COVER SHEET

P W 0 0 0 0 0 8 4 5

SEC Registration Number

S O L I D G R O U P , I N C .

(Company's Full Name)

2 2 8 5 D O N C H I N O R O C E S A V E N U E

M A K A T I C I T Y , P H I L I P P I N E S

(Business Address: No., Street City / Town / Province)

Contact Person

843-1511

Company Telephone Number

2024 Definitive Information Statement

1 2	3 1		0 6	2 2
Month	Day	FORM TYPE	Month	Day
Fiscal Year			Annual Meeting	

Secondary License Type, If Applicable

Dept Requiring this Doc

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMP

Remarks: Please use BLACK

CC: PHILIPPINE STOCK EXCHANGE

SOLID GROUP INC.

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

To All Stockholders:

Please be advised that the annual meeting of the stockholders of Solid Group, Inc. will be held on Thursday, June 27, 2024, at 2:00 p.m. at Makati City. The meeting will be conducted by remote communication or *in absentia* and may be accessed through the following link:

https://us06web.zoom.us/j/86983325615?pwd=ebN9nagFZaVSnF0jn3XyNfH5abWwig.1

The password to attend the meeting shall be provided by the Company to all stockholders of record as of May 31, 2024 or their proxies who have successfully registered to attend the meeting (Please refer to the registration procedure below.).

The following is the agenda of the meeting:

1. Call to order
2. Proof of notice and certification of quorum
3. Approval of minutes of previous stockholders' meeting
4. Management Report and Audited Financial Statements for the year ended December 31, 2023
5. Ratification of previous corporate acts
6. Election of directors
7. Appointment of external auditors
8. Other matters
9. Adjournment

Only stockholders of record as of May 31, 2024 or their proxies shall be entitled to attend and vote at the meeting. Stockholders who wish to attend the virtual meeting by remote communication or *in absentia* must email to **info@solidgroup.com.ph** their request to attend not later than the close of business on June 17, 2024.

Individual stockholders who wish to be represented at the virtual meeting by proxy must, not later than the close of business on June 17, 2024, either: (a) submit an original, duly signed and accomplished proxy form (which may be downloaded from the website) by post, personal delivery, or courier to the Office of the Corporate Secretary at the head office of Solid Group, Inc., 2285 Don Chino Roces Avenue, Makati City; or (b) email a copy of proxy form in PDF, JPEG or similar format to **info@solidgroup.com.ph**. The Company shall validate the requests and the proxies, and email to the stockholders or proxy holders the instructions and password on how to access the virtual stockholders' meeting. Validation of proxies will take place on June 21, 2024.

If you own shares through your broker or your shares are lodged, please secure from your broker a duly signed and accomplished proxy form, which you or your broker must submit to the Company in the same manner above and not later than June 17, 2024. Otherwise, the Company may not recognize you as a stockholder of record.

Corporate shareholders shall likewise be required to submit a secretary's certificate attesting to the authority of the representative or proxy holder to attend and vote at the virtual stockholders' meeting. The same must be submitted to the Company in the same manner above and not later than June 17, 2024. Otherwise, the Company may likewise not recognize you as a stockholder of record.

By registering to participate in the virtual stockholders' meeting or submitting a proxy form, a stockholder, proxy or representative of the stockholder is providing his/her/its consent for the Company and its service providers to process their respective sensitive personal information necessary to verify their identity and authority. A stockholder who fails to comply with the registration requirement will not be able to participate in the virtual meeting.

A copy of this Notice of meeting and accompanying annex containing a brief statement of the rationale and explanation for each item in the agenda, Definitive Information Statement, Management Report, SEC Form 17-Q, Proxy Form and other documents related to the meeting are available at the Company's website at https://www.solidgroup.com.ph/.

For any questions about the meeting, you may email **info@solidgroup.com.ph**.

Makati City, Metro Manila, Philippines, May 10, 2024.

ROBERTO V. SAN JOSE
Corporate Secretary

ANNEX "A"

AGENDA
Details and Rationale

1. Call to order

The Chairman of the Board of Directors, Mr. Jason S. Lim, will call the meeting to order

2. Proof of notice and certification of quorum

The Corporate Secretary, Atty. Roberto V. San Jose, will certify that the Notice was published within the prescribed period in accordance with the rules of the Securities and Exchange Commission, and that the Information Statement has been made available to all stockholders of record. He will attest on whether the attendees represented at the meeting hold a sufficient number of shares for quorum to exist for the valid transaction of business.

3. Approval of minutes of previous stockholders' meeting

Copies of the draft minutes will be distributed before the meeting and are available for examination at the Company website https://www.solidgroup.com.ph.

The stockholders will be requested to approve the draft minutes. The following is the proposed resolution:

> *"RESOLVED, that the minutes of the Annual Stockholders' Meeting of Solid Group, Inc. held on June 22, 2023 be, as it is hereby, approved."*

4. Management report and audited financial statements

The President and Chief Executive Officer, Mrs. Susan L. Tan, will present the Management Report, the Company's operational highlights and financial results and the audited financial statements for the year ended December 31, 2023. The audited financial statements were prepared by the Company's independent auditors, Punongbayan & Araullo, a member firm of Grant Thornton International, Ltd., and approved by the Company's Audit and Governance Committee and the Board of Directors. In compliance with regulatory requirements, the audited financial statements have also been submitted to the Securities and Exchange Commission and Bureau of Internal Revenue.

Questions will be entertained from the stockholders after the presentation.

The stockholders will be requested to approve the annual report of management as presented by the President, and the audited financial statements for the year ended December 31, 2023. The following is the proposed resolution:

> *"RESOLVED, that the Annual Report of Management as presented by the President, and the Company's audited financial statements for the year ended December 31, 2023 be, as it is hereby, approved."*

5. Ratification of previous corporate acts

The stockholders will be requested to ratify the acts, contracts, resolutions and deeds of the Board of Directors and management of the Company that were significant towards achieving the Company's performance and results. The following is the proposed resolution:

> *"RESOLVED, that all acts, contracts, resolutions and actions, authorized and entered into by the Board of Directors and Management of the Company from the date of the last annual stockholders' meeting up to the present be, as they are hereby, approved, ratified and confirmed."*

6. Election of directors

It is proposed to elect the following members of the Board of Directors. The biographical profiles of the Director-Nominees are provided in the Information Statement that has been posted in the Company's website at https://www.solidgroup.com.ph. The Director-Nominees are the following;

For Regular Directors

1. Jason S. Lim
2. Susan L. Tan
3. Vincent S. Lim
4. David S. Lim
5. Jonathan Joseph CC. Lim
6. Kevin Michael L. Tan
7. Beda T. Mañalac

For Independent Directors

8. Rafael Simpao Jr.
9. Siegfred Mison

7. Appointment of external auditors

Upon the favorable recommendation of the Company's Audit and Governance Committee, the Company's external auditor, Punongbayan and Araullo, is proposed to be reappointed for the current year 2024. The following is the proposed resolution:

> *"RESOLVED, that the audit firm Punongbayan and Araullo be, as it is hereby, reappointed as the Company's external auditor for the current year 2024."*

8. Other matters

Management may address questions received from the stockholders.

9. Adjournment

After all matters in the agenda have been taken up, the Chairman will entertain a motion to adjourn the meeting.

SOLID GROUP INC.

ANNUAL STOCKHOLDERS' MEETING
June 27, 2024

P R O X Y F O R M

Please fill up and sign the proxy and submit it to the Office of the Corporate Secretary on or before June 17, 2024.

The undersigned stockholder of Solid Group, Inc. (the "Company") hereby appoints either of

____

(*Please print full name of your proxy. If this portion is left blank or no name is specified, the designated proxy shall be the Company's Chairman, Mr. Jason S. Lim, or in his absence, the Chairman of the meeting.*)

or the **Chairman, Mr. Jason S. Lim, or in his absence, the Chairman of the meeting**, as proxy, with power of substitution, to represent and vote all shares registered in the name of the undersigned, at the Annual Meeting of the Stockholders of the Company to be conducted by remote communication or *in absentia* on Thursday, June 27, 2024, and at any postponement and/or adjournment thereof for the purpose of acting on the following matters:

AGENDA ITEMS	**ACTION**		
Item 1. Call to order	No action necessary.		
Item 2. Proof of notice and certification of quorum	No action necessary.		
	FOR	AGAINST	ABSTAIN
Item 3. Approval of minutes of previous stockholders' meeting			
Item 4. Management Report and Audited Financial Statements for the year ended December 31, 2023			
Item 5. Ratification of previous corporate acts			
Item 6. Election of directors			
For Regular Director:			
Jason S. Lim			
Susan L. Tan			
David S. Lim			
Vincent S. Lim			
Jonathan Joseph CC. Lim			
Kevin Michael L. Tan			
Beda T. Mañalac			
For Independent Director:			
Rafael F. Simpao Jr.			
Siegfred Mison			
Item 7. Appointment of external auditors			
Item 8. Other Matters	According to Proxy's Discretion		
Item 9. Adjournment			

IN CASE A PROXY FORM IS SIGNED AND RETURNED IN BLANK

If no instructions are indicated on a returned and duly signed proxy, the shares represented by the proxy will be voted:

- FOR the approval of the minutes of the Annual Stockholders' Meeting held on June 22, 2023;
- FOR the approval of the Management Report and Audited Financial Statements for year ended December 31, 2023;
- FOR the approval and ratification of all acts and resolutions of the Board of Directors and Management from the date of the last stockholders' meeting to date as reflected in the books and records of the Company;
- FOR the election of the following directors: Jason S. Lim., Susan L. Tan, David S. Lim, Vincent S. Lim, Jonathan Joseph CC. Lim, Kevin Michael L. Tan, Beda T. Mañalac Rafael F. Simpao Jr. (Independent Director) and Siegfred Mison (Independent Director);
- FOR the approval of the appointment of the external auditor of the Company for 2024;
- FOR the authorization of the Proxy to vote according to the discretion of the Company's President or Chairman of the Meeting on any matter that may be discussed under "Other Matters".

