. Rafael is the Business Unit Head for Commercial. He has a Bachelor of Arts degree from the Ateneo de Manila University and an MBA from the Colgate Darden School of Business Administration, University of Virginia. Prior to joining the Company in 2009, he was with Ayala Land for 21 years holding various positions in shopping center operations, project development, marketing and local and international sales.

Ma. Luisa E. Angeles is the Business Unit Head for Hotels and Convention Centers. She is the Senior Vice President for Operations of SMHCC since 2014. She holds a Bachelor of Science degree in Hotel and Restaurant Administration from the University of the Philippines. She has 34 years of work expertise in the hotel management industry specifically in sales and marketing. She was with EDSA Shangri-La, Shangri-La Bangkok and Shangri-La Hotel International Management, Ltd. holding various positions for 24 years. Prior to that, she rendered 10 years of service to Hyatt Regency Manila and Hyatt Terraces Baguio.

The Directors of the Company are elected at the Annual Stockholders’ Meeting to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified. The Directors possess all the qualifications and none of the disqualifications provided for in the SRC and its Implementing Rules and Regulations.

Procedure for Nomination of Directors:

• All nominations for directors shall be submitted in writing to the Corporate Secretary of SMPH. Nominations that are not submitted within the nomination period shall not be valid. A stockholder of record, including a minority stockholder, entitled to notice of and to vote at the regular or special meeting of the stockholders for the election of directors shall be qualified to be nominated a director of SMPH (par. 4 Section 2, Article III, SMPH By-Laws).

• The Nomination Committee meets, pre-screens and checks the qualifications of and deliberates on all persons nominated to be elected to the Board of Directors of SMPH from the pool of candidates submitted by the nominating stockholders. The Nomination Committee shall prepare a Final List of Candidates from those who have passed the Guidelines, Screening Policies and Parameters for the nomination of independent directors. Said list shall contain all the information about these nominees. Only nominees qualified by the Nomination Committee and whose names appear on the Final List of
Candidates shall be eligible for election as Independent Director. No other nomination shall be entertained after the Final List of Candidates shall have been prepared. No further nomination shall be entertained or allowed on the floor during the actual annual stockholders’ meeting.

- In case of resignation, disqualification or cessation of 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 Nomination 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.

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, SMPH’s strategic plans, enterprise risks, group structures, business activities, compliance programs, Code of Business Conduct and Ethics, Insider Trading Policy and Corporate Governance Manual.

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

Aside from the Directors and Executive Officers enumerated above, there are no other employees expected to hold significant executive/officer position in the Company.

The following are directorships held by Directors and Executive Officers in other reporting companies at least, in the last five years:

**Henry Sy, Sr.**

<table>
<thead>
<tr>
<th>Name of Corporation</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>SM Investments Corporation</td>
<td>Chairman</td>
</tr>
<tr>
<td>China Banking Corporation</td>
<td>Honorary Chairman</td>
</tr>
<tr>
<td>BDO Unibank, Inc.</td>
<td>Chairman Emeritus</td>
</tr>
</tbody>
</table>

**Henry T. Sy, Jr.**

<table>
<thead>
<tr>
<th>Name of Corporation</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>SM Investments Corporation</td>
<td>Vice Chairman</td>
</tr>
</tbody>
</table>

**Jose L. Cuisia, Jr.**

<table>
<thead>
<tr>
<th>Name of Corporation</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>PHINMA Corporation</td>
<td>Regular Director</td>
</tr>
<tr>
<td>Holcim Philippines, Inc.</td>
<td>Regular Director</td>
</tr>
<tr>
<td>Manila Water Company, Inc.</td>
<td>Independent Director</td>
</tr>
</tbody>
</table>

**Gregorio U. Kilayko**

<table>
<thead>
<tr>
<th>Name of Corporation</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belle Corporation</td>
<td>Independent Director</td>
</tr>
</tbody>
</table>

**Joselito H. Sibayan**
<table>
<thead>
<tr>
<th>Name of Corporation</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apex Mining Corporation.</td>
<td>Independent Director</td>
</tr>
<tr>
<td>China Banking Corporation</td>
<td>Director/ Chairman</td>
</tr>
<tr>
<td>SM Investments Corporation</td>
<td>Adviser to the Board</td>
</tr>
<tr>
<td>BDO Unibank, Inc.</td>
<td>Chairperson</td>
</tr>
<tr>
<td>BDO Leasing and Finance, Inc.</td>
<td>Chairperson</td>
</tr>
<tr>
<td>SM Investments Corporation</td>
<td>Director/ Vice Chairperson</td>
</tr>
<tr>
<td>SM Investments Corporation</td>
<td>Adviser to the Board</td>
</tr>
</tbody>
</table>

