

TOP FRONTIER INVESTMENT HOLDINGS, INC.

**Distribution of 240,196,000 Common Shares
of the Capital Stock of Top Frontier Investment Holdings, Inc. as
Property Dividends to the Stockholders of San Miguel Corporation**

and

**Listing By Way of Introduction of
490,196,200 Common Shares
of the Capital Stock of Top Frontier Investment Holdings, Inc. on
the Main Board of the Philippine Stock Exchange
with an Initial Listing Price of ₱178.00 Per Share**

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.

THIS PROSPECTUS IS BEING DELIVERED IN CONNECTION WITH THE DIVIDEND DISTRIBUTION OF SAN MIGUEL CORPORATION AND THE APPLICATION FOR REGISTRATION OF ALL OF THE OUTSTANDING COMMON SHARES OF TOP FRONTIER INVESTMENT HOLDINGS, INC. WITH THE SECURITIES AND EXCHANGE COMMISSION. AN APPLICATION FOR LISTING BY WAY OF INTRODUCTION HAS BEEN FILED WITH, BUT HAS NOT BEEN APPROVED BY, THE PHILIPPINE STOCK EXCHANGE AS OF THE DATE OF THIS PROSPECTUS.

This Preliminary Prospectus is dated October 23, 2013

TOP FRONTIER INVESTMENT HOLDINGS, INC.

5TH Floor, ENZO Building
399 Sen. Gil Puyat Avenue
Makati City
Philippines
Telephone Number: (632) 631-6110

This Prospectus relates to the common shares of the capital stock ("Common Shares") of Top Frontier Investment Holdings, Inc. (the "Company" or "Top Frontier" or the "Issuer"), a corporation organized under Philippine law, in connection with (a) the distribution by San Miguel Corporation ("SMC") of 240,196,000 Common Shares of the Company (the "Dividend Shares") as property dividends (the "Dividend Distribution") to all holders of common shares of record of SMC as of November 5, 2013 (the "SMC Common Shareholders"), and (b) the registration with the SEC ("Registration"), and the listing by way of introduction, of 490,196,200 Common Shares on the Main Board of the Philippine Stock Exchange ("PSE"), representing 100% of the issued Common Shares of the Company ("Listing").

As of the date of this Prospectus, the Issuer has an authorized capital stock of ₱1,000,000,000.00, comprised of 740,000,000 Common Shares, each with a par value of ₱1.00, and 2,600,000 preferred shares ("Preferred Shares"), each with a par value of P100.00. As of the same date, the Issuer has issued 490,196,200 Common Shares and 1,904,540 Preferred Shares, exclusive of 693,500 preferred shares held in treasury.

At the time of the Dividend Distribution, SMC was the legal or beneficial owner of all of the Dividend Shares, or 49% of the Issuer's outstanding capital stock. On October 17, 2013, the Board of Directors of SMC approved the Dividend Distribution which, subject to the approval of the Securities and Exchange Commission ("SEC"), will result in the distribution to SMC Common Shareholders of one Common Share for approximately every ten common shares owned and registered in the name of the SMC Common Shareholders as of November 5, 2013. A registration statement covering 490,196,200 Common Shares was filed by the Company on October 23, 2013. The Common Shares subject of the registration statement are covered by (i) the application for the approval of the Dividend Distribution, which will be filed by SMC on November 5, 2013, and (b) the application for the Registration and the Listing of the Common Shares filed by the Company with the SEC and the PSE, respectively, on October 22, 2013.

The Company is the legal and beneficial owner of 1,573,100,340 common shares in SMC, or approximately 66.1% of the outstanding common stock of SMC; as such, the Company is entitled to its proportionate share of the Dividend Shares amounting to 157,310,034 Common Shares. The Company shall place all Dividend Shares that it receives through the Dividend Distribution into treasury stock.

The Dividend Distribution will increase the number of the Company's stockholders from thirteen, including eleven individuals holding at least 100 Common Shares each, to about 37,000 stockholders (excluding SMC), approximately 30,170 of whom will hold at least ten Common Shares. It will also allow the Company to apply for the Listing pursuant to Section 1(b) of the Amended Rules on Listing by Way of Introduction of the PSE.

Subject to approval by the SEC of the Dividend Distribution, SMC expects to start distributing the Dividend Shares within five days from receipt of the final approval of the registration statement by the SEC and the approval by the PSE of the Listing, whichever comes last.

The Company and its stockholders will not be offering Common Shares to the public for subscription or sale in connection with the Dividend Distribution or the Listing. Consequently, there will be no increase in the total number of outstanding Common Shares as a result of the Dividend Distribution and the Listing, but the total number of outstanding Common Shares will decrease from 490,196,200

to 332,886,166, or by the amount of the Dividend Shares received by the Company as part of the Dividend Distribution and which shall be placed by the Company into treasury.

The Company believes that the price of the Common Shares is of such amount, and the Common Shares would be so widely held, that their adequate marketability when listed can be assumed. There will be no underwriter for, and no proceeds from, the Dividend Distribution and Listing. Nonetheless, the indicative reference opening price (“Initial Listing Price”) of the Common Shares upon Listing shall be at ₱178.00 per share based on the Valuation and Fairness Opinion dated October 10, 2013 and issued by Punongbayan & Araullo, an independent advisor. The Valuation and Fairness Opinion is annexed to this Prospectus.

All of the Common Shares are unclassified and have identical rights and privileges. The Common Shares may be owned by any person or entity regardless of citizenship or nationality. However, considering that the Company currently holds substantial shareholdings in corporations that currently hold Mineral Production Sharing Agreements (“MPSA”), no more than 40% of its issued and outstanding capital stock should be owned by foreigners in order to maintain the Philippine nationality of the Company and the corporations in which it has invested (where Philippine nationality is required because such corporations hold MPSAs). Only Filipino citizens or corporations or associations at least 60% of whose capital is owned by Filipino citizens are qualified to hold MPSAs.

Each holder of the Common Shares will be entitled to such dividends as may be declared by the Company’s Board of Directors (the “Board”), provided that any stock dividend declaration requires the approval of shareholders holding at least two-thirds of the Company’s total outstanding capital stock. Dividends may be declared only from the Company’s unrestricted retained earnings. Currently, the Company does not have a dividend policy; however, the Board may decide to adopt a dividend policy after the Listing. In any event, there can be no guarantee that the Company will pay any dividends in the future. See “Dividends and Dividend Policy” on page 95 of this Prospectus.

The Company confirms that (a) this Prospectus contains all information with respect to the Company, which is material in the context of the Dividend Distribution and Listing; (b) the statements contained in it relating to the Company are in every material respect true and accurate and not misleading; (c) there are no other facts in relation to the Company or the Common Shares which would make any statement in this Prospectus misleading in any material respect; and (d) reasonable inquiries have been made by the Company to ascertain facts, information and statements in this Prospectus. The Company accepts full responsibility for the accuracy of the information contained in this Prospectus.

Information relating to entities other than the Company’s subsidiaries and affiliates in this Prospectus was obtained from publicly available sources that are believed to be reliable but such information has not been independently verified. The Company does not make any representation as to the accuracy of such information regarding such entities.

References to the Company and the Issuer are references to Top Frontier Investment Holdings, Inc. and its consolidated subsidiaries as the context requires.

Forward Looking Statements and Use of Estimates

This Prospectus includes forward-looking statements and information that involve risks and uncertainties. These statements involve known and unknown risks, uncertainties and other factors that may cause the Company’s actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. Forward-looking statements include, but are not limited to, statements about:

- the performance of the various investments of SMC;
- the performance of the mining sector in the Philippines;
- the global economic environment and industry outlook;
- the availability of bank loans and other forms of financing;
- changes in political, economic, legal and social conditions in the Philippines;
- changes in competitive conditions and the Company's ability to compete under these conditions;
- the Company's ability to manage its growth and diversified businesses;
- the performance of the obligations and commitments of the Company's joint venture partners under existing service contracts, operating contracts and future agreements; and
- other factors beyond the Company's control.

In some cases, one can identify forward-looking statements by terms such as "may," "might," "objective," "intend," "should," "could," "can," "would," "expect," "believe," "estimate," "predict," "potential," "plan," or the negative of these terms, and similar expressions intended to identify forward-looking statements. These statements reflect the Company's current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, one should not place undue reliance on these forward-looking statements. Many of these risks are discussed in greater detail in this Prospectus under the heading "Risk Factors." Also, these forward-looking statements represent estimates and assumptions only as of the date of this Prospectus. Unless required under Philippine law, the Company does not intend to update any of these forward-looking statements to reflect circumstances or events that occur after the statement is made.

One should read this Prospectus and the documents referenced in this Prospectus and filed as exhibits to the registration statement, of which this Prospectus is a part completely and with the understanding that actual future results may be materially different from what the Company expects. Forward-looking statements contained herein are qualified by these cautionary statements.

This Prospectus includes estimates made by the Company and third parties of mineral reserves and resources. Estimates of reserves and resources should be regarded only as estimates that may change as additional technical and commercial information becomes available. Not only are such estimates based on information which are currently available, but such estimates are also subject to the uncertainties inherent in the application of judgmental factors in interpreting such information. The quantities that might actually be recovered should they be discovered and developed may differ significantly from the estimates presented herein.

As of the date of this Prospectus, the Company has not independently verified the estimates provided by third parties. As estimates of reserves and resources change over time, the Company will have to adjust its business plans and strategies. Any significant downward revision in the estimates of reserves and resources may adversely affect the Company's financial condition, future prospects and market value.

The distribution of this Prospectus in certain jurisdictions may be restricted by law. Persons who come into possession of this Prospectus should inform themselves with and comply with any such restrictions.

Investor Relations

For investor relations matters, please contact Ms. Maria Rosario Balanza, at (632) 632-3431.

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.

RAMON S. ANG

President and Chief Executive Officer
Top Frontier Investment Holdings, Inc.

**REPUBLIC OF THE PHILIPPINES)
CITY OF MANDALUYONG) S.S.**

Before me, a notary public in and for the city named above, personally appeared:

Name	Valid ID	Date/Place of Issue
Top Frontier Investment Holdings, Inc.		
Represented by:		
Ramon S. Ang	Passport: XX0748364	11 July 2011; DFA, Manila

who was identified by me through competent evidence of identity to be the same person who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

Witness my hand and seal this _____ at Mandaluyong City.

Doc. No.: ____
Page No.: ____
Book No.: ____
Series of 2013.

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SUMMARY

The following summary is qualified in its entirety by more detailed information, including the Company's consolidated financial statements and notes relating thereto, beginning on page 139 of this Prospectus.

OVERVIEW OF THE COMPANY

The Company is a Philippine corporation organized in March 2008 as a holding company. Top Frontier is the largest shareholder of SMC in which it holds 1,573,100,340 common shares, or 66.1 % of SMC's total outstanding common stock, as of August 31, 2013. On August 30, 2013, Top Frontier acquired 100% of the outstanding common stock of Clariden Holdings, Inc. ("Clariden"), a holding company with interests in mining exploration and development. Other than its ownership of SMC and Clariden, the Company has no other operations as of the date of this Prospectus.

SAN MIGUEL CORPORATION

Established in 1890 as a single brewery in the Philippines, SMC, through its subsidiaries and affiliates (collectively, the "SMC Group"), has become a Philippine market leader in its established businesses in beverage, food and packaging industries with over 18,000 employees and more than 100 production facilities in the Asia-Pacific region as of December 31, 2012. The extensive portfolio of SMC products includes beer, liquor, non-alcoholic beverages, poultry, animal feeds, flour, meat, dairy products, coffee and various packaging products, most of which are market leaders in their respective industries.

In 2007, in light of the opportunities presented by the global financial crisis, the ongoing program of asset and industry privatization of the Philippine government, the strong cash position of SMC enhanced by recent divestments and the strong cash flow generated by its established businesses, SMC adopted an aggressive business diversification program. The program channelled the resources of SMC into what it believes were attractive growth sectors, aligned with the development and growth of the Philippine economy. SMC believes this strategy will achieve a more diverse mix of sales and operating income, better position SMC to access capital, present different growth opportunities and mitigate the impact of downturns and business cycles.

Since January 1, 2008, SMC, either directly or through its subsidiaries, has made a series of acquisitions in the fuel and oil, energy, infrastructure, mining, telecommunications, banking and airline industries.

Beverage

The beverage business consists of brewing, distilling, selling, marketing and distributing beer, liquor and non-alcoholic beverages. SMC conducts its beverage business through majority-owned subsidiaries: San Miguel Brewery Inc. ("SMB") for beer and Ginebra San Miguel Inc. ("Ginebra") for liquor and non-alcoholic beverages. SMB sells the dominant beer brands in the Philippines, with a total market share of more than 90% according to Canadean data. Ginebra produces some of the most recognizable brands in the Philippine liquor market.

Food

The food business holds numerous market leading positions in the Philippine food industry, offering a broad range of high-quality food products and services to both household and food service customers. The food business is conducted through San Miguel Pure Foods Company, Inc. ("San Miguel Pure Foods"). The business is organized into business clusters: Agro-Industrial (poultry, feeds and fresh meats); Value-Added Meats (processed meats); Milling (flour and flour

products); and Dairy Spreads and Oil (“DSO”), ice cream, coffee, food service, retail and miscellaneous businesses.

Packaging

The packaging business has one of the largest packaging operations in the Philippines, producing glass, metal, plastic, aluminum cans, paper, flexibles, PET and other packaging products. The packaging business is conducted through the SMC Group’s packaging division, comprised of San Miguel Yamamura Packaging Corporation, San Miguel Yamamura Packaging International Ltd, San Miguel Yamamura Asia Corporation and Mindanao Corrugated Fibreboard, Inc. The packaging business is the major source for packaging products for the other businesses of SMC. It also supplies its products to major multinational corporations in the Philippines and customers across the Asia-Pacific region, the United States, Africa, Australia and the Middle East as well as to major multinational corporations in the Philippines.

Properties

San Miguel Properties, Inc. (“SMPI”) was established in 1990 initially as the corporate real estate arm of SMC. It is the primary property subsidiary of SMC and is currently 99.9% owned by SMC. SMPI is presently engaged in commercial property development, sale and lease of real properties, management of strategic real estate ventures and corporate real estate services.

Fuel and Oil

SMC operates its fuel and oil business through Petron Corporation (“Petron”), in which SMC holds a 68.3% interest. Petron refines crude oil and markets and distributes refined petroleum products in the Philippines and Malaysia. In the Philippines, Petron is the largest integrated oil refining and marketing company, with an overall market share of 38.5% of the Philippine oil market in terms of sales volume based on industry data from the DOE as of December 31, 2012. Petron had a 16.6% share of the Malaysian retail market as of December 31, 2012, according to Metrix Research estimates, the market research consultant appointed by Malaysian retail market participants to compile industry data.

Energy

The energy business of SMC is one of the leaders in the Philippine power generation industry in terms of installed capacity. The energy business of SMC is conducted through SMC Global Power Holdings Corp. (“SMC Global Power”). SMC, through the SMC Global Power subsidiaries, administers three power plants, located in Sual, Pangasinan (coal-fired), Ilijan, Batangas (natural gas) and San Roque, Pangasinan (hydroelectric), with a combined capacity of 2,545 MW, pursuant to the Independent Power Producer Administration (“IPPA”) agreements with Power Sector Assets and Liabilities Management Corporation (“PSALM”) and National Power Corporation of the Philippines (“NPC”).

Infrastructure

The infrastructure business of SMC consists of investments in companies which hold long-term concessions in the Philippines’ infrastructure sector. Current projects include the Tarlac-Pangasinan-La Union Expressway (“TPLEX”), Boracay Airport, NAIA Expressway and MRT-7 Light Rail and Road Project.

Telecommunications

SMC, through Vega Telecom Inc. ("Vega"), holds a 41.5% equity interest in Liberty Telecoms Holdings, Inc. In 2010, SMC acquired 100.0% of BellTel, a full-service telecommunications company which is licensed to provide a range of services throughout the Philippines. In 2010, SMC, through Vega, acquired 100% of the outstanding and issued shares of stock of A.G.N. Philippines, Inc. ("AGNP"), the beneficial owner of approximately 40.0% of Eastern Telecommunications Philippines, Inc. ("ETPI"). On October 20, 2011, SMC through its wholly owned subsidiary, San Miguel Equity Securities, Inc. ("SMESI"), acquired an additional 37.7% of the outstanding and issued shares of stock of ETPI, bringing its total indirect equity interests in ETPI to 77.7% as of December 31, 2012.

Airline

SMC, through San Miguel Equity Investments Inc. ("SMEI"), owns a 49% equity interest in each of Trustmark Holdings Corporation and Zuma Holdings and Management Corporation, the holding companies of Philippine Airlines, Inc. ("PAL") (through PAL Holdings, Inc.) and Air Philippines Corporation ("Air Phil"), respectively.

Mining

SMC, through San Miguel Energy Corporation ("SMEC"), owns 100.0% interest in the concession holders namely, Daguma Agro Minerals, Inc. ("DAMI"), Bonanza Energy Resources, Inc. ("BERI"), and Sultan Energy Phils. Corp. ("Sultan"), each of which is engaged in coal mining exploration activities in Mindanao. SMC also has a 3.99% interest in Indophil, which indirectly holds a 15.0% interest in an entity with rights to explore, develop, and operate the Tampakan gold and copper project.

Banking

SMC, through SMPI, currently holds approximately 39.9% of the Bank of Commerce, a commercial bank licensed to engage in commercial banking operations in the Philippines.

CLARIDEN HOLDINGS, INC.

The Company, through Clariden, holds mining tenements in various areas in the Philippines. These mining tenements, owned by Clariden's various subsidiaries, include: (i) Mineral Production Sharing Agreements (MPSAs) for the Nonoc Nickel Project, Mt. Cadig Nickel Project and Lo-oc Limestone Project, (ii) Exploration Permits (EPs) for certain areas under the Bango Gold Project, and (iii) pending Application for Production Sharing Agreement (APSA) and pending Exploration Permit Applications (EXPA) for other areas of the Bango Gold Project. A subsidiary of Clariden was also chosen as the contractor under a Joint Operating Agreement to be executed for the North Davao Project.

In 2012, the Company had total revenues of ₱2,665.3 million, income from operations of ₱2,508.0 million and a net loss of ₱12,433.0 million.

RISKS OF INVESTING

Neither the Company nor its stockholders will be offering Common Shares to the public for subscription or sale in connection with the Dividend Distribution or the Listing. Nevertheless, investors should carefully consider the risks associated with an investment in the Common Shares. These risks include:

- risks relating to the Company and its businesses;
- risks relating to the Philippines; and
- risks relating to the Common Shares.

Please refer to the section entitled "Risk Factors" on page 18 of this Prospectus, which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with any investment in the Shares.

SUMMARY FINANCIAL INFORMATION

The selected consolidated financial information set forth in the following tables have been derived by the Company from its consolidated financial statements which have been audited by independent auditors, Manabat Sanagustin & Co., CPAs (the "Auditors") in accordance with Philippine Financial Reporting Standards. These financial data should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and related notes included elsewhere in this Prospectus.

The information below is not necessarily indicative of the results of future operations and does not purport to project the results of the Company's operations or financial condition for any future period or date.

<i>(Amounts in Thousands of Pesos, Except Per Share data)</i>	For the years ended December 31,			For the eight-month periods ended August 31,	
	2010	2011	2012	2012	2013
STATEMENTS OF COMPREHENSIVE INCOME					
Dividend income	12,088,639	1,568,321	2,665,261	1,564,091	1,101,170
Gain on sale of available-for-sale financial assets	-	1,137,775	-	-	-
	<u>12,088,639</u>	<u>2,706,096</u>	<u>2,665,261</u>	<u>1,564,091</u>	<u>1,101,170</u>
Operating expenses	<u>1,134,695</u>	<u>371,996</u>	<u>157,214</u>	<u>150,211</u>	<u>1,526</u>
INCOME FROM OPERATIONS	<u>10,953,944</u>	<u>2,334,100</u>	<u>2,508,047</u>	<u>1,413,880</u>	<u>1,099,644</u>
Finance income (costs)	<u>53,455,519</u>	<u>(13,469,512)</u>	<u>(19,939,527)</u>	<u>(14,959,714)</u>	<u>(5,067,741)</u>
Income (loss) before income tax	64,409,463	(11,135,412)	(12,431,480)	(13,545,834)	(3,968,097)
Income tax expense	-	868	1,479	1,621	74
Net Income (Loss)	<u>64,409,463</u>	<u>(11,136,280)</u>	<u>(12,432,959)</u>	<u>(13,547,455)</u>	<u>(3,968,171)</u>
OTHER COMPREHENSIVE INCOME (LOSS)	<u>120,837,704</u>	<u>(75,459,571)</u>	<u>(12,698,535)</u>	<u>(2,316,073)</u>	<u>(47,822,250)</u>
TOTAL COMPREHENSIVE INCOME (LOSS)	<u><u>185,247,167</u></u>	<u><u>(86,595,851)</u></u>	<u><u>(25,131,494)</u></u>	<u><u>(15,863,528)</u></u>	<u><u>(51,790,421)</u></u>

	As at December 31,		As at August 31,
	2011	2012	2013
<i>In Thousand Pesos</i>			
CONSOLIDATED BALANCE SHEETS			
Current Assets			
Cash and cash equivalents	28,720	202,681	711,321
Dividend receivable	-	550,585	76,165
Prepayments and other current assets	8,817	9,790	90,967
Total Current Assets	37,537	763,056	878,453
Noncurrent Assets			
Available-for-sale (AFS) financial assets	169,110,711	165,804,776	117,982,526
Advances for investment in shares of stock	9,392,600	-	-
Derivative assets	16,602,012	-	-
Property, plant and equipment - net	-	-	137,610
Mineral rights and evaluation assets	-	-	13,638,036
Deferred tax assets	-	-	311,833
Goodwill	-	-	1,643,990
Other noncurrent assets	370	247	234,931
Total Noncurrent assets	195,105,693	165,805,023	133,948,926
TOTAL ASSETS	195,143,230	166,568,079	134,827,379
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and other current liabilities	23,834,960	10,895,252	13,900,535
Loans payable – net of debt issue costs	-	-	28,716,468
Total Current Liabilities	23,834,960	10,895,252	42,617,003

**Noncurrent
Liabilities**

Premium liability	1,842,727	-	-
Deferred tax liabilities	-	-	590,032
Accrual for mine rehabilitation and decommissioning	-	-	16,115
Retirement liability	-	-	8,485
Loans payable - net of debt issue costs	-	26,098,142	-
Other noncurrent liabilities	-	-	14,744,077
Total Noncurrent Liabilities	1,842,827	26,098,142	15,358,709

Equity

Capital stock	750,000	750,000	750,000
Additional paid-in capital	92,500,000	92,500,000	92,500,000
Unrealized gain on AFS financial asset	26,425,499	13,726,964	(34,095,286)
Retained Earnings	49,790,044	35,496,821	31,262,967
Treasury stock	-	(12,899,100)	(12,899,100)
	169,465,543	129,574,685	77,518,581
Non-controlling Interests	-	-	(666,914)
TOTAL EQUITY	169,465,543	129,574,685	76,851,667
TOTAL LIABILITIES AND EQUITY	195,143,230	166,568,079	134,827,379

	For the years ended December 31,			For the eight-month periods ended August 31,	
<i>(Amounts in Thousands of Pesos)</i>	2010	2011	2012	2012	2013
CONSOLIDATED STATEMENTS OF CASH FLOWS:					
Cash Flows from Operating Activities	11,111,124	1,253,573	2,087,061	927,061	1,532,265
Cash Flows from Investing Activities	(27,635,963)	(8,236,697)	-	-	155,723
Cash Flows from Financing Activities	16,878,451	6,230,192	(1,911,457)	(433,188)	(1,179,365)
Effects of Exchange Rate Changes on Cash and Cash Equivalents	6,560	128	(1,643)	(2,950)	17
Net Increase (Decrease) in Cash and Cash Equivalents	360,172	(752,804)	173,961	490,923	508,640
Cash and Cash Equivalents at Beginning of Period	421,352	781,524	28,720	28,720	202,681
Cash and Cash Equivalents at End of Period	781,524	28,720	202,681	519,643	711,321

GLOSSARY OF TERMS

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. In addition, certain terms are defined in the body of this Prospectus.

Air Phil	Air Philippines Corporation
AFS	Available-for-sale investments
Articles of Incorporation	The Articles of Incorporation of the Company, as amended as of the date of this Prospectus
Asia Alliance	Asia-Alliance Mining Resources Corp.
BAI	Bureau of Animal Industry
BIR	Bureau of Internal Revenue
Board or Board of Directors	The board of directors of Top Frontier Investment Holdings, Inc.
By-Laws	The By-Laws of the Company, as amended as of the date of this Prospectus
Clariden	Clariden Holdings, Inc.
Common Shares	The common shares of stock of the Company, each with a par value of ₱1.00, of which 490,196,200 Common Shares are outstanding
Constitution	1987 Philippine Constitution
Consumer Act	Republic Act No. 7394, otherwise known as the Consumer Act of the Philippines
DENR	Department of Environment and Natural Resources
Dividend Distribution	The distribution by SMC of the Dividend Shares as property dividends to the SMC Common Shareholders.
Dividend Shares	240,196,000 Common Shares subject of the Dividend Distribution
DA	Department of Agriculture
DOE	Department of Energy
DOH	Department of Health
EAHC	Excelon Asia Holding Corporation
ECC	Environmental Compliance Certificate
EGF	Environmental Guarantee Fund
EISS Law	Presidential Decree No. 1586
EMB	Environmental Management Bureau

EO 79	Executive Order No. 79
EPIRA	Republic Act No. 9136, otherwise known as the “Electric Power Industry Reform Act of 2000”
ERC	Energy Regulatory Commission
FDA	Food and Drugs Administration
FDDC Act	Republic Act No. 9711, otherwise known as the “FDA Act of 2009”
FIA	Republic Act No. 7042, as amended, otherwise known as the “Foreign Investment Act of 1991”
FTAA	Financial or Technical Assistance Agreement
Ginebra	Ginebra San Miguel, Inc.
Government	The government of the Republic of the Philippines
Group	The Company and the corporations in which it has invested
Initial Listing Price	P178 per Common Share, which is the indicative reference opening price of the Common Shares upon Listing as confirmed by the valuation report and fairness opinion issued by Punongbayan & Araullo on October 17, 2013
JORC	Australasian Joint Ore Reserves Committee
Local Government Code	Republic Act No. 7160, otherwise known as the “Local Government Code of 1991”
LGU	Local government unit
Listing	The listing by way of introduction of 490,196,200 Common Shares on the Main Board of the PSE
LME	London Metal Exchange
Meat Inspection Code	Republic Act No. 9296, otherwise known as the “Meat Inspection Code of the Philippines”
MGB	Mines and Geosciences Bureau
MPSA	Mineral Production Sharing Agreement
MYL	Master Year Limited
NIRC	National Internal Revenue Code
NMPI	New Manila Properties, Inc.
NPC	National Power Corporation
Oil Deregulation Act	Republic Act No. 8479, otherwise known as the “Downstream Oil Industry Deregulation Act of 1998”

₱	Philippine pesos, the legal currency of the Republic of the Philippines
P&A	Punongbayan & Araullo
PAL	Philippine Airlines, Inc.
PCDNC	PCD Nominee Corporation
Petron	Petron Corporation
PHL	Philnico Holdings Limited
Philippine Mining Act	Republic Act No. 7942, otherwise known as the “Philippine Mining Act of 1995”
PIC	Philnico Industrial Corporation
PMDC	Philippine Mining Development Corp.
PMRC	Philippine Mineral Reporting Code
PNPI	Pacific Nickel Philippines, Inc.
PPC	Philnico Processing Corp.
Preferred Shares	The preferred shares of stock of the Company, each with a par value of ₱100.00
Prima Lumina	Prima Lumina Gold Mining Corp.
PSE	The Philippine Stock Exchange, Inc.
RA 8762	Republic Act No. 8762, otherwise known as the “Retail Trade Liberalization Act of 2000”
Reserves	The calculated amount of mineral resources estimated to be produced from a mining concession. Proven reserves are estimates with reasonable certainty. Probable and possible reserves are estimates with less certainty than proven reserves.
ROP	Republic of the Philippines
SEC	The Philippine Securities and Exchange Commission
SMB	San Miguel Brewery Inc.
SMC	San Miguel Corporation
SMC Common Shareholders	Holders of record of common shares of SMC as of November 5, 2013
SMC Global Power	SMC Global Power Holdings Corp.
SMC Group	SMC and its subsidiaries

San Miguel Pure Foods	San Miguel Pure Foods Company, Inc.
SMPI	San Miguel Properties, Inc.
SRC	Republic Act No. 8799, otherwise known as the Securities Regulation Code
SWCC	South Western Cement Corporation
Tax Code	National Internal Revenue Code of the Philippines, as amended
Top Frontier or the Company or the Issuer	Top Frontier Investment Holdings, Inc., including as the context requires, its subsidiaries
US\$	United States Dollars, the legal currency of the United States of America
VMI	V.I.L. Mines, Incorporated

RISK FACTORS

GENERAL RISK WARNING

An investment in the Common Shares involves a number of risks. Investors should carefully consider the risks described below, in addition to other information contained in this Prospectus (including the Company's consolidated financial statements and notes relating thereto which are included herein), whenever making any investment decision relating to the Common Shares. The Company's past performance is not an indication of its future performance. Investors deal in a range of investments, each of which may carry a different level of risk. The occurrence of any of the events discussed below and any additional risks and uncertainties not presently known to the Company or that are currently considered immaterial could have a material adverse effect on the Company's business, results of operations, financial condition and prospects, and cause the market price of the Common Shares to fall significantly and investors may lose all or part of their investment.

Investors deal in a range of investments each of which may carry a different level of risk.

This Prospectus contains forward-looking statements that involve risks and uncertainties. The Company adopts what it considers conservative financial and operational controls and policies to manage its business risks. The actual results may differ significantly from the results discussed in the forward-looking statements. See section "Forward-Looking Statements" on page ii of this Prospectus. Factors that might cause such differences, thereby making any investment in the Common Shares speculative or risky, may be summarized into those that pertain to the business and operations of the Company, in particular, and those that pertain to the over-all political, economic and business environment in general. These risk factors and the manner by which these risks may be managed are presented below. The risk factors discussed in this section are of equal importance and are only separated into categories for easy reference.

PRUDENCE REQUIRED

This section does not purport to disclose all the risks and other significant aspects of an investment in the Common Shares. Investors should undertake independent research regarding the Company and the trading of securities before commencing any trading activity, and any investor may request all publicly available information regarding the Company and the Common Shares from the SEC and the PSE.

PROFESSIONAL ADVICE

An investor should seek professional advice if he or she is uncertain of, or has not understood any aspect of the securities to be invested in or the nature of risks involved in holding and trading of such securities, especially in the trading of high-risk securities. Each investor should consult its own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of an investment in the Common Shares.

RISKS RELATING TO THE COMPANY'S BUSINESS

There are uncertainties inherent in the businesses in which the Company is invested in. These include, but are not limited to:

Reliance on dividend income from SMC

The traditional businesses of SMC comprise primarily of beverage, food and packaging products. Over the last five years, SMC has embarked on a diversification strategy and has expanded into a number of new businesses, including fuel and oil, energy, infrastructure, mining, telecommunications, airline and other businesses outside of its traditional businesses. SMC has implemented this strategy through a series of acquisitions and investments and intends to continue to pursue its diversification strategy. SMC intends to make further acquisitions and investments to enhance its product and brand portfolio and realize other strategic and cost benefits.

The diversification strategy of SMC involves a number of risks and challenges, including the substantial financial investments required to implement this strategy, diversion of the time of management and resources to focus on implementing the strategy and managing a broader scope of businesses and risks inherent in making new acquisitions and investments. Growth through acquisitions involves business risks, including unforeseen contingent risks, latent business liabilities and other challenges that may only become apparent after the acquisition is finalized, such as the successful integration and management of the acquired business by SMC, retention of key personnel, joint sales and marketing efforts, management of a larger business and diversion of the attention of management from other ongoing business matters.

There is no assurance that SMC will achieve the anticipated benefits, expected returns, strategic benefits or synergies of an acquisition, or that SMC will be as successful in new businesses as it has been in its traditional businesses. The inability of SMC to successfully implement its diversification strategy, to integrate acquired businesses or to realize the anticipated benefits of acquisitions or investments may have a material adverse effect on the business, financial condition and results of operation of SMC. As SMC's largest shareholder, and as dividend income from SMC comprises a substantial portion, if not all, of the Company's revenues, such material adverse effects will have a direct impact on the Company's business, financial condition and results of operations.

In addition, SMC faces specific risks to its traditional businesses, including, but not limited to:

- ***Possible disagreements among the joint venture partners of SMC***

The businesses of some of the subsidiaries and associates of SMC are conducted through joint ventures with other partners, including Kirin Holdings Company Limited for beer, Hormel Foods Corporation for processed meats, and Nihon Yamamura Glass Co., Ltd. for various packaging products. Cooperation among the joint venture partners on business decisions is crucial to the sound operation and financial success of these joint venture companies. Although SMC believes it maintains good relationships with its joint venture partners, there is no assurance that these relationships will be sustained in the future or that problems will not develop. For example, the joint venture partners of SMC may be unable or unwilling to fulfill their obligations, take actions contrary to its policies or objectives, or may experience financial difficulties. If any of these events occur, the businesses of these joint ventures could be severely disrupted, which could

have a material adverse effect on the financial condition and results of operations of SMC.

SMC makes sure that its joint venture partners, as well as its principal shareholders, have long and successful experience in their respective industries and businesses. SMC conducts extensive due diligence on potential partners to ensure that such potential partners have the capability, expertise and reputation to successfully participate in their respective joint ventures. Joint venture agreements are reviewed extensively by all parties that will be involved in the joint venture to ensure that SMC's interests are strongly protected. Finally, SMC monitors its present joint venture partners to ensure that the latter are able to contribute positively to the joint venture as well as anticipate any prospective problems.

- ***Dependence of SMC and/or its subsidiaries on trademarks and other proprietary rights***

The SMC Group uses various brand names and trademarks, including “San Miguel”, “Ginebra San Miguel”, “Purefoods”, “Magnolia”, “Star”, “Dari Creme”, “B-Meg”, “Petron”, “Gasul”, and other intellectual property rights to prepare, package, advertise, distribute and sell its products. Protection of those brands and intellectual property rights is important in maintaining the distinctive corporate and market identities of the SMC Group. If third parties sell products which use counterfeit versions of SMC Group brands or otherwise look like SMC Group brands, consumers may confuse SMC Group products with products that they consider to be inferior. This could negatively impact the brand image and sales of the SMC Group, particularly the beverage and food businesses. In addition, the SMC Group has been granted numerous trademark registrations covering its brands and products, and has filed, and expects to continue to file, trademark applications seeking to protect newly developed brands and products.

There is no assurance that third parties would not challenge, invalidate or circumvent any existing or future trademarks issued to, or licensed by, the SMC Group. Any failure to protect the proprietary rights of the SMC Group could severely harm the competitive position of the SMC Group, which could materially and adversely affect the business, financial condition, results of operations and prospects, as well as the reputation of the SMC Group.

The SMC Group continuously and diligently monitors products released in the market that may mislead consumers as to the origin of such products and attempt to ride on the goodwill of the brands and other proprietary rights of the SMC Group. For example, San Miguel Pure Foods retains independent external counsels to alert it of any such attempts and to enjoin third parties from the use of colorable imitations of the brands and/or marked similarities in general appearance or packaging of products, which may constitute trademark infringement and unfair competition.

- ***Manpower complement***

Any loss of key personnel, and an inability on the part of the SMC Group to replace such personnel and to train and retain replacement personnel, could materially and adversely affect the ability of the SMC Group to provide products and services to its customers. Continued losses of trained personnel could also result in the SMC Group incurring additional expenses in hiring and training replacement personnel, and it may take time for these new personnel to reach the level of technical skill and expertise of the personnel they are replacing. In addition, the SMC Group has relied and will continue to rely significantly on the continued individual and collective contributions of its senior management team. If any of the key personnel of the SMC Group are unable or unwilling to continue in their present positions, or if they join a competitor or formed a competing business, the SMC Group may not be able to replace them easily, and its business

may be significantly disrupted. Any of the foregoing could have a material adverse effect on the business, financial condition and results of operations of the SMC Group.