A Proxy Form that is returned without a signature shall not be valid.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No member of the Board of Directors or executive officer since the beginning of the last fiscal year, or nominee for election as director, or their associates, has had any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the meeting, other than election to office.

VALIDATION OF PROXIES

The proxy forms and supporting documents should be received by SGI on or before 5:00 p.m. of June 17, 2024, at the principal office of the Company. Proxy forms shall be validated on June 21, 2024.

REVOCATION OF PROXIES

A stockholder giving a proxy has the power to revoke it any time before the right granted is exercised. A proxy is also considered revoked if the stockholder attends the meeting in person and expresses his intention to vote in person. This proxy shall be valid for the Annual Meeting of the Stockholders of the Company to be conducted by remote communication or *in absentia* on Thursday, June 27, 2024, and at any postponement and/or adjournment thereof.

A proxy submitted by a corporation should be accompanied by a Corporate Secretary's Certificate quoting the Board Resolution designating a corporate officer to execute the proxy. Proxies executed by brokers must be accompanied by a Certification under Oath stating that the broker has obtained the written consent of the account holder. Forms of the Certification may be requested from the Investor Relations Officer at **info@solidgroup.com.ph**

Signed this ____________________ (*Date*) at _______________________________ (*Place*).

______________________________ ______________________________

Printed Name of Stockholder **Signature of Stockholder or Authorized Signatory**

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

    ______ **Preliminary Information Statement**

    ___✔___ **Definitive Information Statement**

2. Name of Registrant as specified in its charter: **SOLID GROUP, INC.**

3. Province, country or other jurisdiction of incorporation or organization: **Philippines**

4. SEC Identification Number: **PW00000845**

5. BIR Tax Identification Code: **000-508-536-000**

6. Address of principal office: **2285 Don Chino Roces Avenue, Makati City 1231**

7. Registrant's telephone number, including area code: **(632) 8843-1511**

8. Date, time and place of the meeting of security holders: **June 27, 2024 at 2:00 p.m. by video conference.**

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **June 5, 2024**

10. In case of Proxy Solicitations:

    Name of Person Filing the Statements/Solicitor: The Management, Solid Group, Inc.

    Address and Telephone No: 2285 Don Chino Roces Avenue, Makati City 1231; (632) 8843-1511

11. Securities Registered pursuant to Section 4 and 8 of the RSA (information on numberof shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common	1,821,542,000 Common Shares (excluding Treasury Shares)

12. Are any or all of registrant's securities listed on the Philippine Stock Exchange?

    Yes __X__ No ______

If yes, disclose the name of such Stock Exchange and the class of Securities listed therein:

PHILIPPINE STOCK EXCHANGE
Registered Shares: Common Shares

SOLID GROUP, INC.

INFORMATION STATEMENT

a. GENERAL INFORMATION

Date, Time and Place of Meeting of Security Holders:

The Annual Stockholders' Meeting of Solid Group, Inc. will be held on **June 27, 2024** at 2:00 pm by remote communication or *in absentia*. Due to the COVID-19 situation and forthe health and safety of the stockholders, the meeting will be conducted virtually and may be accessed through the following link:

https://us06web.zoom.us/j/86983325615?pwd=ebN9nagFZaVSnF0jn3XyNfH5abWwig.1

The password to attend the meeting shall be provided by the Company to all stockholders of record as of May 31, 2024 or their proxies who have successfully registered to attend the meeting.

Only stockholders of record as of May 31, 2024 or their proxies shall be entitled to attend and vote at the virtual meeting. Stockholders who wish to attend the virtual meeting by remote communication or *in absentia* must send an email to **info@solidgroup.com.ph** their request to attend not later than close of business on June 17, 2024.

The complete mailing address of the principal office is 2285 Don Chino Roces Avenue, Makati City, Metro Manila.

The approximate date when the information statement will be first sent to security holders will be on June 5, 2024**.**

Dissenters' Right of Appraisal

There are no matters to be taken up during the Annual Stockholders' Meeting with respect to which the law allows the exercise of appraisal right by any dissenting stockholder. The Revised Corporation Code of the Philippines limits the exercise of the appraisal right to the following instances:

i. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of share, or of authorizing preferences in respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence(Section 80(a));

ii. In case of the sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets (Section 80(b));

iii. In case of merger or consolidation (Section 80(c)); or

iv. In case of investments in another corporation, business or purpose (Section80(d)).

Since the matters to be taken up do not include any of the foregoing, the appraisal right will not be available.

However, if at any time after this Information Statement has been sent out, an action which may give rise to the right of appraisal is proposed at the meeting, any stockholder who voted against the proposed action and who wishes to exercise such right must make a written demand within thirty (30) days after the date of the meeting or when the vote was taken, for the payment of the fair market value of his shares. Upon payment, he must surrender his certificates of stock. No payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment.

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

The directors, officers, nominees for directors and their associates do not have a substantial interest, direct or indirect, in any matter to be acted upon, other than election to office.

The registrant has not been informed in writing by any person that he intends to oppose any action to be taken by the Registrant at the meeting.

b. CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders

The record date to determine the stockholders entitled to notice and to vote at the meeting is on May 31, 2024.

As of April 30, 2024, there are 1,821,542,000 outstanding common shares (excluding treasury) entitled to notice and to vote during the meeting. Each common share is entitled to one vote, except with respect to the election of directors where the stockholders are entitled to cumulate their votes. There is no classification of voting securities.

The election of the board of directors for the current year will be taken up and all stockholders have the right to cumulate their votes in favor of their chosen nominees for director in accordance with Section 23 of the Revised Corporation Code. Section 23 provides that a stockholder may vote such number of shares registered in his name as of the record date for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit. The total number of votes cast by such stockholder should not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected.

Equity Ownership of Foreigners

As of April 30, 2024, foreigners collectively own 16,866,349 outstanding common shares which constitutes 0.93% of the total outstanding common shares.

Security Ownership of Certain Record and Beneficial Owners of More than 5%

(1) Security Ownership of Certain Record and Beneficial Owners

Owners of more than 5% of the Company's voting securities as of April 30, 2024are as follows.

(1) Title of Class	(2) Name and address of record owner and relationship with issuer	(3) Name of Beneficial Owner and Relationship with Record Owner	(4) Citizenship	(5) No. of Shares Held record (r) or beneficial (b)	(6) % to Total Outstanding
Common	AA Commercial, Inc. [1] 2285 Pasong Tamo Ext. Makati Affiliate	Vincent S. Lim Treasurer of AA Commercial Inc.	Filipino	583,377,817 (r)	32.03
Common	AV Value Holdings Corporation [2] 1000 J. Bocobo St., Ermita, Manila Affiliate	David S. Lim Director of AV Value Holding Corp.	Filipino	499,999,999 (r)	27.45
Common	PCD Nominee Corporation (F) [3] G/F MSE Bldg., 6767 Ayala Ave., Makati Stockholder	Various stockholders None	Filipino	343,252,774	18.84

Note

1. AA Commercial Inc. is owned by the Lim Family. Mr. Vincent S. Lim is authorized to vote the shares of stock registered in the name of AA Commercial Inc. Mr. Vincent S. Lim is the Treasurer of AA Commercial Inc.

2. AV Value Holdings Corporation is owned by the Lim Family. Mr. David S. Lim is authorized to vote the shares of stock registered in the name of AV Value Holdings Corporation. Mr.

David S. Lim is a Director of AV Value Holdings Corporation.

3. There is no participant lodged under PCD Nominee Corporation that owns more than 5% of the voting securities of the Company.

(2) Security Ownership of Management

The following directors and officers own shares in the Company as of April 30, 2024.

(1) Title of Class	(2) Name of Beneficial Owner	(3) Amount and Nature of Beneficial Ownership	(4) Citizenship	(5) % to Total Outstanding
Common	Susan L. Tan	78,645 (direct)	Filipino	-
Common	Jonathan Joseph C. C. Lim	10,990,000 (direct)	Filipino	0.60
Common	Vincent S. Lim	71,887,187 (direct) 583,377,817 (indirect) [1]	Filipino	3.95 28.72
Common	Jason S. Lim	65,176,160 (direct)	Filipino	3.58
Common	Kevin Michael L. Tan	10,990,000 (direct)	Filipino	0.60
Common	Rafael F. Simpao Jr.	1,000 (direct)	Filipino	-
Common	Siegfred B. Mison	1,000 (direct)	Filipino	-
Common	Elena S. Lim	1,894 (direct)	Filipino	-
Common	Joseph Lim	2 (direct)	Filipino	-
Common	Beda T. Manalac	1,001 (direct)	Filipino	-
Common	David S. Lim	79,488,591 (direct) 5,000,000 (indirect)[3] 499,999,999 (indirect) [2]	Filipino	4.36 0.27 27.45
Common	Roberto V. San Jose	242,000 (direct)	Filipino	0.01
Common	Ana Maria Katigbak-Lim	-	Filipino	-
Common	Lita L. Joaquin	7,030,000 (direct)	Filipino	0.39
Common	Christopher James L. Tan	11,162,000(direct)	Filipino	0.61
Common	Josephine T. Santiago	7,000 (direct)	Filipino	-
Common	Ericson B. Salvador	-	Filipino	-
Common	Annabella S. Orbe	-	Filipino	-

The aggregate amount of ownership of all directors and officers as a group unnamed is 1,345,434,296 shares or 73.86% of the total outstanding shares.