**Involvement in Legal Proceedings**

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

(a) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

(b) any conviction by final judgement, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

(c) being subject to any order, judgement 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;

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

(e) a securities or commodities law or regulation, and the judgement has not been reversed,
CORPORATE GOVERNANCE

The Issuer’s platform of governance remains rooted in its Manual on Corporate Governance and its Code of Ethics. The Manual on Corporate Governance (the “Governance Manual”), which is completely aligned with the SEC Revised Code of Corporate Governance, institutionalizes the principles of good corporate governance in the entire organization. It lays down the Issuer’s compliance system and identifies the responsibilities of the Board and management in relation to good corporate governance. The Governance Manual also provides for the Issuer’s policies on disclosure and transparency, the conduct of communication and training programs on corporate governance, the rights of all shareholders, and the protection of the interests of non-controlling shareholders. Under the Governance Manual, it is the Board’s responsibility to foster the long term success of the Issuer and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise with the highest standards of corporate governance, in the best interests of the Issuer, its shareholders and other stakeholders.

The Code of Ethics (the “Code”) serves as a guiding principle for the Issuer’s directors, officers and employees in the performance of their duties and responsibilities, and in their business transactions with investors, creditors, customers, contractors, suppliers, regulators, and the public. The Code also reflects the Issuer’s mission, vision and values statement.

To supplement the Code, the Issuer adopted policies on acceptance of gifts, insider trading, conflict of interest, related-party transactions, to name a few. The Issuer has also implemented a whistleblowing policy, referred to as the Policy on Accountability, Integrity and Vigilance (PAIV), which was adopted to create an environment where concerns and issues, made in good faith, may be raised freely within the organization. The Issuer continues to align with corporate governance best practices through the continuous review and development of its policies and programs in conjunction with the continuous enhancement of its enterprise risk management systems.

The Board is composed of eight (8) directors, three (3) of whom are non-executive independent directors, in the persons of Mr. Jose L. Cuisia, Jr., Mr. Gregorio U. Kilayko, and Mr. Joselito H. Sibayan. Under the Issuer’s Governance Manual, an independent director must possess all of the qualifications and none of the disqualifications of a regular director. He must also be independent of Management, substantial shareholdings and material relations, whether it be business or otherwise, which could reasonably be perceived to impede the performance of independent judgment.

The Board is supported in its corporate governance functions by three committees: the Compensation and Remuneration Committee, the Nomination Committee and the Audit and Risk Management Committee. All Board Committees have adopted their respective charters which identify the Committees’ composition, roles and responsibilities, in alignment with the Issuer’s Governance Manual.

Committees of the Board

Audit and Risk Management Committee The Audit and Risk Management Committee provides an oversight of risk management functions, specifically in the areas of managing credit, market, liquidity, operational, legal and other risks, as well as compliance with statutory requirements. The Audit and Risk Management Committee is responsible for reviewing the organizational structure of the Issuer’s internal audit department, as well the appointment of the chief audit executive and the independent external auditor. It oversees the assessment of the Group’s internal control systems and provides the mandate to management to take appropriate corrective actions to address control deficiencies. It also drives adherence by the Issuer to good corporate governance principles and best practices. The Audit and Risk Management Committee is currently composed of Jose L. Cuisia, Jr., Gregorio U. Kilayko, Joselito H. Sibayan, Jorge T. Mendiola, Jose T. Sio and Serafin U. Salvador. Jose L. Cuisia, Jr., is an independent
director and the Chairman of the Committee.

**Nomination Committee.** The Nomination Committee is primarily responsible for the review and evaluation of the qualifications of all persons nominated for election as member of the Board of Directors, as well as those nominated to positions requiring appointment by the Board. Under the supervision of the Nomination Committee, the Issuer conducts an annual evaluation of the Board as a whole, its respective Board Committees, the individual directors and the President, based on duties and responsibilities provided in SM Prime’s Revised Manual on Corporate Governance and By-Laws. The evaluation serves as a venue for assessing the effectiveness of the Board and for identifying areas for improvement in terms of training/continuing education programs or any other forms of assistance that the directors may need in the performance of their duties. The Board reviews and evaluates the results of the evaluation, and discusses possible changes that require implementation. The Nomination Committee is currently composed of Jose L. Cuisia, Jr. Joselito H. Sibayan and Gregorio U. Kilayko. Joselito H. Sibayan is the Chairman of the Committee.