The SMC Group maintains executive, management and employee development and appraisal programs to ensure that employees are properly coached, trained and rewarded for their contributions to the SMC Group. In this way the SMC Group ensures that it maintains a deep pool of management talent that can cope with any losses of trained or experienced key personnel with minimal impact on the SMC Group operations.

- ***Labor disruptions***

The SMC Group has faced labor disruptions in the past and has not experienced any strikes, work stoppage or other labor disruption since 2003. While it considers its labor relations to be good, there is no assurance that it will not experience future disruptions to its operations due to disputes or other issues with its employees, which could materially and adversely affect its business, financial condition and results of operations.

The Group maintains regular consultative discussions with its various labor groups, and maintains formal structures for quickly dealing with any issues or grievances between labor and management.

- ***Changes in the legal and regulatory environment***

The businesses and operations of the SMC Group are subject to a number of national and local laws, rules and regulations governing several different industries in the Philippines and other countries where it conducts businesses.

The energy business of SMC, which is conducted through its wholly owned subsidiary, SMC Global Power is subject to extensive regulation in the Philippines, including the Electric Power Industry Reform Act of 2001 (“EPIRA”). As of December 31, 2012, several bills relevant to the power industry have been filed with both houses of the Congress of the Philippines. Some of the proposed bills, if enacted, would impose additional costs on SMC Global Power, by requiring direct remittances to local government units of financial benefits set aside for host communities and by redefining the term “host communities” to include all areas that protect and maintain the watersheds that supply a particular dam or hydroelectric power generation facility. Several bills proposing amendments to EPIRA have also been filed, some of which would include changes to the ability of power generators and distributors to pass on costs or allowable system losses to end-users. The enactment and implementation of any such bills or amendments to EPIRA, or other changes to Philippine laws and regulations relevant to the power industry, could have a material adverse effect on the business, financial condition and results of operations of SMC Global Power, or on the rules and regulations governing the power industry, which could materially reduce its sales and profitability.

The operations of SMC are also subject to various taxes, duties and tariffs. For example, import duties for crude oil and petroleum products for Petron were increased on January 1, 2005 from 3.0% to 5.0% and then decreased back to 3.0% effective as of November 1, 2005. These duties were subsequently reduced to 0% with effect from July 4, 2010 (except for certain types of aviation gas). The Philippine government imposed an additional 12.0% value added tax (“VAT”) on the sale or importation of petroleum products in 2006. Therefore, there is no assurance that taxes applicable to SMC will not be increased again in the future.

Starting January 1, 2013, the excise tax rates applicable to SMB products were P15.00 per liter (for those with net retail price per liter of ₱50.60 or less) and ₱20.00 per liter (for those with a net retail price per liter of more than ₱50.60). As of the same date, the excise tax rate applicable to Ginebra products was 15% of the net retail price per proof liter plus ₱20.00 per proof liter. The beer and liquor businesses of SMC, which are conducted through SMB and Ginebra, became subject to higher excise taxes starting in 2013. SMB and Ginebra may be unable to fully pass on to customers any increase in excise taxes, which may adversely affect profit margins.

In addition, the Philippine government may periodically implement measures aimed at protecting consumers from rising prices, which may constrain the ability of the SMC Group to pass on price increases to distributors who sell its products, as well as its customers. Implementation of any such measures could have a material adverse effect on the business, financial condition and results of operations of the SMC Group.

While the SMC Group believes that it has at all relevant times materially complied with all applicable laws, rules and regulations, there is no assurance that changes in laws, rules or regulations or the interpretation thereof, will not result in the SMC Group having to incur substantial additional costs or capital expenditures to upgrade or supplement its existing facilities or being subject to an increased rate of taxation or fines and penalties. The SMC Group regularly monitors proposed laws, rules and regulations to ensure that its interests are not unfairly prejudiced. The SMC Group works proactively with legislative committees, regulatory agencies and other government bodies to ensure that the interests of major stakeholders are taken into consideration.

- ***Exposure to safety, health and environmental costs and liabilities***

The businesses of the SMC Group span several industries and are subject to a variety of laws, rules and regulations that impose limitations, prohibitions and standards with respect to health and safety as well as the use, discharge, emission, treatment, release, disposal and management of, regulated materials and waste, and hazardous substances. Safety, health and environmental laws and regulations in the Philippines have become increasingly stringent and it is possible that these laws and regulations will become significantly more stringent in the future. The adoption of new safety, health and environmental laws and regulations, new interpretations of existing laws, increased governmental enforcement of environmental laws or other developments in the future may require additional capital expenditures or the incurrence of additional operating expenses in order to comply with such laws and to maintain current operations as well as any costs related to fines and penalties.

Furthermore, if the measures implemented by the SMC Group to comply with these new laws and regulations are not deemed sufficient by governmental authorities, compliance costs may significantly exceed current estimates. If the SMC Group fails to meet safety, health and environmental requirements, it may be subject to administrative, civil and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties against the SMC Group, as well as orders that could limit or halt its operations. There is no assurance that the SMC Group will not become involved in future litigation or other proceedings or be held responsible in any such future litigation or proceedings relating to safety, health and environmental matters in the future, the costs of which could be material. Environmental compliance and remediation costs at sites on which its facilities are located and related litigation and proceedings could materially and adversely affect the cash flow of SMC, its results of operations and financial condition.

The SMC Group has a strong policy of ensuring that the safety, health and environmental interests of all its stakeholders, including its consumers and the communities in which it conducts business, are adequately protected. Dialogues are regularly held with stakeholders to identify potential problems that may arise and jointly formulate solutions to head off these problems.

- ***Availability of raw materials***

The products and businesses of the SMC Group, specifically the food, beverage, packaging, fuel and oil and energy businesses, depend on raw materials. Most of these raw materials, including some critical raw materials, are procured from third parties. These raw materials are subject to price volatility caused by a number of factors, including changes in global supply and demand, foreign exchange rate fluctuations, weather conditions and governmental controls.

For example, the recent decrease in the supply of global crops has contributed, and may continue to contribute to, higher prices for wheat, malted barley and adjuncts for beer and molasses for liquor, which are among the most important raw materials for the flour and beverage businesses. The beverages operations also depend heavily on the supply of water. Although the beer business uses its own deep wells for water at several breweries, it is still reliant on a third party source for the Polo brewery.

Additionally, the food business may also face disruptions in the supply of major raw materials. For example, there was insufficient local supply of cassava in 2012 due to adverse weather conditions in the Philippines in the latter part of 2011, which prompted some farmers to switch to planting corn rather than cassava for the next cycle. As a result, San Miguel Pure Foods had to purchase and use a greater quantity of higher cost raw materials such as corn.

The packaging business of the SMC Group also needs to obtain sufficient quantities of quality raw materials, including glass, aluminum, paper, plastics and composites in a timely manner and requires a significant amount of electricity in order to maintain its operations.

SMEC entered into a coal supply contract with PT Bumi Resources Tbk (“Bumi Resources”), Noble Resources Pte. Ltd. and Banpu Public Company Limited Thailand. If PT Bumi Resources Tbk, Noble Resources Pte. Ltd. and Banpu Public Company Limited Thailand were to cease to perform their obligations under the coal supply contract with SMEC, the disruption of coal supply may materially affect the operations of SMEC.

The SMC Group may also face increased costs or shortages in the supply of raw materials due to the imposition of new laws, regulations or policies. For example, in Mindanao in the southern part of the Philippines, a significant portion of the population is Muslim, and consequently all of the poultry processing plants of San Miguel Pure Foods in that region are Halal-certified. Legislation has been proposed to require additional halal certification for feedmills that supply poultry farms from which halal products are sourced. If this proposed legislation is enacted and implemented, certain raw materials may have to be eliminated from the poultry feeds of the SMC Group used in this region. This could increase the cost of poultry feeds and the cost of poultry production in the region, which could materially reduce net income and profitability.

Although the SMC Group actively monitors the availability and prices of raw materials, there is no assurance that these items will be supplied in adequate quantities or at the required quality to meet its needs or will not be subject to significant price fluctuations in the future. While the SMC Group may, in certain limited instances, be able to shift to alternative raw materials to produce its products, there is no assurance that it will be able to reduce its reliance on these raw materials in the future. The SMC Group may only have a limited ability to hedge against

commodity prices and any hedging activities may not be as effective as planned. Moreover, market prices of raw materials could increase significantly if there are material shortages due to, among other things, competing usage, drastic changes in weather or natural disasters. There is no assurance that any increases in product costs could be passed on to consumers. As a result, any significant shortages or material increase in the market price of such raw materials could have a material adverse effect on the financial and operating performance of the SMC Group.

The SMC Group maintains a policy of actively sourcing from several suppliers for its major raw materials needs, to avoid being overly dependent on a single supplier. Sourcing is generally done on a competitive basis to ensure that the SMC Group obtains the best available terms and pricing.

- ***Changes in consumer preference or purchasing power***

The ability of the SMC Group to successfully develop and launch new products and maintain demand for existing products depends on the acceptance of such products by consumers and their purchasing power and disposable income levels, which may be adversely affected by unfavorable economic developments in the Philippines. A significant decrease in disposable income levels or consumer purchasing power in the target markets of the food and beverage businesses could materially and adversely affect the financial position and financial performance of the SMC Group. Consumer preferences may shift for a variety of reasons, including changes in culinary, demographic and social trends or leisure activity patterns. Concerns about health effects due to negative publicity regarding alcohol consumption, negative dietary effects or other factors may also affect consumer purchasing patterns of food and beverage products. If the marketing strategies of the SMC Group are not successful or do not respond timely or effectively to changes in consumer preferences, the business and prospects of the SMC Group could be materially and adversely affected.

For example, sales of beer are tied closely to the purchasing power and disposable income levels of consumers. In periods of economic uncertainty or downturns, consumers may purchase more hard liquor and less beer or they may purchase fewer alcoholic beverages, either of which could affect the financial performance of SMB. Demand for many of the food products of San Miguel Pure Foods is tied closely to the purchasing power of consumers.

The SMC Group continually monitors market trends, preferences and other developments to provide timely market feedback in the preparation of its marketing strategies and product development programs.

- ***Foreign exchange risk***

A substantial portion of the revenues of the SMC Group is denominated in Philippine Pesos, while a substantial portion of its expenses, including raw material, crude oil purchases and foreign currency denominated debt service costs, are denominated in U.S. Dollars. In 2011 and 2012, 89% and 73%, respectively, of the revenues of SMC were denominated in Philippine Pesos. In addition, as of June 30, 2013, the percentage of the outstanding debt of SMC that was denominated in U.S. Dollars was 45% on an actual basis.

In addition, the financial reporting currency of SMC is Peso, and therefore depreciation of the Peso would result in increases in the foreign currency denominated expenses of SMC as reflected in its Peso financial statements, and could also result in foreign exchange losses resulting from the revaluation of foreign currency denominated assets and liabilities, including increases in the Peso amounts of the foreign currency denominated debt obligations of SMC, thereby adversely affecting the results of operations and financial condition of SMC. In addition,

there is no assurance that SMC could increase its Peso-denominated product prices to offset increases in costs resulting from any depreciation of the Peso.

The value of the Peso against the U.S. Dollar has fluctuated throughout the years. Since January 1, 2007, the Peso reached a low of ₱49.984 per U.S. Dollar on November 20, 2008 and as of August 31, 2013, the Peso trades at ₱44.635 per U.S. Dollar.

There is no assurance that the value of the Peso will not decline or continue to fluctuate significantly against the U.S. Dollar and any significant future depreciation of the Peso may have a material adverse effect on the margins, results of operations and financial condition of SMC.

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 an increased cost of funds. The foregoing events, if they occur, could have a material adverse effect on the business, financial condition, liquidity and results of operations of SMC.

SMC uses a combination of natural hedges which involve holding U.S. Dollar-denominated assets and liabilities, and derivative instruments to manage its exchange rate risk exposure, although as with all hedging strategies, its exchange rate exposures may not be not fully protected.

- ***Availability of financing***

The expansion and growth plans of the SMC Group are expected to be funded through a combination of internally generated funds and external fund raising activities, including debt and equity financing. The continued access of the SMC Group to debt and equity financing as a source of funding for new projects and acquisitions and for refinancing maturing debt is subject to many factors including: (i) Philippine regulations limiting bank exposure to a single borrower or related group of borrowers; (ii) SMC's compliance with existing debt covenants; (iii) the ability of SMC, its affiliates and subsidiaries to service new debt, (iv) perceptions in the capital markets regarding SMC and the industries in which it operates and other factors, some of which may be outside of its control, including general conditions in the debt and equity capital markets, many of which are outside of its control. For example, political instability, an economic downturn, social unrest, or changes in the Philippine regulatory environment could increase the cost of borrowing of the SMC Group or restrict its ability to obtain debt financing. There is no assurance that the SMC Group will be able to arrange financing on acceptable terms, if at all. Any inability of the SMC Group to obtain financing from banks and other financial institutions or from capital markets would adversely affect the ability of the SMC Group to execute its expansion and growth strategies as well as its financial condition and prospects.

The SMC Group manages its investment and financing programs in what it believes is a prudent manner, to ensure that all obligations to both debt and equity stakeholders are met. The SMC Group maintains strong business relationships with a large number of reputable and stable domestic and foreign financial institutions, thereby expanding its financing options.

- ***Uninsured losses***

The SMC Group may not be fully insured against, and insurance may not be available for, unexpected losses caused by natural disasters, breakdowns or other events that could affect the facilities and processes used by its businesses. Any unexpected losses caused by such events against which it is not fully insured could have a material adverse effect on its business, financial

condition and results of operations. Any accident at the operations of the SMC Group facilities could result in significant losses. It could suffer a decline in production, receive adverse publicity and be forced to invest significant resources in addressing such losses, both in terms of time and money. There is no assurance that there will not be work-related or other accidents in the future. Furthermore, there is no assurance that amicable settlements will be secured in the future or that accidents will not result in future litigation or regulatory action against the SMC Group. Such events could materially and adversely affect its financial condition and results of operations.

The SMC Group believes that its insurance programs provide adequate protection against reasonable risk in a cost effective manner.

- ***Outsourcing***

SMC outsources most of its beverage, food and packaging manufacturing, production and distribution operations to third party contractors. To ensure the timely production and distribution of its products, the SMC Group continuously monitors the efficiency and manufacturing capabilities of the relevant production facilities. However, from time to time, any of them could experience operational issues that could cause production shortages and distribution delays. If one or more of the contract manufacturers of the SMC Group or distributors fails to or is unable to manufacture, produce or distribute products timely, in sufficient quantities or at satisfactory quality levels, its ability to bring products to the market and its reputation could suffer, which could have a material adverse effect on the business and financial performance of SMC, as well as prospects. In addition, there is no assurance that it will continue to find new contract manufacturers or distributors in line with increased customer demand in the future, which could materially and adversely affect the business and prospects of SMC.

The SMC Group maintains a comprehensive screening and evaluation program to ensure that all contractors and suppliers meet its operating, financial and quality management requirements. The SMC Group has a policy of dealing with several contractors for each of its major outsourcing needs to diversify its risks. Bids are done on a competitive basis to ensure that outsourcing programs comply with cost-benefit requirements.

- ***Disruption of operations***

The facilities and operations of the SMC Group could be severely disrupted by many factors, including accidents, breakdown or failure of equipment, interruption in power supply, human error, natural disasters and other unforeseen circumstances and problems. For example, San Miguel Pure Foods decided to cease operations at its Marikina plant after it was severely damaged when Typhoon “Ondoy” hit Metro Manila in September 2009. As a result of that closure, San Miguel Pure Foods was not able to meet volume demand during the period while it was transferring production capacity to its Cavite plant and third-party contracted plants, and the revenues of San Miguel Pure Foods were adversely affected during the fourth quarter of 2009. These disruptions could result in product run-outs, facility shutdown, equipment repair or replacement, increased insurance costs, personal injuries, loss of life and unplanned inventory build-up, all of which could have a material adverse effect on the business, financial condition and results of operations of the SMC Group.

The SMC Group regularly holds contingency and risk planning sessions to anticipate and plan for possible adverse events. Scenario analyses are regularly conducted to quantify possible losses as well as plan for the procedures and resources necessary for dealing with these adverse events.

Production operations are planned with a certain level of flexibility to ensure that the capacities of any facilities that are shut down can be taken up by other facilities.

Risks unique to investment holding companies

As a holding company, the Company operates principally through its subsidiaries and affiliates. Claims of creditors of the Company's subsidiaries and affiliates, including trade creditors, bank lenders and other creditors, will have priority over any claims of the Company and the Company's shareholders with respect to the assets of such subsidiaries and affiliates. Substantially all of the Company's cash flow is dependent on cash distributions from, or the proceeds of the realization of, its investments in subsidiaries and affiliates. The ability of the Company's subsidiaries and affiliates to pay dividends to stockholders is subject to applicable law and restrictions contained in debt instruments of such subsidiaries and affiliates and may also be subject to deduction for taxes. To the extent possible, the Company monitors and supervises the performance of its subsidiaries and affiliates to help generate or improve such cash distributions and proceeds. There is no assurance, however, that the Company can generate sufficient cash flow from dividends or other payments to allow it to meet its debt or other obligations. Any shortfall would have to be made up from other available sources of cash, such as a sale of investments or proceeds from other refinancing activities available to the Company.

To anticipate and manage the various risks across its subsidiaries, the Company is fully represented in its subsidiaries' Boards and takes an active role in their management.

Risks inherent to the mining industry

By virtue of its investment in Clariden, the Company is exposed to risks inherent in the mining industry. These risks may include, but are not limited to, the following areas of mining activity.

Exploration

- ***Exploration of mineral resources***

Clariden's mineral exploration strategy will depend on, among other things, its ability to assess present and other potential mining properties, its ability to secure the rights to mine such properties upon discovery of commercially viable deposits, and its ability to successfully pursue the exploration and mine development of such properties. Although a number of Clariden's managers and technical staff have experience in nickel, gold and copper mining, Clariden may still not be successful in its nickel, gold and copper exploration strategy.

Whether or not any mineral deposits to which Clariden acquires mining rights will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade, metallurgy and proximity to infrastructure; metal prices which are highly volatile and cyclical; and government regulations, including regulations relating to taxes, royalties, land tenure, land use, protection of indigenous peoples' rights, importation and exportation of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of any of these factors may result in Clariden not receiving an adequate return on invested capital. If Clariden discovers a viable mineral deposit, it usually takes several years from the initial phases of exploration until production is possible. During this time, the economic feasibility of production may change. Moreover, Clariden will use the evaluation work of professional geologists, geophysicists, mining and metallurgical engineers and other technical and financial experts for estimates in determining whether to commence or continue mining. These estimates generally rely on scientific, technical, economic and financial assumptions, which in some instances may not be

correct, and could result in the expenditure of substantial amounts of money on a deposit before it can be determined whether or not the deposit contains economically recoverable mineralization. There is no certainty that any expenditures made by Clariden towards the search and evaluation of nickel, gold or copper deposits will result in discoveries of commercial quantities of ore. To the extent that Clariden identifies mineral resources in its exploration properties, Clariden intends to estimate any mineral resources and reserves in accordance with international best practices and standards consistent with the Australasian Joint Ore Reserves Committee (JORC) Code and the Philippine Mineral Reporting Code ("PMRC").

Exploration activities may also be hampered by factors such as poor access to exploration areas as a result of the lack of or poor state of infrastructure facilities in the project areas; unfavorable weather conditions; potential shortages of geologists, mining engineers and other skilled professionals necessary for the development and operation of the mines; difficulty in attracting and retaining personnel with critical skills; and other factors which may cause material delays or cost overruns during the exploration stage.

Clariden maintains a portfolio of mining projects located in various areas of the country and it typically undertakes several exploration projects simultaneously. Exploration activities are undertaken in several stages, and Clariden decides at the end of each stage whether or not the potential risks and rewards of the project warrant the commitment of additional resources and manpower. This ensures that no more resources than is necessary are used in a project, given its known potential.

Clariden plans its exploration activities carefully to ensure that all important resources are available when exploration starts. Contingency plans are developed to deal with unforeseen adverse events. Clariden engages with its various stakeholders on an ongoing basis to maintain sound relationships and gain the cooperation and support of those affected by its exploration and mining activities.

- ***Development and implementation activities of mining projects***

The development of mining properties involves implementation risks which may not be eliminated even with a combination of careful evaluation, experience and knowledge. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into productive mines. The Company can provide no assurance that Clariden's current exploration and development programs will result in profitable commercial mining operations. Also, Clariden may incur expenses on exploration projects that are subsequently abandoned due to poor exploration results or the inability to define reserves that can be mined economically. In addition, Clariden competes with other mining companies to acquire rights to explore and exploit attractive mining properties.

The economic feasibility of development projects is based upon many factors, including the accuracy of reserve estimates; capital and operating costs; government regulations relating to taxes, royalties, land tenure, land use, protection of indigenous people's rights, importation and exportation and environmental protection; and prices of minerals and metals, which are highly volatile/cyclical. Development projects are also subject to the successful completion of feasibility studies, issuance of necessary governmental permits and availability of adequate financing. Estimates of proved and probable reserves, capital and cash operating costs are, to a large extent, based upon detailed geological and engineering analysis. Clariden also conducts feasibility studies which derive estimates of capital and operating costs based upon many factors, including anticipated tonnage and grades of minerals to be mined, the configuration of

the mine, ground and mining conditions and anticipated environmental and regulatory compliance costs. It is possible that actual costs and economic returns of current and new mining operations may differ materially from Clariden's best estimates. It is not unusual for new mining operations to experience unexpected problems during the start-up phase and to require more capital than anticipated. These additional costs could have an adverse impact on Clariden's and the Company's business, results of operations and financial condition. If Clariden's exploration programs are not successful, its business, financial condition, results of operations and prospects would be adversely affected.

To manage these risks Clariden conducts extensive technical and financial evaluations and studies in such depth and detail in order to assess the technical and commercial viability of a project. Clariden plans to engage only technical consultants and experts with extensive professional knowledge and experience and proven track records. Any set of findings will be subject to extensive review to ensure that all important considerations and necessary procedures were taken into account and conclusions are based on best available information.

- ***Accuracy of reserve and resource estimates***

Reserve and resource figures are estimates and no assurances can be given that the indicated levels of mineral resources will be produced or that Clariden will receive the prices assumed in the feasibility studies. These estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. By their nature, reserve and resource estimates depend, to a certain extent, upon statistical inferences which may ultimately prove inaccurate and require adjustment. Furthermore, fluctuations in the market price of nickel, gold and copper or other minerals or metals; increased capital or production costs or reduced recovery rates, change to life of mine plans and changes in applicable laws and regulations, including environmental laws and regulations, may render ore reserves uneconomic and may ultimately result in a reduction of mineable reserves. The extent to which resources may ultimately be reclassified as proved or probable reserves is dependent upon the determination of their profitable recovery, which determination may change over time based on economic and technological factors. Accordingly, no assurances can be given that any reserve estimates will not be reduced in the future or that any resource estimates will ultimately be reclassified as proved or probable reserves. If reserve and resources estimates prove inaccurate and are reduced in the future, this may have a material impact on the operating and financial results of Clariden's mining investments.

Clariden will conduct exploration programs and resource and reserve estimation within a framework of quality assurance and quality control guidelines and standards aligned with international best practices and compliant with the JORC Code and the PMRC. Only professional mining experts, consultants and technicians with extensive track records will be engaged to conduct exploration and feasibility studies.

Operations

- ***Volatility of mineral and metal prices***

Clariden's future operations will be largely dependent on the world market prices of the minerals and metals that it mines and produces. These prices are subject to volatile movements over time, and are affected by numerous factors that are beyond the Clariden's control. These factors include global supply and demand, inflation rate expectations, interest rate levels, market speculative activities, foreign exchange volatility, and global or regional political and economic events.

If sales prices of its mineral ores and metal products fall below production costs, Clariden will sustain losses and, if the losses continue, may curtail or suspend some or all of its exploration, mining and refinery operations.

In assessing the viability of its projects, Clariden intends to undertake sensitivity analyses to determine the optimal metal price, ore grade or production levels that a given project can bear in order to maximize returns. These analyses help in guiding the Clariden to decide if it can continue with a project, or assist in planning for future contingencies when the projects are operational.

- ***Operating risks and natural disasters***

The exploration and production of mineral ores and metal products are subject to various operating risks such as accidents, fires, explosions, spills, gas leaks, collisions, mechanical failures, and natural disasters that may result in injuries, loss of lives, suspension of operations, and damage to property and the environment. As a result, losses and liabilities arising from the occurrence of any of these risks may have a material adverse effect on Clariden's business and results of operations.

The foregoing risk may be partially mitigated by insurance coverage, although insurance may only provide protection against some, but not all, potential losses and liabilities. Clariden will regularly assess the acceptability of major operating risks not covered and if Clariden deems that such risks are not within the levels that Clariden is willing to accept, Clariden may decide to avoid the risk by either terminating or forgoing the activity, project or investment. Operational risks can also be mitigated by proper and continuing consultations and coordination with local communities, local government units ("LGUs") and government agencies as well as the establishment of best management policies and systems on each aspect of the operation, including safety and health, and environmental and social management.

Clariden intends to include safety and health, social and environmental impact analyses in its pre-operations studies to ensure that any possible impact of its projects and operations on the environment and local communities are considered and adequately addressed. Clariden will also implement a mine safety and health, environmental protection and enhancement and social development management programs. In addition to multi-partite monitoring and regulatory monitoring and audits, safety audits by third party service providers will be conducted to evaluate the effectiveness of Clariden's programs. Clariden can secure international certification from the International Standards Organization ("ISO") or similar international organizations for safety and health, environmental management and social development to ensure that corporate policies and practices on these aspects are aligned with global standards and to ensure continual improvement.

- ***Liquidity and commercial financing***

The exploration and development of mineral properties in which Clariden holds interests or which Clariden acquires may depend upon its ability to obtain financing through joint ventures, debt financing, equity financing or other means. For instance, Clariden may seek a joint venture partner in connection with the exploration of its gold and copper exploration properties. There is no assurance that Clariden will be successful in obtaining required financing as and when needed. Volatile mineral and nickel markets may make it difficult or impossible for Clariden to obtain debt financing or equity financing on favorable terms or at all. Clariden's principal operations are located in, and its strategic focus is on, the Philippines, a country that has experienced past economic and political difficulties and may be perceived as unstable. This may make it more difficult for Clariden to obtain debt or equity financing. Failure to obtain additional financing on a timely basis may cause Clariden to postpone development plans, forfeit rights in its properties or joint ventures or reduce or terminate its operations. Reduced liquidity or difficulty in obtaining future financing could have an adverse impact on Clariden's business, financial condition, results of operations and prospects.

Clariden plans to diversify its funding sources to better manage financing risks. The extent of diversification will be based on such factors as the costs, risks, and flexibility of the funding sources, as well as Clariden's best estimates of project returns.

- ***Obtaining or renewal of permits, licenses and contracts necessary for business***

Clariden relies on permits, licenses (including MPSAs), operating agreements with third-parties and land access agreements to conduct its mining operations (see "Regulation"). The MPSAs, EPs and operating agreements with respect to Clariden's mining concessions expire at different times between 2013 and 2035 and require renewal upon expiration. Clariden believes that it currently holds or has applied for all necessary licenses, permits, operating agreements and land access agreements to carry on the activities that it is currently conducting under applicable laws and regulations, licenses, permits, operating agreements and land access agreements. The process of obtaining environmental approvals, including the completion of any necessary environmental impact assessments, can be lengthy, subject to public input and expensive. Regulatory authorities can exercise considerable discretion in the terms and the timing of permit issuance or whether a permit may be issued at all. Accordingly, the approvals needed for Clariden's mining operations may not be issued or renewed or, if issued or renewed, may not be issued in a timely fashion, or may involve requirements that may be changed or interpreted in a manner which restricts Clariden's ability to conduct its mining operations profitably. Furthermore, new laws or regulations, or changes in the enforcement or interpretation of existing laws or regulations, may require substantial increases in Clariden's equipment and operating costs in order to obtain approvals required by, or to otherwise comply with the conditions imposed by, such new or revised laws and regulations. The need to obtain such new or revised approvals or to comply with additional conditions may also cause material delays or interruptions of one or more of our planned operations or developments or, to the extent such approvals or conditions cannot be obtained or met on an economical basis, the curtailment or termination of such operations or developments.

In particular, under Executive Order No. 79 ("EO 79") issued by President Benigno S. Aquino III on July 6, 2012, no new mineral agreements (such as MPSAs) may be entered into by the Government until legislation rationalizing the existing revenue sharing schemes and mechanisms shall have taken effect. Unless, therefore, new legislation is enacted by Congress

which effectively rationalizes the revenue sharing schemes between the Government and any mineral agreement contractor, there is a risk that pending applications of Clariden's subsidiaries for MPSAs (pursuant to existing APSAs or EPs) would not be approved by the Government, notwithstanding performance by Clariden of all of its obligations under the terms of such applications.

In addition, the local government units where Clariden's mines or exploration properties are located may impose additional restrictions on its operations. Such additional restrictions may require significant additional expenditures on Clariden's part and disrupt or render unviable its mining operations. There can be no assurance that any such circumstances that interrupt Clariden's current or planned operations will be successfully resolved in the future. The failure to successfully resolve any such situations could have an adverse effect upon Clariden's business, results of operations and financial condition.

Clariden is in constant consultation and coordination with the relevant regulatory agencies and other approving bodies to ensure that all requirements, permits and approvals are anticipated and obtained in a timely manner.

RISKS RELATING TO THE PHILIPPINES

Political instability or acts of terrorism or communist insurgency

The Philippines has from time to time experienced political and military instability. In the last few years, there has been political instability in the Philippines, including impeachment proceedings against former Presidents of the Philippines, and public and military protests arising from alleged misconduct by previous administrations. In addition, there is no guarantee that acts of election-related violence will not occur in the future and such events could negatively affect the Philippine economy. An unstable political environment, whether due to the imposition of emergency executive rule, martial law or widespread popular demonstrations or rioting, could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material adverse effect on SMC's business, financial condition and results of operations. The Philippines has also been subject to a number of terrorist and communist insurgency attacks, and the Philippine armed forces have been in conflict with groups which have been identified as being responsible for kidnapping and terrorist activities in the Philippines. In addition, bombings have taken place in the Philippines, mainly in cities in the southern part of the country. Political instability, acts of terrorism, violent crime and similar events could have a material adverse effect on SMC's business, financial condition, results of operations and prospects.

Territorial disputes with China and a number of Southeast Asian countries

The Philippines, China and several Southeast Asian nations have been engaged in a series of long standing territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea. The Philippines maintains that its claim over the disputed territories is supported by recognized principles of international law consistent with the United Nations Convention on the Law of the Sea ("UNCLOS"). The Philippines made several efforts during the course of 2011 and 2012 to establish a framework for resolving these disputes, calling for multilateral talks to delineate territorial rights and establish a framework for resolving disputes.

Despite efforts to reach a compromise, a dispute arose between the Philippines and China over a group of small islands and reefs known as the Scarborough Shoal. In April and May 2012, the Philippines and China accused one another of deploying vessels to the shoal in an attempt to take control of the area, and both sides unilaterally imposed fishing bans at the shoal during the late spring and summer of 2012. 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 UNCLOS. China has rejected and returned the notice sent by the Philippines requesting arbitral proceedings.

Should these territorial disputes continue or escalate further, the Philippines and its economy may be disrupted and the Company's operations could be adversely affected as a result. In particular, further disputes between the Philippines and China may lead both countries to impose trade restrictions on the other's imports. China may also seek to suspend visits by Chinese citizens to the Philippines, or Chinese citizens may choose not to visit the Philippines as a result of these disputes.

In early March 2013, several hundred armed Filipino-Muslim followers of Sultan Jamalul Kiram III, the self-proclaimed Sultan of Sulu from the south of the Philippines, illegally entered Lahad Datu, Sabah, Malaysia in a bid to enforce the Sultan of Sulu's historical claim on the territory. As a result of the illegal entry, these followers engaged in a three-week standoff with the Malaysian armed forces, resulting in casualties on both sides. Since then, the Malaysian Government has mounted a military operation to secure Lahad Datu, and Malaysian authorities continue to search for members of the Sultan of Sulu's army, which are suspected to be hiding in certain villages. Clashes which began on March 1, 2013 have killed 98 Filipino-Muslims, and 10 Malaysian policemen. About 4,000 Filipino-Muslims working in Sabah have returned to the southern Philippines. Recent reports in the press quoted the Malaysian Defense Minister as stating that at least 35 armed men were shot dead by the AFP while trying to enter Sabah, which has not been confirmed by the AFP.

Any such impact from these disputes could materially and adversely affect the Company's business, financial condition and results of operations.

Corporate governance and disclosure standards

There may be less publicly available information about Philippine public companies than is regularly made available by public companies in certain other countries. SEC and PSE requirements with respect to corporate governance standards may also be less stringent than those applicable in certain other jurisdictions. For example, the SEC requires publicly listed companies to have at least two independent directors or such number of independent directors as is equal to 20% of the total membership of the board of directors, whichever is lower, but in no case less than two. The Company currently has two independent directors. Many other countries require significantly more independent directors. Further, rules against self-dealing and those protecting minority shareholders may be less stringent or developed in the Philippines. Such potentially lower standards in certain areas of disclosure and corporate governance may materially and adversely affect the interests of the Company's shareholders, particularly those of minority shareholders.

Philippine credit rating

Historically the Philippines' sovereign debt has been rated relatively low by international credit rating agencies. Although the Philippines' long-term foreign currency-denominated debt was recently upgraded by both Standard & Poor's and Fitch Ratings to the investment-grade rating of BBB-, and the foreign currency and local currency sovereign has been upgraded by Moody's to a rating of Ba1, no assurance can be given that Standard & Poor's, Fitch Ratings or Moody's or any other international credit rating agency will not downgrade the credit ratings of the Government in the future and, therefore, Philippine companies, including the Company. Any such downgrade could have an adverse impact on the liquidity in the Philippine financial markets, the ability of the Government and Philippine companies, including the Company, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available.

Occurrence of natural catastrophes

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, floods, volcanic eruptions and earthquakes that may materially disrupt and adversely affect the Company's business operations. In particular, damage caused by natural catastrophes may materially disrupt the business operations of the Company's customers, which may, in turn, materially and adversely affect the Company's business, financial condition or results of operations. There can be no assurance that the Company is fully capable to deal with these situations and that the insurance coverage they maintain will fully compensate them for all the damages and economic losses resulting from these catastrophes.

Foreign exchange controls

The Philippines currently does not have any foreign exchange controls in effect. However, the BSP has statutory authority, with the approval of the President of the Philippines, during a foreign exchange crisis or in times of national emergency, to: (a) suspend temporarily or restrict sales of foreign exchange; (b) require licensing of foreign exchange transactions; or (c) require the delivery of foreign exchange to the BSP or its designee banks for the issuance and guarantee of foreign currency-denominated borrowings.

SMC purchases certain critical key inputs from abroad and requires foreign currency to make these purchases. There is no assurance that foreign exchange controls will not be imposed by the Philippine government in the future. Any foreign currency restrictions could severely curtail the ability of SMC to pay for certain key inputs or to meet its foreign currency payment obligations, which could materially and adversely affect its financial condition and results of operations.

RISKS RELATED TO THE COMMON SHARES

The market price of securities can and does fluctuate

The market prices of securities can and do fluctuate, and it is impossible to predict whether the price of the Common Shares will rise or fall. Securities may experience upward or downward movements, and may even lose all value. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. There may be a substantial difference between the buying price and the selling price of such securities. Trading prices of the Common Shares will be influenced by, among other things:

- variations in the Company's operating results;
- success or failure of the Company's management team in implementing business and growth strategies;
- gain or loss of an important business relationship;
- changes in securities analysts' recommendation, perceptions or estimates of the Company's financial performance;
- changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors;
- differences between the Company's actual financial operating results and those expected by investors and analysts;
- additions or departures of key personnel;
- changes in general market conditions and broad market fluctuations; and
- involvement in litigation.

These fluctuations may be exaggerated if the trading volume of the Common Shares is low.

Prior to the listing of the Common Shares at the PSE, there has been no public market for the Common Shares in the Philippines. There can be no assurance that even after the Common Shares have been approved for listing on the PSE, an active trading market for the Common Shares will develop or be sustained after the listing, or that the Initial Listing Price will correspond to the price at which the Common Shares will trade in the Philippine public market subsequent to the listing. There is no assurance that investors may sell the Common Shares at prices or at times deemed appropriate.