Note:

1. AA Commercial Inc. is owned by the Lim Family. Mr. Vincent S. Lim is authorized to vote the shares of stock registered in the name of AA Commercial Inc. Mr. Vincent S. Lim is the Treasurer of AA Commercial Inc.

2. AV Value Holdings Corporation is owned by the Lim Family. Mr. David S. Lim is authorized

to vote the shares of stock registered in the name of AV Value Holdings Corporation. Mr. David S. Lim is a Director of AV Value Holdings Corporation.

3. These shares were registered in the name of a member of the immediate family sharing the same household.

(3) Voting Trust Holders of 5% or More

The Company is not aware of any stock held under a voting trust agreement. However, AA Commercial Inc. and AV Value Holdings Corporation are companies owned by the Lim Family. Mr. Vincent S. Lim is authorized to vote the shares of stock registered in the name of AA Commercial Inc. Mr. Vincent S. Lim is the Treasurer of AA Commercial Inc. Mr. David S. Lim is authorized to vote the shares of stock registered in the name of AV Value Holdings Corporation. Mr. David S. Lim is a Director of AV Value Holdings Corporation.

(4) Changes in Control

There are no arrangements, which may result in changes in control of the registrant.

Directors and Executive Officers

A. Directors, Executive Officers, Promoters and Control Persons

(1) Directors, including Independent Directors and Executive Officers

There are nine (9) seats in the Board. The term of office of each member is one (1) year. The names, ages and citizenship of current directors and executive officers are as follows:

Position	Name	Age	Citizenship
Chairman Emeritus	Elena S. Lim	93	Filipino
Co-Chairman Emeritus	Joseph Lim	96	Filipino
Chairman of the Board	Jason S. Lim	66	Filipino
Director, President and Chief Executive Officer	Susan L. Tan	69	Filipino
Director, Executive Vice President & Chief Strategy Officer	David S. Lim	67	Filipino
Director, SVP and Chief Financial Officer and Chief Risk Officer	Vincent S. Lim	65	Filipino
Independent Director	Rafael F. Simpao Jr.	80	Filipino
Independent Director	Siegfred B. Mison	58	Filipino
Director and SVP for Investor Relations and Business Integration	Beda T. Manalac	62	Filipino
Director and VP for Property Business and Data Protection Officer	Jonathan Joseph C.C. Lim	38	Filipino
Director and VP for Distribution Business	Kevin Michael L. Tan	41	Filipino
SVP for Business Development and SEC Compliance Officer	Christopher James L. Tan	40	Filipino
SVP and Treasurer	Lita Joaquin	64	Filipino

Corporate Secretary	Roberto V. San Jose	81	Filipino
Assistant Corporate Secretary	Ana Maria Katigbak-Lim	55	Filipino
VP and Chief Information Officer	Josephine T. Santiago	56	Filipino
VP and Chief Audit Executive	Ericson B. Salvador	52	Filipino
VP and Chief Accounting Officer	Annabella S. Orbe	61	Filipino

Ms. Elena S. Lim is Chairman Emeritus since May 2001. Prior to that, she was President/ Chief Executive Officer from 1996 to May 2001 and was Director from 1996 to 2019. Ms. Lim is married to Joseph Lim.

Mr. Joseph Lim is Co-Chairman Emeritus effective September 2020. He is the Founding Chairman of Solid Group of Companies and served as Chairman of the Board of the Company from 1996 until 2006. In the past five years to present, he has been Chairman of various manufacturing and trading companies in Hongkong and China among which are Solid Co. Ltd., Solid Trading Ltd. and Solid Industrial (Shenzhen) Co. Ltd. He is the Chairman of Phil-Nanning Consortium Inc. Mr. Lim is the incumbent Chairman Emeritus of the China-Philippines Chamber of Commerce. Mr. Lim is married to the Company's Chairman Emeritus, Ms. Elena S. Lim, and is the father of Directors Susan L. Tan, Mr. David S. Lim, Mr. Jason S. Lim and Mr. Vincent S. Lim. Mr. Lim assumed position as Director in June 2010 to September 2020.

Mr. Jason S. Lim is Chairman of the Board effective June 2016. He was Sr. Vice President and Chief Operating Officer from May 2002 to 2016. He is a Director since 1996. He is Chairman of MySolid Technologies and Devices Corporation, Solid Manila Corporation, SolidGroup Technologies Corporation, Zen Towers Corporation, Skyworld Corporation and Starworld Corporation. He is also currently President of Kita Corporation, MyApp Corporation, Solid Manila Finance Inc., Precos, Inc., Casa Bocobo Hotel Inc and Solid Broadband Corporation. Mr. Lim is the son of Joseph and Elena Lim.

Ms. Susan L. Tan is President and Chief Executive Officer since June 2016. She was Chairman of the Board from May 2001 to 2016. She was Vice President of the Company from April 1999 to April 2001 and is Director since 1996. She was Chief Operating Officer of the Company since 1996 up to March 1999. She is Chairman of Green Sun Hotel Management, Inc., Kita Corporation, MyApp Corporation, Solid Manila Finance Inc and Precos, Inc., Omni Solid Services Inc., Solid Video Corporation, SolidService Electronics Corporation, Casa Bocobo Hotel, Inc. and Solid Broadband Corporation. She is currently President of Zen Towers Corporation. Ms. Tan is the daughter of Joseph and Elena Lim.

Mr. David S. Lim is Director and Executive Vice President and Chief Strategy Officer in September 2020. He was Senior Vice President from June 2016 to 2020. He was President and Chief Executive Officer in May 2001 to 2016 and was Director from 1996 to 2017. He was Vice-President since 1996 up to April 2001. He is concurrently President of Green Sun Hotel Management, Inc., MySolid Technologies and Digital Devices Corporation, Skyworld Corporation and Starworld Corporation. Mr. Lim is the son of Joseph and Elena Lim.

Mr. Vincent S. Lim is Senior Vice President and Chief Financial Officer in September 2010 and Chief Risk Officer in 2017. He was Sr. Vice President for Finance and Investments from June 2006 to 2010. He was formerly Sr. VP and Chief Financial Officer from May 2002 up to 2006. He is a Director since 1996. He is Treasurer for MyApp Corporation, Omni Solid Services, Inc., SolidService

Electronics Corporation, Kita Corporation, Solid Video Corporation, Solid Manila Corporation, Green Sun Hotel Management, Inc., MySolid Technologies and Devices Corporation, SolidGroup Technologies Corporation, Zen Towers Corporation, Casa Bocobo Hotel, Inc., Precos, Inc., Solid Manila Finance Inc., Solid Broadband Corporation, Skyworld Corporation and Starworld Corporation. He is also an Independent Director of Security Land Corporation effective June 2013. Mr. Lim is the son of Joseph and Elena Lim.

Mr. Rafael F Simpao is Independent Director in July 2021. He is Senior Advisor to the Board & Executive Committee of Security Bank Corporation in 2019, Chairman of Security Bank Foundation, Inc. since 1997, Chairman of Keyland- Ayala Corporation in 2011, a Trustee of Tany Foundation, Inc. since 2007 and Director of Empire Insurance, Inc. in 2018.

Atty. Siegfred B. Mison is Independent Director in January 26, 2022. He was elected by the Board to serve the remaining term of Ms. Goolsby who resigned as Independent Director on the same date. He is the Chairman of the Board of Bethel General Insurance and Surety Corp. since 2017. He is the Corporate Secretary of AFP Savings and Loan Association, Inc since May 2021. He held the position of Senior Vice President for Special Projects in SM Prime Holdings, Inc. from February 10, 2020 to September 16, 2021. Prior to that, he was the Senior Vice President and General Counsel of Philippine Airlines on March 16, 2016 to October 4, 2019. He served as Commissioner of Bureau of Immigration on December 18, 2013 to January 6, 2016. He is a member of the Integrated Bar of the Philippines since 1997 and admitted to the State Bar of California and to the Illinois Board of Admissions to the Bar (Limited) in 2006.

Mr. Beda T. Mañalac is Director in June 2010 and Senior Vice-President for Investor Relations and Business Integration effective June 22, 2023 and Senior Vice-President for Digital Integration & Investor Relations effective June 30, 2022. He was Sr. Vice President for Business Development and Distribution Business from September 2020 to June 2022. He was Vice President for Business Development from September 30, 2010 to 2020. He is President of SolidGroup Technologies Corporation (SGTC) effective March 31, 2022. He was President of Solid Manila Corporation from January 2012 to March 2022. He was Vice President for Business Development of MyPhone mobile phones under MySolid Technologies and Devices Corporation since 2007 to May 31, 2010.

Mr. Jonathan Joseph C.C. Lim is Director in June 2017 and Vice President for Property Business in September 2020. He is the Data Protection Officer of the Company in August 2017. He is President of Solid Manila Corporation effective March 31, 2022. He is President of Solid Group Technologies Corporation (SGTC) since January 2015. Prior to that he was Vice President of Solid Manila Corporation since August 2013. In addition, he was Sales Manager of Solid Broadband Corporation since October 2009 up to 2012. He is the son of David S. Lim.