**Compensation and Remuneration Committee.** The Compensation and Remuneration Committee is primarily responsible for establishing a formal and transparent process for developing policies on executive remuneration and for fixing the remuneration packages of corporate officers. It is responsible for providing oversight on the remuneration of senior management and other key officers, as well as ensuring that compensation is consistent with the Group’s core values, strategy and control environment. The Compensation and Remuneration Committee is currently composed of Hans T. Sy, Gregorio U. Kilayko and Joselito H. Sibayan. Gregorio U. Kilayko is the Chairman of the Committee.

The Corporate Governance Department of the Issuer strives to keep pace with best practices in corporate governance through the further development of policies and projects and the continued conduct of orientation and training programs. The Corporate Governance Department also remains committed to support the advocacy and networking initiatives of public and private institutions that seek to improve corporate governance standards.
EXECUTIVE COMPENSATION

Aside from regular standard per diems, all directors do not receive regular annual salaries from the Company. For the six months ended 30 June 2015, the Board of Directors received a total of ₱0.30 million per diem.

The following are the most highly compensated executive officers:

<table>
<thead>
<tr>
<th>Name and Position</th>
<th>Year</th>
<th>Salary</th>
<th>Bonus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hans T. Sy</td>
<td>2015 (estimate)</td>
<td>₱92,000,000</td>
<td>₱15,000,000</td>
</tr>
<tr>
<td>President</td>
<td>2014 (actual)</td>
<td>84,000,000</td>
<td>14,000,000</td>
</tr>
<tr>
<td>Jeffrey C. Lim</td>
<td>2013 (actual)</td>
<td>55,000,000</td>
<td>9,000,000</td>
</tr>
<tr>
<td>Executive Vice-President</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>John Nai Peng C. Ong</td>
<td>2015 (estimate)</td>
<td>₱263,000,000</td>
<td>₱44,000,000</td>
</tr>
<tr>
<td>Chief Finance Officer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Anna Maria S. Garcia</td>
<td>2014 (actual)</td>
<td>239,000,000</td>
<td>40,000,000</td>
</tr>
<tr>
<td>Head, Malls</td>
<td>2013 (actual)</td>
<td>189,000,000</td>
<td>31,000,000</td>
</tr>
<tr>
<td>Jose Mari H. Banzon</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Head, Residential (Primary)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

All other officers* as a group

<table>
<thead>
<tr>
<th>Year</th>
<th>Salary</th>
<th>Bonus</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 (estimate)</td>
<td>₱263,000,000</td>
<td>₱44,000,000</td>
</tr>
<tr>
<td>2014 (actual)</td>
<td>239,000,000</td>
<td>40,000,000</td>
</tr>
<tr>
<td>2013 (actual)</td>
<td>189,000,000</td>
<td>31,000,000</td>
</tr>
</tbody>
</table>

*Managers & up

Certain officers of the Company are seconded from SMIC.

Other Arrangements

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

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

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

Warrants and Options Outstanding

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

**Significant Employees**

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

**Family Relationships**

Mr. Henry Sy, Sr. is the father of Teresita T. Sy, Elizabeth T. Sy, Henry T. Sy, Jr., Hans T. Sy, Herbert T. Sy and Harley T. Sy. All other directors and officers are not related either by consanguinity or affinity. There are no other family relationships known to the registrant other than the ones disclosed herein.
MARKET PRICE OF AND DIVIDENDS ON THE ISSUER’S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

HOLDERS OF THE ISSUER’S COMMON SHARES

As at 30 June 2015, the following are the top 20 stockholders of the Issuer.