Future sales of Common Shares in the public market

In order to finance the Company's business and operations, and any expansion thereof, the Board will consider funding options available to the Company, which may include the issuance of new Common Shares. The market price of the Common Shares could decline as a result of future sales of substantial amounts of the Common Shares in the public market or the issuance of new Common Shares, or the perception that such sales, transfers or issuances may occur. This could also materially and adversely affect the prevailing market price of the Common Shares or the Company's ability to raise capital in the future at a time and at a price that the Company deems appropriate.

If additional funds are raised through the issuance of new equity or equity-linked securities by the Company other than on a *pro rata* basis to existing shareholders, the percentage ownership of existing shareholders may be diluted. Such securities may also have rights, preferences and privileges senior to those of the Common Shares.

Ability to pay dividends

The Company presently derives all of its revenues from dividends paid by SMC. Thus, the availability of funds to pay dividends to its shareholders and to service debt obligations depends upon dividends that may be received from SMC. If SMC incurs losses, such losses may impair SMC's ability to pay dividends or other distributions to the Company. As a result, the Company's ability to pay dividends and to service the Company's indebtedness may be restricted.

The Company's ability to declare dividends in relation to the Common Shares will also depend on the Company's future financial performance, which, in turn, depends on successfully implementing the Company's strategy, and on financial, competitive, regulatory, and other factors, general economic conditions, demand and prices for the Company's future products, costs of raw materials and other factors specific to the Company's industry or specific projects, many of which are beyond the Company's control. The receipt of dividends from the Company's subsidiaries and affiliates may also be affected by the passage of new laws, adoption of new regulations or changes to, or in the interpretation or implementation of existing laws and regulations and other events outside the Company's control. Philippine law requires that dividends be paid only out of unrestricted retained earnings calculated according to Philippines accounting principles. In addition, restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that the Company or its subsidiaries may enter into in the future may also restrict the ability of the Company's subsidiaries to make contributions to the Company and the Company's ability to receive distributions or distribute dividends.

Finally, there is no assurance that the Company will maintain and increase its holdings in its various subsidiaries and affiliates. The Company evaluates each additional investment in these subsidiaries, and may choose to waive its right to invest in these entities, which could result in the dilution of its interest therein.

USE OF PROCEEDS

The Company and its stockholders will not be offering Common Shares for subscription or sale in connection with the Dividend Distribution or the Listing. Consequently, there will be no proceeds from the Dividend Distribution or the Listing.

DETERMINATION OF INITIAL LISTING PRICE

Upon Listing, the Initial Listing Price for the Common Shares will be ₦178.00 per Common Share.

The Initial Listing Price is supported by the Valuation and Fairness Opinion dated October 10, 2013 prepared by P&A, a firm accredited by the PSE in accordance with the PSE Guidelines for Fairness Opinions and Valuation Reports, as required under Article III, Part H, Section 3 of the Amended Rules on Listing by Way of Introduction.

SUMMARY OF THE VALUATION

In valuing the Company, consideration of the recently consummated transfer of ownership over Clariden was taken into account. Likewise, the nature of operations and the composition of assets of both the Top Frontier (the Parent Company) and Clariden were considered in determining which valuation approaches should be adopted. Most of the companies under Clariden are mining companies and Clariden has confirmed that most of the projects of these mining companies are still in exploration stage.

Clariden

P&A used two approaches in valuing Clariden: (i) the Cost Approach, which is based on the premise that the real value of an exploration property lies in its potential for the existence and discovery of an economic mineral deposit. This approach assumes that the amount of exploration expenditures on a property is related to its value; and (ii) the Market-Based Approach, under which P&A used the Price-to-Book Value (PBV) method. Under this method, the estimated fair value of an asset is computed by multiplying the net book value of the subject company with the representative PBV of its comparable companies.

Under the Cost Approach, P&A estimated the fair value of Clariden at ₦0.43 billion. Under the Market-Based Approach, P&A estimated the fair value of Clariden at ₦0.56 billion.

Top Frontier (the Parent Company)

P&A used the Net Asset Value (“NAV”) Approach in valuing Top Frontier. The NAV Approach bases the valuation of a company on the net realizable value of its assets less its liabilities and preferred stockholdings. Under the NAV Approach, if the relevant information is readily available, certain statements of financial position accounts may have to be adjusted to reflect the current market value of the company’s assets.

Under the NAV Approach, P&A estimated the fair value of Top Frontier at ₦86.88 billion. Contingent liabilities, if any, may also be recognized.

Summary of Values

Combining the values of Top Frontier and Clariden, P&A estimated the total value of the Company at ₦87.31 billion to ₦87.44 billion. By dividing these amounts by the 490,196,200 outstanding common stock of the Company, P&A estimated the per share values of the Company at ₦178.11 to ₦178.38 per share.

DILUTION

There will be no additional issuance of Common Shares as a result of the Dividend Distribution or the Listing. However, pursuant to the Dividend Distribution, SMC's shareholding in the Company will decrease from 49% to approximately 0.75% of the Company's total outstanding capital stock. Other than the foregoing, there will be no dilution resulting from the Dividend Distribution and Listing.

PLAN OF DISTRIBUTION

Subject to approval by the SEC of the Dividend Distribution, SMC will distribute the Dividend Shares as property dividends to the SMC Common Shareholders at the ratio of one Common Share for every ten common shares owned and registered in the name of each SMC Common Shareholder as of November 5, 2013.

Subject to and upon approval by the PSE of the Company's application for Listing filed with the PSE on October 22, 2013 after the Dividend Distribution is completed, the Common Shares will be listed on the Main Board of the PSE.

Apart from the Dividend Distribution, the Common Shares will not be distributed, and no offer of the Common Shares will be conducted.

INTERESTS OF NAMED EXPERTS AND INDEPENDENT COUNSEL

LEGAL MATTERS

Certain legal matters under Philippine law relating to the Dividend Distribution and Listing were passed upon by Picazo Buyco Tan Fider & Santos, the independent legal and tax counsel.

Picazo Buyco Tan Fider & Santos does not have and will not receive any direct or indirect interest in the Company or in any of the Company's securities (including options, warrants or rights thereto) pursuant to, or in connection with the Shares, and has not acted as promoter, underwriter, voting trustee, or as the Company's employee.

FINANCIAL ADVISER

Maybank ATR Kim Eng Capital Partners, Inc. provided advice in connection with the Listing processes.

INDEPENDENT AUDITORS

Manabat Sanagustin & Co., CPAs (the "Auditors"), independent certified public accountants, has audited the Company's consolidated financial statements. Such consolidated financial statements are included in this Prospectus on the Auditors' authority as independent auditors. The Auditors have agreed to the inclusion of its report dated September 25, 2013 with respect to the Company's financial statements as at August 31, 2013 and December 31, 2012 and 2011 and for the eight months ended August 31, 2013 and 2012 and for the years ended December 31, 2012, 2011 and 2010 in the registration statement dated October 23, 2013 in connection with the registration of the Shares under the provisions of the SRC, preparatory to the Listing.

The Auditors do not have and will not receive any direct or indirect interest in the Company or in any of the Company's securities (including options, warrants or rights thereto) pursuant to, or in connection with the Shares, and has not acted as promoter, underwriter, voting trustee, or as the Company's employee.

Audit and Audit-Related Fees

For 2012 and 2011, the Auditors were engaged to express an opinion on the consolidated financial statements of the Company and its subsidiaries and affiliates. Total fees were ₱570,000 for 2012 and ₱550,000 for 2011. For the audited financial statements prepared as of August 31, 2013, total audit fees amounted to ₱400,000.

The Company's audit committee's approval policies and procedures for external audit fees and services are stated in the Company's Manual of Corporate Governance.

Tax Fees

There were no tax-related services rendered by the Auditors.

All Other Fees

There were no other professional services rendered by the Auditors.

DIVIDEND DISTRIBUTION AND LISTING EXPENSES

Although no proceeds will be derived from the Dividend Distribution and Listing, the Company will incur the following estimated expenses:

Estimated expenses:

SEC Filing and Listing Fees	₱22,599,993.21
PSE Fees (with value added tax)	
Listing Fees	₱57,262,757.22
Processing Fees	₱57,000.00
Legal and Professional Fees	₱12,000,000.00
Miscellaneous Fees	₱200,000.00
Total Estimated Expenses	₱92,119,750.43

DESCRIPTION OF BUSINESS

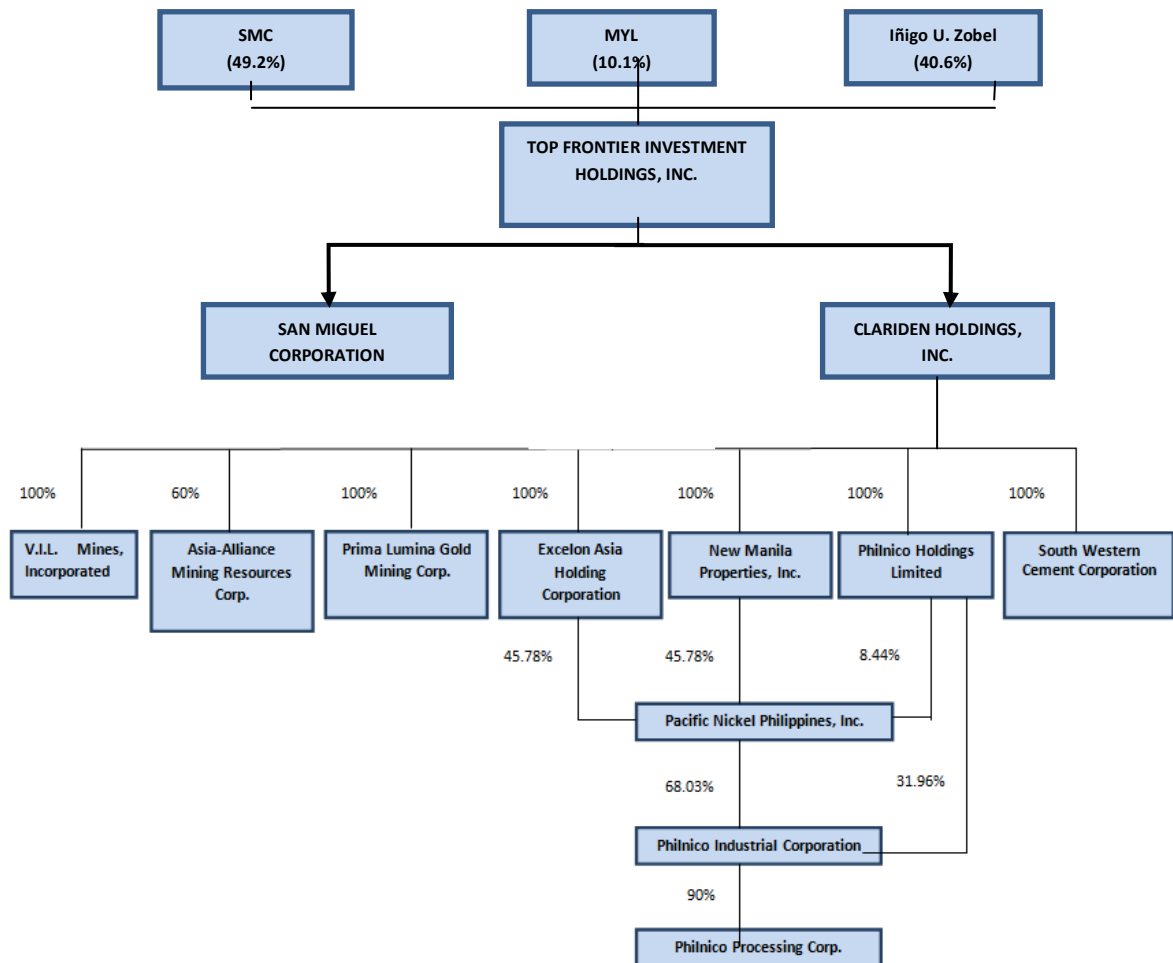
OVERVIEW AND HISTORY

The Company is a Philippine corporation organized in March 2008 as a holding company. Top Frontier is the largest shareholder of SMC, in which it holds 1,573,100,340 common shares, or 66.1 % of SMC's total outstanding common stock, as of August 31, 2013. On August 30, 2013, the Company acquired 100% of the outstanding common stock of Clariden, a holding company with interests, through its subsidiaries, in mining exploration and development. Other than its ownership of SMC and Clariden, the Company has no other operations as of the date of this Prospectus.

At the time of the Dividend Distribution, SMC was the largest shareholder of the Company, holding all of the Dividend Shares, which represent 49% of the total outstanding capital stock of the Company, and 1,904,540 Preferred Shares, which represent 100% of the total outstanding preferred capital stock of the Company.

CORPORATE ORGANIZATION

The following diagram sets out the present corporate structure of Top Frontier:



SAN MIGUEL CORPORATION

Established in 1890 as a single brewery in the Philippines, the SMC Group has become a Philippine market leader in its established businesses in beverage, food and packaging industries with over 18,000 employees and more than 100 production facilities in the Asia-Pacific region as of December 31, 2012. The extensive portfolio of SMC products includes beer, liquor, non-alcoholic beverages, poultry, animal feeds, flour, meat, dairy products, coffee and various packaging products, most of which are market leaders in their respective industries.

In 2007, in light of the opportunities presented by the global financial crisis, the ongoing program of asset and industry privatization of the Philippine government and the strong cash position of SMC enhanced by recent divestments and the strong cash flow generated by its established businesses, SMC adopted an aggressive business diversification program. The program channelled the resources of SMC into what it believes were attractive growth sectors, aligned with the development and growth of the Philippine economy. SMC believes this strategy will achieve a more diverse mix of sales and operating income, better position SMC to access capital, present different growth opportunities and mitigate the impact of downturns and business cycles.

Since January 1, 2008, SMC, either directly or through its subsidiaries, has made a series of acquisitions in the fuel and oil, energy, infrastructure, mining, telecommunications, banking and airline industries, as outlined below.

In 2012, the SMC Group accounted for about 5.02% of the country's gross national income, with sales equalling approximately 6.61% of the country's gross domestic product.

Beverage

The beverage business consists of brewing, distilling, selling, marketing and distributing beer, liquor and non-alcoholic beverages. SMC conducts its beverage business through majority owned subsidiaries: SMB for beer and Ginebra for liquor and non-alcoholic beverages. SMB sells the dominant beer brands in the Philippines, with a total market share of more than 90% according to Canadean data. Its products include *San Miguel Pale Pilsen*, which is the flagship beer of SMB and is sold throughout the world, *San Miguel Super Dry*, *San Mig Light*, *San Mig Strong Ice* and *San Miguel Premium All-Malt*. Other SMB beers include *Cerveza Negra*, *Red Horse*, *Gold Eagle*, *Oktoberfest Brew*, *San Miguel Flavored Beer* and the recently introduced *San Mig Zero*. In addition to its Philippine beer operations, SMB has breweries and sales operations in China, Hong Kong, Thailand, Vietnam and Indonesia, and exports to over 40 countries. Ginebra produces some of the most recognizable brands in the Philippine liquor market, including *Ginebra San Miguel*, *GSM Blue*, *Gran Matador Brandy*, *Gran Matador Light*, *Antonov Vodka* and *Vino Kulafu*, in addition to having a distillery in Thailand. Ginebra also has a growing non-alcoholic beverage business which produces non-carbonated beverages - bottled water, ready-to-drink tea and fruit juice products, primarily under the *Magnolia* brand.

SMB currently owns and operates five breweries and one bottling plant in the Philippines. These breweries are located in the Philippines' three main island groups of Luzon, Visayas and Mindanao, and are located close to the intended end-markets in order to reduce transportation costs.

SMB markets, sells and distributes its beer products principally in the Philippines. Many of the products of SMB have strong market positions in the Philippines. SMB believes it maintains the most extensive distribution network in the Philippine beverage market. The beer products of SMB are distributed and sold at almost half a million outlets, including off-premise outlets such as supermarkets, grocery stores, sari-sari stores, and convenience stores, as well as on-premise outlets such as bars, restaurants, hotels

and beer gardens. As of December 31, 2012, SMB had 51 sales offices and 499 dealers throughout the Philippines. Beer is transported from the breweries by a variety of methods, mainly through third-party haulers and, in certain circumstances, by a fleet of boats contracted by SMB.

Ginebra owns one distillery, five liquor bottling plants and one cassava starch milk plant, and has engaged two toll bottlers strategically located throughout the Philippines and one bottling and distillery plant in Thailand. Ginebra distributes its products throughout the Philippines, and its primary export markets are Thailand, Taiwan, Korea, Japan, China and the Middle East. Ginebra distributes its products by shipping directly to dealers. Ginebra has recently streamlined its distribution network by reorganizing its network of dealers by assigned geographic areas. The reorganization was designed to enhance the efficiency of the distribution network by having fewer, but larger, dealers. Ginebra has 119 dealers for its liquor products and nine sales offices for its non-alcoholic beverage products as of year-end 2012. Ginebra utilizes third party services in the warehousing and delivery of its products.

Food

The food business holds numerous market leading positions in the Philippine food industry, offering a broad range of high-quality food products and services to both household and food service customers. The food business is conducted through San Miguel Pure Foods. The business is organized into business clusters: Agro-Industrial (poultry, feeds and fresh meats); Value-Added Meats (processed meats); Milling (flour and flour products); and Dairy Spreads and Oil (“DSO”), ice cream, coffee, food service, retail and miscellaneous businesses. San Miguel Pure Foods has some of the best known brands in the Philippine food industry, such as “*Purefoods*,” “*Magnolia*,” “*Monterey*,” “*Star*,” “*Dari Crème*” and “*B-Meg*”. In addition to its Philippine operations, the food business has operations in Indonesia and Vietnam.

San Miguel Pure Foods operates and manages one of the most extensive distribution networks across the Philippines, with its products available in every major city. San Miguel Pure Foods has a multi-channel distribution network that supplies its products to supermarkets and traditional retail outlets, trade, food service channels and franchised stores. For the value-added meats business, it centrally manages sales and distribution through San Miguel Integrated Sales, which is responsible for selling San Miguel Pure Foods value-added products to both modern trades, such as major supermarket chains, hypermarkets, groceries, convenience stores, and general trades, market traders and “sari-sari” stores (small neighborhood stores). For its feeds, poultry, fresh meats and flour businesses, San Miguel Pure Foods maintains business-specific sales forces to service trade channels and manage its distributors and dealers. Great Food Solutions of San Miguel Pure Foods, on the other hand, manages sales to key food service customers, such as hotels, restaurants, bakeshops, fast-food and pizza chains. Meanwhile, the distribution advantage of the feeds business lies in the location of its production facilities, which are strategically located close to its primary markets or the major sources of its raw materials.

Packaging

The packaging business has one of the largest packaging operations in the Philippines, producing glass, metal, plastic, aluminum cans, paper, flexibles, PET and other packaging products. The packaging business is conducted through the Packaging Group, which comprises San Miguel Yamamura Packaging Corporation, San Miguel Yamamura Packaging International Ltd, San Miguel Yamamura Asia Corporation and Mindanao Corrugated Fibreboard, Inc. The packaging business is the major source for packaging products for the other businesses of SMC. It also supplies its products to major multinational corporations in the Philippines and customers across the Asia-Pacific region, the United States, Africa,

Australia and the Middle East, as well as to major multinational corporations in the Philippines, including Coca Cola Bottling Company, Nestle Philippines and Pepsi Cola Products Philippines.

The Packaging Group owns and operates three glass container packaging plants, a glass and PET mold plant, three metal closures packaging plants, one two-piece can plant, one plastics packaging plant, a leasing operations, one composites packaging plant, one paper packaging plant, four PET packaging plants, and a PET recycling plant. All plants are strategically located throughout the Philippines. It also owns and operates eleven overseas packaging facilities: three in China (producing glass, plastic and paperboard packaging products); two in Vietnam (glass and metal); four in Malaysia (composite, plastic films, woven and a research center); one in Australia (plastic); and one in New Zealand (plastic).

Properties

San Miguel Properties, Inc. ("SMPI") was established in 1990 initially as the corporate real estate arm of SMC. It is the primary property subsidiary of SMC, and is currently 99.9%-owned by SMC. SMPI is presently engaged in commercial property development, sale and lease of real properties, management of strategic real estate ventures and corporate real estate services.

The development track record of SMPI includes economic to middle-income housing (Buenavista Homes in Cebu and The Legacy in Parañaque City), high end residential (San Miguel Village) and landmark commercial buildings (SMC corporate headquarters and the Ortigas Center).

Fuel and Oil

SMC operates its fuel and oil business through Petron Corporation ("Petron"), in which SMC holds a 68.3% interest. Petron refines crude oil and markets and distributes refined petroleum products in the Philippines and Malaysia. In the Philippines, Petron is the largest integrated oil refining and marketing company, with an overall market share of 38.5% of the Philippine oil market in terms of sales volume based on industry data from the DOE as of December 31, 2012. Petron had a 16.6% share of the Malaysian retail market as of December 31, 2012, according to Metrix Research estimates, the market research consultant appointed by Malaysian retail market participants to compile industry data.

On March 30, 2012, an affiliate of SMC, Petron Oil & Gas International Sdn Bhd, completed the acquisition of 65% of Esso Malaysia Berhad, a publicly listed company in Malaysia, 100% of ExxonMobil Malaysia Sdn Bhd, and 100% of ExxonMobil Borneo Sdn Bhd. Subsequently, these three companies were renamed Petron Malaysia Refining & Marketing Bhd, Petron Fuel International Sdn Bhd and Petron Oil (M) Sdn Bhd, respectively. As of December 31, 2012, Petron owned 73.37% of Petron Malaysia Refining and Marketing Bhd.

Petron owns and operates a petroleum refinery complex located in Limay, Bataan, which has a crude distillation capacity of 180,000 bpd. The refinery also has its own piers and two offshore berthing facilities, one of which is used for receiving crude and can accommodate very large crude carriers.

The Limay Refinery is capable of producing a broad range of petroleum products such as LPG, gasoline, jet fuel, diesel and fuel oil. In 2000, the Limay Refinery expanded into petrochemical production with the commercial operation of its mixed-xylene plant. The Limay Refinery started producing propylene in 2008 with the commissioning of its propylene recovery unit, which has a demonstrated capacity of 130,000 tons per year of polymer-grade propylene. The benzene-toluene extraction became operational in May 2009 and is designed to produce benzene and toluene at respective capacities of 24,000 and 158,000 tons per year. In early 2011, Philippine Polypropylene Inc. ("PPI"), in which Petron currently has a 45.9% indirect interest, commissioned a rehabilitated polypropylene plant in Mariveles, Bataan, to capture the

incremental margin from converting the Limay Refinery's propylene production into polypropylene. The facility has the capacity to produce 160,000 metric tons of polypropylene resin annually, and Petron has entered into an offtake agreement with PPI pursuant to which PPI is entitled to purchase 100% of the propylene production of the Limay Refinery.

Petron also completed a fuel additive blending plant in the Subic Freeport Zone in July 2008 with a capacity of 12,000 MT a year, which serves the fuel additive requirements of a leading global additives manufacturer in the Asia-Pacific region and operates as that manufacturer's exclusive blender for customers. Currently, Petron is upgrading its refinery referred to as RMP-2 which aims to significantly increase the utilization of the refinery.

In Malaysia, Petron owns a petroleum refinery complex located in Port Dickson, Negeri Sembilan. The Port Dickson Refinery produces a range of products, including LPG, gasoline, jet fuel, diesel and low sulfur waxy residue ("LSWR"). With the exception of LSWR, these products are intended to meet domestic demand in Malaysia. Petron exports its LSWR under a term contract with Concord Energy. Crude oil for the Port Dickson Refinery (predominantly light low-sulfur crude oil) is received at the Port Dickson Refinery by means of a single buoy mooring ("SBM") and crude pipeline facilities that are jointly owned with Shell through an unincorporated joint venture. The SBM is operated by Shell, and Petron shares the operating costs equally with Shell. Petron also pays a levy of one-third of the overhead and administrative charges incurred by Shell in connection with the operation of the SBM.

Petron operates a network of terminals and depots as bulk storage and distribution points throughout the Philippines, as well as LPG plants in its Pasig terminal, San Fernando depot and Legazpi depot and a number of terminals in Malaysia. Its airport installations serve the fuel requirements of the airline industry and other aviation accounts. Petron moves its products, mainly by sea, to more than 30 depots, terminals and airport installations situated throughout the Philippines, representing the most extensive distribution network in the Philippines. Petron's Malaysian distribution operation network includes eight product terminals (of which seven are active and one is idle) located in strategic locations across Peninsular and East Malaysia.

In the retail market, Petron had 2,113 retail service stations throughout the Philippines as of June 30, 2013, representing approximately 35% of the country's total gasoline station count of approximately 6,100. Petron also services approximately 38% of the Philippine industrial sector, which includes major manufacturing, aviation, and marine accounts, according to the DOE. Petron is the biggest market participant in the Philippine LPG market, according to the Petroleum Institute of the Philippines. Petron had set up more than 900 branch stores through its *Gasul* and *Fiesta Gas* LPG dealers as of June 30, 2013. To augment lubricants and greases sales, Petron Lubes had a network of 23 Car Care Centers, 33 Petron Sales Centers, 16 Motorcycle Centers and 16 Lubes & Specialties Centers throughout the Philippines as of June 30, 2013. Petron also exports various petroleum products and petrochemical feedstocks, including high-sulfur fuel oil, naphtha, mixed xylene, benzene, toluene and propylene, to customers in the Asia-Pacific region.

Energy

The energy business of SMC is one of the leaders in the Philippine power generation industry in terms of installed capacity. The energy business of SMC is conducted through SMC Global Power. SMC administers three power plants, located in Sual, Pangasinan (coal-fired), Ilijan, Batangas (natural gas) and San Roque, Pangasinan (hydroelectric), with a combined capacity of 2,545 MW, pursuant to the Independent Power Producer Administration ("IPPA") agreements with Power Sector Assets and Liabilities Management Corporation ("PSALM") and National Power Corporation of the Philippines

("NPC"). As of December 31, 2012, SMC was one of the largest IPPAs in the Philippines and held a 22% market share of the total installed power generation capacity for the Luzon power grid and a 17% market share of the national grid according to the Energy Regulatory Commission of the Philippines ("ERC"). As of July 31, 2013, SMC also owns a 25.96% stake in Meralco, the biggest power distributor and private sector utility in the Philippines, which accounted for more than half of all electricity sales in the Philippines in 2012. As of September 30, 2013, SMC, together with its subsidiaries – San Miguel Pure Foods and SMC Global Power, entered into an agreement to sell its entire Meralco stake. SMC also has interests and investments in coal, copper and gold mining.

Infrastructure

The infrastructure business of SMC consists of investments in companies which hold long-term concessions in the Philippines' infrastructure sector. Current projects include the Tarlac-Pangasinan-La Union Expressway ("TPLEX"), Boracay Airport, NAIA Expressway and MRT-7 Light Rail and Road Project.

TPLEX

Through its 35.0% interest in Private Infra Dev Corporation ("PIDC"), SMC is undertaking the construction, under a 35-year Build-Operate-Transfer ("BOT") arrangement, of an 88.58 km two-lane toll expressway from Tarlac, through Pangasinan to La Union, north of Manila ("TPLEX"). The TPLEX expressway is expected to be integrated with other major expressways (including the North Luzon Expressway ("NLEX") and Subic-Clark-Tarlac Expressway("SCTEX") to expand the road/expressway network in and around Metro Manila by 325 kilometers. Construction commenced on the expressway in October 2010. Several sections of TPLEX (sections 1 and 2) will be constructed on a 2x2 lanes basis. The Tarlac to Gerona section in particular is already being constructed as such and Section 3 will basically be retained as a 2 lane expressway. TPLEX is proposed to be connected to the SCTEX in Tarlac. The entire project is projected to be completed by December 2015.

Boracay Airport

Through its 98.5% interest in Trans Aire Development Holdings Corporation ("TADHC"), SMC is undertaking the expansion of Boracay airport under a 25-year build-rehabilitate-operate-transfer concession granted by the Republic of the Philippines, through the Department of Transportation and Communications ("DOTC").

The planned expansion of the airport is expected to be completed in a number of stages and involves:

- upgrading and extending the runway, which is currently 950 meters long and 30 meters wide, to 2,600 meters long and 60 meters wide to accommodate larger international and domestic aircraft;
- upgrading of the Boracay Airport and its facilities to comply with International Civil Aviation Organization standards and the Manual of Standards for Aerodromes of the Civil Aviation Authority of the Philippines ("CAAP");
- conducting extensive landscape remediation to lower hills at one end of the runway;
- replacing the current 550 square meter terminal with a new world class passenger and cargo terminal;
- improving road networks around Boracay Airport and its facilities; and
- upgrading air navigational systems.

MRT-7

In October 2010, SMC acquired a 51% stake in Universal LRT, which holds the BOT concession for MRT-7, a planned expansion of Manila's metro rail system. MRT-7 is one of several rail extension projects to the existing metro rail system which services Metro Manila. It is expected to take three and a half years and includes a 22 km six-lane asphalt highway that will connect the North Luzon Expressway to the intermodal transport terminal in San Jose del Monte City, Bulacan and a 22 km mostly elevated MRT with 14 stations that will start from San Jose del Monte City and end at the integrated LRT-1 / MRT-3 / MRT-7 station at North EDSA. Universal LRT will operate and manage the system on behalf of the Philippine government for 25 years while gradually transferring ownership of the system to the Philippine government in proportion to payments of semi-annual capacity fees.

SLEX

SMC, through its wholly-owned subsidiary San Miguel Holdings Corporation ("SMHC") has acquired 46.5% stake in Atlantic Aurum Investments BV ("AAI"), a company which has obtained ownership of the following: (i) 80.0% stake in South Luzon Tollway Corporation, which holds a 30-year concession (valid until 2035) to operate the 36 kilometer South Luzon Expressway ("SLEX"), one of the three major expressways that link Metro Manila to key southern provinces and (ii) 87.84% beneficial ownership in Citra Metro Manila Tollways Corporation ("CMMTC"), through AAI's wholly-owned subsidiary, Atlantic Aurum Investments Philippines Corporation, which holds a 25-year concession to construct, operate and maintain the 16.38-kilometer (Stages 1 and 2) South Metro Manila Skyway Project. SMHC's effective interest in CMMTC (thru AAI) is currently at 40.845%

SMHC has a 60% equity interest in Alloy Manila Toll Expressways Inc. which has a 30% interest in Manila Toll Expressway Systems, Inc. ("MATES"). MATES is the operating and maintenance company for the SLEX. SMHC also has an additional effective equity interest of 18.6% via the 40% equity of MTD Manila in AMTEX which in turn is owned by AAI (thru MTDB). Thus total effective SMHC equity in MATES is 78.6%.

North Harbor

SMC, through Petron, also has a 35.0% interest in Manila North Harbor Port Inc., which Petron purchased from Harbour Centre Port Terminal, Inc. in January 2011. The Manila North Harbor is undergoing rehabilitation and modernization which include construction of a new passenger terminal, upgrade of the passenger terminal facilities, rehabilitation of the piers, development of berth facilities and construction of support facilities for cargo handling operations. The new passenger terminal, which includes the passenger building, ticketing office and parking area, has recently been completed and opened to passengers.

NAIA Expressway

SMHC, through its wholly owned subsidiary Optimal Infrastructure Development Inc., won the bid for the construction of the NAIA Expressway – a 4-lane, 7.75 km elevated expressway and 2.22 km at-grade feeder road that will provide access to NAIA I, II and III and links the skyway and the Manila-Cavite Toll Expressway, under a 30 year build-transfer-operate concession.

Telecommunications

SMC, through Vega Telecom, Inc., holds a 41.5% equity interest in Liberty Telecoms Holdings, Inc., in partnership with G.S.P.C. Qtel Westbay Holding (26.75%), Wi-Tribe Asia Limited (5.90%) and White Dawn Solutions Holdings, Inc. (18.36%), with the remaining shares owned by the public. In 2010, SMC acquired 100.0% of BellTel, a full-service telecommunications company which is licensed to provide a range of services throughout the Philippines. In 2010, SMC, through Vega, acquired 100% of the outstanding and issued shares of stock of AGNP, the beneficial owner of approximately 40.0% of ETPI. On October 20, 2011, SMC through its wholly owned subsidiary, SMESI, acquired an additional 37.7% of the outstanding and issued shares of stock of ETPI, bringing its total indirect equity interests in ETPI to 77.7% as of December 31, 2012.

Liberty Telecom

Liberty is a telecommunications carrier offering services including nationwide telephone service, data communications, inter-exchange carrier services and international voice and data connectivity services.

BellTel

The telecommunication license of BellTel authorizes it to provide data services throughout the Philippine archipelago and telephony to all central business districts and special economic zones. BellTel was one of the first companies to deploy point-to-multipoint fixed wireless access technologies delivering multiple product offerings. BellTel has also entered into strategic alliances with operators of underutilized telecommunications infrastructures, such as hybrid fiber-coaxial and fiber optic networks, giving it several cost-effective last mile options for rapid service deployment. In addition, BellTel holds licenses in the 1.7, 3.5 and 24 Ghz spectra, which enable it to provide a wide array of wireless broadband products and services.

ETPI

ETPI is a provider of voice, data and internet services to the business process outsourcing market.

Airline

SMC, through San Miguel Equity Investments Inc. ("SMEI"), owns a 49% equity interest in each of Trustmark Holdings Corporation and Zuma Holdings and Management Corporation, the holding companies of Philippine Airlines ("PAL") (through PAL Holdings, Inc.) and Air Phil, respectively. The investment provides an opportunity for SMC to diversify into an industry which has synergies with the existing businesses of SMC. Such investment will likewise augment and supplement the ongoing enhancement of the operations of PAL and Air Phil, and the implementation of the fleet modernization programs with the end in view of enhancing the efficiency, competitiveness and profitability of PAL and Air Phil.

Mining

SMC, through SMEC, owns 100.0% interest in the concession holders namely, Daguma Agro Minerals, Inc. ("DAMI"), Bonanza Energy Resources, Inc. ("BERI"), and Sultan Energy Phils. Corp. ("Sultan"), each of which are engaged in coal mining exploration activities in Mindanao. SMC also has a 3.99% interest in Indophil, which indirectly holds a 15.0% interest in an entity with rights to explore, develop, and operate the Tampakan gold and copper project.

Banking

SMC, through SMPI, currently holds approximately 39.9% of the Bank of Commerce, a commercial bank licensed to engage in banking operations in the Philippines.

CLARIDEN HOLDINGS, INC.

The Company, through Clariden, holds mining tenements in various areas in the Philippines. These mining tenements, owned by Clariden's various subsidiaries, include: (i) Mineral Production Sharing Agreements (MPSAs) for the Nonoc Nickel Project, Mt. Cadig Nickel Project and Lo-oc Limestone Project, (ii) Exploration Permits (EPs) for certain areas under the Bango Gold Project, and (iii) pending Application for Production Sharing Agreement (APSA) and pending Exploration Permit Applications (EXPA) for other areas of the Bango Gold Project. A subsidiary of Clariden was also chosen as the contractor under a Joint Operating Agreement to be executed for the North Davao Project.

Clariden's mining projects are:

Nonoc Nickel Project

Clariden, through its indirect beneficial ownership in Philnico Industrial Corporation ("PIC"), Pacific Nickel Philippines, Inc. ("PNPI"), and Philnico Processing Corp. ("PPC"), holds mining rights over an area of approximately 23,877 hectares located in the islands of Nonoc, Hanigad, and Awasan, Surigao City; and Basilisa and Cagdianao, Dinagat Island Province, within Parcel II and Parcel III of the Surigao Mineral Reservation under MPSA No. 072-97-XIII (SMR), expiring in 2022. The original MPSA area of approximately 25,000 hectares was reduced as a result of the exclusion from the MPSA and reclassification of 106.473 hectares for the establishment of a Special Economic Zone in 1999 and 1,016.9113 hectares as alienable and disposable land in 2004.

Amended and Restated Definitive Agreement and Related Agreements. In 1996, PIC (formerly the Philnico Mining and Industrial Corporation) acquired 90% of the shares of stock and certain receivables of the Republic of the Philippines ("ROP") in PPC (formerly, the Nonoc Mining and Industrial Corporation) through an Amended and Restated Definitive Agreement ("ARDA") with the ROP, acting through the Asset Privatization Trust (now the Privatization and Management Office or "PMO"), executed on May 10, 1996, as supplemented and amended on May 2, 1997 and September 27, 1999, respectively.