Mr. Kevin Michael L. Tan is Director in June 2019 and Vice President for Distribution on June 22, 2023 and Vice President for Distribution in June 30, 2022 and Vice-President for Digital Mobile Business since September 2020. He is Vice President of MySolid Technologies and Devices Corporation (MSTDC) since August 2015. Prior to that he was Vice President since June 2010. In addition, he was Vice President of myphone division of Solid Broadband Corporation from August 2007 to May 2010. He is the son of Susan L. Tan.

Mr. Christopher James L. Tan is Senior Vice President and SEC Compliance Officer in June 2023 and was Vice President for Business Development in June 2022 and Vice-President for New Investments since September 2020. He is President of Solid Video Corporation since 2018 and its Vice President from 2014 to 2017. He is the Executive Vice President of Zen Towers Corporation and Vice

President of Precos Inc. He was Business Development Manager of Solid Manila Corporation from 2011 to 2013. He is the son of Susan L. Tan.

Ms. Lita Joaquin is the Treasurer since May 2002 and Senior Vice President in September 2020. She was Vice President from September 30, 2010 to 2020. She was also director from June 2006 to August 2007. She was Comptroller in 1996 to April 2002 and Director in May 1997 where she held office up to May 1998. She also became General Manager of Solid Manila Finance Inc. in October 1999. Ms. Joaquin is the niece of Mr. Joseph Lim.

Atty. Roberto V. San Jose is the Corporate Secretary of the Company and has held the office since 1996. He is Chairman of Mabuhay Holdings Corporation, Corporate Secretary of Marcventures Holdings, Inc. and Solid Group, Inc. He is also either a director, corporate secretary, or an officer of various companies which are clients of the law firm of Castillo Laman Tan Pantaleon & San Jose, of which he is presently a Senior Consultant. He is a member of the Integrated Bar of the Philippines.

Atty. Ana Maria A. Katigbak is the Assistant Corporate Secretary of the Company and has held the office since 1997. She is a partner in Castillo, Laman, Tan, Pantaleon & San Jose Law Offices. She also acts as director of Mabuhay Holdings Corporation, Corporate Secretary of Alsons Consolidated Resources, Inc., IPM Holdings Inc. and Assistant Corporate Secretary of Mabuhay Holdings, Inc., Marcventures Holdings, Inc., Paxys Inc. and East Coast Vulcan Mining Corporation. She is a member of the Integrated Bar of the Philippines.

Josephine Santiago is the Vice President effective February 1, 2022 and Assistant Vice President in September 2020. She is Chief Information Officer since October 2012. She is also the Corporate Secretary of subsidiaries and affiliates of Solid Group Inc. for the last five years.

Ericson B. Salvador is Vice President effective February 1, 2022 and Assistant Vice President in September 2020 and Chief Audit Executive since June 2017. Prior to that, he was the Senior Audit Manager of the subsidiaries and affiliates of Solid Group Inc. for more than five years.

Annabella S. Orbe is Vice President effective June 22, 2023 and Assistant Vice President in February 2022. Prior to that, she was the Accounting Manager since July 1, 2010 and Corporate Information Officer since June 2012 until the present. She used to hold the position of Senior Accounting Manager in Omni Solid Services Inc. (formerly Omni Logistics Corporation/Solid Laguna Corporation) in August 1998 until June 30, 2010 and Accounting Manager of Solid Corporation from August 1996 to July 1998.

Nominees for Election

The following have been nominated for election at the Annual Stockholder's Meeting:

Position	Name	Age	Citizenship
Director	Susan L. Tan	69	Filipino
Director	Kevin Michael L. Tan	41	Filipino
Director	Jonathan Joseph CC. Lim	38	Filipino
Director	Jason S. Lim	66	Filipino
Director	Vincent S. Lim	65	Filipino

Independent Director	Rafael F. Simpao Jr.	80	Filipino
Independent Director	Siegfred Mison	58	Filipino
Director	David S. Lim	67	Filipino
Director	Beda T. Mañalac	62	Filipino

Please refer to the previous section for the write-up of the following incumbent directors who have been re-nominated: (a) Susan L. Tan; (b) Jonathan Joseph CC. Lim; (c) Jason S.Lim; (d) Vincent S. Lim; (e) David S. Lim; (f) Beda T. Mañalac; and (g) Kevin Michael L. Tan.

Independent Directors - Nominees

Mr. Rafael F. Simpao Jr. is an incumbent Independent Director of the Corporation. Please refer to the preceding discussion for the biographical information and background of Mr. Simpao. He has been re-nominated for Independent Director by Mr. Jonathan Joseph Lim. He is not acting as a representative of any director or substantial shareholder of Solid Group, Inc. and/or any of its related companies and/or any of its substantial shareholders, pursuant to a deed of trust or under any contract or arrangement. Mr. Simpao is not related to any director or officer of the Corporation.

Atty. Siegfred Mison is an incumbent Independent Director of the Corporation. Please refer to the preceding discussion for the biographical information and background of Atty. Mison. He has been re-nominated for Independent Director by Mr. Jonathan Joseph Lim. He is not acting as a representative of any director or substantial shareholder of Solid Group, Inc. and/or any of its related companies and/or any of its substantial shareholders, pursuant to a deed of trust or under any contract or arrangement. Mr. Simpao is not related to any director or officer of the Corporation.

Nomination and Election of Independent Directors

In compliance with SRC Rule 38 and the Company's Manual on Corporate Governance, the Corporate Governance, Compensation & Nomination Committee was constituted with the following as current members:

1. Rafael F. Simpao, Jr. (Chairman and Independent Director)
2. Siegfred Mison (Vice Chairman and Independent Director)
3. Kevin Michael L. Tan
4. Susan L. Tan

The Committee pre-screened and accepted the nominations of Mr. Simpao and Atty. Mison as Independent Directors in accordance with the criteria prescribed in SRC Rule 38 and the Company's Code of Corporate Governance. Mr. Simpao was nominated by Mr. Jonathan Joseph Lim. Atty. Mison was nominated by Mr. Jonathan Joseph Lim. Mr. Simpao and Mr. Jonathan Joseph Lim are not related to each other. Mr. Mison and Mr. Jonathan Joseph Lim are likewise not related to each other.

Attached as **Exhibit 1** hereto is a certification that none of the Company's directors and officers are connected with any government agencies or instrumentalities.

In compliance with SEC Memorandum Circular No. 5-2017, the Company has submitted the Certification of Qualification of the Independent Director of Mr. Rafael F. Simpao Jr. and Mr. Siegfred Mison together with the Company's Information Statement (SEC Form 20-IS).

Family Relationships and Related Transactions

Ms. Elena S. Lim is married to Mr. Joseph Lim. Their children, namely, Ms. Susan L. Tan, Mr. David S. Lim, Mr. Jason S. Lim and Vincent S. Lim are all directors and executive officers of the Company. Mr. Jonathan Joseph C.C. Lim, director, is the son of David S. Lim. Kevin Michael L. Tan is the son of Susan L. Tan. Ms. Lita Joaquin, treasurer of the Company, is the niece of Mr. Joseph Lim. Other than the ones disclosed, there are no other family relationships known to the Company.

Significant Employees

There is no significant employee that is not part of the Company directors and executive officers.

Involvement in Certain Legal Proceedings

Ms. Elena S. Lim is included as co-defendant in a case filed by a certain bank against AA Export and Import Corporation for the collection of unsecured business loans granted to that company. On March 22, 2022, AA Export and Import Corporation has fully paid the loan. Except for this, none of the directors and officers was involved in the past five years up to April 2024 in any bankruptcy proceeding. Neither have they been convicted by final judgment in any criminal proceeding, nor been subject to any order, judgment or decree of competent jurisdiction, permanently enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in action by any court or administrative body to have violated a securities or commodities law.

Material Pending Legal Proceedings Involving the Company or its Subsidiaries

Solid Corporation owns a parcel of land in Bgys. Talipapa and Pamaldan, Cabanatuan City, Nueva Ecija with an area of 1,914,180 square meters. This property is the subject of a case filed by Solid Corporation on October 17, 1995 with the Department of Agrarian Reform Regional Adjudication Board (RARAB) to declare the emancipation patents issued to several tenant farmers of the said property and any patents that may subsequently be issued covering the same, null and void on the ground that the requirements of Presidential Decree No. 27 have not been complied with. The portion of the property that may be subject to litigation consists of 47,211 square meters. On February 6, 1997, the case was submitted for resolution. On June 26, 1997, the RARAB ordered the processing of the Certificate of Land Transfer for issuance to the tenants. On July 31, 1997, Solid Corporation appealed the RARAB decision to the DAR's Central Adjudication Board (DARAB). The appeal was resolved adverse to Solid Corporation on January 31, 2002. Solid Corporation appealed the DARAB decision to the Court of Appeals on February 11, 2002. The Court of Appeals dismissed the petition of Solid Corp. on March 1, 2002. In November 2002, Solid Corporation withdrew its appeal at the Court of Appeals preparatory to negotiating with DAR and Landbank, which the Court of Appeals granted last June 28, 2004. No amicable settlement was however reached. Thus, Solid Corporation filed for a Petition for Higher Valuation of Land before the Provincial Agrarian Reform Adjudication Board of the Department of Agrarian Reform in Cabanatuan City on November 18, 2007. The Department of Agrarian Reform granted Solid Corporation's petition and ordered Land

Bank to re-evaluate the land valuation based only on Republic Act No. 6657 (The Comprehensive Agrarian Reform Program) on September 28, 2012. Land Bank amended the valuation and tendered an Amended Offer of P14.97 million to Solid Corporation (or Solid Manila Corporation, the surviving company after the merger of Solid Manila Corporation and Solid Corporation). Solid Manila Corporation applied for an amended valuation for Php 16.4 million Pesos. Solid Manila Corporation is complying with the documentation requirements to recover compensation as of April 2024.