<table>
<thead>
<tr>
<th>Stockholder Name</th>
<th>No. of shares</th>
<th>% to Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  SM Investments Corporation</td>
<td>14,325,013,606</td>
<td>49.60%</td>
</tr>
<tr>
<td>2  PCD Nominee Corp. (Non-Filipino)</td>
<td>5,445,276,321</td>
<td>18.86%</td>
</tr>
<tr>
<td>3  PCD Nominee Corp. (Filipino)</td>
<td>2,187,206,015</td>
<td>7.57%</td>
</tr>
<tr>
<td>4  Hans T. Sy</td>
<td>685,163,512</td>
<td>2.37%</td>
</tr>
<tr>
<td>5  Henry Sy, Jr.</td>
<td>680,818,440</td>
<td>2.36%</td>
</tr>
<tr>
<td>6  Teresita T. Sy</td>
<td>666,708,532</td>
<td>2.31%</td>
</tr>
<tr>
<td>7  Herbert T. Sy</td>
<td>666,389,522</td>
<td>2.31%</td>
</tr>
<tr>
<td>8  Harley T. Sy</td>
<td>661,643,367</td>
<td>2.29%</td>
</tr>
<tr>
<td>9  Elizabeth T. Sy</td>
<td>654,115,892</td>
<td>2.27%</td>
</tr>
<tr>
<td>10 Felicidad Sy</td>
<td>648,515,413</td>
<td>2.25%</td>
</tr>
<tr>
<td>11 Henry Sy, Sr.</td>
<td>341,395,579</td>
<td>1.18%</td>
</tr>
<tr>
<td>12 Syntrix Holdings, Inc.</td>
<td>317,827,670</td>
<td>1.10%</td>
</tr>
<tr>
<td>13 Sysmart Corporation</td>
<td>317,775,948</td>
<td>1.10%</td>
</tr>
<tr>
<td>14 Belle Corporation</td>
<td>108,615,313</td>
<td>0.38%</td>
</tr>
<tr>
<td>15 Sybase Equity Investments Corp</td>
<td>52,365,500</td>
<td>0.18%</td>
</tr>
<tr>
<td>16 Mountain Bliss Resort and Development Corp.</td>
<td>28,130,837</td>
<td>0.10%</td>
</tr>
<tr>
<td>17 Cutad, Inc.</td>
<td>19,694,544</td>
<td>0.07%</td>
</tr>
<tr>
<td>18 HSBB, Inc.</td>
<td>19,694,400</td>
<td>0.07%</td>
</tr>
<tr>
<td>19 Lucky Securities, Inc.</td>
<td>3,000,000</td>
<td>0.01%</td>
</tr>
<tr>
<td>20 Vicente O. Yu or Estrella R. Yu</td>
<td>2,890,157</td>
<td>0.01%</td>
</tr>
<tr>
<td></td>
<td>27,832,240,568</td>
<td>96.39%</td>
</tr>
</tbody>
</table>

As at 30 June 2015, the Issuer had 2,497 shareholders of its common shares. The foreign ownership level in the Issuer is 23%.
DIVIDENDS AND DIVIDEND POLICY

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

As at 30 June 2015, there are no restrictions that would limit the ability of the Issuer to pay dividends to the common stockholders, except with respect to ₱3.356 billion representing the cost of shares held in treasury and ₱40.785 billion representing accumulated equity in net earnings of subsidiaries. These earnings are not available for dividend distribution until such time that the Issuer receives the dividends from the subsidiaries.

In 2015, the Board of Directors (BOD) approved the declaration of cash dividend of ₱0.21 per share or ₱6,065 million to stockholders of record as of May 14, 2015, ₱10 million of which was received by SMDC. This was paid on June 9, 2015.

In 2014, the Board approved the declaration of cash dividends of ₱0.19 per share or ₱5,286 million to stockholders of record as of May 15, 2014, ₱9 million of which was received by SMDC. This was paid on June 10, 2014.

The dividends declared and paid out or issued by the Company’s subsidiaries during the years 2012, 2013 and 2014 are set out below.

<table>
<thead>
<tr>
<th>Subsidiary</th>
<th>Cash Dividends (in million ₱)</th>
<th>Stock Dividends (no. of shares in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2013</td>
</tr>
<tr>
<td>First Asia Realty Development Corp.</td>
<td>-</td>
<td>1,200.0</td>
</tr>
<tr>
<td>Premier Central, Inc.</td>
<td>150.0</td>
<td>-</td>
</tr>
<tr>
<td>Premier Southern Corp.</td>
<td>310.0</td>
<td>350.0</td>
</tr>
<tr>
<td>First Leisure Ventures Group, Inc.</td>
<td>20.0</td>
<td>40.0</td>
</tr>
<tr>
<td>Costa del Hamilo, Inc.</td>
<td>332.5</td>
<td>-</td>
</tr>
<tr>
<td>SM Development Corp. and subsidiaries</td>
<td>421.4</td>
<td>491.4</td>
</tr>
</tbody>
</table>

Aside from the companies listed above, none of the subsidiaries of SM Prime have declared and paid out or issued any cash or stock dividends during the last three years.