Under the ARDA, the purchase price shall be payable on an installment basis in accordance with the payment schedule stipulated therein. Further, the ARDA provides that the installment payable on a large portion of the purchase price shall consider the average London Metal Exchange ("LME") price of nickel which should be higher than PNPI's break-even price for the period. This is in recognition of the need to put the nickel plant in operation before compliance with the payment schedule may be enforced. As security for the payment of the purchase price, PIC pledged the subject PPC shares to the ROP. The ARDA contains a provision that in case of default in the payment of the purchase price in accordance with the terms thereof, the title to the PPC shares shall *ipso facto* revert to the ROP. In 2003, PIC filed a case to enjoin PMO from enforcing the said automatic reversion provision and requesting the court to fix the period for payment and performance by PIC of its obligations under the ARDA, which case is discussed in greater detail in this Prospectus under the heading "Legal Proceedings".

MPSA No. 072-97-XIII (SMR). The ROP and PIC entered into an MPSA which was approved on January 20, 1995 by the President of the Philippines pursuant to Executive Order No. 279 (1987) as implemented by

DENR Administrative Order (“DAO”) Nos. 57 (1989) and 82 (1990). The said MPSA was thereafter revoked but subsequently reinstated and approved by the President in September 1996 after the execution of the ARDA.

In May 1997, PIC assigned its rights and obligations under the MPSA to PNPI and PNPI, in turn, assigned all mineral processing rights under the MPSA in favor of PPC. As a result of the assignment, PNPI holds exclusive rights to explore, develop, mine, and commercially utilize nickel, cobalt, chrome, iron and other mineral deposits within the contract area for a period of 25 years, renewable for another 25 years. On the other hand, PPC holds exclusive rights with respect to the processing of minerals and resources under the MPSA.

The MPSA further provides that the ROP share shall be the excise taxes on the mineral products at the time of its removal and at the rate provided for in Republic Act No. 7729 amending Section 151(A) of the National Internal Revenue Code (“NIRC”), as amended, in addition to a royalty fee of not less than 5% of the market value of the gross output exclusive of all other taxes. If minerals, other than nickel and cobalt are discovered in commercial quantities in the contract area, the value thereof shall be added to the value of the principal minerals in computing the share of the ROP.

On August 7, 1997, the MPSA was amended to conform to Republic Act No. 7942, otherwise known as the Mining Act of 1995, and DAO No. 96-40.

Currently, PNPI is completing the requirements for an application for an additional 2-Year exploration period under the MPSA to further explore the nickel deposit. Other ongoing work includes pre-exploration activities and preparations for the rehabilitation of some mine site facilities to support the planned exploration program. In this regard, PNPI is planning to conduct exploratory core drilling and sampling of nickel laterite in the contract area. PNPI has also engaged the services of a third party consultant to review the Bankable Feasibility Study and conduct an Options Study for Plant Development. Certain continuing activities in compliance with mandatory requirements under the MPSA and mining regulations such as the Environmental Protection and Enhancement Program and Social Development and Management Program are also being implemented.

Nonoc Resources and Reserves. As of August 2013, nickel mineral resources within the MPSA contract area, net of the 1.4 million metric tons of shipments made from 2003 to August 2013, total 143.29 million dry metric tons at an average grade of 1.10% nickel and 0.10% cobalt using a cut-off grade of 0.90% nickel. Nickel ore reserves, net of shipments from 2003 to August 2013 of 1.4 million dry metric tons, amount to 56.5 million dry metric tons at an average grade of 1.14% nickel, 0.13% cobalt, 40.04% iron and 3.31% magnesium. The mineral resource and ore reserve estimates were prepared in accordance with “The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (JORC) by Competent Persons (CPs) from Vantage Mining Group, Minproc Engineers and Minproc Limited of Australia between 1996 and 1999.

Other resources not fully quantified but now considered commercially saleable are: (i) an estimated 9 million dry metric tons of overburden (materials overlying the nickel deposit previously considered as waste or of no value but with the advent of new technology and favorable nickel prices has become economic) grading at least 0.60% nickel and 45% iron and can be marketed as direct shipping ore; and (ii) around 20 million dry metric tons of iron tailings generated by previous nickel processing operations and can be marketed on an as is, where is basis or upgraded to at least 60% iron.

Special Economic Zone. On May 1, 1999, PIC and the City of Surigao entered into a Memorandum of Agreement in relation to a proposed plan of establishing, developing, and operating a Special Economic

Zone (“Ecozone”) in a 106-hectare portion of Nonoc Island, Surigao City (the “Property”), which area is covered by the MPSA.

Under the Memorandum of Agreement, the City of Surigao agreed to cause the reclassification of the Property from mineral to agricultural land and thereafter lease the same to PIC for the establishment of the Ecozone. PIC, in turn, agreed to cause the conditional release of the Property from the coverage of the MPSA to enable the City of Surigao to acquire the Property from the ROP, without prejudice to the ownership over the existing facilities and infrastructures on the Property.

Subsequently, Proclamation No. 172 and Presidential Proclamation No. 192 were issued excluding the Property from the Surigao Mineral Reservation, declaring it open for disposition, and creating the Ecozone with an initial area of 106.473 hectares. On December 10, 1999, the ROP and the City of Surigao executed a Deed of Donation by virtue of which the ROP donated the Property to the City of Surigao to enable it to host the Ecozone to be developed and operated by PIC.

Pursuant to the Memorandum of Agreement, the lease contract between the City of Surigao and PIC was executed on September 21, 1999 and took effect on December 10, 1999, for an initial period of 25 years, renewable for another 25 years at the option of PIC. The lease contract provides that the payment of the stipulated rental shall only start after 2 years from the execution of the contract or after the commissioning of the Nonoc Nickel Refinery, whichever comes later. To date, the intended new High Pressure Acid Leach Nickel Refinery Plant to replace the current obsolete ammonia acid leach plant has yet to be established.

In July 2013, PIC and PNPI filed a case to enjoin the actions of the Mayor of Surigao City in threatening to take over the Property, which case is discussed in greater detail in this Prospectus under the heading “Legal Proceedings”.

Operating Agreement with Shuley Mine, Incorporated. On April 27, 2009, PNPI entered into a Mines Operating Agreement with Shuley Mine, Incorporated. (“SMI”) whereby SMI agreed to undertake the extraction, hauling, shipment and marketing of nickel ore within a designated 1,174-hectare area under the MPSA for an initial period of 48 months and renewable for another 48 months upon mutual agreement by the parties. The agreement was registered with the MGB Regional Office No. XIII on June 2, 2009 and approved by the MGB Central Office on July 23, 2009 with the condition that mining operations can only commence once PNPI has filed and secured approval of the Declaration of Mining Project Feasibility (“DMPF”) covering the area subject of the agreement. The Partial DMPF was approved by the MGB Central Office on April 8, 2010.

On September 29, 2009, the parties entered into a Supplemental Agreement, whereby the parties agreed to expand the coverage of the Mines Operating Agreement to include, among others: (i) all mining activities such as exploration, expansion of stockyard, and extraction from in situ, run of mine, and tailings, and (ii) mining and extraction of all other nickel grades except nickel ore between 1.0% to 1.4% nickel grade which shall remain under PNPI’s ownership, with their corresponding royalty rates computed as an increasing amount per unit volume based on the grades of nickel ore subject to an escalation based on the LME price of nickel. Under the Supplemental Agreement, the parties agreed that the effectivity of the Mines Operating Agreement starts on the date the Partial DMPF was approved by the MGB. On March 16, 2011, the parties amended the Mines Operating Agreement to provide for the payment by SMI of the Value Added Tax on the royalty fee.

In April 2013, SMI filed a case to enjoin PNPI from stopping the mining, shipping and other operations of SMI under the Mines Operating Agreement, which case is discussed in greater detail in this Prospectus under the heading “Legal Proceedings”.

Mt. Cadig Nickel Project.

MPSA No. 346-2010-IVA. Clariden, through V.I.L. Mines, Incorporated (a wholly-owned subsidiary of Clariden) has the exclusive right to conduct mining operations within 11,126.3576 hectares of land located in Tagkawayan, Quezon and Labo and Sta. Elena, Camarines Norte pursuant to MPSA No. 346-2010-IVA executed on June 25, 2010 between the ROP and VMI. The MPSA has a term of 25 years from the effective date and renewable for another term not exceeding 25 years. The primary purpose of the MPSA is to provide for the rational exploration, development and commercial utilization of nickel and other associated mineral deposits existing in the contract area with all the necessary services, technology and financing to be furnished and arranged for by VMI.

The share of the ROP under the MPSA consists of an excise tax on mineral products at the time of removal and at a rate provided for in Republic Act No. 7729 amending Section 151(a) of the NIRC as amended as well as other taxes, duties and fees levied by existing laws. If minerals, other than nickel and other associated mineral deposits are discovered in commercial quantities in the contract area, the value thereof shall be added to the value of the principal mineral in computing the share of the Government. Other government fees include the registration fee and occupation fee.

Resources and reserves. Mineral resources within the contract area, based on VMI's exploration drilling activities, total 34.2 million dry metric tons at 0.65% nickel and 32.85% iron.

Exploration work done is still in the early stage. VMI is currently awaiting approval from MGB of its application for the renewal of its two-year exploration period under the MPSA and has engaged the services of a third party contractor to conduct exploratory core drilling and sampling of nickel laterite deposits in the contract area. It is also looking into proposals for the conduct of sintering reduction test to upgrade the quality of the Mt. Cadig nickel ores. Other ongoing activities are focused on community relations work and the rehabilitation and reforestation of previously dug test pit areas.

Lo-oc Limestone Project

MPSA No. 059-96-VII and MPSA No. 060-96-VII. Clariden, through South Western Cement Corporation (hereinafter "SWCC", a wholly-owned subsidiary of Clariden) has the exclusive right to conduct mining operations in 306.46 hectares of land and 505.7929 hectares of land both located in Lo-oc, Malabuyoc, Cebu pursuant to MPSA No. 059-96-VII and MPSA No. 060-96-VII, both executed on November 18, 1996 between the ROP and Lo-oc Limestone and Development Corporation ("LLDC"). LLDC subsequently assigned its rights, title and interest in and to the MPSAs to SWCC, which assignment was approved by the MGB on September 24, 1997.

The primary purpose of these MPSAs is to provide for the exploration, sustainable development and commercial utilization of limestone and other mineral deposits existing in the contract area, with all the necessary services, technology and financing to be provided by SWCC. The MPSAs have a term of 25 years from effective date, renewable for another 25 years.

The share of the ROP consists of an excise tax on mineral products as provided for in Republic Act No. 7729 amending Section 151(a) of the NIRC as amended. If minerals, other than limestone are discovered in commercial quantities in the contract area, the value thereof shall be added to the value of the principal mineral in computing the share of the ROP.

Resources and reserves. Limestone resources within the Lo-oc contract area, based on Clariden's internal estimates, amount to 147.903 million dry metric tons at 54.97% calcium oxide and 0.46% magnesium oxide.

Bango Gold Project

Clariden, through Prima Lumina Gold Mining Corp. (a wholly-owned subsidiary of Clariden, hereinafter, “Prima Lumina”) is the assignee of Exploration Permit Nos. 000001-2011 XI and 000002-2011-XI covering certain areas of Compostela Valley and Davao Oriental, immediately south of the Diwalwal Gold Rush Area. These EPs allow Prima Lumina to conduct prospecting and exploration for mineral resources by geological or geophysical surveys, test pitting, trenching, drilling or any other means for the purpose of determining the existence, extent, quantity and quality of the mineral resources and the feasibility of mining them economically.

The EPs were both approved in April 2011 with a term of 2 years, renewable for like periods but not to exceed a total term of 6 years. EP No. 000001-2011- XI covers 9,997.53 hectares in the Barangays of Ngan, Panalsalan, Pagsabangan and Mangayon, Municipality of Compostela, Barangay Naboc, Municipality of Monkayo, Province of Compostela Valley, and Barangay Aliwagwag, Municipality of Cateel, Province of Davao Oriental. EP 000002-2011-XI covers 2,416.91 hectares in Barangay Ngan, Compostela and Barangay San Miguel, Municipality of New Bataan, Province of Compostela Valley; and Barangay Aliwagwag, Municipality of Cateel, Province of Davao Oriental.

Resources and reserves. Mineral resources in these areas include gold, copper, silver and other associated minerals. Prima Lumina estimates the mineral resources at about 44.5 million metric tons an average grade of 3.1 grams gold/MT and mineral reserves at about 26.7 million metric tons at an average grade of 3.1 grams gold/MT.

Upon application by Prima Lumina and approval of the relevant regulatory agencies, these EPs may subsequently be converted into MPSAs or other appropriate mining tenements.

As of the date of this Prospectus, Prima Lumina is awaiting MGB’s approval of its application for the renewal of the EPs which expired on April 2013. Prima Lumina engaged the services of a third party contractor to conduct exploratory core drilling in the areas covered by the EPs. Preparatory activities prior to drilling such as geohazard mapping, reconnaissance exploration activities and the location of proposed drill holes are ongoing. Continuing consultations with host communities are also being done.

APSA No. 0000077-XI and EXPA No. 000242-XI. In 2013, Clariden, through its subsidiary Prima Lumina, entered into an agreement to acquire approximately 71.73% of the shares of stock in Mina Del Oriente, Inc. (“Mina Del Oriente”). Mina Del Oriente has a pending application for MPSA denominated as APSA No. 0000077-XI and a pending application of an Exploration Permit denominated as EXPA No. 000242-XI, both filed on June 30, 1994 and covering an area of about 7,203.02 hectares and 2,116.79 hectares, respectively, in Compostela Valley.

Mina Del Oriente also entered into Memoranda of Agreement with the Indigenous Cultural Communities of Monkayo and Compostela, Compostela Valley Province, which agreements were registered with the MGB on June 29, 2011.

North Davao Project.

Joint Operating Agreement with Philippine Mining Development Corporation. In 2009, Asia-Alliance Mining Resources Corp. (a subsidiary of Clariden, hereinafter, “Asia-Alliance”) was chosen by the Philippine Mining Development Corporation (“PMDC”) to undertake the exploration, development, and mining operation of the North Davao Mining Property under a Joint Operation Agreement to be executed between the parties. Asia-Alliance subsequently filed a case with the Pasig Regional Trial Court to compel the PMDC to execute the Joint Operating Agreement with terms and conditions that

are consistent with the Terms of Reference during the public bidding stage, which case is discussed in greater detail in this Prospectus under the heading “Legal Proceedings”.

Resources and reserves. The remaining mineral resources, following the closure of the mine in 1982 and based on a 1980 study by Pincock, Allen and Holt (now RungePincockMinerco, an international mining consulting firm) for North Davao, at the Amacan copper mine is 65 million metric tons with an average grade of 0.34% copper and 0.412 grams gold/MT and 1.713 million MT at an average grade of 3.48 grams gold/MT at the Hijo-Palali-Barrio open pits.

Dinagat Nickel-Chromite Project

On January 24, 2006, PPC and the Philippine Mining Development Corporation (hereinafter, the “PMDC”) (formerly the National Resources Mining Development Corporation) entered into a Joint Operating Agreement designating PPC as the project contractor exclusively authorized to explore, develop, and commercially utilize existing mineral deposits within a 3,600 hectare area in the municipalities of Cagdianao and Basilisa in Dinagat Island, Surigao del Norte, adjacent to MPSA No. 072-97-X (SMR), for a period of 25 years from effective date renewable for another 25 years. On June 21, 2007, PPC assigned its rights, interests, and obligations under the Joint Operating Agreement to PNPI.

Under the Joint Operating Agreement, the sharing scheme between PMDC and the contractor shall be 71%-29%, respectively, based on the net cash income (before taxes). In addition, PPC shall pay the Government, through the PMDC, a royalty in the amount equivalent to 5% of the gross sales of the minerals/mineral products, as well as other taxes, duties, and fees levied by existing laws, national or local. If minerals other than nickel and other associated mineral deposits are discovered in commercial quantities in the contract area, the value thereof shall be added to the value of the principal mineral in computing the share of PMDC.

The principal mineral resources within the Dinagat concession area are nickel and chromite. As of the date of this Prospectus, the development and operation of the mine and mineral processing facilities have been delayed due to insufficient mineable resources/reserves delineated by PNPI that can support mining and processing operations as provided in the Joint Operating Agreement. Additional exploration is required to increase the current resources in the area. Discussions between PNPI and PMDC to renegotiate the sharing scheme under the Joint Operating Agreement are ongoing.

Prospective Projects

In the ordinary course of its business, Clariden considers and evaluates various mining opportunities. In connection with its evaluation of prospective mining projects, airborne magnetic and radiometric surveys are being undertaken over certain areas located in the provinces of North Cotabato, Sultan Kudarat, Davao del Sur and Sarangani, Mindanao Island.

As of the date of this Prospectus, projects being considered include the following:

Mindoro Iron Exploration Project. The project has an existing Financial or Technical Assistance Agreement (“FTAA”) under the name of Agusan Petroleum and Mineral Corporation (“APMC”) executed on October 16, 2008 and registered with the MGB on October 29, 2008. The primary purpose of the FTAA is to provide for the large-scale exploration, development, and commercial utilization of minerals within the contract area with all the necessary technology, management, financing and personnel to be provided or arranged by the APMC. The FTAA grants APMC the exclusive right to explore, mine, utilize, process, refine market, transport, export and dispose of minerals and mineral products and by-products

that may be derived or produced from the contract area comprised of 46,050.6483 hectares located in Baco, San Teodoro and Puerto Galera, Oriental Mindoro and Mamburao and Abra de Ilog, Occidental Mindoro. The mineral commodities in the area are nickel and iron.

Davao del Sur Exploration Project. Projects in Davao del Sur are covered by pending applications for EP, denominated as EXPA No.000097-XI filed on October 29, 1998, covering 6,971.82 hectares of land located in Malita and Sta. Maria Davao del Sur; EXPA No. 000171-XI filed on June 21, 2007, covering 16,009.81 hectares of land located in Malita, Davao del Sur and Malungon and Anabel, Sarangani Province; EXPA No. 000172-XI filed on June 21, 2007 covering 16,054 hectares of land located in Sta. Maria, Malalag and Malita, Davao Del Sur; EXPA No. 000173-XI filed on June 22, 2007 covering 16,211.1 hectares of land situated in Malita and Sta. Maria, Davao Del Sur; EXPA No. 000174-XI filed on June 25, 2007 covering 16,054.09 hectares of land situated in Malita and Don Marcelino, Davao Del Sur; EXPA No.00176-XI filed on June 25, 2007 covering 16,357.96 hectares of land situated in Malita, Malalag and Sta. Maria, Davao del Sur; and EXPA No. 00175-XI filed on June 25, 2007 covering 16,146.32 hectares of land situated in Malita and Don Marcelino, Davao del Sur. The mineral commodities applied for are gold, copper and associated minerals.

Sultan Kudarat and North Cotabato Exploration Project. The projects currently have pending applications for EP, denominated as EXPA No. 000070-XII-2007 covering 16,200 hectares of land situated in the Municipality of Columbio, Province of Sultan Kudarat and in the Municipality of Tulunan, North Cotabato; and EXPA No.000071-XII-2007 covering 15,950 hectares of land situated in the Municipality of Columbio, Province of Sultan Kudarat. Both applications were filed on April 16, 2007. The mineral commodities applied for are copper, gold, precious and base metals and other minerals.

Compostela Valley Exploration Project. These comprise of projects with pending applications for EP, denominated as EXPA Nos. 000210-XI filed on May 2008 and 000214-XI filed on June 2008 which cover 81 hectares of land and 169.5 hectares of land respectively. The mineral commodity applied for in these areas is gold. Another project has a pending application for MPSA, denominated as APSA No. 0001-XI filed on February 1991, covering 254.2 hectares of land situated in Ngan, Compostela Valley. Gold is the mineral commodity applied for.

Ilocos Norte Limestone Project. Ilocos Norte Mining Corp., Inc. is the assignee of MPSA No. 068-97-1 approved on June 6, 1997 covering a 1,284.5077 hectare contract area located in Batac, Espiritu, Nueva Era nd Pinili, Ilocos Norte.

Officers of Clariden

The implementation of the projects of Clariden is under the direct supervision and administration of the following:

- Horacio C. Ramos, who serves as the President of Clariden. Mr. Ramos is a holder of a Master's Degree in Mining Engineering and a Graduate Diploma in Mining and Mineral Engineering from the University of New South Wales, Australia, and a Bachelor of Science degree in Engineering from the Mapua Institute of Technology, Philippines. Prior to his engagement in Clariden, Mr. Ramos previously served in various divisions of the DENR, including as Secretary of the DENR from February 12, 2010 to June 30, 2010.

- Ricardo L. Yabut, who serves as Special Assistant to the Chairman of Clariden. Mr. Yabut is a Certified Public Accountant and holds a Bachelor of Science degree in Accounting. Prior to his engagement in Clariden, Mr. Yabut served as Director and Treasurer of Eagle Cement Corporation.
- Nilda C. Magtoto, who serves as Clariden's Chief Finance Officer. Ms. Magtoto is a Certified Public Accountant and holds a Bachelor of Science degree in Business Administration and Accounting. Prior to her engagement in Clariden, Ms. Magtoto previously held finance and controllership positions in various companies, including SM Land, Inc. and Ayala Property Management Corp.

PRODUCTION AND DISTRIBUTION

Top Frontier's primary business is the holding company for the investments in SMC and Clariden Holdings. As a holding company, Top Frontier provides no other products or services.

The products and services of the SMC Group are distributed or made available throughout the Philippines and other countries primarily in Southeast Asia (primarily Indonesia, Thailand and Vietnam) and the rest of Asia (primarily China and Hong Kong). For example, SMB beer products are distributed and sold at almost half a million retail outlets, including off-premise outlets such as supermarkets, grocery stores, sari-sari stores and convenience stores, as well as on-premise outlets such as bars, restaurants, hotels and beer gardens throughout the country. Ginebra distributes its products by shipping directly to dealers. Ginebra had 119 dealers for its liquor products and nine sales offices for its non-alcoholic beverage products as of year 2012. San Miguel Pure Foods operates and manages one of the most extensive distribution networks across the Philippines having a multi-channel distribution network that supplies its products to supermarkets and traditional outlets, trade, food service channels and franchised stores. Petron has over 2,000 retail service stations in the Philippines and 555 in Malaysia which sells gasoline, diesel and Kerosene products while the liquefied petroleum gas are sold to household and other consumers through its extensive dealership network all over the Philippines and Malaysia.

The mining projects of Clariden are still in their exploratory stages, and as such Clariden does not yet provide nor distribute any products or services.

RESEARCH AND DEVELOPMENT

The Company's subsidiaries undertake regular research and development in the course of their regular business:

- **Beverages**

SMB employs state-of-the-art brewing technology. Its highly experienced brewmasters and quality assurance practitioners provide technical leadership and direction to continuously improve and maintain high standards in product quality, process efficiency, cost effectiveness and manpower competence. Brewing technology and processes are constantly updated and new product development is ensured through continuing research and development. A research and development group is housed in the technical center building of the Polo Brewery. Research and development activities are primarily undertaken in a pilot plant located in the Polo Brewery.

- **Foods**

The research and development program of San Miguel Pure Foods focuses on the development of new products, identifying cost improvements while maintaining product quality, the use of alternative raw materials, improvements in production operations and efficiency, livestock operations,

- **Packaging**

The SMC Group's packaging division plans to enter new markets and market segments with new products such as personal care (plastic tubes), pharmaceuticals (plastic pharma bottles), semi-conductors and electronics (anti-static bags), paint (pails), food tubs, lug caps, deep draw caps, slim cans, PET wide-mouth jars and various converted can ends. The Packaging Group expects the future consumer trend towards environmentally friendly products and environmentally sound manufacturing systems. Hence, the Packaging Group plans to increase investments into eco-friendly facilities, processes and products

- **Fuel and oil**

Over the years, Petron has made significant investments in conversion and petrochemical facilities and is focused on increasing production of White Products and petrochemicals while minimizing production of low margin fuel products. In recent years it has focused increasingly on the production of new higher margin petrochemical feedstocks, such as propylene, mixed xylene, toluene and benzene, and shifted production from lower margin fuel oils to higher margin products.

Petron will also continue to expand into the blending and export of fuel additives, leveraging on its technology partnership with Innospec, and will continue to tap the customer base of Innospec in Asia to broaden the market for the lubricant products of Petron.

Petron has been implementing various programs and initiatives to achieve key performance indices on reliability, efficiency and safety in its refinery. These programs include the Reliability Availability Maintenance ("RAM") program and the Profitability Improvement Program ("PIP"), which were developed and implemented in coordination with KBC Market Services, an international consultant. The RAM program resulted in improved operational availability and lower maintenance cost through higher plant reliability and a longer turnaround cycle of four to five years from the previous two years. The PIP likewise significantly improved white products recovery, particularly diesel and liquefied petroleum gas ("LPG").

- **Energy**

SMC Global Power seeks to capitalize on regulatory and infrastructure developments by scheduling the construction of greenfield power projects to coincide with the planned improvements in the interconnectivity of the Luzon and Visayas grids, as well as the eventual interconnectivity and implementation of WESM in Mindanao. In addition, SMC Global Power seeks to maintain the cost competitiveness of these new projects by strategically locating them in high-demand areas and in proximity to the grid.

SMC Global Power is considering the expansion of its power portfolio of new capacity nationwide through greenfield power projects over the next ten years, depending on market demand. SMC Global Power plans to carry out the expansion of its power portfolio in phases across Luzon, Visayas and Mindanao. SMC Global Power plans to use clean coal technology for its planned and contemplated greenfield power projects.

- **Infrastructure**

SMC's infrastructure group is currently undertaking various research and development activities in relation to its infrastructure projects, such as transport planning, traffic and ridership studies and analyses.

COMPETITION

The Company, through its subsidiaries, faces competition throughout its businesses.

- **Beverages**

Beer

SMB faces direct competition from Asia Brewery Inc. ("ABI"), which sells beer and other alcoholic products as well as non-alcoholic beverages. ABI competes mainly on the basis of price and leverages on its wider product portfolio to push its brands (e.g. *Beer na Beer*, *Colt 45* and *Tanduay Ice*) in the market. Its alcopop brand, *Tanduay Ice*, mainly competes with *San Mig Light*, while *Colt 45* targets *Red Horse* drinkers. It distributes its products through a network of dealers and wholesalers and has marketing arms which provides specific services to ABI (e.g., hauling and routing).

Competition from imported beers is minimal.

SMB competes with producers of other alcoholic beverages, primarily gin, rum, brandy and alcopops. In the beer industry — and more generally the alcoholic beverages industry — competitive factors generally include price, product quality, brand awareness and loyalty, distribution coverage, and the ability to respond effectively to shifting consumer tastes and preferences. SMB believes that its market leadership, size and scale of operations, and extensive distribution network create high entry barriers and provide SMB with a competitive advantage.

Liquor

Most of the products of Ginebra target the Popular and Economy market segments. The major competitors of Ginebra in these segments include Emperador Distillers Inc. and Tanduay Distillers Inc.

In the Premium market segment, the major competitors of Ginebra include Gilbey's and Absolut. As Ginebra endeavors to create a niche in the Premium market segment with the introduction of premium brand names, Ginebra will continue to rely on its competitive advantages including price, quality and extensive distribution network.

- **Foods**

San Miguel Pure Foods faces competition across its various business segments. These include numerous independent broiler producers, larger integrators and low-priced imports in its poultry segment; foreign manufacturers, national companies and regional feed mills for its feeds segment; large producers in its fresh meats business; large and established players in its value-added meats business; large millers in its flour business; and multinational corporations such as Kraft, Nestle, Unilever and New Zealand Milk in its dairy, spreads and oils business.

- **Fuel and oil**

Petron operates in a deregulated business environment, selling its products to individual, commercial and industrial customers. The enactment of the Downstream Oil Industry

Deregulation Act in 1998 effectively removed the rate-setting function of the Philippine government through the then Energy Regulatory Board, leaving price-setting to market forces. It also opened the oil industry to free competition.

The Philippine oil industry is dominated by three major Philippine oil companies: Petron, Shell and Chevron (formerly Caltex Philippines), which, based on industry data from the DOE for the year ended December 31, 2012, together constitute 73.1% of the Philippine market based on sales volume. Deregulation has seen the entry of more than 100 other industry market participants, rendering the petroleum business more competitive. Petron and Shell operate the only refineries in the country. The rest of the industry market participants are importers of finished petroleum products or purchase finished petroleum products from other market participants in the local market. In the Philippines, Petron competes with other industry market participants on the basis of price, product quality, customer service, operational efficiency and distribution network, with price being the most important competitive factor. Providing total customer solutions has increased in importance as consumers became more conscious of value.

Petron participates in the reseller (service station), LPG, industrial and lube sectors, through its network of service stations, terminals and bulk plants, dealers and distributors throughout the Philippines. In the reseller sector, competition is most dynamic among the major firms, as seen through the construction of service stations by Shell, Chevron, Total Philippines, Phoenix Petroleum, Seaoil and other new participants in major thoroughfares. The small market participants also continue to grow, with station count increasing from 695 in 2001 to approximately 1,900 stations as of December 31, 2012. Participants in the reseller and LPG sectors continue to resort to aggressive pricing and discounting in order to expand their market share. The number of LPG importers in the Philippines increased from three, prior to deregulation, to about seven, with new entrants having more flexible and bigger import receiving capacities. Although Petron is the biggest participant in the Philippine LPG sector, the new participants in this sector, led by Liquigaz, had a collective market share of 58.2% as of December 31, 2012. In the industrial sector, the major market participants continue to invest heavily in order to increase their market share and tap new markets. In the lubricants sector, intense competition among over 50 brands, including global brands such as Castrol, Mobil, Shell and Caltex, continues.

Brands compete for limited shelf space, which has led to the penetration of previously unutilized markets, such as auto-dealerships in malls. Petron is the leader in the Philippine oil industry, with an overall market share of 38.5% of the Philippine oil market, ahead of the other two major Philippine oil companies, which have market shares of 24.6% and 10.0%, in each case in terms of sales volume based on industry data from the DOE for the year ended December 31, 2012. Approximately 100 smaller oil market participants, which started operations after the deregulation of the oil industry in 1998, account for the remaining market share. Petron is the leader in terms of sales volume in the retail, industrial and LPG market segments and a strong second, as compared with the market shares of the two other major Philippine oil companies, in the lubricants and greases market segment based on industry data from the DOE for the year ended December 31, 2012.

In the retail service station business, the Malaysian operations of Petron compete with four other main participants in the market, namely: subsidiaries of Petroliaam Nasional Berhad ("Petronas"), Royal Dutch Shell plc, Caltex and BHPetrol. Of these competitors, Petronas and Shell also have refinery operations in Malaysia. The Malaysian government regulates the pricing of gasoline and diesel at retail service stations through the APM. Petron continues to face

intense competition in the Malaysian industrial and wholesale markets from other local and multi-national oil companies.

- **Energy**

SMC Global Power is one of the largest IPPAs in the country, with a 17% share of the power supply of the national grid, and a 22% market share of the Luzon grid. Its main competitors are the Lopez Group and the Aboitiz Group. The Lopez Group holds significant interests in First Gen Corporation and Energy Development Corporation, while the Aboitiz Group holds interests in Aboitiz Power Corporation and Hedcor, Inc, among others.

With the Philippine government committed to privatizing the majority of PSALM-owned power generation facilities and the establishment of WESM, the generation facilities of SMC Global Power will face competition from other power generation plants that supply the grid during the privatization phase. Multi-nationals that currently operate in the Philippines and could potentially compete against SMC Global Power in the privatization process include Korea Electric Power Corporation, Marubeni, Tokyo Electric Power Corporation, AES Corporation and Sumitomo, among others. Several of these competitors have greater financial resources, and have more extensive operational experience and other capabilities than SMC Global Power, giving them the ability to respond to operational, technological, financial and other challenges more quickly than SMC Global Power. SMC Global Power will face competition in both the development of new power generation facilities and the acquisition of existing power plants, as well as competition for financing for these activities. The performance of the Philippine economy and the potential for a shortfall in the Philippines' energy supply have attracted many potential competitors, including multinational development groups and equipment suppliers, to explore opportunities in the development of electric power generation projects within the Philippines. Accordingly, competition for and from new power projects may increase in line with the long-term economic growth in the Philippines.

- **Telecommunications**

SMC's telecommunications business competes with other large, integrated telecommunications service providers such as Philippine Long Distance Telephone Company and Globe Telecoms as well as more specialized service providers that may provide their services to national or regional markets.

- **Airlines**

In the domestic market, PAL and AirPhil compete with other domestic carriers such as Cebu Air and Zest Air. In the international market, PAL competes with other Philippine carriers serving regional routes as well as other international carriers.

STATEMENT OF ACTIVE BUSINESS PURSUITS

As an investment holding company, Top Frontier may actively pursue prospective investments in various industries in addition to its present investments in SMC and Clariden. SMC may continue to pursue additional investments in those sectors in which it presently has operations or investments, and it may pursue investments in other industries or sectors. Clariden may actively pursue investments in other mining projects.

SUPPLIERS OF RAW MATERIALS AND SERVICES

The Company and its subsidiaries have contracts with third party suppliers of raw materials and services. The Company's business, however, is not dependent on any single supplier or a limited number of suppliers, and normally procures required third party services through a competitive bidding process.

CUSTOMERS

The Company has no single customer that accounts for more than 20% of its revenues.

TRANSACTIONS WITH AND DEPENDENCE ON RELATED PARTIES

On August 15, 2013, the Company executed a Share Purchase Agreement (the "Share Purchase Agreement") with SMC pursuant to which the Company agreed to acquire 100% of the outstanding and issued shares of stock of Clariden, through (a) the assignment by SMC of its subscription rights to shares of stock of Clariden intended to be issued upon approval by the SEC of the increase in Clariden's authorized capital stock, (b) the assignment by SMC of receivables due from Clariden and certain of its subsidiaries, and (c) the sale by SMC and purchase by the Company of all of the then outstanding shares of stock of Clariden.

On August 30, 2013, the transactions contemplated under the Share Purchase Agreement were completed and the Company and executed the following: (a) a Deed of Absolute Shares covering the sale by SMC and the purchase by the Company of 10,000,000 common shares of Clariden, representing 100% of the then outstanding capital stock of Clariden, for a total consideration of ₱2,135 million, and (b) a Deed of Assignment of Receivables covering total advances of SMC in Clariden and its subsidiaries totaling ₱725 million. On September 6, 2013, the Company and SMC (with the conformity of Clariden) executed a Deed of Assignment of Subscription Rights whereby SMC assigned to the Company all of its subscription rights to 2,850,000 common shares of stock of Clariden to be issued out of the increase in the authorized capital stock which shall be applied for by Clariden with the SEC (which shares had been subscribed to at ₱166.41 per share or an aggregate subscription price of ₱474,268 thousand and of which subscription price ₱470,866 thousand had been remitted by SMC to Clariden). In consideration of the assignment by SMC, the Company agreed to pay SMC the amount of ₱604,121 thousand and to assume payment of the unpaid subscription price to the Clariden shares in the amount of ₱3,402 thousand.

The Company has interest bearing payables, related financing charges and professional fees owed to MYL. Payables were used for working capital purposes and for the acquisition of investments in shares of stock. These payables bear interest ranging from 5.78% to 5.81%, have no definite payment terms and are considered payable upon demand. Professional fees were incurred for the feasibility studies rendered by MYL in relation to the Company's acquisitions and projects.

The Company also has non-interest bearing payables owed to SMC and other shareholders which were used for working capital purposes. These payables have no definite payment terms and are considered payable upon demand.

Other than the foregoing, the Company was not involved in transactions or series of similar transactions in the last two years with a corporation (or any of its subsidiaries) in which any of the Company's

directors, executive officers or stockholders owning 10% or more of the total outstanding capital stock, and members of their immediate family, had or is to have a direct or indirect material interest.

The total compensation of the key management personnel of the Company amounted to nil for 2012 and 2011.

For the eight-month periods ended August 31, 2013 and 2012, the compensation received by the key officers of the Group was nil for both periods.

PATENTS, TRADEMARKS AND LICENSES

The SMC Group uses various brand names and trademarks, including “San Miguel”, “Ginebra San Miguel”, “Purefoods”, “Magnolia”, “Star”, “Dari Creme”, “B-Meg”, “Petron”, “Gasul”, and other intellectual property rights to prepare, package, advertise, distribute and sell its products.

GOVERNMENT APPROVALS AND COMPLIANCE WITH ENVIRONMENTAL LAWS

Being an investment holding company, apart from its corporate registration with and primary franchise granted by the SEC, the Company does not have any other government approvals which may be material to its operations. Likewise, the Company is not required to comply with environmental laws and regulations in respect of any of its operations.