Certain Relationships and Related Transactions

In 2021, Solid Video Corporation (SVC) earns commission from sales of the products of Solid Trading Limited (STL), a related party under common ownership, to customers in the Philippines, amounting to 10.7% of sales recognized. Commission income is presented as part of Rendering of Services in the 2021 consolidated statement of income. There was no similar transaction in 2023 and 2022.

In 2022 and 2021 MySolid purchases mobile phones, tablets and accessories from STL at prevailing market prices, amounting to P213.1 million and P101.4 million, respectively. MySolid also made advance payments to STL for purchase of mobile phones which were fully applied in 2022. There were no additional advances paid in 2023 and 2022.

SVC and SolidService Electronics Corporation purchased electronic devices and spare parts from Avid Sales Corporation (Avid), wholly owned subsidiary of the Company acquired in November 2022, totaling P3.0 million and P1.5 million, respectively. The purchases reported as related party transactions transpired before the acquisition of ownership of Avid.

In 2022, MySolid and SVC sells mobile phones, tablets and accessories, tapes and equipment to Avid. None in 2023.

Solid Manila Finance Inc. granted unsecured business loan to Avid Sales Corporation, a wholly owned subsidiary of the Company acquired in November 2022, with the original principal loan amounting to P80.0 million. This business loan bears an annual interest rate of 8.0% in 2022, 2021 and 2020. The loan matured on January 18, 2020 and was renewed on the same date, repayable until January 18, 2025, its maturity date. Interest earned from loans is shown as part of Revenues in the consolidated statement of income. The total interest earned from this loan amounted to P0.3 million and P0.6 million in 2022 and 2021, respectively. The loan was collected in full in November 2022, prior to the acquisition by the Company.

Solid Manila Corporation (SMC) and Omni Solid Services Inc. (OSSI) leases out certain land and buildings and office space, respectively to Avid Sales Corporation, a wholly owned subsidiary of the Company. Revenues reported as related party transactions transpired before the acquisition of ownership of Avid. Also, Zen Tower Corporation (ZTC) leases out its office space to TCL Sun Inc., a related party under common ownership, with a lease term of five years with escalation rates.

SMC and ZTC bill service charges to its related parties for common usage and service area and consumption of utilities. Deposits received from the related parties for these lease agreements are refundable at the end of the lease term. There were no additional deposits received in 2023.

OSSI provides assembly, repair, warehousing, and distribution services to Avid, a wholly owned subsidiary of the Company acquired in November 2022. Revenues reported as related party transactions amounting to P3.5 million in 2021 transpired before the acquisition of ownership of Avid.

Revenue from sale of goods and services are recorded as part of revenues. Income from leases is reported as Rentals. Interest earned from loans is shown as part of revenues. Related outstanding receivables are recorded as part of Trade and Other Receivables. Purchases are recorded as part of cost of sales and the related outstanding payables are part of the Trade and Other payables. Deposits received from related parties are refundable at the end of the lease term of the agreements. These are presented as Refundable Deposits under Trade and Other Payable account. Outstanding receivables from and payables to related parties for the above transactions are unsecured, non-interest bearing and generally settled in cash within 12 months from the end of the reporting period.

Advances to and from Related Parties

In the normal course of business, certain subsidiaries of the Company grants and obtains unsecured, non-interest bearing and no fixed repayment and settlement term cash advances to and from related parties under common ownership for working capital requirements and other purposes.

The SEC has an outstanding receivable from CPD Access Corporation, a related party under common ownership, for returns arising from purchases made in prior years and is presented as part of Advances to Related Parties in the consolidated statements of financial position.
The outstanding balances related to advances obtained from related parties as of December 31, 2022, was fully settled in 2023.

In 2021, the Group recognized impairment loss on advances amounting to P1.0 million. There were no impairment losses recognized in 2023 and 2022.

Other than the foregoing, there was no transaction during the past two fiscal years to which the Company was a party, in which a director, executive officer, nominee for director, stockholder owning more than 10% of the outstanding shares of the Company had a direct interest.

The Company has no transactions involving related parties where the service fees or rates are fixed by law or government authority, nor acts as bank depository of funds, transfer agent, registrar or trustee under a trust indenture nor has any other interest except for those arising from the ownership of securities of the registrant recorded as treasury shares nor received extra or special benefit that was not shared equally by all holders of the registrant.

The Company has no parent company holding or controlling more than 50% of its outstanding capital stock. However, AA Commercial Inc. and AV Value Holdings Corporation separately own and control 32.03% and 27.45%, respectively, of the Company’s outstanding shares.

There are no transactions with promoters or assets acquired by the Company from any promoters.

Advances to Officers

In the ordinary course of business, the Group provided unsecured, noninterest-bearing advances to its officers subject to liquidation. The outstanding receivables arising from these transactions are presented as part of Advances to officers and employees under Trade and Other Receivables account in the consolidated statements of financial position.

Transactions with the Retirement Fund

The Group has established a formal multi-employer retirement plan which is administered by an investment manager, except for certain subsidiaries whose retirement fund remained unfunded as of December 31, 2023 and 2022.

The retirement fund consists of corporate bonds, government securities and UITF with fair values totaling P256.7 million and P252.8 million as of December 31, 2023 and 2022, respectively. The retirement fund neither provides any guarantee nor surety for any obligation of the Group.

Resignation of Directors

No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual meeting due to any disagreement with the Company relative to the Company's operations, policies and practices.

Compensation of Directors and Executive Officer

(1) General

The Company's executive officers are regular employees of the Company and its subsidiaries and are similarly remunerated with a compensation package comprising of regular salary, bonuses, thirteenth month pay and leave conversions that the Company extends to its regular employees. Directors who are not executive officers are paid specified amounts per meeting participation.

(2) Summary Compensation Table

The following table summarizes certain information regarding compensation paid or accrued during the last two fiscal years and paid in the ensuing fiscal year to the Company's Chairman and each of the Company's four most highly compensated executive officers.

SUMMARY COMPENSATION TABLE

		Annual Compensation		
(a) Name and Principal Position	**(b) Year**	**(c) Salary (₱)**	**(d) Bonus (₱)**	**(e) Other Annual Compensation Income (₱)**
Chairman and four most highly compensated executive officers				
Jason S. Lim	Chairman of the Board			
Susan L. Tan	Director, President and Chief Executive Officer			
David S. Lim	Director, Executive Vice			

	President and Chief Strategy Officer			
Vincent S. Lim	Director, Senior VP and Chief Financial Officer			
Lita Joaquin	Senior VP and Treasurer			
	2024 (Est.)	23,300,000	3,800,000	1,700,000
	2023	20,136,000	3,526,006	1,604,371
	2022	19,128,000	3,620,414	1,509,893
All officers and	2024 (Est.)	15,700,000	2,100,000	2,200,000
directors as a group	2023	15,198,000	2,184,097	2,659,660
unnamed	2022	15,538,000	2,403,376	2,542,293

(3) Compensation of Directors

Please see executive and directors' compensation.

Matters of compensation of directors and executive officers are reviewed by the Company's Corporate Governance, Compensation & Nomination Committee. The members of the Corporate Governance, Compensation & Nomination Committee are the following:

1. Rafael F. Simpao, Jr. (Chairman and Independent Director)
2. Siegfred Mison (Vice Chairman and Independent Director)
3. Kevin Michael L. Tan
4. Susan L. Tan

(4) Employment Contracts and Termination of Employment and Change-in-Control Arrangements.

(a) An executive employment contract was entered into by SolidGroup Technologies Corp., a wholly owned subsidiary of the Company, with the former's executive officer for a fixed period of three years ending September 30, 2024 with an agreed compensation package. Upon termination of the contract, the officer is not entitled to any further compensation or separation benefits. The said officer is also a director and executive officer of the Company.

(b) There are no compensatory plan or arrangements, including payments to be received from the registrant, if such plan or arrangements results or will result from resignation, retirement or any other termination of such executive officer or director's employment with the registrant and its subsidiaries or from change-in-control of the registrant or a change in the executive officer or directors' responsibilities following a change-in-control and the amount involved, including all periodic payments or installments, which exceed P2.5 million.

(5) Warrants and Options Outstanding: Repricing

Not applicable. The Company has no outstanding warrants and options.

Independent Public Accountants

The independent public accountant recommended for re-appointment for the current year is

Punongbayan & Araullo ("P&A"). P&A was the auditor for the previous fiscal year ended 2023. There were no disagreements with P&A on any matter of accounting principle or practice, or financial disclosure.

Representatives of P&A shall be present at the meeting, will have the opportunity to make a statement if they choose to do so, and will be available to respond to appropriate questions.

On June 22, 2023, the Company reappointed Punongbayan and Araullo (P&A) as its external auditors for the year 2023.

In compliance with the Code of Corporate Governance, pursuant to SEC Memorandum Circular No. 6, series of 2009, on the rotation of external auditors, a new Partner-In-Charge, Mr. Renan A. Piamonte was designated for the independent audit of our Company financial statements for 2023 to replace the previous Partner-In-Charge, Mr. Nelson J. Dinio who handled the audit of 2022 financial statements.

For 2024, the handling Partner-In-Charge is Mr. Renan A. Piamonte.

The annual audited financial statements are approved by the Company's Audit Committee consisting of the following members:

Chairman:	Siegfred Mison (Independent Director)
Vice Chairman:	Susan L. Tan
Members:	Rafael F. Simpao, Jr. (Independent Director)
	Vincent S. Lim

Audited Financial Statements

Please refer to the Management Report for a copy of the Company's audited financial statements for the year ended December 31, 2023.