MARKET PRICE OF ISSUER’S COMMON EQUITY

The registrant’s common equity is principally traded at the Philippine Stock Exchange. The high and low sales prices for each period are indicated in the table below.

<table>
<thead>
<tr>
<th>(in ₱)</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>1st Quarter</td>
<td>20.60</td>
<td>16.70</td>
<td>15.52</td>
</tr>
<tr>
<td>2nd Quarter</td>
<td>21.35</td>
<td>18.40</td>
<td>17.20</td>
</tr>
<tr>
<td>3rd Quarter</td>
<td>NA</td>
<td>NA</td>
<td>18.38</td>
</tr>
<tr>
<td>4th Quarter</td>
<td>NA</td>
<td>NA</td>
<td>18.00</td>
</tr>
</tbody>
</table>
The total number of stockholders as at 30 June 2015 was 2,497. Market price of the Issuer’s shares as at [28 August 2015 was ₱19.50] per share.

RECENT SALES OF UNREGISTERED SECURITIES

As discussed in Note 20 of the consolidated financial statements, the Company registered with the SEC the ₱20 billion retail bonds issued on September 1, 2014. The issue consists of the five-year and six months or Series A Bonds amounting to ₱15,036 million with a fixed interest rate equivalent to 5.1000% per annum due on March 1, 2020, seven-year or Series B Bonds amounting to ₱2,362 million with a fixed interest rate equivalent to 5.2006% per annum due on September 1, 2021, and ten-year or Series C Bonds amounting to ₱2,602 million with a fixed interest rate equivalent to 5.7417% per annum due on September 1, 2024.

There are no other recent sales of unregistered or exempt securities, including recent issuance of securities constituting an exemption transaction. The Company has no other registered debt securities. There are no existing or planned stock options. There are no registered securities subject to redemption or call. There are no existing or planned stock warrant offerings.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Record and Beneficial Owners

As at 30 June 2015, the following are the owners of the Issuer’s common stock in excess of 5% of total outstanding shares:

<table>
<thead>
<tr>
<th>Title of Class</th>
<th>Name &amp; address of record owner &amp; relationship with Issuer</th>
<th>Name of beneficial owner &amp; relationship with record owner</th>
<th>Citizenship</th>
<th>No. of shares held</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common</td>
<td>SM Investments Corporation (parent company of Issuer)¹</td>
<td>Same as the record owner</td>
<td>Filipino</td>
<td>14,325,013,606 (b)</td>
<td>49.60%</td>
</tr>
<tr>
<td></td>
<td>One E-com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common</td>
<td>PCD Nominee Corp.²</td>
<td>PCD Participants²</td>
<td>Filipino - 7.57%</td>
<td>7,632,482,336 (r)</td>
<td>26.43%</td>
</tr>
<tr>
<td></td>
<td>MSE Bldg., Ayala Ave., Makati City</td>
<td></td>
<td>Non-Filipino - 18.86%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:

1. The following are the individuals holding the direct beneficial ownership of SMIC: Felicidad T. Sy – 3.21%, Henry T. Sy, Jr. - 7.28%, Hans T. Sy - 8.21%, Herbert T. Sy - 8.21%, Harley T. Sy - 7.29%, Teresita T. Sy - 7.11% and Elizabeth T. Sy-5.82%. Henry Sy, Sr. is the Chairman of SMIC and Teresita T. Sy and Henry Sy, Jr. are the Vice Chairmen of SMIC. They have the power to vote the common shares of SMIC in SM Prime.