EMPLOYEES

As of the date of this Prospectus, the Company has a total workforce of 19,370, inclusive of 18,016 regular employees and 1,354 direct hires. Of the Company’s regular employees, 1,733 are managerial and 16,283 are rank and file.

REGULATORY MATTERS

Various laws and government agencies in the Philippines regulate the manufacturing, processing, sale and distribution aspects of the businesses of SMC and Clariden's mining operations.

General Regulations

The Consumer Act

Republic Act No. 7394, otherwise known as the Consumer Act of the Philippines (the "Consumer Act"), the provisions of which are principally enforced by the DTI, seeks to: (a) protect consumers against hazards to health and safety, (b) protect consumers against deceptive, unfair and unconscionable sales acts and practices; (c) provide information and education to facilitate sound choice and the proper exercise of rights by the consumer; (d) provide adequate rights and means of redress; and (e) involve consumer representatives in the formulation of social and economic policies.

This law imposes rules to regulate such matters as: (a) consumer product quality and safety; (b) the production, sale, distribution and advertisement of food, drugs, cosmetics and devices as well as substances hazardous to the consumer's health and safety; (c) fair, honest consumer transactions and consumer protection against deceptive, unfair and unconscionable sales acts or practices; (d) practices relative to the use of weights and measures; (e) consumer product and service warranties; (f) compulsory labeling and fair packaging; (g) liabilities for defective products and services; (h) consumer protection against misleading advertisements and fraudulent sales promotion practices; and (i) consumer credit transactions.

The Consumer Act establishes quality and safety standards with respect to the composition, contents, packaging, labeling and advertisement of products and prohibits the manufacture for sale, offer for sale, distribution, or importation of products which are not in conformity with applicable consumer product quality or safety standards promulgated thereunder.

Foreign Investment Laws and Restrictions

Retail Trade Liberalization Act

Republic Act No. 8762, otherwise known as the Retail Trade Liberalization Act of 2000 ("R.A. 8762"), was enacted into law on March 7, 2000. R.A. 8762 liberalized the Philippine retail industry to encourage Filipino and foreign investors to forge an efficient and competitive retail trade sector in the interest of empowering the Filipino consumer through lower prices, high quality goods, better services, and wider choices. Prior to the passage of R.A. 8762, retail trade was limited to Filipino citizens or corporations that are 100% Filipino-owned.

"Retail Trade" is defined by R.A. 8762 to cover any act, occupation, or calling of habitually selling direct to the general public any merchandise, commodities, or goods for consumption. The law provides that foreign-owned partnerships, associations and corporations formed and organized under the laws of the Philippines may, upon registration with the SEC and the DTI or in case of foreign-owned single proprietorships, with the DTI, engage or invest in the retail trade business, in accordance with the following categories:

Category A — Enterprises with paid-up capital of the equivalent in Philippine Pesos of less than US\$2.5 million shall be reserved exclusively for Filipino citizens and corporations wholly-owned by Filipino citizens;

Category B — Enterprises with a minimum paid-up capital of the equivalent in Philippine Pesos of US\$2.5 million but less than US\$ 7.5 million may be wholly owned by foreigners except for the first two years after the effectivity of R.A. 8762 wherein foreign participation shall be limited to not more than 60% of total equity;

Category C — Enterprises with a paid-up capital of the equivalent in Philippine Pesos of US\$7.5 million or more may be wholly owned by foreigners, provided, that in no case shall the investments for establishing a store in Categories B and C be less than the equivalent in Philippine Pesos of US\$830,000; and

Category D — Enterprises specializing in high-end or luxury products with a paid up capital of the equivalent in Philippine Pesos of US\$250,000 per store may be wholly-owned by foreigners.

No foreign retailer is allowed to engage in retail trade in the Philippines unless all the following qualifications are met:

A minimum of US\$200 million net worth in its parent corporation for Categories B and C, and US\$50 million net worth in its parent corporation for Category D;

Five retail branches or franchises in operation anywhere around the world unless such retailers has at least one store capitalized at a minimum of US\$25 million;

Five-year track record in retailing; and

Only nationals from, or judicial entities formed or incorporated in, countries which allow the entry of Filipino retailers, shall be allowed to engage in retail trade in the Philippines.

The implementing rules of R.A. 8762 define a foreign retailer as an individual who is not a Filipino citizen, or a corporation, partnership, association, or entity that is not wholly-owned by Filipinos, engaged in retail trade. The DTI is authorized to pre-qualify all foreign retailers, subject to the provisions of R.A. 8762, before they are allowed to conduct business in the Philippines.

Foreign Investment Act of 1991

The Foreign Investment Act of 1991 (“FIA”) liberalized the entry of foreign investment into the Philippines. Under the FIA, in domestic market enterprises, foreigners can own as much as 100% equity except in areas specified in the Foreign Investment Negative List. This Negative List enumerates industries and activities which have foreign ownership limitations under the FIA and other existing laws. In connection with the ownership of private land, however, the Philippine Constitution states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens.

For the purpose of complying with nationality laws, the term “Philippine National” is defined under the FIA as any of the following:

- a citizen of the Philippines;

- a domestic partnership or association wholly-owned by citizens of the Philippines;
- a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines;
- a corporation organized abroad and registered as doing business in the Philippines under the Corporation Code, of which 100% of the capital stock outstanding and entitled to vote is wholly owned by Filipinos; or
- a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine National and at least 60% of the fund will accrue to the benefit of Philippine Nationals.

For as long as the percentage of Filipino ownership of the capital stock of the corporation is at least 60% of the total shares outstanding and voting, the corporation shall be considered as a 100% Filipino-owned corporation. A corporation with more than 40% foreign equity may be allowed to lease land for a period of 25 years, renewable for another 25 years.

Local Government Code

The Local Government Code establishes the system and powers of provincial, city, municipal, and barangay governments in the country. The Local Government Code general welfare clause states that every LGU shall exercise the powers expressly granted, those necessarily implied, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of the general welfare.

LGUs exercise police power through their respective legislative bodies. Specifically, the LGU, though its legislative body, has the authority to enact such ordinances as it may deem necessary and proper for sanitation and safety, the furtherance of the prosperity, and the promotion of the morality, peace, good order, comfort, convenience, and general welfare of the locality and its inhabitants. Ordinances can reclassify land, order the closure of business establishments, and require permits and licenses from businesses operating within the territorial jurisdiction of the LGU.

Social Security System and PhilHealth

An employer, or any person who uses the services of another person in business, trade, industry or any undertaking is required under existing social security legislation to ensure coverage of employees following procedures set out by the law and the Social Security System (“SSS”). The employer must deduct from its employees their monthly contributions based on a given schedule, pay its share of contribution and remit these to the SSS within a period set by law and/ or SSS regulations.

PhilHealth is a government corporation attached to the Department of Health (“DOH”) that ensures sustainable, affordable and progressive social health insurance pursuant to the provisions of Republic Act No. 7875 or the National Health Insurance Act of 1995. Employers are required to ensure enrollment of its employees in a National Health Program being administered by the PhilHealth.

THE BEVERAGE BUSINESS

Various government agencies in the Philippines regulate the different aspects of the beer manufacturing, sales and distribution business of the Company. Philippine national and local

government legislation require a license to sell alcoholic beverages and prohibit the sale of alcoholic beverages to persons below 18 years of age or within a certain distance from schools and churches.

THE FOOD BUSINESS

Health Regulations

The Food and Drugs Administration (“FDA”) (under the DOH) administers and enforces the law, and issues rules and circulars, on safety and good quality supply of food, drug and cosmetic to consumers; and regulation of the production, sale, and traffic of the same to protect the health of the people.

Pursuant to this, food manufacturers are required to obtain a license to operate as such. The law further requires food manufacturers to obtain a certificate of product registration for each product.

The DOH (which includes the FDA, formerly known as the Bureau of Food and Drugs) is the government agency tasked to implement the Consumer Act with respect to food products. The DOH also prescribes the Guidelines on Current Good Manufacturing Practice in Manufacturing, Packing, Repacking, or Holding Food for food manufacturers. Under the Consumer Act, the DOH also has the authority to order the recall, ban, or seizure from public sale or distribution of food products found to be injurious, unsafe or dangerous to the general public.

The FDDC Act

The Foods, Drugs and Devices, and Cosmetics Act, as amended by the FDA Act of 2009 (the “FDDC Act”), establishes standards and quality measures in relation to the manufacturing and branding of food products to ensure the safe supply thereof to and within the Philippines. The FDA is the governmental agency under the DOH tasked to implement and enforce the FDDC Act.

The Livestock and Poultry Feeds Act

The Livestock and Poultry Feeds Act and its implementing rules and regulations (the “Livestock and Poultry Feeds Act”), regulates and controls the manufacture, importation, labeling, advertising and sale of livestock and poultry feeds. The Bureau of Animal Industry (the “BAI”) is the governmental office under the Department of Agriculture (“DA”) tasked to implement and enforce the Livestock and Poultry Feeds Act.

Under the Livestock and Poultry Feeds Act, any entity desiring to engage in the manufacture, importation, exportation, sale, trading or distribution of feeds or other feed products must first register with the BAI. There must be a separate registration for each type and location of feed establishment. Furthermore, the Livestock and Poultry Feeds Act provides that no feeds or feed products may be manufactured, imported, exported, traded, advertised, distributed, sold, or offered for sale, or held in possession for sale in the Philippines unless the same has been registered with the BAI. There must also be a separate registration for each type, kind, and form of feed or feed product. Feeds and feed products produced through toll manufacturing shall be registered with the company that owns the same. All commercial feeds must comply with the nutrient standards prescribed by the DA. Registration of feed and feed products and feed establishments is required to be renewed on a yearly basis.

The Meat Inspection Code

The Meat Inspection Code of the Philippines (the “Meat Inspection Code”) establishes quality and safety standards for the slaughter of food animals and the processing, inspection, labeling, packaging, branding

and importation of meat (including, but not limited to, pork, beef and chicken meat) and meat products. The National Meat Inspection Service (“NMIS”), a specialized regulatory service attached to the DA, serves as the national controlling authority on all matters pertaining to meat and meat product inspection and meat hygiene to ensure meat safety and quality from farm to table. It has the power to accredit meat establishments and exporters, importers, brokers, traders and handlers of meat and meat products. On the other hand, the different local government units, in accordance with existing laws, policies, rules and regulations and quality and safety standards of the DA, have the authority to regulate the construction, management and operation of slaughterhouses, meat inspection, and meat transport and post-abattoir control within their respective jurisdictions, and to collect fees and charges in connection therewith.

The Meat Inspection Code covers all meat establishments (including, but not limited to, slaughterhouses, poultry dressing plants, meat processing plants and meat shops) where food animals are slaughtered, prepared, processed, handled, packed, stored, or sold. It requires the inspection of food animals before it shall be allowed for slaughter in licensed private slaughterhouses in which meat or meat products thereof are to be sold. A post-mortem examination is also required for carcasses and parts thereof of all food animals prepared as articles of commerce which are capable of use as human food. Only meat or meat products from meat establishments that have passed inspection and have been so marked may be sold or offered for sale to the public.

The Price Act

Republic Act No. 7851 or the Price Act (the “Price Act”) covers basic necessities such as fresh pork, beef and poultry meat, milk, coffee and cooking oil, and prime commodities such as flour, dried, processed and canned pork, beef and poultry meat, other dairy products and swine and poultry feeds. It is primarily enforced and implemented by the DA and DTI.

Under the Price Act, the prices of basic commodities may be automatically frozen or placed under price control in areas declared as disaster areas, under emergency or martial law or in a state of rebellion or war. Unless sooner lifted by the President of the Philippines, prices shall remain frozen for a maximum of 60 days. The President of the Philippines may likewise impose a price ceiling on basic necessities and prime commodities in cases of calamities, emergencies, illegal price manipulation or when the prevailing prices have risen to unreasonable levels. The implementing government agencies of the Price Act are given the authority thereunder to issue suggested retail prices, whenever necessary, for certain basic necessities and/or prime commodities for the information and guidance of concerned trade, industry and consumer sectors. The Price Act prohibits and penalizes illegal price manipulation through cartels, hoarding or profiteering. Any person found in violation of the provisions of the Price Act shall be subject to administrative penalties or imprisonment or both.

The Philippine Food Fortification Act

The Philippine Food Fortification Act of 2000 (the “PFF Act”) provides for the mandatory fortification of wheat flour, cooking oil and other staple foods and the voluntary fortification of processed food products. The fortification of food products is required to be undertaken by the manufacturers, importers and processors thereof. The FDA is the government agency responsible for the implementation of the PFF Act with the assistance of the different local government units which are tasked under the said law to monitor foods mandated to be fortified which are available in public markets, retail stores and food service establishments and to check if the labels of fortified products contain nutrition facts stating the nutrient added and its quantity. Any person in violation of the PFF Act shall be

subject to administrative penalties. Furthermore, the FDA may refuse or cancel the registration or order the recall of food products in violation of said law.

THE FUEL AND OIL BUSINESS

Downstream Oil Industry Deregulation Act

Republic Act No. 8479, otherwise known as the Downstream Oil Industry Deregulation Act of 1998 (the “Oil Deregulation Act”), provides the regulatory framework for the country’s downstream oil industry.

Under the Oil Deregulation Act, any person may import or purchase any quantity of crude oil and petroleum products from foreign and domestic sources, lease or own and operate refineries and other downstream oil facilities, and market such crude oil and petroleum products either in a generic name or in its own trade name, or use the same for its own requirement. The same law declared as policy of the state the liberalization and deregulation of the downstream oil industry in order to ensure a truly competitive market under a regime of fair prices, adequate and continuous supply of environmentally clean and high quality petroleum products.

The DOE is the lead Philippine government agency overseeing the oil sector. With the enactment of the Oil Deregulation Act, the regulatory functions of the DOE were significantly reduced. Deregulating the downstream oil industry effectively removed the rate-setting function of the then Energy Regulatory Board, leaving price-setting to market forces. The current function of the DOE is solely to monitor prices and violations under the law, which includes prohibited acts such as cartelization and predatory pricing.

Other Regulatory Requirements

Petroleum products are subject to Philippine National Standards specifications. The DTI, through the Bureau of Products Standards, ensures that all products comply with the specifications of the Philippine National Standards. The Oil Deregulation Act also requires the registration with the DOE of any fuel additive prior to its use in a product.

Philippine government regulations also require the following: fire safety inspection certificates; certificates of conformance of facilities to national or accepted international standards on health, safety and environment; product liability insurance certificates or product certificate of quality; and the ECC issued by the DENR for service stations and for environmentally-critical projects. Reports to the DOE are required for the following activities/projects relating to petroleum products: (a) refining, processing, including recycling and blending; (b) storing/transshipment; (c) distribution/ operation of petroleum carriers; (d) gasoline stations; (e) LPG refilling plant; (f) bunkering from freeports and special economic zones; and (g) importations of petroleum products and additives. In addition, importations of restricted goods require clearances from the proper Philippine government authorities.

Tax-Related Regulations

Taxes and duties applicable to the oil industry have had periodic and unpredictable changes over the last several years. The import duty on crude oil was increased on January 1, 2005 from 3% to 5%, but was later reduced to 3% effective as of November 1, 2005.

Under Executive Order No. 527 dated May 12, 2006, upon certification by the DOE that the trigger price levels provided therein have been reached, the 3% import duty on crude oil shall be adjusted to 2%, 1% or 0%. Subsequently, Executive Order No. 850, which took effect on January 1, 2010, modified the rates of duty on certain imported articles in order to implement the Philippines’ commitment to eliminate

tariffs on certain products under the Common Effective Preferential Tariff Scheme for the ASEAN Free Trade Area. Under the ASEAN Trade in Goods Agreement, crude oil and refined petroleum products imported from ASEAN Member States are levied zero rates. To address the tariff distortion between ASEAN and non-ASEAN Member States brought about by the implementation of the zero duty under Executive Order No. 850 and to provide a level playing field for local refiners to compete with importers, the President of the Philippines issued Executive Order No. 890, which also imposed zero duty effective as of July 4, 2010 for imported crude oil and refined petroleum products, except certain types of aviation gas, from Non-ASEAN Member States.

Republic Act No. 9337, also known as the “Expanded VAT Law”, imposed a VAT of 10% on certain goods and services, including petroleum products and its raw materials, particularly the sale and importation thereof. The rate was increased to 12% effective February 1, 2006. The Expanded VAT Law also limited the input VAT tax credit to only 70% of the output VAT. Subsequently, however, Republic Act No. 9361, which was approved on November 21, 2006, removed the 70% ceiling on the credit of input VAT to output VAT. As of November 1, 2005, the implementation date of the Expanded VAT Law, excise taxes on diesel, bunker fuel and kerosene were lifted and excise taxes for regular gasoline were lowered to ₱4.35 per liter of volume capacity.

THE ENERGY BUSINESS

Organization and Operation of the Power Industry

The EPIRA established a framework for the organization and operation of the electric power industry in connection with its restructuring, with the industry divided into four sectors: generation, transmission, distribution and supply. The following diagram shows the current structure of the electric power industry under the EPIRA.

The Generation Sector

The EPIRA provides that power generation is not a public utility operation. Thus, generation companies are not required to secure franchises, and there are no restrictions on the ability of non-Filipinos to own and operate generation facilities. However, generation companies must obtain a certificate of compliance from the ERC, as well as health, safety and environmental clearances from appropriate government agencies under existing laws.

Generation companies are also subject to the rules and regulations of the ERC on abuse of market power and anti-competitive behavior. The ERC may impose fines and penalties for violation of the EPIRA and the EPIRA IRR policy on market power abuse, cross-ownership and anti-competitive behavior.

In terms of market share limitations, no generation company is allowed to own more than 30% of the installed generating capacity of the Luzon, Visayas, or Mindanao and/or 25% of the total nationwide installed generating capacity. To date, there is no power generation company, including NPC, breaching the mandated ceiling. Also, no generation company associated with a distribution utility may supply more than 50% of the distribution utility’s total demand under bilateral contracts, without prejudice to the bilateral contracts entered into prior to the enactment of EPIRA.

The Transmission Sector

Pursuant to the EPIRA, NPC has transferred its transmission and sub-transmission assets to TransCo, which was created pursuant to the EPIRA to assume, among other functions, the operation of the

electrical transmission systems throughout the Philippines. The principal function of TransCo is to ensure and maintain the reliability, adequacy, security, stability and integrity of the nationwide electrical grid in accordance with the Philippine Grid Code ("Grid Code"). TransCo is also mandated to provide Open Access to all industry participants. The EPIRA granted TransCo a monopoly over the high-voltage network and subjected it to performance-based regulations.

The transmission of electricity through the transmission grid is subject to transmission wheeling charges. Inasmuch as the transmission of electric power is a regulated common carrier business, the transmission wheeling charges of TransCo are subject to regulation and approval by the ERC.

The Distribution Sector

The distribution of electric power to end-users may be undertaken by private distribution utilities, cooperatives, local government units presently undertaking this function, and other duly authorized entities, subject to regulation by the ERC. The distribution business is a regulated public utility business requiring a franchise from Congress, although franchises relating to electric cooperatives remained under the jurisdiction of the NEA until the end of 2006. All distribution utilities are also required to obtain a Certificate of Public Convenience and Necessity ("CPCN") from the ERC to operate as public utilities.

All distribution utilities are also required to submit to the ERC a statement of their compliance with the technical specifications prescribed in the Philippine Distribution Code ("Distribution Code") (which provides the rules and regulations for the operation and maintenance of distribution systems), the Distribution Services and Open Access Rules ("DSOAR") and the performance standards set out in the EPIRA IRR.

The distribution sector is and will continue to be regulated by the ERC, with distribution and wheeling charges, as well as connection fees from its consumers, subject to ERC approval. Likewise, the retail rate imposed by distribution utilities for the supply of electricity to its captive consumers is subject to ERC approval. In addition, as a result of the Philippine government's policy of promoting free competition and open access, distribution utilities are required to provide universal and non-discriminatory access to their systems within their respective franchise areas following commencement of retail open access.

The Distribution Code establishes the basic rules and procedures that govern the operation, maintenance, development, connection and use of the electric distribution systems in the Philippines.

The Supply Sector

The supply of electricity refers to the sale of electricity directly to end-users. The supply function is currently being undertaken solely by franchised distribution utilities. However, upon commencement of retail open access, the supply function will become competitive. The business is not considered a public utility operation and suppliers are not required to obtain franchises. However, the supply of electricity to the "Contestable Market" (i.e., a market of electricity end-users who have a choice on their supplier of electricity) is considered a business with a public interest dimension. As such, the EPIRA requires all suppliers of electricity to the Contestable Market to obtain a license from the ERC and they are subject to the rules and regulations of the ERC on the abuse of market power and other anti-competitive or discriminatory behavior.

Once retail competition and open access are implemented as mandated by the EPIRA, it is expected that the Contestable Markets may choose where to source their electric power requirements and can

negotiate with suppliers for their electricity. The EPIRA also contemplates that certain end-users will directly source power directly through the WESM or by entering into contracts with generation companies. This will encourage competition at the retail level. It has been planned that retail competition will gradually increase over time, provided that supply companies are sufficiently creditworthy to be suitable offtakers for generation companies.

THE PACKAGING BUSINESS

Safety and Quality Regulations under the Consumer Act

The DTI is tasked to implement the Consumer Act with respect to labels and packaging of consumer products other than food products, and regulates product labeling, proper and correct description of goods, product labels with foreign characters/languages, data/information on product contents and origins and other similar matters.

Manufacturers, distributors, importers or repackers of consumer products are required to indicate in their labels or packaging, a parallel translation in the English or Filipino language of the nature, quality and quantity and other relevant prescribed information or instructions of such consumer products in a manner that cannot be easily removed, detached or erased. In addition to the information required to be displayed in the principal and secondary panels, DTI Administrative Order No. 01-08 mandates that all consumer products sold in the Philippines, whether manufactured locally or imported shall indicate and specify the (a) country of manufacture; (b) required information of consumption duration safety; (c) warranty of the manufacturer; (d) weight content prior to packaging; (e) consumer complaint desk address; and (f) all other information necessary for giving effect to a consumer's right to information.

With respect to the packaging and repackaging of food products, such activities are regulated by the DOH and the FDA as discussed above. Establishments engaged in these activities are required to comply with, among others, the current guidelines on good manufacturing practice in manufacturing, packing, repacking, or holding food promulgated by the DOH.

THE MINING BUSINESS

Philippine Mining Act

Enacted on March 3, 1995, Republic Act No. 7942 (the "Philippine Mining Act") promotes the sustainable and effective use of mineral resources to enhance national development. It offers incentives and an improved tax structure to promote mining in the Philippines.

Under this law, all mineral resources are owned by the state and their extraction and processing is likewise under its full control and supervision. The private sector participates in the utilization of these resources through mineral agreements with the government. Generally, all mineral resources in public or private land are open to mineral agreements. These agreements, which have a term not exceeding 25 years but renewable for another term, grant the right to undertake mining operations and extraction of all resources in the designated area. There are four forms of mineral agreement:

- MPSA – the contractor has the exclusive right to conduct mining operations within a contract area while government shares in the gross output. The contractor, in turn, provides the financing, technology, management and personnel necessary for the implementation of the MPSA.

- Co-production agreement – the Government provides inputs other than the mineral resource.
- Joint venture agreement – a joint venture company is organized between the Government and contractor wherein both have equity shares. The Government likewise shares in the gross output.
- FTAA – contracts which involve financial and/or technical assistance for large-scale exploration, development and utilization of mineral resources.

Government Share/Taxes

Although mineral resources are owned by the state, the Government's share in the mining operation for MPSAs is collected through the excise tax imposed on mineral resources. Various rates of tax apply for different mineral products.

For co-production or joint-venture agreements, the Government's share is negotiated between the Government and the contractor taking into account the following considerations: capital investment, risks involved, contribution to the economy, and such other factors will help in determining a sharing that is fair and equitable.

As for FTAA's, the Government's share in an FTAA consists, of among other things, the following: contractor's corporate income tax, excise tax, special allowance, withholding tax due from the contractor's foreign stockholders arising from dividend or interest payments to the said foreign stockholders, in case of a foreign national, and all such other taxes, duties and fees as provided under existing laws. The collection of the Government's share commences after the contractor has fully recovered its operating expenses, including all exploration and development expenditures. The Government is also entitled to an additional share equivalent to the difference between 50% of the net mining revenue and the Government share described above.

Incentives and rights

To further encourage private sector participation in mining, the Philippine Mining Act entitles contractors in mineral agreements and FTAA's to the following (among others): (i) fiscal and non-fiscal incentives under the Omnibus Investments Code of the Philippines; (ii) exemption from real property taxes or assessments of pollution control devices; (iii) carryover of the net operating loss without the benefit of incentives incurred in any of the first 10 years of operations as a deduction from taxable income for the next five years immediately following the year of such loss (although if the contractor chooses to avail of the income tax holiday under the Omnibus Investments Code, the incentive on income tax carry forward of losses will not be granted to the contractor, and vice versa); (iv) accelerated depreciation of fixed assets; and (v) entitlement to the certain rights and guarantees, which include repatriation of investments, remittance of earnings, remittance of payments for foreign loans and contracts, freedom from expropriation except for public use or in the interest of national welfare or defense and upon payment of just compensation, freedom from requisition of investment except in case of war or national emergency and only for the duration thereof, and confidentiality of information supplied by the contract or to the Government during the term of the project to which it relates.

Executive Order No. 79

On 6 July, 2012 President Benigno S. Aquino III issued Executive Order No. 79 ("EO 79") implementing reforms in the mining sector to ensure environmental protection and responsible mining.

Pursuant to EO 79, applications for mineral contracts, concessions, and agreements are disallowed in areas closed to mining. However, existing mining operations will be allowed to continue but the granting of new mineral agreements are suspended until a legislation rationalizing existing revenue sharing schemes and mechanisms shall have taken effect. This means that the processing of pending applications for mineral agreements such as MPSAs and FTAA's are suspended until Congress passes a law rationalizing the revenue sharing schemes in the mining sector. The DENR may, however, continue to grant and issue EPs under existing laws, rules, and guidelines.

EO 79 likewise mandates the DENR to undertake a review of existing mining contracts and agreements for possible renegotiation of their terms and conditions, which shall in all cases be mutually acceptable to the Government and the mining contractor.

For areas with known and verified mineral resources and reserves, including those owned by the Government and all expired tenements, the grant of mining rights and mining tenements shall be undertaken through competitive public bidding. The MGB shall prepare the necessary competitive bid packages and formulate the proper guidelines and procedures for the public bidding, which shall include ensuring that the social acceptability of the proposed project has been secured.

All other mining rights and tenements applications shall be processed and approved through existing procedures.

The IPRA

Republic Act No. 8371, otherwise known as the Indigenous Peoples Rights Act of 1997 (the "IPRA") recognizes and promotes the rights of indigenous cultural communities ("ICCs") and indigenous peoples ("IPs"). The National Commission on Indigenous Peoples ("NCIP") is the primary government agency that formulates and implements policies and programs for the promotion and protection of the rights of ICCs and IPs and the recognition of their ancestral domains and their rights thereto. Under Section 2 (g) of the law, the proponent of any activity undertaken within any area covered by a Certificate of Ancestral Domain/Land Claim/Title issued by the NCIP to any ICC or IP must obtain the free and prior informed consent (the "FPIC") of all members of the ICCs/IPs, and, thereafter, the Certification of Pre-condition ("NCIP-CP") issued by the NCIP.

In case no ICCs or IPs claim any rights over the site of the proposed activity, a Certificate of Non-Overlap or CNO issued by the NCIP is required to be obtained by the proponent of such activity from the NCIP.

ENVIRONMENTAL MATTERS

The operations of the businesses of the Company are subject to various laws, rules and regulations that have been promulgated for the protection of the environment.

EISS Law

The Philippine Environmental Impact Statement System (the "EISS Law"), which is implemented by the DENR, is the general regulatory framework for any project or undertaking that is either (a) classified as environmentally critical or (b) is situated in an environmentally critical area. It requires an entity that will undertake any such declared environmentally critical project or operate in any such declared environmentally critical area to submit an Environmental Impact Statement ("EIS") which is a comprehensive study of the significant impacts of a project on the environment. The EIS serves as an application for the issuance of an Environmental Compliance Certificate ("ECC"). An ECC is a Philippine

government certification that the proposed project or undertaking will not cause significant negative environmental impact; that the proponent has complied with all the requirements of the EISS in connection with said project; and that the proponent is committed to implement its approved Environmental Management Plan in the EIS. In general, only projects that pose potential significant impact on the environment shall be required to secure an ECC. The proponent of a project for which an ECC is issued and determined by the DENR to pose a significant public risk or necessitate rehabilitation or restoration shall be required to establish an Environmental Guarantee Fund. Said Fund is intended to meet any damage caused by, as well as any rehabilitation and restoration measures in connection with, the said project.

The NIPAs Act

The NIPAS Act (Republic Act No. 7586, otherwise known as the “National Integrated Protected System Act of 1992”) regulates activities affecting outstanding remarkable areas and biologically important public lands that are habitats of rare and endangered species of plants and animals, biogeographic zones and related ecosystems, whether terrestrial, wetland or marine, and which are designated as “protected areas”. The categories of protected areas are: (a) strict nature reserve; (b) natural park; (c) natural monument; (d) wildlife sanctuary; (e) protected landscapes and seascapes; (f) resource reserve; (g) natural biotic areas; and (h) other categories established by law, conventions or international agreements which the Government is a signatory.

Under the NIPAS Act, activities within or affecting a protected area may be undertaken only upon the execution of an agreement for such purpose with the Protected Area Management Board (“PAMB”).

In instances where activities are allowed to be undertaken in a protected area by a proponent holding the appropriate ECC (and PAMB agreement, such as a special use agreement), the proponent shall plan and carry out its activities in such manner as will minimize any adverse effects and take preventive and remedial action when appropriate. The proponent shall be liable for any damage due to lack of caution or indiscretion.

Clean Water Act

The Clean Water Act and its implementing rules and regulations provide for water quality standards and regulations for the prevention, control, and abatement of pollution of the country’s water resources. Said Act require owners or operators of facilities that discharge regulated effluents (such as wastewater from manufacturing plants or other commercial facilities) to secure a discharge permit from the DENR which authorizes said owners and operators to discharge waste and/or pollutants of specified concentration and volumes from their facilities into a body of water or land resource for a specified period of time. The DENR, together with other government agencies and the different local government units, are tasked to implement the Clean Water Act and to identify existing sources of water pollutants, as well as strictly monitor pollution sources which are not in compliance with the effluent standards provided in the law.

Other Regulations on Water Pollution

Philippine maritime laws and regulations are enforced by two Philippine government agencies: the Maritime Industry Authority (“MARINA”) and the Philippine Coast Guard. Both are agencies under the Philippine Department of Transportation and Communications.

The MARINA is responsible for integrating the development, promotion, and regulation of the maritime industry in the Philippines. It exercises jurisdiction over the development, promotion, and regulation of all enterprises engaged in the business of designing, constructing, manufacturing, acquiring, operating, supplying, repairing, and/or maintaining vessels, or component parts thereof, of managing and/or operating shipping lines, shipyards, dry docks, marine railways, marine repair ships, shipping and freight forwarding agencies, and similar enterprises.

To address issues on marine pollution and oil spillage, the MARINA mandated the use of double-hull vessels for transporting Black Products beginning at end of 2008 and by year 2011 for White Products.

The Philippine Coast Guard, in a 2005 Memorandum Circular, provided implementing guidelines based on the International Convention for the Prevention of Pollution from Ships, MARPOL 73/78. The guidelines provide that oil companies in major ports or terminals/depots are required to inform the Philippine Coast Guard through its nearest station of all transfer operations of oil cargoes in their respective areas. Furthermore, oil companies and tanker owners are required to conduct regular team trainings on managing oil spill operations including the handling and operations of MARPOL combating equipment. A dedicated oil spill response team is required to be organized to react to land and ship-originated oil spills.

Moreover, both the Clean Water Act and the Philippine Coast Guard Guidelines provide that the spiller or the person who causes the pollution have the primary responsibility of conducting clean-up operations at its own expense.

Clean Air Act

The Clean Air Act provides for air quality standards and regulations against air pollution. It provides that the DENR shall have authority to issue permits as it may determine necessary for the prevention and abatement of air pollution. Said permits shall cover emission limitations for regulated air pollutants to help attain and maintain the ambient air quality standards. Under the implementing rules and regulations of the Clean Air Act, all sources of air pollution are required to obtain a valid Permit to Operate while new or modified sources must first obtain an Authority to Construct. The DENR, together with other government agencies and the different local government units, are tasked to implement the Clean Air Act.

The Clean Air Act provides more stringent fuel specifications over a period of time to reduce emission that pollutes the air. The Clean Air Act mandates the sulfur and benzene content for gasoline and automotive diesel. Under the law, oil firms are mandated to lower the sulfur content of automotive diesel oils to 0.05% by January 1, 2004 nationwide. The law also regulates the use of any fuel or fuel additives. Furthermore, the Clean Air Act prohibits a manufacturer, processor or trader of any fuel or additive to import, sell, offer for sale, or introduce into commerce such fuel or additive unless these have been registered with the DOE. All the requirements of the said law have been implemented, starting with the phase-out of leaded gasoline in Metro Manila in April 2000 and all over the country in December 2000.

The Technical Committee on Petroleum Products and Additives sets the standards for certain petroleum products following strict time-bound and quality-specific targets under the mandate of the Clean Air Act and the DOE initiative on alternative fuels.

The Biofuels Act of 2006

Republic Act No. 9637, also known as “The Biofuels Act of 2006”, aims to reduce the dependence of the transport sector on imported fuel and mandates that, starting February 2009, at least 5% bioethanol shall comprise the total annual volume of gasoline fuel sold by every oil company. Oil companies are allowed to blend the different premium gasoline grades with 10% ethanol to be sold in selected areas to achieve the 5% of total gasoline volume requirement. The requirement to sell ethanol blended gasoline commenced on February 9, 2009. For diesel engines, the mandated biodiesel blend in the country was increased from 1% to 2% starting February 2009.

In 2008, a Joint Administrative Order known as the “Guidelines Governing the Biofuel Feedstock Production and Biofuel Blends Production, Distribution and Sale” (the “Guidelines”) was issued by various Philippine government agencies. The Guidelines provide for responsibilities of oil companies in the sourcing and blending of biodiesel and bioethanol with diesel and gasoline. The Guidelines mandate that oil companies should source biofuels only from biofuel producers accredited by the DOE or from Biofuel distributors registered with the DOE. Moreover, unless authorized by DOE to import in case of shortage of supply of locally-produced bioethanol as provided for under the Act, an oil company’s failure to source its biofuels from accredited biofuels producers and/or registered biofuel distributors would constitute a prohibited act.

Renewable Energy Act of 2008

Republic Act No. 9513, also known as “The Renewable Energy Act” aims to promote development and commercialization of renewable and environment-friendly energy resources such as biomass, solar, and wind through various tax incentives. Some of the tax incentives granted to renewable energy developers under the law include (a) a seven-year income tax holiday; (b) duty free importation of renewable energy machinery, equipment, and materials; (c) special realty tax rates on equipment and machinery; (d) zero percent VAT rate for power generated from these energy sources; and (e) the imposition of a reduced corporate tax of 10% on its net taxable income after the income tax holiday.

Other Laws

Other regulatory environmental laws and regulations applicable to the businesses of SMC include the following:

The Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990 regulates, restricts or prohibits the (i) importation, manufacture, processing, handling, storage, transportation, sale, distribution, use and disposal of chemical substance and mixtures that present unreasonable risk or injury to health or the environment, and (ii) entry into the Philippines or the keeping in storage of hazardous wastes which include by-products, process residue, contaminated plant or equipment or other substances from manufacturing operations. Said Act is implemented by the DENR.

The Ecological Solid Waste Management Act of 2000 provides for the proper management of solid waste which includes discarded commercial waste and non-hazardous institutional and industrial waste. Said Act prohibits, among others, the transporting and dumping of collected solid wastes in areas other than such centers and facilities prescribed thereunder. The National Solid Waste Management Commission, together with other government agencies and the different local government units, are responsible for the implementation and enforcement of the said law.

The Sanitation Code provides for sanitary and structural requirements in connection with the operation of certain establishments such as food establishments which include such places where food or drinks are manufactured, processed, stored, sold or served. Under the Sanitation Code, food establishments are required to secure sanitary permits prior to operation which shall be renewable on a yearly basis. Said Code is implemented by the DOH.