Interim Financial Statements

Please refer to the Management Report for a copy of the Company's SEC Form 17-Q for the first quarter of 2024 ended March 31, 2024. The Company's SEC Form 17-Q contains the Company's financial statements for the first quarter of 2024 ended March 31, 2024.

D. OTHER MATTERS

Action with Respect to Reports:

The 2023 Audited Financial Statements, as set forth in the accompanying Management Report, and the Minutes of the Annual Stockholders' Meeting will be submitted for stockholder's approval. Copies of the Management Report are attached to this Information Statement.

Approval of the Minutes of the Annual Stockholders' Meeting held on June 27, 2024 constitutes a ratification of the accuracy and faithfulness of the Minutes to the events which transpired during the meeting which includes the following: (i) approval of minutes of the previous meeting; (ii) approval of the management report and audited financial statements; (iii) ratification of management's acts; (iv) election of directors; and (vi) appointment of external auditors. This does not constitute a second approval of the same matters taken up at the previous Annual Stockholders' Meeting which had already been approved.

Please refer to **Exhibit 2** for the list of Acts for Ratification.

Voting Procedure:

Stockholders as of record date on May 31, 2024 who successfully register for the meeting have the opportunity to cast their votes by the submission of proxies not later than June 17, 2024. Every stockholder shall be entitled to one vote for each share of stock standing in his/her name in the books of the Company.

For items other than the election of directors, the stockholders have the option to either vote in favor of or against a matter for approval, or to abstain.

For the election of directors, the stockholders have the option to vote their shares for each of the nominees, not vote for any nominee, or cumulate their votes by voting for one or some nominees only, in such number of shares as the stockholders prefer; provided that the total number of votes cast did not exceed the number of shares owned by them multiplied by the number of directors to be elected.

Votes received by proxy forms will be validated by Stock Transfer and Services, Inc., the Company's Stock and Transfer Agent. The results of the voting, with full details of the affirmative and negative votes, as well as abstentions, will be reflected in the minutes of this meeting.

For all items in the agenda to be approved other than the election of directors, the vote of the stockholders representing at least a majority of the outstanding capital stock will be sufficient to approve the matter.

For the election of directors, the nine (9) nominees receiving the highest number of votes will be declared the duly elected members of the Board of Directors for the current term.

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY WILL PROVIDE, FREE OF CHARGE, A COPY OF THE COMPANY'S SEC FORM 17-A (ANNUAL REPORT) DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE STOCKHOLDER MAY BE CHARGED A REASONABLE COST FOR PHOTOCOPYING THE EXHIBITS.

ALL REQUESTS MAY BE SENT TO THE FOLLOWING ADDRESS:

Solid Group Inc.
2285 Don Chino Roces Avenue
Makati City, Metro Manila

Attention: Ms. Josephine T. Santiago

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on May 13, 2024.

Solid Group Inc.

By:

Ana Maria A. Katigbak
Asst. Corporate Secretary

SECRETARY'S CERTIFICATE

I, **ANA MARIA A. KATIGBAK** of legal age, Filipino, and with business address at the 3rd Floor, The Valero Tower, 122 Valero Street, Salcedo Village, Makati City, after being duly sworn in accordance with law, depose and state that:

1. That I am the duly elected Assistant Corporate Secretary of SOLID GROUP, INC. (the "Corporation"), a corporation duly organized and existing under the laws of the Philippines, with principal office at 2285 Don Chino Roces Avenue Extension, 1231 Makati City;

2. I hereby certify that none of the Corporation's Regular Directors, Independent Directors and Officers are appointed or employed in any government agency or instrumentality.

IN WITNESS WHEREOF, I have hereunto affixed my signature this MAY 20 2024 in Makati City, Metro Manila.

ANA MARIA A. KATIGBAK
Assistant Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public for and in the City of Makati, Philippines, this MAY 20 2024, by the affiant, whose identity I have confirmed through her Passport No. P7145377B, issued on July 7, 2021 at DFA-Manila bearing the affiant's photograph and signature.

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Book No. 10;
Series of 2024.

PATRIZIA ADELINE A. LUCINDO NOTARY PUBLIC ROLL NO. 80669 MAKATI CITY, PHILIPPINES

PATRIZIA ADELINE A. LUCINDO
Appointment No. M-017
Notary Public for Makati City
Until December 31, 2024
Castillo Laman Tan Pantaleon
& San Jose Law Firm
The Valero Tower, 122 Valero Street
Salcedo Village, Makati City
PTR No. 10074327; 01-02-2024; Makati City
IBP No. 296776; 12-21-2023; Tarlac Chapter
MCLE No. VIII-0005546; valid from 12-29-2023;
valid until 4-14-2028; Pasig City
Roll No. 80669

SECRETARY'S CERTIFICATE

I, **ANA MARIA A. KATIGBAK** of legal age, Filipino, and with business address at the 3rd Floor, The Valero Tower, 122 Valero Street, Salcedo Village, Makati City, after being duly sworn in accordance with law, depose and state that:

1. That I am the duly elected Asst. Corporate Secretary of **SOLID GROUP, INC.** (the "Corporation"), a corporation duly organized and existing under the laws of the Philippines, with principal office at 2285 Don Chino Roces Avenue Extension, 1231 Makati City;

2. At the regular meeting of the Board of Directors of the Corporation held on April 11, 2024 the following resolution was unanimously approved, a legal quorum being present and voting:

> "**RESOLVED**, that the Board of Directors of SOLID GROUP INC. (the 'Corporation') approve, as it hereby approves, the holding of the Annual Stockholders' Meeting by remote communication or *in absentia* on June 27, 2024 with record date on May 31, 2024;
>
> "**RESOLVED FURTHER**, that the stockholders of the Company be, as they are hereby, authorized to cast their votes by remote communication or *in absentia*, in accordance with the mechanisms and procedures to be issued by the Corporate Secretary;
>
> "**RESOLVED FURTHER**, that Management and the proper officers of the Corporation be, as they are hereby, authorized to perform all acts, and to sign, execute, file and deliver any and all documents which may be required by the Securities and Exchange Commission in relation to the Annual Stockholders' Meeting."

IN WITNESS WHEREOF, I have hereunto affixed my signature this MAY 20 2024 in Makati City, Metro Manila.

anatigbak

ANA MARIA A. KATIGBAK
Assistant Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public for and in the City of Makati, Philippines, this MAY 20 2024, by the affiant, whose identity I have confirmed through her Passport No. P7145377B, issued on July 7, 2021 at DFA-Manila bearing the affiant's photograph and signature.

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Book No. IV;
Series of 2024.

PATRIZIA ADELINE A. LUCINDO ★ NOTARY PUBLIC ROLL NO. 80669 ★ MAKATI CITY, PHILIPPINES

PATRIZIA ADELINE A. LUCINDO
Appointment No. M-017
Notary Public for Makati City
Until December 31, 2024
Castillo Laman Tan Pantaleon
& San Jose Law Firm
The Valero Tower, 122 Valero Street
Salcedo Village, Makati City
PTR No. 10074327; 01-02-2024; Makati City
IBP No. 296776; 12-21-2023; Tarlac Chapter
MCLE No. VIII-0005546; valid from 12-29-2023; valid until 4-14-2028; Pasig City
Roll No. 80669

Exhibit 2

Summary of Acts for Ratification

The acts for ratification from the date of the last stockholders' meeting include the following:

- Election of directors.
- Reorganization of Board Committees
- Presentation and approval of the quarterly financial reports.
- Presentation and approval of the audited financial statements.
- Approval of cash dividends
- Reversal of deposit for future stock subscription (DFSS) in MySolid Technologies & Devices Corp.
- Approval of additional investment in Precos, Inc.
- Sale of shares owned by Solid Manila Corporation in Laguna International Industrial Park, Inc. and Interstar Holdings Company, Inc., to Starfire Holdings Corporation
- Designation of authorized representatives to transact with the Bureau of Internal Revenue and the Home Development Mutual Fund
- Setting of the 2024 Annual Stockholders' Meeting
- Sale of certain assets of Solid Manila Corp. and Kita Corp.
- Appointment of Ms. Susan Tan as the Chief Sustainability Officer of the Corporation
- Approval of updating of credit line with Metropolitan Bank & Trust Company
- Approval of the 2023 Integrated Annual Corporate Governance Report (IACGR)

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Rafael F. Simpao, Jr.**, Filipino, of legal age and a resident of 384 San Bartolome St., Ayala Alabang Village, Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **Solid Group Inc.** and have been its independent director since July 2021.

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

Company/Organization	Position/Relationship	Period of Service
Security Bank Foundation, Inc.	Chairman	March 1997 – present
Tany Foundation, Inc.	Trustee	January 2007 – present
Empire Insurance, Inc.	Independent Director	October 2018 – present
WREIT, Inc.	Independent Director	September 2022- present
All Asian Countertrade, Inc.	Independent Director	February 2024-present

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

4. I am not related to any director/officer/substantial shareholder of Solid Group Inc. and its subsidiaries and affiliates as provided under Rule 38.2.3 of the Securities Regulation Code.

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

6. To the best of my knowledge, I am neither an officer nor an employee of any government agency or government-owned and controlled corporation.

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

8. I shall inform the Corporate Secretary of Solid Group Inc. of any changes in the abovementioned information within five (5) days from its occurrence.

Done this May 16, 2024 at Makati City.