2. The PCD participants have the power to decide how their shares are to be voted. There are no other individual shareholders which own more than 5% of the Company.
Security Ownership of Management

As at 30 June 2015, the following are the number of shares owned of record by the Issuer’s directors and key executive officers:

<table>
<thead>
<tr>
<th>Title of Class</th>
<th>Name of Beneficial Owner</th>
<th>Citizenship</th>
<th>Amount and Nature of Beneficial Ownership (d) Direct</th>
<th>Percent of Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Stock</td>
<td>Henry Sy, Sr.</td>
<td>Filipino</td>
<td>341,395,579 (i)</td>
<td>1.18%</td>
</tr>
<tr>
<td>Common Stock</td>
<td>Jose L. Cuisia, Jr.</td>
<td>Filipino</td>
<td>497,661 (d)(i)</td>
<td>0.00%</td>
</tr>
<tr>
<td>Common Stock</td>
<td>Teresita T. Sy</td>
<td>Filipino</td>
<td>666,708,532 (d)(i)</td>
<td>2.31%</td>
</tr>
<tr>
<td>Common Stock</td>
<td>Henry T. Sy, Jr.</td>
<td>Filipino</td>
<td>680,818,440 (d)</td>
<td>2.36%</td>
</tr>
<tr>
<td>Common Stock</td>
<td>Hans T. Sy</td>
<td>Filipino</td>
<td>685,163,512 (d)(i)</td>
<td>2.37%</td>
</tr>
<tr>
<td>Common Stock</td>
<td>Herbert T. Sy</td>
<td>Filipino</td>
<td>666,389,522 (d)(i)</td>
<td>2.31%</td>
</tr>
<tr>
<td>Common Stock</td>
<td>Elizabeth T. Sy</td>
<td>Filipino</td>
<td>654,115,892 (d)(i)</td>
<td>2.27%</td>
</tr>
<tr>
<td>Common Stock</td>
<td>Gregorio U. Kilayko</td>
<td>Filipino</td>
<td>202,580 (d)(i)</td>
<td>0.00%</td>
</tr>
<tr>
<td>Common Stock</td>
<td>Joselito H. Sibayan</td>
<td>Filipino</td>
<td>66,375 (d)</td>
<td>0.00%</td>
</tr>
<tr>
<td>Common Stock</td>
<td>Jorge T. Mendiola</td>
<td>Filipino</td>
<td>1,365,167 (d)(i)</td>
<td>0.00%</td>
</tr>
<tr>
<td>Common Stock</td>
<td>Jeffrey C. Lim</td>
<td>Filipino</td>
<td>50,000 (d)</td>
<td>0.00%</td>
</tr>
<tr>
<td>Directors and Executive Officers as a group</td>
<td></td>
<td></td>
<td>3,696,874,947</td>
<td>12.80%</td>
</tr>
</tbody>
</table>

Voting Trust Holders of 5% or More

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

Change in Control

No change in control in the Issuer has occurred since the beginning of its last fiscal year.

WARRANTS AND OPTIONS

As of the date of this Prospectus, there are no existing or planned stock options / stock warrant offerings.
DESCRIPTION OF DEBT

The Company is subject to covenants under agreements evidencing or governing its outstanding indebtedness, including but not limited to those set forth in loan agreements with local banks and financial institutions. Under these loans, the Company undertook to maintain the financial covenants set forth below.

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

Debt to Equity Ratio is calculated as the ratio of the Company’s total interest-bearing debt to total equity. Interest Coverage Ratio is calculated as the consolidated EBITDA of the Company divided by interest expense.

The Company does not believe that these covenants will impose constraints on its ability to finance its capital expenditure program or, more generally, to develop its business and enhance its financial performance. The Company is in full compliance with the covenants required by the creditors.
TAXATION

The statements herein regarding taxation are based on the laws in force as of the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Bonds are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Bonds.

Philippine Taxation

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

TAXATION OF INTEREST

The Tax Code provides that interest-bearing obligations of Philippine residents are Philippine sourced income subject to Philippine income tax. Interest income derived by Philippine citizens and alien resident individuals from the Bonds is thus subject to income tax, which is withheld at source, at the rate of 20% based on the gross amount of interest. Generally, interest on the Bonds received by non-resident aliens engaged in trade or business in the Philippines is subject to a 20% final withholding tax while that received by non-resident aliens not engaged in trade or business is subject to a final withholding tax rate of 25%. Interest income received by domestic corporations and resident foreign corporations from the Bonds is subject to a final withholding tax rate of 20%. Interest income received by non-resident foreign corporations from the Bonds is subject to a 30% final withholding tax.

The foregoing rates are subject to further reduction by any applicable tax treaties in force between the Philippines and the country of residence of the non-resident owner. Most tax treaties to which the Philippines is a party generally provide for a reduced tax rate of 15% in cases where the interest which arises in the Philippines is paid to a resident of the other contracting state. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected with such permanent establishment.