PROBABLE GOVERNMENTAL REGULATIONS

There are currently no House and Senate bills that are pending approval (*i.e.*, passed the second reading) that would directly or indirectly affect the business of the Company as a holding company.

On the other hand, the table below summarizes the relevant and material House and Senate bills that are pending, or have been approved, at the committee level which may, directly or indirectly affect the business of SMC and Clariden:

Title	Description
HOUSE OF REPRESENTATIVES	
HB00023 – Airline Passenger Bill of Rights (filed by Ashely L. Acedillo and Gary C. Alejano) Status: Pending with the Committee (July 23, 2013)	The proposed bill will provide the minimum standards for air carrier passenger services. The pertinent provisions of the proposed law are as follows: (a) establishment and implementation of procedures for handling passenger complaints; (b) notification of passengers regarding delay, cancellation, or diversions affecting the a customer’s scheduled flight; (c) establishment and implementation of procedures to allow passengers to exit the aircraft in case of a departure delay for a period exceeding 3 hours; (d) requiring air carriers to provide the essential needs of passengers at all times during which the aircraft is on the ground in the event of a departure delay; (e) requiring air carriers to publish and update monthly on the internet website of the air carrier a list of chronically delayed flights operated by the air carrier; and (f) requiring air carriers to publish lowest fares and information on itineraries of regularly scheduled flights of the air carrier.
HB00256 – An Act Repealing Republic Act No. 9136 Otherwise Known as an Act Ordaining Reforms in the Power Industry, Amending for the Purpose Certain Laws and for Other Purposes (filed by Fernando L. Hicap, Neri Javier Colmenares, Luzviminda C. Ilagan, Emmi de Jesus, Antonio Tinio, and James Mark Terry Ridon) <i>Status: Pending with the Committee (July 23, 2013)</i>	The proposed bill will repeal Republic Act No. 9136 or the Electric Power Industry Reform Act of 2001.
HB00173 – Downstream Oil Industry Regulation Act of 2013 (filed by Neri Javier Colmenares, Carlos Isagani T. Zarate, Luzviminda C. Ilagan, Emerenciana A. de Jesus,	The proposed bill will repeal the existing legislation regulating the downstream oil industry and provide a new regulatory framework. The regulatory mechanism introduced by the proposed bill involves the creation of a

<p>Antonio L. Tinio, Fernando Hicap, and Terry Ridon)</p> <p>Status: Pending with the Committee (July 23, 2013)</p>	<p>quasi-regulatory body that will convene public hearings for purposes of modifying the prices of socially and economically sensitive petroleum and petroleum products.</p>
<p>HB00176 – Centralized Petroleum Procurement Act of 2013 (filed by Neri Javier Colmenares, Carlos Isagani T. Zarate, Luzviminda C. Ilagan, Emerenciana A. de Jesus, Antonio L. Tinio, Fernando Hicap, and Terry Ridon)</p> <p>Status: Pending with the Committee (July 23, 2013)</p>	<p>The proposed bill will institutionalize a centralized procurement system of all imported crude oil and refined petroleum products through the establishment of a National Petroleum Exchange Corporation (“NPEC”) which will centralize and regulate the movement of petroleum and petroleum products at the stages of importation, exportation, re-exportation, distribution, storage, and selling both at wholesale and retail crude oil, gasoline, kerosene, gas, and other refined petroleum products. The NPEC will have the following functions, among others: (a) institute a centralized procurement system; and (b) function as the sole supplier of crude and petroleum for the local markets. Furthermore, the proposed bill will mandate the renationalization of Petron Corporation by mandating the Philippine National Oil Company to reacquire equity in Petron Corporation.</p>
<p>HB00421 – Consumer Protection Against Undue Price Increases of Petroleum Products Act of 2013 (filed by Arthur C. Yap)</p> <p>Status: Pending with the Committee (July 23, 2013)</p>	<p>The proposed bill will include petroleum products (including gasoline, diesel, and liquefied petroleum products) as a prime commodity under Republic Act No. 7581 or the Price Act and thus subject petroleum products to the coverage of said law. Under the Price Act, in relation to the proposed bill, it will become illegal for oil companies to engage in price manipulation of petroleum products. Furthermore, petroleum products will be subjected to price ceilings as determined by the President.</p>
<p>H.B. No. 00171 – People’s Mining Act of 2013 (filed by Neri Colmenares)</p> <p><i>Status: Pending with the Committee (July 23, 2013)</i></p>	<p>The proposed bill will repeal the Philippine Mining Act of 1995 and mandates the adoption of a domestic needs-based development of the mining industry pursuant to which, the State shall implement a Mineral Management Plan that will serve as a framework for the utilization and management of the country’s mineral resources. The relevant provisions of the proposed bill are as follows: (a) mineral resources development, utilization, and processing shall be reserved for Filipino citizens and for Filipino corporations such that financial or technical assistance agreements (or any similar agreements, contracts, and/or executive issuances granting license or permission to explore, develop, and/or utilize mineral resources) shall not be awarded to foreign entities or persons; (b) exploration shall be undertaken exclusively and directly by the State through the Mines and Geosciences Bureau (“Bureau”) of the Department of Environment and Natural Resources; (c) mineral resource extraction shall be allowed based on the State’s National</p>

	<p>Industrialization Program; (d) a Multi-Sectoral Mineral Council ("Council") shall be established which shall have, among others, the power to determine whether or not the land where mineral resources are found shall be opened to mining operations; (e) mining applications shall not be approved unless accompanied by an Environmental and Social Impact Assessment and Mitigation Plan and an environmental economic audit or resource valuation of the proposed mining area has been conducted or prepared; (f) the term of mining agreements shall be equivalent to the mine life plus an additional 5 years for the rehabilitation of the mining area, provided that the mineral agreement shall not have a term beyond 15 years; (g) mining rights granted pursuant to the proposed bill shall not be transferrable and any change in the ownership and/or control of a contractor shall be permitted, subject to notification to the Council and Bureau ; (h) adoption of the precautionary principle such that when an activity related to mining raises threats of harm to human health or the environment, precautionary measures shall be undertaken proactively even if some cause and effect relationship are not fully established scientifically; and (i) upon effectivity of the proposed bill, all existing mining permits, licenses, agreements shall be deemed cancelled. In addition to the foregoing, the proposed bill further outlines the mechanism of mining operations as well as the utilization of mining resources.</p>
SENATE	
<p>S.B. No. 70 – An Act Exempting the Sale or Importation of Petroleum Products and Raw Materials in the Manufacture Thereof from the Expanded Value Added Tax, Amending for the Purpose Section 109(1) of the National Internal Revenue Code (NIRC) of 1997, as Amended by Republic Act 9337, and for Other Purposes (filed by J.V. G. Ejercito)</p> <p><i>Status: Pending with the Committee (July 24, 2013)</i></p>	<p>The proposed bill will exempt the sale or importation of petroleum products and raw materials to be used by the buyer or importer himself in the manufacture of petroleum products. However, such exemption will not apply to lubricating oil, processed gas, grease wax, petrolatum, and coal and natural gas in whatever form or state.</p>
<p>S.B. No. 208 – An Act Automatically Decreasing the Value-Added Tax Rate on Petroleum Products Depending on Increasing World Crude Oil Prices (filed by Gregorio B. Honasan II)</p> <p><i>Status: Pending with the Committee (July 30, 2013)</i></p>	<p>The proposed bill will provide for an automatic value-added tax ("VAT") adjustment mechanism such that a 10% VAT will be imposed on petroleum products whenever world crude oil prices exceed USD100 per barrel, subject to a 1% reduction every time the world crude oil prices increase by increments of US\$10 per barrel.</p>

<p>S.B. No. 934 – Aspartame Ban Act (filed by Miriam Santiago)</p> <p><i>Status: Pending with the Committee (August 13, 2013)</i></p>	<p>The proposed bill will prohibit the use of aspartame on food, beverages, and drugs, and impose a fine on individuals or officers of a manufacturing or distributing corporation, partnership, or organization, or any other entity found violating said prohibition.</p>
<p>S.B. No. 1140 – Trans Fat Prohibition Act (filed by Miriam Santiago)</p> <p><i>Status: Pending with the Committee (August 27, 2013)</i></p>	<p>The proposed bill will require every food facility (i.e., any operation that stores, prepares, packages, serves, vends, or otherwise provides food for human consumption at the retail level) to maintain on the premises the manufacturer’s documentation or label for any food or food additive that is or includes any fat, oil, or shortening, for as long as such food or food additive is stored, distributed, or served by, or used in the preparation of food within, the food facility. In addition, the proposed bill will prohibit the storage, distribution, usage of any food containing artificial trans fat in the preparation of any food within a food facility.</p>
<p>S.B. No. 203 – An Act Institutionalizing the Grant of Student Fare Discount Privileges on Land, Water and Air Transport Utilities and for Other Purposes (filed by Juan Edgardo M. Angara)</p> <p><i>Status: Pending with the Committee (July 30, 2013)</i></p>	<p>The proposed will require air carriers to grant students (i.e., any Filipino citizen, not more than 30 years old, and currently enrolled in elementary, secondary, or collegiate institutions, including vocational and technical schools) a 20% discount on regular fares. Air carriers that refuse to extend such privilege to <i>bona fide</i> students will be fined for every violation.</p>
<p>S.B. No. 42 – Telecommunications Service Standards Act (filed by S.R. Osmena III)</p> <p><i>Status: Pending with the Committee (July 23, 2013)</i></p>	<p>The proposed bill will provide for a mechanism focused on the quality of service and performance delivered by participants of the telecommunications industry by establishing minimum standards of service and performance in certain areas, such as, but not limited to: (a) mechanical and electrical condition of meters or recording devices used to record data and prepare accurate customers’ bills; (b) efficient and courteous customer service in response to customers’ requests for information regarding alternative kinds of service plans available, and the corresponding determination of, and prevailing rates and charges on such plans; (c) ceiling on the amounts of and refund procedures for customers’ deposits; (d) user-friendly public telephones; (e) grounds for denial or discontinuance of service; and (6) minimizing waiting time or “on-hold” acknowledgment and improvement of operator-handled calls.</p>
<p>S.B. No.43 – Philippine Mineral Resources Act of 2013 (filed by Sergio R. Osmeña, III)</p> <p><i>Status: Pending with the Committee (July 23,</i></p>	<p>The proposed bill will repeal the Philippine Mining Act of 1995 and mandates the adoption of a domestic needs-based development of the mining industry pursuant to which, the State shall implement a Mineral Management Plan that will serve as a framework for the utilization and management of the country’s mineral resources. The relevant provisions of</p>

<p>2013)</p>	<p>the proposed bill are as follows: (a) mineral resources development, utilization, and processing shall be reserved for Filipino citizens and for Filipino corporations such that financial or technical assistance agreements (or any similar agreements, contracts, and/or executive issuances granting license or permission to explore, develop, and/or utilize mineral resources) shall not be awarded to foreign entities or persons; (b) exploration shall be undertaken exclusively and directly by the State through the Mines and Geosciences Bureau ("Bureau") of the Department of Environment and Natural Resources; (c) mineral resource extraction shall be allowed based on the State's National Industrial Plan; (d) a Multi-Sectoral Mineral Council ("Council") shall be established which shall have, among others, the power to determine whether or not the land where mineral resources are found shall be opened to mining operations; (e) mining applications shall not be approved unless accompanied by an Environmental and Social Impact Assessment and Mitigation Plan and an environmental economic audit or resource valuation of the proposed mining area has been conducted or prepared; (f) the term of mining agreements shall be equivalent to the mine life plus an additional 5 years for the rehabilitation of the mining area, provided that the mineral agreement shall not have a term beyond 15 years; (g) mining rights granted pursuant to the proposed bill shall not be transferrable but substantial change in the ownership and/or control of a contractor shall be permitted, subject to notification to the Council and Bureau ; (h) adoption of the precautionary principle such that when an activity related to mining raises threats of harm to human health or the environment, precautionary measures shall be undertaken proactively even if some cause and effect relationship are not fully established scientifically; and (1) upon effectivity of the proposed bill, all existing mining permits, licenses, agreements shall be deemed cancelled. In addition to the foregoing, the proposed bill further outlines the mechanism of mining operations as well as the utilization of mining resources.</p>
<p>S.B. No. 1259 – Philippine Pipeline Act of 2013 (filed by Maria Lourdes Nancy S. Binay)</p> <p><i>Status: Pending with the Committee (September 2, 2013)</i></p>	<p>The proposed bill reiterates the exclusive regulatory and administrative authority of the Department of Energy ("DOE") to supervise and regulate petroleum pipelines operations and pursuant thereto, mandates the DOE to formulate and enforce a Petroleum Pipeline Code as well as exercise original and exclusive jurisdiction over questions and cases involving pipeline concessions. In addition, the proposed bill will require a concession for the construction and operation of pipelines, which shall last for 25 year renewable for another 25 years. The proposed bill will create a National Pipeline Board which shall: (a) recommend to the DOE standards for the design, construction, operation, maintenance, and abandonment of petroleum pipeline systems; and (b) conduct periodic analyses of</p>

	domestic transport of petroleum products by pipeline.
<p>S.B. No. 765 – An Act Classifying Transactions Involving Petroleum Products as Zero Percent (0%) Value-Added Tax (VAT) Transactions, Amending for the Purpose Section 108 (B) of Republic Act No. 8424, as Amended by Republic Act No. 9337, Otherwise Known as the Tax Reform Act of 1997, and for Other Purposes (filed by Jinggoy P. Estrada)</p> <p><i>Status: Pending with the Committee (August 12, 2013)</i></p>	<p>The proposed bill will suspend the imposition of value-added tax (“VAT”) on the sale or importation of petroleum products and raw materials to be used by the buyer or importer himself in the manufacture of petroleum products, for 6 months from effectivity of the proposed law. After the 6 month period, the President will determine whether to prospectively restore the full 12% VAT immediately or on a staggered basis.</p> <p>.</p>
<p>S.B. No. 1110 – An Act Amending Republic Act No. 8479, Otherwise Known as the “Downstream Oil Industry Deregulation Act of 1998” (filed by Miriam Santiago)</p> <p><i>Status: Pending in the Committee (August 27, 2013)</i></p>	<p>The proposed bill will provide a mechanism to ensure compliance by local industry players with the relevant environmental laws and regulations by requiring local oil industry players to secure a Certificate of Compliance (or for LPG related activities, a Standard Compliance Certificate) from the Department of Energy (“DOE”). Likewise, the proposed bill will authorize the DOE to conduct monitoring and inspection of persons/entities involved in downstream oil activities to ensure compliance with relevant laws.</p>
<p>S.B. No. 1214 – An Act to Promote Fair Trade in the Oil Industry and for Other Purposes, Amending Republic Act No. 8479, Otherwise Known as the “Downstream Oil Industry Deregulation Act of 1998” (filed by Ralph G. Recto)</p> <p><i>Status: Pending in the Committee (August 28, 2013)</i></p>	<p>The proposed bill provide a mechanism to ensure transparency in the pricing of petroleum products by creating an oil monitory task force tasked to inspect facilities and books of accounts of companies engaged in the oil industry and providing for heavier penalties for non-compliance with the reportorial requirements. Likewise, the proposed bill will prohibit oil companies from engaging in unwarranted oil price increases or unreasonable amounts of price increase or decrease, as may be determined by the Department of Energy.</p>
<p>S.B. No. 1642 – An Act Amending Republic Act No. 8479, Otherwise Known as the “Downstream Oil Industry Deregulation Act” (filed by Jinggoy P. Estrada)</p> <p><i>Status: Pending with the Committee September 18, 2013)</i></p>	<p>The proposed bill will prohibit oil companies from operating any gasoline station to encourage and increase competition at the retail level of the oil industry by prohibiting oil companies from operating any gasoline station. However, the proposed bill will permit oil companies to enter into non-exclusive franchise agreements with independent gasoline station dealers. In addition, the proposed bill will authorize the Secretary of Energy (or his authorized representatives) to conduct unannounced inspection of premises and equipment owned, leased, or operated by persons or entities engaged in the oil industry as well as inspect the books of accounts and records of any such person or entity.</p>

DESCRIPTION OF PROPERTY

The Company does not hold any real property of material value. Its present office is at the 5th Floor, ENZO Building, No. 399 Sen. Puyat Ave., Makati City. Other than its subsidiary and properties held through its subsidiary, the Company does not hold significant properties.

LEGAL PROCEEDINGS

The SMC Group is not a party to, and its properties are not the subject of, any material pending legal proceeding that could be expected to have a material adverse effect on the Registration or the Listing and on the results of the financials and the operations of SMC. SMC has initiated the appropriate actions to contest an assessment imposed by the SEC-Corporation Finance Department of a fine in connection with the filing of the Statement of Initial Beneficial Ownership and Statement of Changes in the Beneficial Ownership (SEC Form 23-A and SEC Form 23-B, respectively) under the SRC.

On the other hand, certain subsidiaries of Clariden are parties to the following legal and administrative proceedings, which, if adversely decided, may materially affect such subsidiary's mining projects.

Nonoc Project

- *Philnico Industrial Corporation vs. Privatization and Management Office, and related cases*

In February 2003, PIC filed a Complaint with the Regional Trial Court of Makati City seeking to enjoin the Privatization and Management Office (formerly, the Asset Privatization Trust, hereinafter, "PMO") from enforcing the provision in the Amended and Restated Definitive Agreement, as amended ("ARDA"), by and among PIC, PPC and PMO providing for automatic reversion to PMO of the shares of stock of PPC upon failure of PIC to pay the purchase price in accordance with the terms of the ARDA (the "Automatic Reversion Clause"), and requesting the court to fix the period for payment and performance by PIC of its obligations under the ARDA.

The trial court issued injunction orders enjoining the PMO from enforcing the Automatic Reversion Clause. The PMO filed a Petition before the Court of Appeals challenging such injunction orders, which Petition was denied by the Court of Appeals. The issues relating to the injunction orders and the validity of the Automatic Reversion Clause were appealed to the Supreme Court and are pending resolution as of the date of the Prospectus. In the meantime, the proceedings before the trial court are on-going.

- *Jose Luis Vasquez vs. Pacific Nickel Philippines, Inc. and Philnico Industrial Corporation*

In May 2008, the Regional Trial Court of Surigao City rendered judgment invalidating PNPI's MPSA. The Court of Appeals subsequently voided the judgment on the ground that it is the DENR Secretary which has the authority to cancel an MPSA. Jose Luis Vasquez filed a Petition before the Supreme Court questioning the decision of the Court of Appeals, which action remains pending as of the date of the Prospectus. PNPI manifested before the Supreme Court, however, that the said decision of the Court of Appeals has become final.

- *Pacific Nickel Philippines, Inc. vs. Alilo C. Ensomo, Jr. and related cases*

In May 2011, the MGB issued orders suspending PNPI's operations, ore transport permits and mineral ore export permits. PNPI filed cases before the Regional Trial Court of Surigao City, which issued injunction orders enjoining the implementation of the said suspension orders. The MGB challenged the injunction orders before the Court of Appeals, which action, as of the date of the Prospectus, remains pending.

- *Philnico Industrial Corporation and Pacific Nickel Philippines, Inc. vs. Hon. Ernesto Matugas*

In July 2013, PIC and PNPI filed a Petition with the Court of Appeals seeking to enjoin the actions of Mayor Ernesto Matugas of Surigao City in threatening to take over a portion of Nonoc Island and the facilities thereon, which area was donated by the Government to Surigao City for the establishment of an ecozone to be developed and operated by PIC.

The action remains pending with the Court of Appeals. However, as of the date of the Prospectus, PNPI and PIC continue to enjoy possession of the subject area.

- *Shuley Mine, Incorporated vs. Pacific Nickel Philippines, Inc. and related cases*

Shuley Mine, Incorporated (“SMI”) filed a case with the Regional Trial Court of Surigao City to enjoin PNPI from stopping the mining, shipping and other operations of SMI under the Mines Operating Agreement between PNPI and SMI. The RTC Surigao issued injunction orders against PNPI, which PNPI challenged before the Court of Appeals. As of the date of the Prospectus, the action before the Court of Appeals remains pending while the proceedings before the trial court are on-going.

- *MGB Order on Retention of the Contract Area under the MPSA*

In December 2011, the MGB ruled that 22,488.8657 hectares out of the 23,876.6157-hectare contract area under PNPI’s MPSA are deemed relinquished to the Government. PNPI sought reconsideration of the said ruling. In July 2013, the MGB issued an order reversing its earlier ruling and reinstating the larger contract area, with a statement that such order shall lead to the final resolution of the financial obligations of PNPI to the Government.

North Davao Mining Project

- *Asia-Alliance Mining Resources Corp. vs. Philippine Mining Development Corporation*

Asia-Alliance Mining Resources Corp. (“AAMRC”) filed a Complaint with the Regional Trial Court of Pasig City to compel the Philippine Mining Development Corporation (“PMDC”) to execute the Joint Operating Agreement for the operation of the project with terms and conditions that are consistent with the Terms of Reference during the public bidding stage. The court issued injunction orders enjoining PMDC from awarding the contract to another party. As of the date of the Prospectus, the proceedings before the trial court are on-going.

- *Apex Mining Company vs. PMDC*

A mining claim for a portion of the project area is contested by Apex Mining Company and PMDC in an administrative case pending with the Mines Adjudication Board. Pending the final resolution of the matter, AARMC cannot engage in any mining activity in such area.

SECURITIES OF THE ISSUER

MARKET INFORMATION

As of the date of this Prospectus, the Company has an authorized capital stock of ₱1,000,000,000.00, comprised of 740,000,000 Common Shares with par value of ₱1.00 per Common Share, and 2,600,000 Preferred Shares with par value of ₱100.00. As of the date of this Prospectus, the Company has issued and outstanding 490,196,200 Common Shares and 1,904,540 Preferred Shares, excluding 693,500 treasury shares. The Common Shares are not traded in any market, nor are they subject to outstanding options or warrants to purchase, or securities convertible into Common Shares of the Company.

LISTING; NO PUBLIC OFFER

The Company has applied (and for this purpose has submitted an application for Listing with the PSE on October 22, 2013) for Listing based on Section 1(b) of the PSE's Amended Rules on Listing by Way of Introduction, which provides that Listing may be appropriate where the securities of an unlisted issuer (the Company, in this case) are distributed by a way of property dividend by a listed issuer (that is, SMC) to shareholders of that listed issuer.

In case of a listing by way of introduction, a public offering does not need to be undertaken because the securities for which listing is sought would be of such an amount and would be so widely held that their adequate marketability when listed can be assumed. The Company and its stockholders will not be offering Common Shares to the public for subscription or sale in connection with the Dividend Distribution or the Listing.

HOLDERS

Prior to the Dividend Distribution, the Issuer has thirteen stockholders, eleven of whom are individuals with at least one Share each. The following sets out the names of the top 20 stockholders of the Issuer before and after the Dividend Distribution:

Name of Stockholder	Class of Securities	Before Dividend Distribution		After Dividend Distribution*	
		Number of Shares	% of Outstanding Shares	Number of Shares	% of Outstanding Shares
San Miguel Corporation	Common Shares	240,196,000	49.2%		
	Preferred Shares	1,904,540			
Iñigo U. Zobel	Common Shares	199,599,800	40.56%		
Roberto V. Ongpin	Common Shares	199,900	0.04%		
Eric O. Recto	Common Shares	100	0%		
Joselito D. Campos, Jr.	Common Shares	200,000	0.04%		
Consuelo Eden P. Lagao	Common Shares	200,000	0.04%		

Name of Stockholder	Class of Securities	Before Dividend Distribution		After Dividend Distribution*	
		Number of Shares	% of Outstanding Shares	Number of Shares	% of Outstanding Shares
Master Year Limited	Common Shares	49,799,800	10.12%		
Ramon S. Ang	Common Shares	100	0%		
Ferdinand K. Constantino	Common Shares	100	0%		
Aurora T. Calderon	Common Shares	100	0%		
Patrick T. Lugue	Common Shares	100	0%		
Nelly Favis-Villafuerte	Common Shares	100	0%		
Consuelo Ynares-Santiago	Common Shares	100	0%		
Total Outstanding		492,100,740	100.00%		100.00%

*Assuming SMC Common Shareholders as of the date of this Prospectus, and excluding [●] Dividend Shares to be received by the Company and thereafter to be treated as treasury.

The Dividend Distribution will result in the following:

- SMC's shareholdings in Top Frontier's common stock will decrease from 49% to 0%.
- SMC's shareholders (including Privado) will own approximately 39.7% of the Company;
- Top Frontier will receive as dividends approximately 157,310,034 common shares of Top Frontier, as a result of Top Frontier owning up to 66.1% of SMC's issued and outstanding common shares and SMC owning 240,196,000 common shares in Top Frontier. Any shares received by Top Frontier will be booked as treasury stock by the Company.

DIVIDENDS

The Company has not declared any cash or other dividends to its stockholders owning Common Shares from the time of its incorporation, but has declared cash dividends to its stockholders owning Preferred Shares. For a description of the history of dividend declarations by the Company on the Preferred Shares, please see "Dividend History" on page 96 of this Prospectus.

Apart from legal restrictions governing the declaration of dividends and subject to the preferences on dividends granted to holders of the Preferred Shares, which are discussed in page 96 and page 92 of this Prospectus, respectively, there are no restrictions that limit the Company's ability to pay dividends on the Shares whether currently or in the future.

RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES (INCLUDING RECENT ISSUANCE OF SECURITIES CONSTITUTING AN EXEMPT TRANSACTION)

[On January 6, 2010, the Company issued to SMC a total of 2,401,960 common shares out of its authorized but unissued capital stock, at a subscription price of ₱18,600 per share or an aggregate subscription price of ₱44,676,456,000. The subscription was fully paid for by SMC in cash.

On January 7, 2010, after approval by the SEC of the re-classification of the Company's authorized capital stock creating the Preferred Shares, the Company issued to SMC a total of 2,598,040 Preferred Shares, at a subscription price of ₱18,600 per Preferred Share or an aggregate subscription price of ₱48,323,544,000. The subscription was fully paid for by SMC in cash.

On September 19, 2013, the Company issued 100 Common Shares out of its authorized and unissued common capital stock each to its two independent directors, Atty. Nelly Favis-Villafuerte and Justice Consuelo Ynares-Santiago. The subscription was fully paid in cash by the aforementioned independent directors.

The issuance or sale of shares of the capital stock of a corporation to fewer than 20 persons in the Philippines during any 12-month period is exempt from registration under the SRC.

DESCRIPTION OF THE SECURITIES OF THE COMPANY

The Company's authorized capital is ₱1,000,000,000.00, consisting of 740,000,000 Common Shares with a par value of ₱1.00 per Common Share, and 2,600,000 Preferred Shares with a par value of ₱100.00 per Preferred Share. The Dividend Shares, comprising 240,196,000 Common Shares, will be covered by the Dividend Distribution, and 490,196,200 Common Shares (or 100% of the Company's issued Common Shares) will be covered by the Listing. Neither the Common Shares nor the Dividend Shares will be offered to the public, although they are expected to be traded after the Listing subject to applicable lock-up restrictions imposed by the PSE.

The Common Shares comprise 490,196,200 ordinary shares of the Company with full voting rights.

On the other hand, the Company's Preferred Shares (which are not covered by the Listing), have the following features as stated in the Company's Articles of Incorporation:

- *Non-Voting.* – Holders of the Preferred Shares are not entitled to vote except in those cases expressly provided under law.
- *Preferential Dividends.* – Holders of the Preferred Shares are entitled to preferential dividends, payable quarterly in arrears and in cash, at the fixed per annum rate of 3% of the issue price of the Preferred Shares. No dividend may be paid, declared or set apart for payment, or other distribution made, in respect of the Shares unless cash dividends shall have been declared and paid in full to all holders of the Preferred Shares.
- *Cumulative and Participating Dividends.* – Preferential dividends declared on the Preferred Shares shall be cumulative from and after the issue of the Preferred Shares, whether or not in any period the amount thereof is covered by available unrestricted retained earnings. In addition, holders of the Preferred Shares shall be entitled to participate and share in the

retained earnings remaining after payment of the preferential dividends at the same rate as the Shares.

- *Redeemable.* – The Preferred Shares are redeemable in whole or in part, at the sole option of the Company, equal to the issue price plus any accrued and unpaid preferential dividends, upon notice to the holders of the Preferred Shares. In case of redemption, the Preferred Shares shall not be considered retired and may be re-classified and re-issued by the Company.
- *Preference as to Liquidation.* – In the event of liquidation, dissolution, bankruptcy or winding up of the affairs of the Company, holders of the Preferred Shares shall be entitled to be paid in full or ratably to the extent that the remaining assets of the Company will permit, an amount equivalent to all accumulated and unpaid preferential dividends up to the then current dividend period before any amount may be paid or asset distributed to the holders of the Shares. Thereafter, holders of the Preferred Shares shall be entitled to participate and share with the holders of the Shares in the distribution of the remaining assets of the Company.

Dividend Rights of the Shares

The rights of holders of the Common Shares to dividends are subject to the preferences granted to holders of the Preferred Shares (see *Securities of the Issuer -- Description of the Securities of the Company*). In particular, the Company's Articles of Incorporation provide that no dividend may be paid, declared and set apart for payment, or other distribution made in respect of the Shares, unless cash dividends shall have been declared and paid in full to all holders of the Preferred Shares. Moreover, holders of the Preferred Shares are entitled to participate and share in any retained earnings of the Company remaining after payment of the preferential dividends due such Preferred Shares, at the same rate as the holders of the Common Shares.

Aside from what is stated in the Company's By-Laws and as provided in existing laws, the Company does not have a specific dividend policy. The Company's By-laws provide that dividends shall be declared and paid out of the unrestricted retained earnings which shall be payable in cash, property or stock to all shareholders on the basis of outstanding stock held by them, as often and at such times as the Board may determine and in accordance with law and applicable rules and regulations. No fractional Shares shall be issued from any declaration of stock dividends.

Voting Rights of the Shares

Each holder of a Common Share has full voting rights. At each meeting of the Company's stockholders, every stockholder entitled to vote on a particular question or matter involved shall be entitled to one vote for each Common Share standing in his or her name in the books of the Company at the time of closing of the transfer books for such meeting.

Pre-Emptive Rights of the Shares

The Company's Articles of Incorporation provide that there shall be no pre-emptive rights with respect to: (a) shares of stock to be issued, sold or otherwise disposed of by the Company; (b) issuance of any class of shares in payment of a previously contracted debt or equity-linked debt, or shares issued in exchange for property needed for corporate purposes; (c) the issuance of shares out of unissued capital stock or from any increase in the authorized capital stock of the Company; (d) re-issuance or disposition of treasury shares; and (e) any other issuance or disposition of the shares of the Company.

Lock-up Restrictions under the PSE Listing Rules

Under the PSE Listing Rules, an applicant company that applies to list by way of introduction through Section 1(b) of the PSE's Amended Rules on Listing by Way of Introduction shall be subject to the lock-up requirements prescribed by the PSE.

In particular, Part D, Section 2 of the PSE Listing Rules provide that an applicant company shall cause its existing stockholders who own an equivalent of at least 10% of the issued and outstanding shares of stock of such company to refrain from selling, assigning or in any manner disposing of their shares for the following periods counted from the date of listing of such shares: (a) 180 days, if the applicant company meets the track record requirements set forth in Section 1 of the PSE Listing Rules; or (b) 365 days, if the applicant company is exempt from the track record and operating history requirements of the PSE Listing Rules.

In addition, if there is any issuance or transfer of shares (*i.e.*, private placements, asset for shares swap or a similar transaction) or instruments which lead to issuance of shares (*i.e.*, convertible bonds, warrants or a similar instrument) done and fully paid for within 180 days prior to the listing date in case of companies listing by way of introduction, and the transaction price is lower than that of the listing price, all shares availed of shall be subject to a lock-up period of at least 365 days from full payment of the aforesaid shares.

Change in Control

There is no provision in the Company's Articles of Incorporation and By-laws which may delay, deter, or prevent a change in control in the Company.

DIVIDENDS AND DIVIDEND POLICY

Under Philippine law, dividends may be declared out of a corporation's unrestricted retained earnings which shall be payable in cash, in property, or in stock to all stockholders on the basis of outstanding stock held by them. The amount of retained earnings available for declaration as dividends may be determined pursuant to regulations issued by the SEC. The approval of the board of directors is generally sufficient to approve the distribution of dividends, except in the case of stock dividends which requires the approval of stockholders representing not less than two-thirds (2/3) of the outstanding capital stock at a regular or special meeting duly called for the purpose.

RECORD DATE

The Company's By-laws provide that for purposes of determining the shareholders entitled to receive payment of any dividends, whether cash, property or stock, the Board may fix in advance a date as the record date for any such determination of shareholders. The said By-Laws likewise provide that, in connection with the determination of the shareholders entitled to receive payment of any dividend, the Board may provide that the stock and transfer book be closed for a period of 10 business days immediately preceding such meeting declaring the dividends. No shares of stock of the Company may be transferred during the period when the books are closed.

In each case, the set record date shall not be less than 10 trading days from disclosure to the PSE of the declaration of the dividend.

DIVIDEND POLICY ON THE COMMON SHARES

Aside from what is stated in the Company's By-Laws and as provided in existing laws, the Company does not have a specific dividend policy. The Company's By-laws provide that dividends shall be declared and paid out of the unrestricted retained earnings which shall be payable in cash, property or stock to all shareholders on the basis of outstanding stock held by them, as often and at such times as the Board may determine and in accordance with law and applicable rules and regulations. No fractional shares shall be issued from any declaration of stock dividends.

The Board may decide to declare cash dividends in the future after taking into account various factors, including:

- the level of the Company's cash, gearing, return on equity and retained earnings;
- the Company's results for, and the Company's financial condition at the end of the year, the year in respect of which the dividend is to be paid and the Company's expected financial performance;
- the Company's projected levels of capital expenditure and other investment plans;
- restrictions of payment of dividends that may be imposed on the Company by any of its financing arrangements and current and prospective debt service requirements; and
- such other factors as the Board deems appropriate.

The Company, however, cannot assure the public that it will pay any dividends in the future.

Apart from the discussion on dividends under “Risk Factors” in page 34 of this Prospectus, there are no restrictions that limit the Company’s ability to pay dividends in the future.

DIVIDEND HISTORY

The Company has not declared any cash or other dividends to its stockholders owning Common Shares from the time of its incorporation.

On the other hand, the Company’s Board of Directors approved the declaration and payment of Company of the following dividends to holders of the Preferred Shares as follows:

For the Eight Months Ended August 31, 2013

Date of Approval	Date of Record	Type of Dividend	Amount (in ₪ thousands)	Dividend per Share (₪)
February 13, 2013	February 13, 2013	Cash	265,683	139.50

For the Eight Months Ended August 31, 2012

Date of Approval	Date of Record	Type of Dividend	Amount (in ₪ thousands)	Dividend per Share (₪)
February 28, 2012	February 28, 2012	Cash	362,427	139.50
June 14, 2012	June 14, 2012	Cash	966,471	139.50
Total			1,328,898	

For the Year Ended December 31, 2012

Date of Approval	Date of Record	Type of Dividend	Amount (in ₪ thousands)	Dividend per Share (₪)
February 28, 2012	February 28, 2012	Cash	362,427	139.50
June 14, 2012	June 14, 2012	Cash	966,471	139.50
September 7, 2012	September 7, 2012	Cash	265,683	139.50
November 12, 2012	November 12, 2012	Cash	265,683	139.50
Total			1,860,264	

For the Year Ended December 31, 2011

Date of Approval	Date of Record	Type of Dividend	Amount (in ₱ thousands)	Dividend per Share (₱)
February 2, 2011	February 2, 2011	Cash	362,427	139.50
April 12, 2011	April 12, 2011	Cash	362,427	139.50
December 15, 2011	December 15, 2011	Cash	362,427	139.50
Total			1,087,280	

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's audited financial statements and the notes thereto included elsewhere in this Prospectus.

This discussion contains forward-looking statements and reflects the current views of the Company with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth in the section entitled "Risk Factors" and elsewhere in this Prospectus.

The following is primarily a discussion of the Company's most recent financial period as presented in this Prospectus, and is based upon and should be read with, the consolidated financial statements and the related notes elsewhere in this Prospectus.