Rafael D. Simpao, Jr.
Independent Director

SUBSCRIBED AND SWORN to before me this MAY 17 2024 at Makati City, affiant personally appeared before me and exhibited to me his Passport No. P9954803B issued at DFA Manila valid until May 5, 2032.

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Page No. 14 ;
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ATTY. RENE MA. M. VILLA
Notary Public of Makati City
Appointment No. M-111
Until December 31, 2024
PTR No. MKT 10073904; 01-02-2024; Makati City
IBP Lifetime No. 013595; 12-27-2013; I.C
Roll No. 37226
MCLE Compliance No. VII-0024195; 02-[illegible]
Ground Floor, Makati Terraces Condominium
3650 [illegible] Makati City [illegible]

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Siegfred Bueno Mison**, Filipino, of legal age and a resident of 73 Times St., West Triangle, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Solid Group Inc. and have been its independent director since January 2022.

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

Company/Organization	Position/Relationship	Period of Service
Franklin Baker Company of the Philippines	Vice President for Legal and Corporate Communications	June 2022 - present
Bethel General Insurance and Surety Corp.	Chairman of the Board	2017 – present
AFP Savings and Loan Association, Inc.	Corporate Secretary	May 2021 to May 2022
SM Prime Holdings, Inc.	Senior Vice President for Special Projects	February 10, 2020 – September 16, 2021
Philippine Airlines	Senior Vice President and General Counsel	March 16, 2016 – October 4, 2019
University of the East	Legal Counsel	Dec 2003 – Nov 2004 Jan 2009 – May 2011
Infogix Inc	Contracts Lawyer	November 2006 – December 2008
Malcolm Law	Partner	October 1999 – November 2004

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

4. I am not related to any director/officer/substantial shareholder of Solid Group Inc. and its subsidiaries and affiliates as provided under Rule 38.2.3 of the Securities Regulation Code.

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

6. To the best of my knowledge, I am neither an officer nor an employee of any government agency or government-owned and controlled corporation.

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

8. I shall inform the Corporate Secretary of Solid Group Inc. of any changes in the abovementioned information within five (5) days from its occurrence.

Done this 03 JUN 2024 at Makati City.

Siegfred Bueno Mison
Independent Director

SUBSCRIBED AND SWORN to before me this 03 JUN 2024 at Makati City, affiant personally appeared before me and exhibited to me his Tax Identification No. 137-378-694.

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3650 Davila St., Brgy. Tejeros, Makati City 1204

Doc. No. 21;
Page No. 6;
Book No. LXXIX;
Series of 2024

<u>SOLID GROUP INC.</u>

MANAGEMENT REPORT
Pursuant to SRC Rule 20(4)(A)

For the 2024 Annual Stockholders' Meeting

A. Audited Financial Statements for Fiscal Year Ended December 31, 2023

Please refer to the accompanying audited financial statements for year ended December 31, 2023 and first quarter report on SEC Form 17Q for the quarter ended March 31, 2024 (SEC Form 17Q is attached).

B. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Company has no disagreements with the external auditor on accounting and financial disclosure.

On June 22, 2023, the Company reappointed Punongbayan and Araullo as its external auditors for the year 2023.

In compliance with the Code of Corporate Governance, pursuant to SEC Memorandum Circular No. 6, series of 2009, on the rotation of external auditors, a new Partner-In-Charge, Mr. Renan A. Piamonte was designated for the independent audit of our Company financial statements for 2023 to replace the previous Partner-In-Charge, Mr. Nelson J. Dinio who handled the audit of the 2022 financial statements.

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

Full Fiscal Years

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

(1) Plan of Operation

Not applicable. The Company have revenues from operations in each of the last two fiscal years.

(2) Management's Discussion and Analysis

Full Fiscal Years

<u>Key Performance Indicators</u>

The following key performance indicators were identified by the Company: revenue growth, asset turnover, operating expense ratio, earnings before interest, taxes, depreciation and amortization

(EBITDA), earnings per share, current ratio and debt to equity ratio.

Revenue growth was determined as follows: revenues for the current year less revenues for last year or change in revenues divided by the revenues of the previous year.

Asset turnover was computed based on the revenues earned during the year divided by the average total assets.

Operating expense ratio was calculated as follows: operating expenses for the period divided by revenues for period.

EBITDA was determined by adding back interest expense, depreciation and amortization charges to income before tax on continuing operations for the year.

Earnings per share was computed based on the net income or loss for the period divided by the weighted average shares outstanding during the year.

Current ratio was computed as follows: total current assets as of end of the year divided by total current liabilities as of end of the year.

Debt to equity ratio was computed by dividing the total liabilities (excluding amounts due to related parties) as of end of the year by the total equity as of end of the year.

Key performance indicators for 2023, 2022 and 2021 are as follows:

	December 31, 2023	December 31, 2022	December 31, 2021
Revenue growth (decline)	51%	6%	34%
Asset turnover	18%	12%	12%
Operating expense ratio	25%	24%	23%
EBITDA	P818 million	P676 million	P842 million
Earnings (loss) / share	0.28	0.23	P0.37
Current ratio	7.14 : 1	10.13 : 1	11.81 : 1
Debt to equity ratio	0.16 : 1	0.14 : 1	0.12 : 1

2023

Revenues grew by 51% in 2023 reaching P2,466 million from P1,634 million in 2022 principally due to improved revenues of the distribution/retail segment. Sale of goods was amplified by the full year sales of Avid Sales Corp in 2023 compared to its one-month sales in 2022 when it was acquired in November 2022.

Asset turnover was higher at 18% for 2023 versus 12% in 2022 mainly from higher revenues of the digital/retail segment.

Operating expense ratio remained at 25% and 24% for 2023 and 2022, respectively. There was no material change for this ratio.

EBITDA climbed to P818 million in 2023 from the amount of P676 million of the previous year mostly driven by higher operating profit of the property and related services and logistics & technical solutions segments.

Earnings per share was P0.28 in 2023 from P0.23 in 2022. EPS grew principally from higher reported net profit for the year.

Current ratio was lower at 7.14 : 1 as at December 31, 2023 compared with 10.13 : 1 as of end of the previous year mainly from lower current assets.

Debt to equity ratio was 0.16: 1 as at December 31, 2023 from 0.14 : 1 as of December 31, 2022 chiefly from greater total liabilities.

2022

Revenues grew by 6% in 2022 reaching P1,634 million from P1,540 million in 2021 from improved revenues of all business segments aside from the distribution segment. Also, sale of goods was boosted by the acquisition of Avid Sales Corporation in November 2022 posting one-month sales of P94 million.

Asset turnover was flat at 12% for both 2022 and 2021. There was change for this ratio.

Operating expense ratio was minimally higher at 24% in 2022 from 23% of the previous year. There was no material change for this ratio.

EBITDA dipped to P676 million in 2022 coming from a high amount of P842 million of the previous year mostly from lower fair value gains in 2022 of the property and related segment.

Earnings per share was P0.23 in 2022 from P0.37 in 2021. EPS fell principally from lower reported net profit for the year.

Current ratio was lower at 10.13: 1 as at December 31, 2022 compared with 11.81 : 1 as of end of the previous year mainly from lower current assets.

Debt to equity ratio was 0.14: 1 as at December 31, 2022 from 0.12 : 1 as of December 31, 2021 chiefly from greater total liabilities.

2021

Revenue expanded by 34% in 2021 vs. 56% decrease in 2020 principally due to improved revenues of the distribution, technical support and solutions and property and related segments.

Asset turnover stood at 12% in 2021 compared 9% in 2020 mostly due to better revenues for the year.

Operating expense ratio improved to 23% in 2021 from 33% in 2020 primarily due to higher revenues as mentioned above and reduced operating expenses of the distribution segment.

EBITDA grew to P842 million in 2021 from P452.6 million in 2020. This was mainly driven by improved performance of the technical support and solution, property and related services, investment and other segments despite losses of MySolid of the distribution segment.

Earnings per share rose to P0.37 in 2021 from P0.12 in 2020 mainly from higher net income for the year.

Current ratio was 11.81:1 as of December 31, 2021 and 13.10:1 as of December 31, 2020 primarily due to in higher current liabilities.

Debt to equity ratio stood at 0.13:1 as of December 31, 2021 and 2020. There was no change for the period.

Results of Operations 2023

Revenues expanded by 51% in 2023 reaching P2,466 million from P1,634 million in 2022 primarily as a result of significant revenue growth of the distribution/retail segment as explained below.

Sale of goods more than doubled by 131% reaching P1,315 million in 2023 from P569 million for the same period in 2022 derived substantially from the full year sales of Avid Sales Corp in 2023 as compared to its one-month sales in 2022. Avid was acquired in November 2022.

Service revenue grew 5% to P782 million in 2023 compared with P742 million in 2022 primarily because of higher volume of integrated logistics services of the logistics & technical solutions segment.

Rental income climbed by 5% to P278 million in 2023 from P265.7 million in 2022 mainly due to improved occupancy and higher rental rate of the property and related services segment.

Interest income rose to P90 million in 2023, up by 60% from P56.6 million in 2022 driven by rising interest rates in 2023.

Sale of real estate was nil in 2023 and 2022.

Cost of sales, services and rentals posted P1,639 million in 2023 from P1,058 million for the same period in 2022 as discussed below.

Cost of sales went up to P1,037 million in 2023, an increase of 132% from P448 million of last year in relation to increase in sales of the distribution/retail segment.

Cost of services amounted to P529 million in 2023 from P535 million in 2022. There was no material change for this account.

Cost of rentals was recorded at P72 million in 2023 against P74.7 million in 2022. There was no material change for this account.