TAX-EXEMPT STATUS OR ENTITLEMENT TO PREFERENTIAL TAX RATE

Bondholders who are exempt from or are not subject to final withholding tax on interest income or entitled to be taxed at a preferential rate may claim such exemption or avail of such preferential rate by submitting the necessary documents. Said Bondholder shall submit the following requirements: (i) certified true copy of the tax exemption certificate, ruling or opinion issued by the BIR, confirming the exemption or preferential rate; (ii) with respect to tax treaty relief, a certified true copy of the ruling issued by the International Tax Affairs Division of the BIR, confirming that the preferential tax treatment sought by the Bondholder is applicable; (iii) a duly notarized undertaking to immediately notify the Issuer, the Registrar and the Paying Agent of any suspension or revocation of the tax exemption certificate, certificate, ruling or
opinion issued by the BIR, executed using the prescribed form, with a declaration and warranty of its tax exempt status or entitlement to a preferential tax rate, and an agreement to indemnify and hold the Issuer, the Registrar and the Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or incorrect withholding of the required tax; and (iv) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities; provided, that the Issuer, the Registrar and the Paying Agent shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Bondholder on the interest payments to such Bondholder; provided further that, all sums payable by the Issuer to tax-exempt entities shall be paid in full without deductions for taxes, duties, assessments, or government charges, subject to the submission by the Bondholder claiming the benefit of any exemption of the required documents and of additional reasonable evidence of such tax-exempt status to the Registrar.

The foregoing requirements shall be submitted, (i) in respect of an initial issuance of Bonds, to the underwriters or selling agents who shall then forward the same with the Application to Purchase to the Registrar; or (ii) in respect of a transfer from a Bondholder to a purchaser, to the Registrar within three days from settlement date.

VALUE-ADDED TAX

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

GROSS RECEIPTS TAX

Bank and non-bank financial intermediaries performing quasi-banking functions are subject to gross receipts tax on gross receipts derived from sources within the Philippines in accordance with the following schedule:

On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

| Maturity period is five years or less | 5% |
| Maturity period is more than five years | 1% |

Non-bank financial intermediaries not performing quasi-banking functions doing business in the Philippines are likewise subject to gross receipts tax. Gross receipts of such entities derived from sources within the Philippines from interests, commissions and discounts from lending activities are taxed in accordance with the following schedule based on the remaining maturities of the instruments from which such receipts are derived:

| Maturity period is five years or less | 5% |
| Maturity period is more than five years | 1% |

In case the maturity period of the instruments held by banks, non-bank financial intermediaries performing quasi-banking functions and non-bank financial intermediaries not performing quasi-banking functions is shortened through pre-termination, then the maturity period shall be reckoned to end as of the date of pretermination for purposes of classifying the transaction and the correct rate shall be applied accordingly.

Net trading gains realized within the taxable year on the sale or disposition of the Bonds by banks and nonbank financial intermediaries performing quasi-banking functions shall be taxed at 7%.
DOCUMENTARY STAMP TAX

A documentary stamp tax is imposed upon the issuance of debt instruments issued by Philippine companies, such as the Bonds, at the rate of P1.00 for each P200, or fractional part thereof, of the issue price of such debt instruments; provided that, for debt instruments with terms of less than one year, the documentary stamp tax to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to 365 days.

The documentary stamp tax is collectible wherever the document is made, signed, issued, accepted, or transferred, when the obligation or right arises from Philippine sources, or the property is situated in the Philippines. Any applicable documentary stamp taxes on the original issue shall be paid by the Issuer for its own account.

TAXATION ON SALE OR OTHER DISPOSITION OF THE BONDS

Income Tax

Any gain realized from the sale, exchange or retirement of bonds will, as a rule, form part of the gross income of the sellers, for purposes of computing the relevant taxable income subject to the regular rates of 32%, 25%, or 30%, as the case may be. If the bonds are sold by a seller, who is an individual and who is not a dealer in securities, who has held the bonds for a period of more than 12 months prior to the sale, only 50% of any capital gain will be recognized and included in the sellers' gross taxable income.

However, under the Tax Code, any gain realized from the sale, exchange or retirement of bonds, debentures and other certificates of indebtedness with an original maturity date of more than five years (as measured from the date of issuance of such bonds, debentures or other certificates of indebtedness) shall not be subject to income tax.