Overview

Top Frontier Investment Holdings Inc. is a Philippine corporation organized in March 2008 as a holding company. Top Frontier is the largest shareholder of SMC, in which it holds 1,573,100,340 common shares, or 66.10% of SMC's total outstanding common stock, as of August 31, 2013. On August 31, 2013, Top Frontier acquired 100% of the outstanding common stock of Clariden Holdings, Inc., a holding company with interests in mining exploration and development. Other than its ownership of SMC and Clariden, Top Frontier has no other operations.

Factors Affecting the Company's Results of Operations

Set out below is a discussion of the most significant factors that have affected its financial results of operations in the past and which the Company expects to affect its results of operations in the foreseeable future. Factors other than those set forth below could also have a significant impact on the Company's results of operations and financial condition.

Financial performance of SMC

As the largest shareholder of SMC, from which the Company recognizes dividend income, the Company's revenues are significantly affected by the financial performance of SMC. SMC is one of the most diversified and largest conglomerates in the Philippines with leading businesses in the food and beverage, packaging, fuel and oil, energy, infrastructure, telecommunications, mining and airline industries. SMC's financial performance is in turn affected by a number of factors including raw materials and other input costs, taxes and regulatory environment and competition.

SMC depends on raw materials sourced from third parties, and these materials are subject to price volatility caused by a number of factors, including changes in global supply and demand, weather conditions and government regulations and controls. In addition, SMC's ability to obtain raw materials is affected by a number of factors beyond SMC's control, including interruptions in production by

suppliers, decisions by suppliers to allocate raw materials to other purchasers and the availability and cost of transportation.

SMC's businesses are subject to various taxes, duties and tariffs. Changes in tax rates or policies could affect SMC's profit margins as well as the pricing of, and demand for, SMC's products. In addition, the industries where SMC operates are in a highly regulated environment. SMC is also subject to a number of national and local laws, rules and regulations in the Philippines and other countries in which it operates. Changes in laws, rules and regulations could result in substantial compliance costs and have material adverse effects on SMC's businesses and operations.

SMC faces competition in all segments of its businesses in the Philippines as well as in the other countries in which it operates. In particular, SMC competes with a number of multi-national, national, regional and local competitors. Although many of SMC's products and services have significant market shares in the Philippines, SMC expects to face increasing competition as it continues to grow its business in the Philippines. Competitive factors generally affecting SMC's businesses include price, costs, product quality, production efficiency and worker productivity, access to raw materials and water, access to fuel and other sources of energy, access to financing sources, technological innovation, relationships with suppliers and governmental authorities, brand awareness and loyalty, distribution coverage, and the ability to effectively respond to changes in the regulatory environment as well as to shifting consumer tastes and preferences.

Financial Performance of Clariden

As the 100% owner of Clariden, the Company's financial performance is also affected by the financial performance of Clariden, although presently to a smaller extent than it is affected by SMC. Clariden is an investment holding company with ownership interests in various mining projects and tenements involving nickel, gold and copper. Clariden's financial performance is affected by the following factors:

Project costs of mines

The Company's mining projects will require significant capital expenditures and pre-operating costs. In addition, the Company may incur project or commercial financing for these projects. The financing charges for any financing obtained as well as the significant pre-operating costs and operating costs will affect the net income of Clariden.

Prices of nickel, gold, copper and metals

The prices of nickel, gold and copper ores are determined based on the grade of the ores and a formula related to LME prices for such metals. Prevailing market prices for nickel, gold, copper, and other associated minerals and metals may have a substantial effect on Clariden's future revenues as well as reserve estimates.

The type of mineral deposit and grade of ore that is mined from the mining projects

The type of the mineral deposit that will be developed and mined and grade of the ore will affect Clariden's future revenues from year to year. The type of the mineral deposit and grade of ore mined will determine mining and mineral processing methods and the potentially recoverable volume of mineral/metal and thus, influence the per unit cost of volume of mineral/metal production.

Critical Accounting Policies

Top Frontier's accounting policies are set forth in Note 3 to Top Frontier's audited financial statements included elsewhere in this prospectus. Top Frontier's financial statements are prepared in compliance with PFRS, which requires management to make judgments, estimates and assumptions that affect amounts reported in its financial statements and the related notes. In order to provide an understanding of how Top Frontier's management forms its judgments about future events, including the variables and assumptions underlying the estimates, and the sensitivity of those judgments to different circumstances, Top frontier has identified the significant accounting judgments, estimates and assumptions discussed in Note 4 to the audited financial statements included elsewhere in this prospectus.

Top Frontier has identified the following accounting policies as critical to the understanding of its financial condition and results of operations, as the application of these policies requires significant management assumptions and estimates that could result in the reporting of materially different amounts if different assumptions or estimates are made.

Financial Assets and Financial Liabilities

Date of Recognition. The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated as at fair value through profit or loss (FVPL), includes transaction costs.

Top Frontier classifies its financial assets in the following categories: held-to-maturity (HTM) investments, AFS financial assets, financial assets at FVPL and loans and receivables. Top Frontier classifies its financial liabilities as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Determination of Fair Value. The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there is no significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

'Day 1' Profit. Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and the fair value (a 'Day 1' profit) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where data used is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

Asset Impairment

Financial Assets

The Company assesses at the reporting date whether a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

AFS Financial Assets. For equity instruments carried at fair value, the Company assesses whether objective evidence of impairment exists. Objective evidence of impairment includes a significant or prolonged decline in the fair value of an equity instrument below its cost. In evaluating whether the period of a decline in the fair value of equity instruments is prolonged, the period of the decline is the entire period for which fair value has been below cost. The Company generally regards fair value decline as being significant' when decline exceeds 25%. A decline in a quoted market price that persists for 12 months is generally considered to be prolonged.

If an AFS financial asset is impaired, an amount comprising the difference between the cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as AFS financial assets are not recognized in profit or loss. Reversals of impairment losses on debt instruments are recognized in profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Non-financial Assets

The carrying amounts of property, plant and equipment, mineral rights and evaluation assets and other noncurrent assets with finite useful lives are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. In assessing value in

use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

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

Business Combination

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to Top Frontier. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

The Company measures goodwill at the acquisition date as: a) the fair value of the consideration transferred; plus b) the recognized amount of any non-controlling interests in the acquiree; plus c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less d) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. Subsequently, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities that the Company incurs in connection with a business combination, are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

▪ *Goodwill in a Business Combination*

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment determined in accordance with PFRS 8, *Operating Segments*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. An impairment loss with respect to goodwill is not reversed.

▪ *Intangible Assets Acquired in a Business Combination*

The cost of an intangible asset acquired in a business combination is the fair value as at the date of acquisition, determined using discounted cash flows as a result of the asset being owned.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and impairment losses, if any. The useful life of an intangible asset is assessed to be either finite or indefinite.

An intangible asset with finite life is amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each reporting date. A change in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for as a change in accounting estimates. The amortization expense on intangible asset with finite life is recognized in profit or loss.

▪ *Loss of Control*

Upon the loss of control, the Company derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Company retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an AFS financial asset depending on the level of influence retained.

Deferred Exploration and Development Costs

Deferred exploration and development costs comprise expenditures which are directly attributable to:

- Researching and analyzing existing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatment methods; and
- Compiling pre-feasibility and feasibility studies.

Deferred exploration and development costs also include expenditures incurred in acquiring mineral rights, entry premiums paid to gain access to areas of interest, and amounts payable to third parties to acquire interests in existing projects.

Exploration assets are reassessed on a regular basis and tested for impairment provided that at least one of the following conditions is met:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

If the project proceeds to development stage, the amounts included within deferred exploration and development costs are transferred to property, plant and equipment under mine development costs.

Intangible Assets - Mineral Rights and Evaluation Assets

Intangible assets - mineral rights and evaluation assets that are acquired by Top Frontier and have finite lives are measured at costs less accumulated amortization and any accumulated impairment losses.

Subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

Amortization of mineral rights and evaluation assets is recognized in profit or loss on a straight-line basis over the estimated useful lives. The estimated useful life of mineral rights and evaluation assets is the period from commercial operations to the end of the operating contract. Amortization method and useful life are reviewed at each reporting date and adjusted as appropriate.

Foreign Currency

Foreign Currency Translations

Transactions in foreign currencies are translated to the respective functional currencies of the entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Nonmonetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Nonmonetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of AFS financial assets, a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognized in other comprehensive income.

Contingencies

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

Recent Critical Accounting Pronouncements

New or revised Standards, Amendments to standards and Interpretations Adopted in 2013

The Company has adopted the following PFRS starting January 1, 2013 and accordingly, changed its accounting policies in the following areas:

- Presentation of Items of Other Comprehensive Income (*Amendments to PAS 1, Presentation of Financial Statements*). The amendments: (a) require that an entity presents separately the items of other comprehensive income that would be reclassified to profit or loss in the future, if certain conditions are met, from those that would never be reclassified to profit or loss; (b) do not change the existing option to present profit or loss and other comprehensive income in two statements; and (c) change the title of the statements of comprehensive income to statements of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other PFRS continue to apply in this regard. The amendments are effective for annual periods beginning on or after January 1, 2013.

As a result of the adoption of the amendments to PAS 1, the Company has modified the presentation of items of other comprehensive income in the statements of comprehensive income, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been re-presented accordingly.

- PFRS 10, *Consolidated Financial Statements*, introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when: (a) it is exposed or has rights to variable returns from its involvement with that investee; (b) it has the ability to affect those returns through its power over that investee; and (c) there is a link between power and returns. Control is reassessed as facts and circumstances change. PFRS 10 supersedes PAS 27 (2008), *Consolidated and Separate Financial Statements*, and Philippine Interpretation Standards Interpretation Committee (SIC) 12, *Consolidation - Special Purpose Entities*.

In accordance with the transitional provisions of PFRS 10, Top Frontier reassessed control over its investees effective January 1, 2013 based on the new control model. The adoption of the new standard did not result to changes in consolidation conclusion in respect of the Group's investees and in the current accounting for these investees.

- PFRS 12, *Disclosure of Interests in Other Entities*, contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities. The new standard provides information that enables users to evaluate: (a) the nature of, and risks associated with, an entity's interests in other entities; and (b) the effects of those interests on the entity's financial position, financial performance and cash flows. The new standard is effective for annual periods beginning on or after January 1, 2013.

As a result of the adoption of PFRS 12, Top Frontier has expanded its disclosures about its interests in subsidiaries.

Additional disclosures required by the revised standards, amendments to standards and interpretations were included in the financial statements, where applicable.

Description of Selected Income Statement Items

Dividend Income

Top Frontier generates its dividend income from its investments in SMC common shares. The Company recognizes dividend income when the right as a shareholder to receive the payment is established. Dividend income from the investment amounted to ₱1,101 million and ₱1,564 million for the eight months ended August 31, 2013 and 2012, respectively, and ₱2,665 million, ₱1,568 million and ₱12,089 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Gain on Sale of AFS Financial Assets

In May and December 2011, the Company sold 110,320,000 and 9,000,000 SMC common shares, respectively, which resulted to the recognition of gain on sale of AFS financial assets amounting to ₱966 million and ₱172 million, respectively or a total amount of ₱1,138 million. Gain or loss is computed as the difference between the proceeds of the disposed investment and its carrying amount.

Foreign Exchange Gain (Loss)

The Company reported net foreign exchange gain (loss) amounting to (₱3,232 million) and ₱1,105 million for the eight months ended August 31, 2013 and 2012, respectively, and ₱2,010 million, ₱72 million and ₱147 million for the years ended December 31, 2012, 2011 and 2010, respectively, with the translation of its foreign currency-denominated assets and liabilities.

Gain (loss) on Derivative Assets

Top Frontier carries its derivative assets using their fair values. Attributable transaction costs are recognized in profit or loss as incurred. The Company entered into derivative transactions to manage the market price risk arising from its financial instruments. Changes in fair value and realized gains or losses are recognized in profit or loss.

As of August 31, 2013 and December 31, 2012, the Company has no outstanding derivative assets, with the assignment of its rights to exercise the option to acquire SMC common shares from the group of 44 companies in favor of MYL and the exercise of the option to acquire the remaining shares in June 2012. The transactions resulted to the recognition of “Loss on derivative assets” amounting to ₱14,354 million in 2012.

Marked to market gain (loss) on derivative assets recognized in profit or loss amounted to (₱405 million) for the eight months ended August 31, 2012 and (₱405 million), (₱11,703 million) and ₱53,857 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Results of Operations

Eight months ended August 31, 2013 compared with eight months ended August 31, 2012

Dividend Income

Dividend income for the eight months ended August 31, 2013, amounted to ₱1,101 million, 30% lower than the ₱1,564 million in the same period in 2012. This reflected the decrease in dividends paid by SMC in 2013.

Operating expenses

The Company’s operating expenses consisted of professional fees, salaries and wages, taxes and licenses, amortization of computer software, employee benefits, brokers’ commission, and miscellaneous expenses.

For the eight months ended August 31, 2013, the Company’s operating expenses were ₱1.5 million, a decrease of 99% compared to ₱150 million in the same period in 2012, due primarily to the payment of documentary stamp tax amounting to ₱137 million for the US\$650 million loan availed in June 2012. The

Company incurred broker's commission amounting to ₱7 million in 2012 in relation to its acquisition of SMC common shares.

Financing Charges

For the eight months period ended August 31, 2013, the Company incurred ₱1,839 million in financing charges, an increase of 41% from ₱1,306 million in the same period in 2012. The increase is primarily due to the two quarters interest payment incurred in 2013 in relation to the US\$650 million loan availed only in June 2012. On September 2012, the Company paid its first quarterly interest payment for the US\$650 million loan.

Foreign Exchange Gain (Loss)

For the eight months period ended August 31, 2013, the Company recorded foreign exchange loss of ₱3,232 million as compared to the foreign exchange gain of ₱1,105 million in 2012, due to the strengthening of the US dollar against the peso.

Gain (Loss) on Derivative Assets

The Company did not post any gain (loss) on derivative assets for the eight months ended August 31, 2013 since the Company had no outstanding derivative assets as of August 31, 2013, with the assignment of its rights to exercise the option to acquire the SMC common shares from the group of 44 companies in favor of MYL and the exercise of the option to acquire the remaining SMC common shares in June 2012. The transactions resulted to the recognition of loss on derivative assets amounting to ₱14,354 million in 2012. The Company recognized marked to market loss of ₱405 million for the eight months period ended August 2012.

Income Tax Expense

The Company's income tax expense represents minimum corporate income tax (MCIT) for the eight months ended August 31, 2013 and 2012 amounting to ₱74 thousand and ₱1.6 million. This is largely due to the higher realized foreign exchange gain in 2012.

Comprehensive Net income

The Company incurred a comprehensive net loss of ₱51,790 million for the eight months period ended August 31, 2013, higher than the ₱15,864 million comprehensive net loss for the same period in 2012. This reflects the net change in fair value of available-for-sale financial assets during the period. The fair market value of SMC common shares amounted to ₱75 per share as of August 31, 2013 compared to ₱112 as of August 31, 2012.

Year ended December 31, 2012 compared to Year ended December 31, 2011

Dividend Income

The Company's dividend income from SMC increased by 69.9% from ₱1,568 million in 2011 to ₱2,665 million in 2012. This reflected the increase in dividends paid by SMC as well as the increase in dividend income arising from the purchase by the Company of additional SMC common shares in June 2012.

Operating expenses

In 2012, the Company's operating expenses were ₱157 million, a decrease of 57.7% compared to ₱372 million in 2011. This decrease in operating expenses was largely due to the decline in professional fees to ₱7 million in 2012 from ₱371 million in 2011. Professional fees were incurred in 2011 in relation to the Company's acquisitions.

Financing Charges

In 2012, the Company incurred ₱2,197 million in financing charges, an increase of 18.8% from ₱1,850 million in 2011 due to an increase in debt resulting from the Company's availment of a finance facility amounting to US\$650 million in June 2012.

Loss on Derivative Assets

In 2012, the Company incurred a ₱14,759 million loss on derivative assets, a 26.1% increase from a ₱11,703 million loss in 2011. The assignment of its rights to exercise the option to acquire the SMC common shares from the group of 44 companies in favor of MYL and the exercise of the option to acquire the remaining SMC common shares in June 2012, resulted to the recognition of loss on derivative assets amounting to ₱14,354 million in 2012. The Company recognized marked to market loss of ₱405 million and ₱11,703 million for the year ended December 31, 2012 and 2011 due to the changes in the fair values of the SMC common shares.

Foreign Exchange Gain

The Company recognized a net foreign exchange gain of ₱2,010 million in 2012, a 2,681.7% increase from ₱72 million in 2011. This comprised largely of unrealized foreign exchange gain amounting to ₱1,952 million resulting from the translation of the Company's net foreign-currency denominated liabilities consisting of mainly of loans and advances from shareholders.

Income Tax Expense

In 2012, the Company's income tax expense was ₱1.5 million, an increase of 70.3% from ₱868 thousand in 2011. The realized foreign exchange gain subjected to MCIT rate was higher at ₱58 million in 2012 compared to ₱47 million in 2011.

Year ended December 31, 2011 compared to Year ended December 31, 2010

Dividend Income

The Company's dividend income from SMC decreased by 87.0% from ₱12,089 million in 2010 to ₱1,568 million in 2011. This was largely due to the special dividends declared by SMC in August 2010 and lower regular dividend amounts in 2011 compared to 2010. SMC declared dividends five times in 2010 compared to three times in 2011.

Gain on Sale of Available-for-Sale Financial Asset

In May and December 2011, the Company sold 110,320,000 and 9,000,000 SMC common shares, respectively, which resulted to the recognition of gain on sale of AFS financial assets amounting to ₱966 million and ₱172 million, respectively or a total amount of ₱1,138 million.

Operating expenses

In 2011, the Company's operating expenses were ₦372 million, a decrease of 67.2% compared to ₦1,135 million in 2010. This decrease in operating expenses was largely due to lower professional fees in relation to the Company's acquisitions.

Loss on Derivative Assets

In 2011, the Company incurred a ₦11,703 million loss on derivative assets compared to a ₦53,857 million gain in 2010, as the Company exercised its call option with Q-Tech in March 16, 2011 and due to the changes in the fair values of the SMC common shares.

Financing Charges

In 2011, the Company incurred ₦1,850 million in financing charges, an increase of 231.2% from ₦559 million in 2010 due to an increase in interest-bearing payables to MYL.

Foreign Exchange Gain

The Company recognized a total foreign exchange gain of ₦72 million in 2011, a 51.0% decrease from ₦147 million in 2010, resulting from the translation of the Company's net foreign-currency denominated liabilities consisting of advances from shareholders.

Income Tax Expense

In 2011, the Company's income tax expense was ₦868 thousand, compared to nil in 2010. The Company was not subject to MCIT in 2010.

Description of Balance Sheet and Cash Flow Items

Liquidity and capital resources

The Company has historically met its liquidity requirements principally through a combination of cash flow from operating activities, comprised mainly of dividend income from SMC shareholdings, availment of a loan facility, and availment of amounts owed to shareholders. The Company's principal uses of cash have been, and are expected to continue to be, operating costs and acquisitions of financial assets. The Company may also use a significant amount of cash to fund the capital expenditures of its mining projects. Moving forward, the Company expects to fund its working capital requirements mainly from dividend income, availment of loan facilities, and amounts owed to shareholders, as well as sales from its mining projects.

Net cash from operating activities were sufficient to cover its working capital for the years ended December 31, 2012, 2011 and 2010 and the eight months ended August 31, 2013. Its cash and cash equivalents totaled ₦711 million as of August 31, 2013.

Working Capital

As of August 31, 2013 and December 31, 2012, the Company's total current liabilities were greater than its total current assets by ₦41,739 million in August 31, 2013 and by ₦10,132 million in 2012.

Current Assets

The Company's current assets consisted of cash and cash equivalents, receivables and prepaid expenses and other current assets. Total current assets as of August 31, 2013, December 31, 2012, December 31, 2011, and December 31, 2010 were ₦878 million (or 0.65% of total assets), ₦763 million (or 0.46% of total assets), ₦38 million (or 0.02% of total assets) and ₦789 million (or 0.29% of total assets), respectively. As of August 31, 2013, cash and cash equivalents amounting to ₦711 million comprised the bulk of the Company's current assets. As of December 31, 2012, dividends receivable comprised the bulk of the Company's current assets, totaling ₦551 million (or less than 0.33% of total assets), followed by cash and cash equivalents, totaling ₦203 million (or less than 0.12% of total assets), and prepayments and other current assets, totaling ₦9.8 million (or less than 0.01% of total assets).

Current Liabilities and Provisions

The Company's current liabilities consisted of account payables, accrued expenses and other current liabilities and amounts owed to related parties. As of August 31, 2013, December 31, 2012, December 31, 2011, and December 31, 2010, current liabilities were ₦42,617 million (or 31.6% of total assets), ₦10,895 million (or 6.5% of total assets), ₦23,835 million (or 12.2% of total assets) and ₦14,692 million (or 5.31% of total assets), respectively. Loans payable net of debt issue costs comprised the bulk of current liabilities, amounting to ₦28,716 million as of August 31, 2013. Amounts owed to related parties comprised the bulk of current liabilities, amounting to ₦10,774 million as of December, 31, 2012, ₦23,833 million as of December 31, 2011, and ₦14,692 million as of December 31, 2010.

Cash Flows

The following table sets forth information from the Company's statements of cash flows for the periods indicated.

	For the year ended December 31,			For the eight months ended	
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>August 31</u>	
				<u>2012</u>	<u>2013</u>
	(₦millions)			(₦millions)	
Net cash flows provided by operating activities	11,111	1,254	2,087	927	1,532
Net cash flows provided by (used in) investing activities	(27,636)	(8,237)	-	-	156
Net cash flows provided by (used in) financing activities	16,878	6,230	(1,911)	(433)	(1,179)
Net increase (decrease) in cash and cash equivalents	360	(753)	174	491	509

Net Cash Flows Provided by Operating Activities

Net cash flows provided by operating activities for the eight months ended August 31, 2013 was ₦1,532 million compared to ₦927 million for the eight months ended August 31, 2012. The increase in net cash flows from operating activities was principally due to the higher cash dividends received from SMC.

Net cash flows provided by operating activities for the year ended December 31, 2012 was ₦2,087 million compared to ₦1,254 million for the period in 2011. The changes in net cash flows provided by operating activities are primarily attributable to cash dividends received from SMC.

Net cash flows provided by operating activities for the year ended December 31, 2011 was ₦1,254 million compared to ₦11,111 million in 2010. The changes in net cash flows used in operating activities were principally due to cash dividends received from SMC.

Net Cash Flows Provided by (Used in) Investing Activities

For the eight months ended August 31, 2013, net cash flows used in investing activities was ₦156 million which represents cash and cash equivalents from the acquisition of Clariden.

For the year ended December 31, 2011, net cash flows used in investing activities amounted to ₦8,237 million compared to ₦27,636 million for the same period in 2010. In March 2011, the Company exercised its option to acquire SMC common shares for a total of ₦21,133 million and generated proceeds from the sale of AFS financial assets amounting to ₦12,897 million

As of December 31, 2010, the Company acquired additional SMC common shares for a total of ₦21,582 million. On April 8, 2010, the Company tendered a total of 79,460,178 shares for ₦75 per share, for a total consideration of ₦5,959 million.

Net Cash Flows Provided by (Used in) Financing Activities

Net cash flows used in financing activities was ₦1,179 million for the eight months ended August 31, 2013, primarily reflected payments financing charges, cash dividends, and amounts owed to related parties.

For the year ended December 31, 2012, net cash flows used in financing activities was ₦1,911 million primarily due to proceeds from loan availment offset by the partial redemption of preferred shares, payments of amounts owed to related parties, financing charges and cash dividends .

For the year ended December 2011, net cash flows provided by financing activities was ₦6,230 million primarily due to availment of amounts owed to related parties, which was partially offset by payments of financing charges and cash dividends.

For the year ended December 31, 2010, net cash flows provided by financing activities was ₦16,878 million primarily due to proceeds from the issuance of capital stock which was partially offset by payments of amounts owed to related parties and financing charges .

Indebtedness

On June 14, 2012, the Company's BOD approved the availment of a financing facility for the following purposes: (i) the prepayment in part of amounts owed to a related party, (ii) the partial redemption of the Company's outstanding preferred shares and (iii) funding of the transaction costs, fees and expenses

to be incurred thereby.

The financing facility has a lien over: (i) the shareholdings of the Company of up to 1,058,234,667 SMC common shares, as may be required to maintain the collateral cover ratio specified under the financing facility; and (ii) the two bank accounts of the Company, to secure the full and prompt payment of its financial obligation under the facility and its faithful and punctual performance of the other terms and conditions thereof.

The loan, amounting to US\$650 million, was availed on June 19, 2012 and payable on June 19, 2014 pursuant to the Omnibus Agreement signed on June 15, 2012. The amount of the loan drawn bears interest at the rate of the LIBOR plus 5.5% per annum, payable on a quarterly basis. The balance of the loans payable net of debt issue costs amounted to ₱28,716 million as of August 31, 2013 and ₱26,098 million as of December 31, 2012.

PPC, an indirectly-owned subsidiary, has an outstanding loan with a local bank amounting to ₱52 million payable in semi-annual installments over a period of ten (10) years, inclusive of a two-year grace period, from December 1997. PPC was unable to pay the installments. As of August 31, 2013, management is currently developing a plan to enable PPC to meet its obligations.

Contractual obligations and commitments

The following table summarizes the maturity profile of the Company's contractual obligations as of August 31, 2013:

Contractual Obligations and Commitments as of August 31, 2013 (₱ millions)					
	<u>Carrying Amount</u>	<u>Contractual Cash flow</u>	<u>6 months or less</u>	<u>6-12 months</u>	<u>More than a year</u>
Accounts payable and other current liabilities	13,900	14,424	14,424	-	
Loans payable-net of debt issue costs	28,716	30,403	894	29,509	-
Other Noncurrent liabilities	14,744	14,953	-	-	14,953

Key performance indicators

The following are the major performance measures used by each of the segments of the Company for the years ended December 31, 2012 and 2011 and for the eight months ended August 31, 2013.

	For the years ended December 31,		For the eight-month period ended August 31,
	2011	2012	2013
Current Ratio	0.002	0.070	0.021
Debt to Equity Ratio	0.152	0.286	0.754
Equity to Debt Ratio	6.600	3.503	1.326
Book Value per share			
Before stock split			8,331.92
After stock split	24,581.53	19,206.65	83.32
Income(Loss) per share			
Before stock split			(809.51)
After stock split	(2,271.80)	(2,536.32)	(8.10)

** On July 16, 2013, the Board of Directors and stockholders of the Company approved the stock split of the Company's common shares via change of the par value from ₦100.00 per share to ₦1.00 per share. As a result of such stock split, the issued and outstanding common shares increased from 4,901,960 to 490,196,000. The new authorized capital stock of the Company amounted to ₦1,000,000 divided into 740,000,000 common shares with ₦1.00 par value per common share and 2,600,000 preferred shares with ₦100.00 par value per preferred share. The SEC approved such corporate action on August 16, 2013.*

Formulas:

Current Ratio – current assets divided by current liabilities

Debt to Equity Ratio – total liabilities divided by total equity

Equity to Debt Ratio – total equity divided by total liabilities

Book Value per Share – total equity divided by total number of shares

Income (Loss) per Share – net income (loss) divided by total number of shares

Quantitative and Qualitative Disclosures About Market risk

Aside from cash and cash equivalents and dividends receivable, the Company owns significant financial instruments, primarily in publicly listed shares of stock. The Company also enters into derivative transactions, the purpose of which is to manage the market price risk arising from its financial instruments. The main purpose of its cash and cash equivalents is to fund its operations and financial obligations. The Company does not actively engage in the trading of financial assets for speculative

purposes. The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk, credit risk, foreign currency risk and equity price risk. See Note 24 to the Company's audited financial statements included elsewhere in this prospectus for more detailed information.

Interest rate risk

Interest rate risk is the risk that the value or future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Company's exposure to changes in market interest rate relates primarily to its borrowings.

The Company monitors the prevailing market-based interest rate and ensures that the mark-up rates charged on its borrowings are optimal and benchmarked against the rates charged by other creditors.

Liquidity risk

Liquidity is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company seeks to manage its liquidity profile to be able to finance its operations and short term obligations. It maintains a level of cash and cash equivalents deemed sufficient to finance operations. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

With respect to credit risk arising from cash and cash equivalents, the Company only deals with reputable financial institutions which are approved by the Board of Directors.

Foreign currency risk

The Company's exposure to foreign currency risk results from significant movements in foreign exchange rate that adversely affect the foreign currency-denominated transactions of the Group. The Group's risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity.

Equity price risk

The Company's equity price risk arises from its investments carried at fair value (AFS financial assets and derivative). The Company manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

Equity price risk is the risk that the fair value of quoted AFS financial assets decreases as the result of changes in the value of individual shares of stock. The Company's exposure to equity price risk relates to the Company's AFS financial assets and derivative assets. The Company monitors the equity investment based on market expectations. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors.

MANAGEMENT AND CERTAIN SECURITY HOLDERS

DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

The overall management and supervision of the Company is undertaken by the Board. There are seven members of the Board, two of whom are independent directors. The term of a director is one year from date of election and until their successors are elected and qualified.

As of the date of this Prospectus, the composition of the Company's Board is as follows:

Name	Age	Citizenship	Position	Year Position was Assumed
Iñigo U. Zobel	56	Filipino	Chairman	2008
Ramon S. Ang	59	Filipino	Director	2010
Ferdinand K. Constantino	61	Filipino	Director	2010
Aurora T. Calderon	59	Filipino	Director	2013
Patrick T. Lugue	46	Filipino	Director	2013
Nelly Favis-Villafuerte	76	Filipino	Independent Director	2013
Consuelo Ynares-Santiago	74	Filipino	Independent Director	2013

As of the date of this Prospectus, the following are the Company's executive officers:

Name	Age	Citizenship	Position	Year Position was Assumed
Iñigo U. Zobel	56	Filipino	Chairman of the Board	2008
Ramon S. Ang	59	Filipino	President and Chief Executive Officer	2013
Aurora T. Calderon	59	Filipino	Treasurer	2010
Bella O. Navarra	53	Filipino	Chief Finance Officer	2013
Virgilio S. Jacinto	56	Filipino	Corporate Secretary and Compliance Officer	2010
Irene M. Cipriano	38	Filipino	Assistant Corporate Secretary	2013

The following discussion presents a brief description of the business experience of each of the Company's directors and executive officers over the past five years.

Iñigo U. Zobel

Mr. Zobel is President and Chief Executive Officer of E. Zobel, Inc. (since 1983), a Director of San Miguel Corporation (since 1999); President of Calatagan Golf Club, Inc. (since 1987) and Hacienda Bigaa, Inc. (since 1981); President and Chief Operating Officer of Air Philippines Corporation (since 2012); and a Director of Calatagan Resort, Inc. (since 1985), Calatagan Bay Realty, Inc. (since 1995), Mermac, Inc. (since 1996), PAL Holdings, Inc. (since 2012) and Philippine Airlines, Inc. (since 2012). He was formerly an Independent Director of San Miguel Brewery Inc. (2007-2010), San Miguel Pure Foods Company, Inc. (2006-2009), San Miguel Properties, Inc. (2009-2010), and Ginebra San Miguel, Inc. (2004-2010).

Ramon S. Ang

Mr. Ang is the Vice Chairman (since 1999), President and Chief Operating Officer of San Miguel Corporation (since 2002); Chairman of San Miguel Brewery Inc. (since 2007), San Miguel Brewery Hong Kong Limited (since 2005), Petron Corporation (since 2009), Sea Refinery Corporation (since 2011), SMC Global Power Holdings Corp. (since 2010), San Miguel Foods, Inc. (since 2006), San Miguel Yamamura Packaging Corporation (since 2006), San Miguel Properties, Inc. (since 2002), Anchor Insurance Brokerage Corporation (since 2001), and Clariden Holdings, Inc. (since 2012); Chairman and President of San Miguel Holdings Corp. (since 2010) and San Miguel Equity Investments, Inc. (since 2011); President and Chief Operating Officer of PAL Holdings, Inc. (since 2012) and Philippine Airlines, Inc. (since 2012); Director of Ginebra San Miguel, Inc. (since 2000), San Miguel Pure Foods Company, Inc. (since 2001), Air Philippines Corporation (since 2012) and Philweb Corporation (since 2001); Chairman of Liberty Telecoms Holdings Inc. (since 2008), Philippine Diamond Hotel & Resort, Inc. (since 2004), Philippine Oriental Realty Development, Inc. (since 2004), Atea Tierra Corporation (since 2006) and Cyber Bay Corporation (since 1999); and the Vice Chairman and Director of Manila Electric Company (since 2009). He is also the sole director and sole shareholder of Master Year Limited (since 2012) and the Chairman of Privado Holdings, Corp. Mr. Ang has held directorships in various subsidiaries of San Miguel Corporation in the last five years.

Ferdinand K. Constantino

Mr. Constantino is the Senior Vice President, Chief Finance Officer and Treasurer (since 2001) and Director (since 2010) of San Miguel Corporation; President of Anchor Insurance Brokerage Corporation (since 2002); Vice Chairman of SMC Global Power Holdings Corp. (since 2011); a Director of San Miguel Brewery Inc. (since 2007), Ginebra San Miguel, Inc. (since 2012), San Miguel Yamamura Packaging Corporation (since 2002), SMC Stock Transfer Service Corporation (since 1993), San Miguel Holdings Corp. (since 2001), PAL Holdings, Inc. (since 2012), Philippine Airlines, Inc. (since 2012) and Clariden Holdings, Inc. (since 2012); and a Director and Treasurer of San Miguel Equity Investments, Inc. (since 2011). Mr. Constantino previously served as Chief Finance Officer and Treasurer of San Miguel Brewery Inc. (2007-2009); Director of San Miguel Pure Foods Company, Inc. (2008-2009), Director of Ginebra San Miguel, Inc. (2008-2010) and San Miguel Properties, Inc. (2001-2009); and Chief Finance Officer of Manila Electric Company (2009). He has held directorships in various subsidiaries of San Miguel Corporation during the last five years.

Aurora T. Calderon

Ms. Calderon is the Senior Vice President-Senior Executive Assistant to the President and Chief Operating Officer of San Miguel Corporation (since 2010); a Director of Petron Corporation (since 2010), Petron Marketing Corporation (since 2010), Petron Freeport Corporation (since 2010), Sea Refinery Corporation (since 2010), New Ventures Realty Corporation (since 2010), Las Lucas Construction and Development Corp. (since 2010), Thai San Miguel Liquor Co. (since 2008), SMC Global Power Holdings Corp. (since 2010), San Miguel Equity Investments Inc. (since 2011), PAL Holdings, Inc. (since 2012), Philippine Airlines, Inc. (since 2012), Air Philippines Corporation (since 2012) and Clariden Holdings, Inc. (since 2012). She was previously a consultant of San Miguel Corporation reporting directly to the President and Chief Operating Officer (1998-2010) and formerly a Director of Manila Electric Company (2009). Ms. Calderon has held directorships in various subsidiaries of San Miguel Corporation during the last five years.

Patrick T. Lugue

Atty. Lugue is the Vice President - Legal and Personnel of E. Zobel, Inc. (since 1996).

Nelly Favis-Villafuerte

Atty. Villafuerte is a Director of Petron Corporation (since 2011) and an Independent Director of Wi-Tribe Telecoms, Inc. (since 2012) and Skyphone Logistics, Inc. (since 2012). She was formerly a Monetary Board Member (2005-2011), an Undersecretary of the Department of Trade and Industry (1998 – 2005) and a Governor of the Board of Investment (1998 – 2005).

Consuelo Ynares-Santiago

Justice Santiago is an Independent Director of SMC Global Power Holdings Corp. (since 2011), Anchor Insurance Brokerage Corporation (since 2012) and Phoenix Petroleum Phil. Inc. (Since 2013). She was formerly an Associate Justice of the Supreme Court (1999 – 2009), an Associate Justice of the Court of Appeals (1990 – 1999), and a Regional Trial Court Judge of Makati City (1986 – 1990).

Bella O. Navarra

Ms. Navarra is the Vice President, Comptrollership of San Miguel Corporation (since 2000). She is a Director and the Treasurer of Clariden Holdings, Inc. (since 2012) and various subsidiaries of San Miguel Corporation; and a Director of San Miguel Holdings Corp. (since 2007), San Miguel Equity Investments Inc. (since 2011), and SMC Stock Transfer Service Corporation (since 2001). She has held directorships in various subsidiaries of San Miguel Corporation during the last five years.