Moreover, any gain arising from such sale, regardless of the original maturity date of the bonds, may be exempt from income tax pursuant to various income tax treaties to which the Philippines is a party, and subject to procedures prescribed by the Bureau of Internal Revenue for the availing of tax treaty benefits.

Estate and Donor’s Tax

The transfer by a deceased person, whether a Philippine resident or a non-Philippine resident, to his heirs of the Bonds shall be subject to an estate tax which is levied on the net estate of the deceased at progressive rates ranging from 5% to 20%, if the net estate is over P200,000. A Bondholder shall be subject to donor’s tax based on the net gift on the transfer of the Bonds by gift at either (i) 30%, where the donee or beneficiary is a stranger, or (ii) at progressive rates ranging from 2% to 15% if the net gifts made during the calendar year exceed P100,000 and where the donee or beneficiary is not a stranger. For this purpose, a stranger is a person who is not a: (a) brother, sister (whether by whole or half-blood), spouse, ancestor or lineal descendant; or (b) relative by consanguinity in the collateral line within the fourth degree of relationship.

The estate or donor’s taxes payable in the Philippines may be credited with the amount of any estate or donor’s taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor.

The estate tax and the donor’s tax, in respect of the Bonds, shall not be collected (a) if the deceased, at the time of death, or the donor, at the time of the donation, was a citizen and resident of a foreign country which, at the time of his death or donation, did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (b) if the laws of the foreign country of which the deceased or donor was a citizen and resident, at the time of his...
death or donation, allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in the foreign country.

In case the Bonds are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the Bonds exceeded the value of the consideration may be deemed a gift and may be subject to donor's taxes.

**Documentary Stamp Tax**

No documentary stamp tax is imposed on the subsequent sale or disposition of the Bonds, trading the Bonds in a secondary market or through an exchange. However, if the transfer constitutes a renewal of the Bonds, documentary stamp tax is payable anew.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS OF
THE ISSUER

Audited Consolidated Financial Statements as at 31 December 2013 and 2014 and for the years ended 31 December 2012, 2013 and 2014 for the Issuer and its Subsidiaries

Independent Auditors’ Report

SM Prime Holdings, Inc. Consolidated Balance Sheets as at 31 December 2013 and 2014


SM Prime Holdings, Inc. Notes to Consolidated Financial Statements

Interim Condensed Consolidated Financial Statements as at 30 June 2015 and for the six-month periods ended 30 June 2014 and 2015 for the Issuer and its Subsidiaries

SEC Form 17-Q Quarterly Report for the six months ended 30 June 2015 for the Issuer and its Subsidiaries

Unofficial English Translation of the Audited Financial Statements for the year ended 31 December 2014 of the SM China Companies
The financial statements presented in the succeeding pages of this Prospectus represent the unofficial English translations of the audited financial statements of the SM China Companies for the year ending 31 December 2014, specifically the financial statements of SM Shopping Center (Chengdu) Co. Ltd., Xiamen SM City Co. Ltd., SM International Square Jinjiang City Fujian and SM Shopping Center (Suzhou) Co. Ltd. These unofficial English translations were not prepared by the independent auditors of the SM China Companies. The official audited financial statements of the SM China Companies are presented in the Mandarin language. There are no audited financial statements for the year ending 31 December 2014 for Xiamen SM Mall Management Co. Ltd., another SM China Company, which ceased operations in 2012. The Issuer makes no representations or warranties as to the completeness or accuracy of the English translations.
PARTIES TO THE OFFER

**Issuer**
SM PRIME HOLDINGS, INC.

**Joint Issue Managers and Joint Bookrunners**
BDO CAPITAL & INVESTMENT CORPORATION
FIRST METRO INVESTMENT CORPORATION

**Joint Lead Underwriters**
BDO CAPITAL & INVESTMENT CORPORATION
BPI CAPITAL CORPORATION
CHINA BANKING CORPORATION
FIRST METRO INVESTMENT CORPORATION

**Participating Underwriters**
[●]

**Trustee**
PHILIPPINE NATIONAL BANK TRUST BANKING GROUP

**Registrar and Paying Agent**
PHILIPPINE DEPOSITORY AND TRUST CORPORATION

**Legal Counsel to the Underwriters**
ANGARA ABELLO CONCEPCION REGALA & CRUZ

**Independent Auditors**
SGV & Co.