Virgilio S. Jacinto

Atty. Jacinto is the Corporate Secretary, Senior Vice-President, General Counsel and Compliance Officer of San Miguel Corporation (since 2010). He is a Director of San Miguel Brewery Inc. (since 2010), Petron Corporation (since 2010); President of SMC Stock Transfer Service Corporation (since 2011); a Director and Corporate Secretary of SMC Global Power Holdings Corp. (since 2010); and Corporate Secretary of San Miguel Holdings Corp. (since 2010) and various subsidiaries of San Miguel Corporation. He is also an Associate Professor at the University of the Philippines, College of Law (since 1993). Atty. Jacinto was formerly the Vice President and First Deputy General Counsel of San Miguel Corporation (2006-2010). He has held directorships in, and the Corporate Secretary of, various subsidiaries of San Miguel Corporation during the last five years.

Irene M. Cipriano

Atty. Cipriano is an Associate Legal Counsel (since 2006) of the SMC Office of the General Counsel. She is the Corporate Secretary of San Miguel Equity Investments Inc. (since 2011) and the Assistant Corporate Secretary of SMC Global Power Holdings Corp. (since 2010) and of various subsidiaries of San Miguel Corporation during the last five years. Atty. Cipriano is concurrently the Assistant Corporate Secretary of PAL Holdings, Inc. (since 2012) and Philippine Airlines, Inc. (since 2012).

SIGNIFICANT EMPLOYEES

While all employees are expected to make a significant contribution to the Company, there is no one particular employee, not an executive officer, expected to make a significant contribution to the business of the Company on his own.

FAMILY RELATIONSHIP

There are no family relationships up to the fourth civil degree either of consanguinity or affinity among any of the directors and executive officers.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

The Company is not aware of any adverse events or legal proceedings during the past five years that are material to the evaluation of the ability or integrity of its directors or executive officers.

DIRECTOR AND EXECUTIVE COMPENSATION

At present, the directors do not receive any allowance or per diem per meeting, except for the independent directors who receive a per diem of ₱[●] per meeting attended. The Board may, however, provide, in its discretion, an allowance or per diem to each member of the Board during each regular meeting of the Board, provided that the said director participates in the said meeting. Additionally, the Company's By-Laws provides that as compensation of the directors, the Board at its discretion shall receive and allocate yearly an amount of not more than 10% of the net income before income tax of the Company during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders.

The Company's By-Laws further provides that the officers shall receive such remuneration as the Board may determine. A director shall not be precluded from serving the corporation in any other capacity as an officer, agent or otherwise, and receiving compensation therefore.

Compensation to executive officers currently comprising of the Chairman, the President and Chief Executive Officer, the Treasurer, the Chief Finance Officer and the Corporate Secretary amounted to nil for the first eight months of 2013 and for the years ended 2012, 2011 and 2010.

There were no other compensation paid to the directors for the periods indicated.

Employment Contract between the Company and Executive Officers

There are no special employment contracts between the Company and its named executive officers.

Warrants and Options Held by the Executive Officers and Directors

As of the date of this Prospectus, none of the Company's directors and executive officers holds any warrants or options in the Company.

Other Arrangements

Except as described above, there are no other arrangements pursuant to which any of the Company's directors and executive officers was compensated, or is to be compensated, directly or indirectly since the Company's incorporation in March 2008.

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AND MANAGEMENT

The following persons own are the beneficial owners of at least 5% of the Company's voting securities:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held (includes shares held by nominees before Dividend Declaration)	% of Total Outstanding Common Shares
Common	San Miguel Corporation	San Miguel Corporation	Filipino	240,196,000	49.00%
Common	Iñigo U. Zobel (Chairman of the Board)	Iñigo U. Zobel	Filipino	199,599,800	40.72
	Aurora T. Calderon (Director and Treasurer)	Nominee-director of Mr. Zobel in the Board	Filipino	100	
	Patrick T. Lugue (Director)	Nominee-director of Mr. Zobel in the Board	Filipino	100	
				Total: 199,600,000	
Common	Master Year Limited	Master Year Limited ("MYL")	Caymanian	49,799,800	10.16
	Ramon S. Ang (President and CEO)	Sole director / shareholder of MYL and Nominee-director of MYL in the Board	Filipino	100	
	Ferdinand K. Constantino (Director)	Nominee-director of MYL in the Board	Filipino	100	
				Total: 49,800,000	

After the Dividend Distribution, the list of record and/or beneficial owners of 5% or more of the Company's voting securities shall be as follows:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held (includes shares held by nominees after Dividend Declaration)	% of Total Outstanding Shares
Common					
Common					
Common					

As regards security ownership of management, the table below sets out the details of the Company's voting securities in the name of the directors and executive officers of the Company before and after the Dividend Distribution.

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Position	Name of Beneficial Owner and Relationship with Record Owner	Citizen-ship	No. of Shares Held Before Dividend Distribution	% of Total Outstanding Common Shares	No. of Shares Held After Dividend Distribution	% of Total Outstanding Common Shares
Common	Iñigo U. Zobel	Chairman of the Board	Iñigo U. Zobel	Filipino	199,599,800	40.72%		
Common	Aurora T. Calderon	Director and Treasurer	Iñigo U. Zobel; Nominee-director	Filipino	100	0		
			Aurora T. Calderon	Filipino	0	0		
Common	Patrick T. Lague	Director	Iñigo U. Zobel; Nominee-director	Filipino	100	0		
Common	Ramon S. Ang	President and CEO	MYL; Nominee-director	MYL - Caymanian	100	0		
			Ramon S. Ang	Filipino	0	0		
Common	Ferdinand K. Constantino	Director	MYL; Nominee-director	MYL - Caymanian	100	0		
			Ferdinand K. Constantino	Filipino	0	0		
Common	Nelly Favis-Villafuerte	Independent Director	Nelly Favis-Villafuerte	Filipino	100	0		
Common	Consuelo Ynares-Santiago	Independent Director	Consuelo Ynares-Santiago	Filipino	100	0		

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Position	Name of Beneficial Owner and Relationship with Record Owner	Citizen-ship	No. of Shares Held Before Dividend Distribution	% of Total Outstan- ding Common Shares	No. of Shares Held After Dividend Distribution	% of Total Outstan- ding Common Shares
Common	Bella O. Navarra	Chief Finance Officer	Bella O. Navarra	Filipino	0	0		
Common	Virgilio S. Jacinto	Corporate Secretary and Compliance Officer	Virgilio S. Jacinto	Filipino	0	0		
Common	Irene M. Cipriano	Assistant Corporate Secretary	Irene M. Cipriano	Filipino	0	0		

VOTING TRUST

None of the stockholders are under a voting trust or similar agreement.

CHANGE IN CONTROL

The Company is not aware of any arrangements that may result in a change in control of the Company.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On August 15, 2013, the Company executed a Share Purchase Agreement (the “Share Purchase Agreement”) with SMC pursuant to which the Company agreed to acquire 100% of the outstanding and issued shares of stock of Clariden, through (a) the sale by SMC and purchase by the Company of all of the then outstanding shares of stock of Clariden (b) the assignment by SMC of its subscription rights to shares of stock of Clariden intended to be issued upon approval by the SEC of the increase in Clariden’s authorized capital stock and (c) the assignment by SMC of receivables due from Clariden and certain of its subsidiaries.

On August 30, 2013, the transactions contemplated under the Share Purchase Agreement were completed and the Company and executed the following: (a) a Deed of Absolute Shares covering the sale by SMC and the purchase by the Company of 10,000,000 common shares of Clariden, representing 100% of the then outstanding capital stock of Clariden, for a total consideration of ₱2,135 million, and (b) a Deed of Assignment of Receivables covering total advances of SMC in Clariden and its subsidiaries totaling ₱725 million. On September 6, 2013, the Company and SMC (with the conformity of Clariden) executed a Deed of Assignment of Subscription Rights whereby SMC assigned to the Company all of its subscription rights to 2,850,000 common shares of stock of Clariden to be issued as out of the increase in the authorized capital stock which shall be applied for by Clariden with the SEC (which shares had been subscribed to at ₱166.41 per share or an aggregate subscription price of ₱474,268 thousand and of which subscription price ₱470,866 thousand had been remitted by SMC to Clariden). In consideration of the assignment by SMC, the Company agreed to pay SMC the amount of ₱604,121 thousand and to

assume payment of the unpaid subscription price to the Clariden shares in the amount of ₱3,402 thousand.

The Company has interest bearing payables, related financing charges and professional fees owed to MYL. Payables were used for working capital purposes and for the acquisition of investments in shares of stock. These payables bear interest ranging from 5.78% to 5.81%, have no definite payment terms and are considered payable upon demand. Professional fees were incurred for the feasibility studies rendered by MYL in relation to the Company's acquisitions and projects.

The Company also has non-interest bearing payables owed to SMC and other shareholders which were used for working capital purposes. These payables have no definite payment terms and are considered payable upon demand.

Other than the foregoing, the Company was not involved in transactions or series of similar transactions in the last two years with a corporation (or any of its subsidiaries) in which any of the Company's directors, executive officers or stockholders owning 10% or more of the total outstanding capital stock, and members of their immediate family, had or is to have a direct or indirect material interest.

PRINCIPAL SHAREHOLDERS

The stockholders of the Company, their respective number of shares before and after the Dividend Distribution, and the corresponding percentage of these shares out of the total common shares outstanding, are as follows:

Name of Stockholder	Class of Securities	Before Dividend Distribution		After Dividend Distribution	
		Number of Shares	% of Outstanding Common Shares	Number of Shares	% of Outstanding Common Shares
San Miguel Corporation	Common	240,196,000	49.00%		
Inigo U. Zobel	Common	199,599,800	40.72%		
Roberto V. Ongpin	Common	199,900	0.04%		
Eric O. Recto	Common	100	0.00%		
Joselito D. Campos, Jr.	Common	200,000	0.04%		
Consuelo Eden P. Lagao	Common	200,000	0.04%		
Master Year Limited	Common	49,799,800	10.16%		
Ramon S. Ang	Common	100	0.00%		
Ferdinand K. Constantino	Common	100	0.00%		
Aurora T. Calderon	Common	100	0.00%		
Patrick T. Lague	Common	100	0.00%		
Nelly Favis-Villafuerte	Common	100	0.00%		
Consuelo Ynares-Santiago	Common	100	0.00%		

**Number of shares and percentage ownership after dividend distribution are subject to finalization after record date of the property dividends, or on November 5, 2013.*

Foreign and Local Investors Ownership

After the Dividend Distribution, the percentage ownership of the Company's shares of stock by Filipino citizens and non-Filipino shareholders are [●]% and [●]%, respectively.

Minimum Public Ownership

As a result of the property dividend to SMC shareholders, the Company will have a total of [●] stockholders owning at least one board lot each; with a board lot consisting of ten Shares. The Company complies with the minimum public ownership requirement of the PSE.

BACKGROUND OF TOP 20 STOCKHOLDERS¹

San Miguel Corporation

San Miguel Corporation ("SMC") is a publicly listed food, beverage and packaging holding company headquartered in the Philippines. Established in 1890 as a single-product brewery, SMC's corporate history and business have evolved over the years to offer an extensive product portfolio, which includes beer, hard liquor, non-carbonated non-alcoholic beverages, processed and packaged food products,

¹ Information on the stockholders, such as company profile, capital structure, shareholders, directors and officers were based on the company's website and recent General Information Sheets available in the Securities and Exchange Commission.

meat, poultry, dairy products, flour, coffee, vegetable oils, animal and aquatic feeds and a number of packaging products. Since 2007, SMC has diversified from its traditional core businesses and has made several investments in industries such as power, energy, telecommunications, mining and infrastructure. In 2009, the SMC Group generated approximately 3% of the Philippine gross national product. SMC is listed on the PSE under the symbol “SMC”.

Ilñigo U. Zobel

Mr. Zobel is an incorporator of Top Frontier Investment Holdings, Inc. and the Chairman of its Board of Directors (since 2008). He is the President and Chief Executive Officer of E. Zobel, Inc. (since 1983), a Director of SMC (since 1999); President of Calatagan Golf Club, Inc. (since 1987) and Hacienda Bigaa, Inc. (since 1981); President and Chief Operating Officer of Air Philippines Corporation (since 2012); and a Director of Calatagan Resort, Inc. (since 1985), Calatagan Bay Realty, Inc. (since 1995), Mermac, Inc. (since 1996), PAL Holdings, Inc. (since 2012) and Philippine Airlines, Inc. (since 2012). He was formerly an Independent Director of San Miguel Brewery Inc. (2007-2010), San Miguel Pure Foods Company, Inc. (2006-2009), San Miguel Properties, Inc. (2009-2010), and Ginebra San Miguel, Inc. (2004-2010). Mr. Zobel attended Santa Barbara College, California, U.S.A.

Master Year Limited

Master Year Limited (“MYL”) is a limited liability exempted company, incorporated in the Cayman Islands on 03 January 2008. MYL is an investment company with share capital of US\$50,000.00 divided into 50,000 shares of a par value of US\$1.00 per share, all of which are issued and paid-up. Mr. Ramon S. Ang is currently the sole director and sole shareholder of MYL.

Roberto V. Ongpin

Mr. Ongpin was a Director of Top Frontier Investment Holdings, Inc. (2010-2013). He is also a Director of SMC, Petron Corporation, PAL Holdings, Inc., Philippine Airlines, Inc. and Ginebra San Miguel, Inc.; Chairman of PhilWeb Corporation, ISM Communications Corporation, Alphaland Corporation, Atok-Big Wedge Co., Inc., and Acentic GmbH; Non-Executive Director of Forum Energy PLC (UK) and Shangri-la Asia Limited (Hong Kong); and Deputy Chairman of South China Morning Post (Hong Kong). Mr. Ongpin is a graduate of the Ateneo de Manila University with a degree in BS Business Administration *cum laude* and is a Certified Public Accountant. He also holds a Masters in Business Administration degree from Harvard Business School.

Joselito D. Campos, Jr.

Mr. Campos is an incorporator of Top Frontier Investment Holdings, Inc. and has served as Director thereof (2008-2010). He is a Director of SMC, the President and Chief Executive Officer of Del Monte Philippines, Inc. He is also the Chairman and Chief Executive Officer of the NutriAsia, Inc., Chairman of Fort Bonifacio Development Corp. and Chairman of Ayala Greenfield Development Corp. He was the former Chairman and Chief Executive Officer of United Laboratories, Inc. and its regional subsidiaries and affiliates. He is also the Honorary Consul in the Philippines for the Republic of Seychelles. He is Chairman of the Metropolitan Museum of Manila and a Trustee of the Asia Society in the Philippines, the Philippines-China Business Council, the Philippine Center for Entrepreneurship and a member of the WWF (World Wildlife Fund) Philippines. He graduated with a degree in BS Commerce, Major in International Business from the University of Santa Clara, California and a Masters in Business Administration from Cornell University, New York.

Consuelo Eden P. Lagao

Atty. Lagao is an incorporator of Top Frontier Investment Holdings, Inc. and served as a Director and Corporate Secretary thereof (2008-2010). She is currently a legal officer of SMC Global Power Holdings Corp. and SMC's Office of the President and COO. Previously, Atty. Lagao was the legal counsel of Eagle Cement Corporation and the Deputy Director of the National Committee on Legal Aid of the Integrated Bar of the Philippines. Atty. Lagao obtained her Bachelor of Arts degree Major in Political Science from the University of Sto. Tomas in 1994 and her Bachelor of Laws degree from San Beda College in 1998.

Other Individual Shareholders

The other shareholders, namely, Eric O. Recto, Ramon S. Ang, Ferdinand K. Constantino, Aurora T. Calderon, Patrick T. Lague, Nelly Favis-Villafuerte and Consuelo Ynares Santiago, hold Common Shares in the Company in order to qualify them as members of the Board of Directors of the Company. For more information on the foregoing shareholders, please refer to "Management and Certain Security Holders" on page 116 of this Prospectus.

PHILIPPINE TAXATION

The statements made regarding taxation in the Philippines are based on the laws in force at the date hereof and are subject to any changes in law occurring after such date. 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 invest in the Common Shares and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rates. Prospective purchasers of the Common Shares are advised to consult their own tax advisers concerning the tax consequences of their investment in the Common Shares.

DIVIDENDS ON THE COMMON SHARES

Individual Philippine citizens and resident aliens are subject to a final tax on dividends derived from the Common Shares at the rate of 10%, which tax shall be withheld by the Company.

Non-resident alien individuals engaged in a trade or business in the Philippines are subject to a final withholding tax on dividends derived from the Common Shares at the rate of 20%. A non-resident alien individual who comes to the Philippines and stays for an aggregate period of more than 180 days during any calendar year is considered engaged in a trade or business in the Philippines. Non-resident alien individuals not doing business in the Philippines are subject to a final withholding tax on dividends derived from the Common Shares at the rate of 25% subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile of such non-resident alien individuals.

Dividends derived by domestic corporations (*i.e.*, corporations created or organized in the Philippines or under its laws) and resident foreign corporations from the Common Shares shall not be subject to tax.

Dividends received from a domestic corporation by a non-resident foreign corporation are generally subject to final withholding tax at the rate of 30%, subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile of such non-resident foreign corporation. The 30% rate for dividends paid to non-resident foreign corporations that are domiciled in countries which do not have tax treaties with the Philippines may be reduced to a special 15% rate if:

- the country in which the non-resident foreign corporation is domiciled imposes no taxes on foreign-sourced dividends; or
- the country in which the non-resident foreign corporation is domiciled allows a credit equivalent to 15% against the tax due from the non-resident corporation taxes which are deemed to have been paid in the Philippines.

The BIR has prescribed, through an administrative issuance, procedures for availment of tax treaty relief. Subject to the approval by the BIR of a corporation's application for tax treaty relief, the corporation will withhold taxes at a reduced rate on dividends paid to a non-resident holder of the Common Shares if such non-resident holder provides the corporation with proof of residence and, if applicable, individual or corporate status. Proof of residence for an individual consists of a certification from his embassy, consulate or other proper authority as to his citizenship and residence. Proof of residence and corporate status for a corporation consists of authenticated copies of its articles of association, or other equivalent certifications issued by the proper government authority, or any other official document proving residence. If the regular rate of tax is withheld by the corporation instead of the reduced rates applicable under a treaty, the non-resident holder of the Common Shares may file a claim for a refund from the BIR. However, because the refund process in the Philippines requires the filing of an

administrative claim and the submission of supporting information, and may also involve the filing of a judicial appeal, it may be impractical to pursue such a refund.

The term “non-resident holder” means a holder of the Common Shares:

- who is an individual who is neither a citizen nor a resident of the Philippines or an entity which is a foreign corporation not engaged in trade or business in the Philippines; and
- should a tax treaty be applicable, whose ownership of the Common Shares is not effectively connected with a fixed base or a permanent establishment in the Philippines.

SALE OR OTHER DISPOSITION OF THE COMMON SHARES

Sales, exchanges or other dispositions of the Common Shares which are effected through the PSE by persons other than a dealer in securities are subject to a stock transaction tax at the rate of 0.5% based on the gross selling price of the Common Shares. This tax is required to be collected by and paid to the Philippine government by the selling stockbroker on behalf of his client. The stock transaction tax is classified as a percentage tax in lieu of a capital gains tax. Notwithstanding its classification as a percentage tax, exemptions from capital gains tax may also apply to the stock transaction tax under the terms of some tax treaties.

Subject to applicable tax treaty rates, a capital gains tax of 5% on the net capital gains realized during the taxable year, not in excess of ₱100,000, and 10% on the net capital gains realized during the taxable year, in excess of ₱100,000, is imposed on sales, exchanges or other dispositions of shares of stock not traded through a local stock exchange.

The BIR has effectively expanded the application of the 5%/10% capital gains tax by extending it even to trades through the stock exchange of shares of listed companies which do not maintain their public ownership requirement. The BIR, in a letter dated December 28, 2010 addressed to the SEC, stated that it would “strictly impose the 5%/10% capital gains tax” for trades in listed companies “who will not maintain their public ownership requirement”, said public ownership requirement being the 10% to 33% public ownership levels (based on the listed company’s market capitalization) required for an initial public offering or IPO. This BIR letter was referred to the PSE by the SEC on January 3, 2011. The PSE subsequently issued a memorandum dated January 20, 2011 in response to the SEC on the BIR’s statements. The PSE noted that the Tax Code imposes a stock transaction tax of ½ of 1% of the gross selling price or gross value in money of shares of stock listed and traded on the PSE, without qualification and that the power of the Secretary of Finance to promulgate rules and regulations implementing the Tax Code should be confined to the details for the implementation of the law and does not include the power to amend the law.

Regardless, on November 7, 2012, the BIR issued regulations which provided that the tax treatment of sales or other dispositions of shares of stock of publicly listed companies which fail to meet the minimum public ownership after December 31, 2012 shall be subject to the 5%/10% capital gains tax and the documentary stamp tax.

TAX TREATIES

The following table lists some of the countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

Country	Dividends in percentage (%)	Stock transaction tax on sale or disposition effected through the PSE*	Capital Gains Tax due on disposition of Shares outside the PSE
Canada	25 ⁽¹⁾	Exempt ⁽⁸⁾	Exempt ⁽⁸⁾
France	15 ⁽²⁾	Exempt ⁽⁸⁾	Exempt ⁽⁸⁾
Germany	15 ⁽³⁾	Exempt ⁽⁸⁾	Exempt ⁽⁸⁾
Japan	15 ⁽⁴⁾	Exempt ⁽⁸⁾	Exempt ⁽⁸⁾
Singapore	25 ⁽⁵⁾	Exempt ⁽⁸⁾	Exempt ⁽⁸⁾
United Kingdom	25 ⁽⁶⁾	Exempt ⁽⁹⁾	Exempt ⁽⁹⁾
United States	25 ⁽⁷⁾	Exempt ⁽⁸⁾	Exempt ⁽⁸⁾

Notes:

- (1) 15% if recipient company controls at least 10% of the voting power of the company paying the dividends.
 - (2) 10% if the recipient company holds directly at least 15% of the voting shares of the company paying the dividends.
 - (3) a. 5% if the recipient company (other than a partnership) owns directly at least 70% of the capital of the company paying the dividends
b. 10% if the recipient company owns directly at least 25% of the capital of the company paying the dividends.
 - (4) 10% if the recipient company holds directly at least 25% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of six months immediately preceding the date of payment of the dividends.
 - (5) 15% if during the part of the paying company's taxable year which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15% of the outstanding shares of the voting stock of the paying company were owned by the recipient company.
 - (6) 15% if the recipient company is a company which controls directly or indirectly at least 10% of the voting power of the company paying the dividends.
 - (7) 20% if during the part of the paying corporation's taxable year which precedes the date of payment of dividends and during the whole of its prior taxable year, at least 10% of the outstanding shares of the voting stock of the paying corporation were owned by the recipient corporation. Notwithstanding the rates provided under the RP-US Treaty, residents of the US may avail of the 15% withholding tax rate under the tax-sparing clause of the Tax Code provided certain conditions are met.
 - (8) Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.
 - (9) Under the RP-UK Tax Treaty, capital gains on the sale of the stock of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.
- * The BIR has taken the position that the stock transaction tax is not identical or substantially similar to the income tax/capital gains tax on a sale of shares in a domestic corporation, and, hence, not covered by the treaty exemption.

In order for an exemption under a tax treaty to be recognized, an application for tax treaty relief must be filed and approved by the BIR. A non-resident holder must submit proof of residence as described above.

A certificate from the tax authority of the recipient's country is a generally accepted proof of residence, for both individuals and corporations. Aside from proof of residence, the BIR also requires the following documents:

- a letter providing information on the transaction covered by treaty provisions and requested tax treaty treatment for such transactions along with legal justification;
- special power of attorney duly executed by the recipient in favor of its Philippine agent/withholding agent to file a claim for tax treaty relief;
- certification from the SEC that the recipient company is not registered to engage in business in the Philippines;
- sworn statement providing information on whether the issue(s) or transaction involving directly or indirectly the same taxpayer which is the subject of the request for ruling is under investigation, covered by an on-going audit, administrative protest, claim for refund or issuance of tax credit certificate, collection proceedings, or subject of a judicial appeal;
- duly notarized certificate of the corporate secretary of the Philippine corporation in respect of the resolution of its board of directors declaring the dividends; and
- duly notarized certification by the corporate secretary of the Philippine corporation showing the number value and type of the Common Shares of the applicant and the percentage of the latter's ownership in the Philippine corporation as of the date of the transaction, and the acquisition date(s) and mode of acquisition of the subject Common Shares..

DOCUMENTARY STAMP TAX

The Philippines imposes a documentary stamp tax upon transfers of the Common Shares at a rate of ₱0.75 on each ₱200, or fractional part thereof, of the par value of the Common Shares. The documentary stamp tax is imposed on the person making, signing, issuing, accepting or transferring the document and is thus payable either by the seller or the purchaser of the Common Shares.

However, the sale, barter or exchange of Common Shares should they be listed and traded through the PSE are exempt from documentary stamp tax if the listed company complies with the minimum public ownership requirements imposed by the PSE.

ESTATE AND GIFT TAXES

The transfer of the Common Shares upon the death of a registered holder to his heirs by way of succession, whether such an individual was a citizen of the Philippines or an alien, regardless of residence, will be subject to Philippine estate tax at progressive rates ranging from 5% to 20% if the net estate is over ₱200,000.

Individual registered holders, whether or not citizens or residents of the Philippines, who transfer Common Shares by way of gift or donation will be liable for Philippine donor's tax on such transfers at progressive rates ranging from 2% to 15% if the total net gifts made during the calendar year exceed ₱100,000. The rate of tax with respect to net gifts made to a stranger (one who is not a brother, sister, spouse, ancestor, lineal descendant or relative by consanguinity within the fourth degree of relationship) is a flat rate of 30%. Corporate registered holders are also liable for Philippine donor's tax on such transfers, but the rate of tax with respect to net gifts made by corporate registered holders is always at a flat rate of 30%.

Estate and gift taxes will not be collected in respect of intangible personal property, such as Common Shares of stock, (a) if the deceased at the time of death, or the donor at the time of 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 the donor was a citizen and resident at the time of his death or donation allow 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 that foreign country.

PHILIPPINE STOCK MARKET

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by the Company or its affiliates and advisors in connection with the Dividend Distribution and Listing.

BRIEF HISTORY

The Philippines initially had two stock exchanges: the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1965. Each exchange was self-regulating and governed by its Board of Governors elected annually by its members.

Several steps initiated by Government and undertaken over the last few years have resulted in the unification of the two bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the SEC granted the PSE its license to operate as a securities exchange, simultaneously revoking the licenses of the Makati and Manila Stock Exchanges. While the PSE maintains two trading floors, one in Makati City and the other in Pasig City, these floors are linked by an automated trading system which integrates all bids and ask quotations from the bourses.

In June 1998, the Philippine SEC granted the PSE a Self-Regulatory Organization ("SRO") status, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On August 3, 2001, PSE completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the Securities Regulation Code. The PSE has an authorized capital stock of ₱97.8 million, of which ₱61.058 million is subscribed and fully paid-up. Each of the 184 member-brokers was granted 50,000 shares of the new PSE at a par value of ₱1 per share. In addition, a trading right evidenced by a "Trading Participant Certificate" was immediately conferred on each member broker allowing the use of the PSE's trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the President. On December 15, 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry.

Classified into financial, industrial, holding firms, property, services, mining and oil sectors, companies are listed either on the PSE's First Board, Second Board or the Small and Medium Enterprises Board. Each index represents the numerical average of the prices of component stocks. The PSE has an index, referred to as the PSEi, which as at the date hereof reflects the price movements of 30 selected stocks listed on the PSE, based on traded prices of stocks from the various sectors. The PSE shifted from full market capitalization to free float market capitalization effective April 3, 2006 simultaneous with the migration to the free float index and the renaming of the PHISIX to PSEi. With the increasing calls for good corporate governance, PSE has adopted an online daily disclosure system to improve the transparency of listed companies and to protect the investing public.

SELECTED STOCK EXCHANGE DATA

The table below sets forth movements in the composite index from 1999 to 2010, and shows the number of listed companies, market capitalization, and value of shares traded for the same period (in billions):

Year	Composite Index at Closing	Number of Listed Companies	Aggregate Market Capitalization	Combined Value of Turnover
1999	2,142.9	226	1,937.7	713.9
2000	1,494.5	230	2,577.6	357.6
2001	1,168.1	232	2,142.6	159.5
2002	1,018.4	234	2,083.2	159.7
2003	1,442.4	236	2,973.8	145.4
2004	1,822.8	236	4,766.2	206.6
2005	2,096.0	237	5,984.4	383.5
2006	2,982.5	240	7,172.6	572.6
2007	3,621.6	244	7,978.5	1,338.2
2008	1,872.8	246	4,069.2	763.9
2009	3,052.7	248	6,029.1	994.2
2010	4,201.10	253	8,866.10	1,207.40
2011	4,372.00	245	8,697.00	1,422.60
2012	5,812.70	254	10,952.70	1,771.70
May 2013	7,021.95	253	12,590.33	1,188.95

TRADING

The PSE is a double auction market. Buyers and sellers are each represented by stock brokers. To trade, bids or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Transactions are generally invoiced through a confirmation slip sent to customers on the trade date (or the following trading date). Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade. For Small- Denominated Treasury Bonds, settlement is on the day the trade was made.

Trading on the PSE starts at 9:30 am and ends at 12:00 pm. Trading resumes at 1:30 p.m. and ends at 3:30 p.m. with a 10-minute extension during which transactions may be conducted, provided that they are executed at the last traded price and are only for the purpose of completing unfinished orders. Trading days are Monday to Friday, except legal and special holidays.

Minimum trading lots range from 5 to 1,000,000 shares depending on the price range and nature of the security traded. Odd-sized lots are traded by brokers on a board specifically designed for odd-lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, when the price of a listed security moves up by 50% or down by 50% in one day (based on the last traded price), the price of that security is automatically frozen by the PSE, unless there is an official statement from the relevant company or a government agency justifying such price fluctuation,

in which case the affected security can still be traded but only at the frozen price. If the issuer fails to submit such explanation, a trading halt is imposed by the PSE on the listed security the following day. Resumption of trading will be allowed only when the disclosure of the issuer is disseminated, subject again to the trading band.

SETTLEMENT

The Securities Clearing Corporation of the Philippines (SCCP) is a wholly-owned subsidiary of the PSE, and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. It is responsible for (a) synchronizing the settlement of funds and the transfer of securities through Delivery versus Payment (DVP) clearing and settlement of transactions of Clearing Members, who are also Trading Participants of the Exchange; (b) guaranteeing the settlement of trades in the event of a Trading Participant's default through the implementation of its Fails Management System and administration of the Clearing and Trade Guaranty Fund (CTGF), and; (c) performance of Risk Management and Monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a 3-day rolling settlement environment, which means that settlement of trades takes place three (3) days after transaction date (T+3). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under PDTC's book entry system. Each Trading Participant maintains a Cash Settlement Account with one of the two existing Settlement Banks of SCCP which are Banco De Oro Unibank, Inc. and Rizal Commercial Banking Corporation. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented its new clearing and settlement system called Central Clearing and Central Settlement (CCCS) last May 29, 2006. CCCS employs multilateral netting whereby the system automatically offsets "buy" and "sell" transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each Clearing Member. All cash debits and credits are also netted into a single net cash position for each Clearing Member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the Central Counterparty to each PSE-Eligible trade cleared through it.

CENTRAL DEPOSITORY

In 1995, the Philippine Depository & Trust Corporation (formerly the Philippine Central Depository, Inc.), was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On December 16, 1996, the PDTC was granted a provisional license by the Philippine SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgement (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders' meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks, Rizal Commercial Banking Corporation and Banco De Oro Unibank, Inc.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgement. Lodgement is the process by which shareholders transfer legal title (but not beneficial title) over their shares of stock in favor of PCD Nominee Corporation ("PCD Nominee"), a corporation wholly owned by the PDTC whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged into the PDTC. "Immobilization" is the process by which the warrant or share certificates of lodging holders are cancelled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares in the account of PCD Nominee through the PDTC participant will be recorded in the Issuer's registry. This trust arrangement between the participants and PDTC through PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the SEC. No consideration is paid for the transfer of legal title to PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Under the current PDTC system, only participants (e.g. brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares, through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgements, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant's aggregate holdings, in the PDTC system, and with respect to each beneficial owner's holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant-custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must course the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP, and into the PDTC system. Once it is determined on the settlement date (trading date plus three trading days) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the CCCS, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities. If a stockholder wishes to withdraw his stockholdings from the PDTC System, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the stockholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedure of the PDTC for the upliftment of shares lodged under the name of PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are cancelled and a confirmation advice is issued in the name of PCD Nominee Corp. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the nominee's name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agents' books or system. Likewise, recording will already be at the beneficiary level (whether it

be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current “de facto” custodianship role.

AMENDED RULE ON LODGEMENT OF SECURITIES

On June 24, 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on July 1, 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the SEC, without any jumbo or mother certificate, in compliance with the requirements of Section 43 of the SRC. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in Article III Part A of the PSE’s Revised Listing Rules.

For listing applications, the amended rule on lodgement of securities is applicable to:

- a. The offer shares/securities of the applicant company in the case of an initial public offering;
- b. The shares/securities that are lodged with the PDTC, or any other entity duly authorized by the Commission in the case of a listing by way of introduction;
- c. New securities to be offered and applied for listing by an existing listed company; and
- d. Additional listing of securities of an existing listed company.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof to wit:

“For new companies to be listed at the PSE as of July 1, 2009 the usual procedure will be observed but the Transfer Agent of the companies shall no longer issue a certificate to PCD Nominee Corp. but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the Depository Participants on listing date.

“On the other hand, for existing listed companies, the PDTC shall wait for the advice of the Transfer Agents that it is ready to accept surrender of PCNC jumbo certificates and upon such advice the PDTC shall surrender all PCNC jumbo certificates to the Transfer Agents for cancellation. The Transfer Agents shall issue a Registry Confirmation Advice to PCNC evidencing the total number of shares registered in the name of PCNC in the issuer’s registry as a confirmation date.”

CORPORATE GOVERNANCE

To fully comply with the adopted leading practices on good corporate governance, the Company has prepared and executed the Company's Manual of Corporate Governance which was adopted by the Board of the Company on September 19, 2013 (the "Manual").

The Manual provides for, among others, the following:

- appointment of a compliance officer, who shall hold the position of vice president or its equivalent, and have direct reporting responsibilities to the Chairman of the Board and the Corporate Governance Committee, and monitor compliance with the provisions and requirements of the Manual;
- responsibilities, specific duties and functions of the Board of Directors, which includes ensuring that the Company complies with all relevant laws, regulations and codes of best business practices, adopting a system of internal checks and balances, and identify key risk areas and key performance indicators and monitor these factors with due diligence;
- creation of Board Committees, such as the Audit Committee, the Nomination Committee, the Compensation Committee and the Corporate Governance Committee;
- the conduct of a training process for the purpose of conducting an orientation program or workshop to operationalize the provisions of the Manual;
- procedures for monitoring and assessment compliance with the Manual; and
- enalties for non-compliance with the Manual.

As prescribed by the Code of Corporate Governance promulgated by the SEC, the Manual provides the detailed qualifications and disqualifications, duties, functions and responsibilities of the Compliance Officer, the Board of Directors and each member thereof, the Chairman, the President/Chief Executive Officer, the Corporate Secretary, the External Auditor and the Internal Auditor. It also mandates the creation of specific Board committees in aid of good corporate governance, to wit, an Audit Committee, a Nominations Committee and a Compensation Committee, and requires the Board to commit itself to the protection of the rights of stockholders.

To fully comply with the leading practices in good governance, the Board establishes the vision, strategic objectives, key policies, and procedures for the management of the Company, as well as the mechanism for monitoring and evaluating Management's performance. The Board also ensures the presence and adequacy of internal control mechanisms for good governance.

The Company is prepared to take further steps to enhance adherence to principles and practices of good corporate governance.

ANNEXES

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

Audited consolidated financial statements of Top Frontier Investment Holdings, Inc. and Subsidiaries, which comprise the consolidated statement of financial position as at August 31, 2013 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the eight months ended August 31, 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

Audited financial statements of Top Frontier Investment Holdings, Inc., which comprise the statements of financial position as at December 31, 2012 and 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the eight months ended August 31, 2012 and for the years ended December 31, 2012, 2011 and 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

VALUATION REPORT AND FAIRNESS OPINION ON THE INITIAL LISTING PRICE DATED OCTOBER 10, 2013

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