Cost of real estate sold was nil in 2023 and 2022.

Gross profit increased by 44% to P827 million in from P576 million in 2022 mostly contributed distribution/retail segment.

Other operating expenses (income) amounted to P251 million expenses in 2023 from P104 million in 2022 as explained below.

General and administrative expenses rose by 28% to P488 million in 2023 from P383 million in 2022 principally from higher personnel costs as an upshot of the acquisition of a distribution/retail subsidiary in November 2022 with a full year recognition in 2023 as compared to one month the previous year. Higher taxes and licenses and filing fee of the property and related services segment and allowance for impairment of an investment in an associate of the investment and others segment also contributed to the increase.

Selling and distribution costs escalated by 794% to P124 million in 2023 from P13.9 million in 2022 owing mainly from increase in manpower cost, rental, and bank charges from credit card transactions, commission and communication and light & water of the distribution/retail segment.

Other operating income – net went up by 24% to P362 million in 2023 from P292.5 million in 2022 principally due to higher fair value gains of the property and related services segment.

Operating profit (loss) reached P576 million in 2023 from P471.6 million in 2022 associated with improved gross profit and other operating income – net, as explained above.

Other income (charges) realized P155 million income in 2023 against P120.5 million income in 2022 mainly from the following:

Finance income was up by 54% to P128 million in 2023 as compared with P83 million last year mainly due to higher interest income from time deposit placements.

Finance costs rose to P6 million in 2023 from P1.8 million in 2022 primarily due to lower foreign currency exchange losses.

Other gains - net amounted to P32 million income in 2023, up by 33% compared with P24 million of the previous year mainly from higher net interest income on retirement benefit asset (obligation), gain on deconsolidation of LIIP and Interstar, and supplier support fee.

Profit before tax gained 24% at P731 million in 2023 from P592 million in 2022 attributable to higher operating profit mentioned above.

Tax expense amounted to P199 million in 2023 or 22% bigger from P163 million in 2022 mainly from greater pre-tax income.

Net profit realized was 24% higher at P531.7 million in 2023 against P428.9 million in 2022 principally due to better performance of all segments and higher other operating income from fair value gains in 2023.

Net profit attributable to equity holders of the parent amounted to P509.6 million 2023 against P427.6 million in 2022 as discussed above.

Net profit attributable to non-controlling interest (NCI) amounted to P22 million in 2023 compared with P1.3 million in 2022 primarily from higher net income of its investee for the period. This represents minority share in net profit for the period.

Financial Position 2023

Cash and cash equivalents declined by 29% to P2,710 million as of December 31, 2023 from P3,832 million as of December 31, 2022. Cash was principally provided from investing activities from acquisition of investment property and decrease in short-term placements.

Short-term placements went up to P153.7 million as of December 31, 2023 from nil as of December 31, 2022 due to higher placements of time deposits with maturities of more than three months but less than one year.

Trade and other receivables amounted to P251 million as of December 31, 2023 from P242 million as of December 31, 2022, up by 4%. There was no material change for this account. Trade customers are generally established and stable companies with reasonable assurance of collectibility of their accounts. Nonetheless, trade accounts are periodically reviewed to assess the possible losses from non-collection and allowance is provided for possible losses on accounts which are considered doubtful of collection.

Advances to related parties was maintained at P2.4 million as of December 31, 2023 and as of December 31, 2022. There was no material change for this account.

Merchandise inventories and supplies - net amounted to P337 million as of December 31, 2023, higher by 4% from P324 million as of December 31, 2022. There was no material change for this account.

Real estate inventories stood at P428 million as of December 31, 2023 and December 31, 2022. There was no material change for this account. In 2023, the Company disposed its investment in Laguna International Industrial Park, Inc.(LIIP) which includes fully impaired land and land development costs.

Other current assets were higher by 37% at P480 million as of December 31, 2023 compared with P350 million as of December 31, 2022 primarily from higher input VAT of the property and related segment.

Total current assets reached P4,365 million as of December 31, 2023 from P5,180 million as of December 31, 2022 as discussed above.

Non-current trade and other receivables grew by 15% to P1,084 million as of December 31, 2023 from P941 million as of December 31, 2022 mainly primarily attributable to advances to supplier for the ongoing construction of investment property in Calamba, Laguna and higher conversion of USD denominated cash surrender value of investment in life insurance.

Financial assets at fair value through other comprehensive income amounted to P55 million as of December 31, 2023 vs. P37 million as of December 31, 2022 arising from fair value gains on club shares.

Investment in associate was P48 million as of December 31, 2023 from P88 million as of December 31, 2022 representing deposits to the planned increase in authorized capital stock of Fekon Solid Motorcycle Mfg Corp. In 2023, the Group recognized impairment loss amounting to P40 million due to the downturn in its business prospects.

Investment in bonds was unchanged at P20 million for both December 31, 2023 and 2022.

Property and equipment slightly rose to P1,594 million as of December 31, 2023 from P1,586 million as of December 31, 2022. There was no material change for this account.

Investment properties – net went up by 24% to P6,967 million as of December 31, 2023 from P5,608 as of December 31, 2022 attributable to construction in progress for the development of warehouse facility and fair value gains of the property & related service segment.

Rights-of-use (ROU) assets – net increased to P4.6 million as of December 31, 2023, higher by 61% from P2.9 million as of December 31, 2022 from additional ROU assets for leases that qualified under PFRS 16.

Post-employment benefit asset dropped 19% to P123 million as of December 31, 2023 vs. P152 million as of December 31, 2022 principally due to higher present value of obligation than the fair value of plan assets.

Deferred tax assets - net increased by 11% to P11 million as of December 31, 2023, from P9.9 million as of December 31, 2022 mainly from distribution segment's higher allowance for inventory obsolescence and impairment on trade and other receivables.

Other non-current assets stood at P38.9 million as of December 31, 2023 from P37.9 million as of December 31, 2022. There was no material change for this account.

Total non-current assets amounted to P9,948 million as of December 31, 2023 and P8,484 million as of December 31, 2022 mainly from increase in investment properties as discussed above.

Total assets reached P14,313 million as of December 31, 2023 from P13,664 million as of December 31, 2022 as discussed above.

Trade and other payables grew by 23% to P586 million as of December 31, 2023 against P478 million as of December 31, 2022 driven by higher trade & other payables of distribution/retail segment and property & related services segment.

Customers' deposits went down by 71% to P4.2 million as of December 31, 2023 from P14.5 million as of December 31, 2022 primarily from refund of deposits of the distribution/retail segment.

Current lease liabilities increased by 83% to P5.12 million as of December 31, 2023 from P2.79 million as of December 31, 2022 due to additional lease liabilities.

Advances from related parties amounted to nil as of December 31, 2023 and P1.88 million as of December 31, 2022 as the said advances was part of the consideration transferred upon disposal of the investment in Interstar.

Income tax payable grew by 10% to P15 million as of December 31, 2023 from P13.9 million as of December 31, 2022 mainly from greater tax expense of certain subsidiaries for the year.

Total current liabilities amounted to P610 million as of December 31, 2023 from P511 million as of December 31, 2022 due to higher trade & other payables.

Interest-bearing loan of P105 million as of December 31, 2023 pertains to initial drawdown of long-term loan from a local bank to partially finance the construction of warehouse facility in Calamba, Laguna.

Non-current refundable deposits climbed 4% to P192 million as of December 31, 2023, from P184.8 million as of December 31, 2022 mainly from security deposit related to real estate development project of the property & related services segment.

Post-employment benefit obligation amounted to P20 million as of December 31, 2023 and P15.8 million as of December 31, 2023 principally from lower discount rates and higher salary projection rate in the actuarial valuation study for PAS 19 reporting. This represents the unfunded retirement obligation of certain subsidiaries.

Deferred tax liabilities -net amounted to P1,031 million as of December 31, 2023 and P955 million as of

December 31, 2022. It went up mainly in relation to the fair value gains on investment property of the property and related segment. In 2023, the Company retrospectively restated the 2022 and 2021 financial statements to correct prior period error in deferred tax liabilities on accumulated fair value gains and depreciation of investment properties resulting in a reduction in this account in the amount of P56 million.

Non-current lease liabilities was nil as of December 31, 2023 compared P748 thousand as of December 31, 2022 due to transfer of the maturing lease within the year to current liability.

Total non-current liabilities amounted to P 1,348 million as of December 31, 2023 and P1,156 million as of December 31, 2022 from interest bearing loan and deferred tax liabilities of the property and related segment as mentioned above.

Total liabilities amounted to P1,960 million as of December 31, 2023 from P1,667 million as of December 31, 2022 as discussed above.

Capital stock stood at P2,030 million as of December 31, 2023 and December 31, 2022.

Additional paid-in capital was maintained at P4,641 million as of December 31, 2023 and as of December 31, 2022.

Treasury shares amounted to P115 million as of December 31, 2023 and as of December 31, 2022.

Revaluation reserves decreased by 14% to P128 million as of December 31, 2023 from P149 million as of December 31, 2022 mainly due to remeasurement of post-employment benefit plan.

Retained earnings increased to P5,362 million as of December 31, 2023 from P4,962 million as of December 31, 2022 as a result of net profit attributable to parent during the period. In 2023, the Company retrospectively restated the 2022 and 2021 financial statements to correct prior period error in deferred tax liabilities on accumulated fair value gains and depreciation of investment properties. The restatement increased this account in the amount of P56 million.

Total equity attributable to Equity holders of Parent amounted to P12,048 million as of December 31, 2023 and P11,668 million as of December 31, 2022.

Non-controlling interests fell to P305 million as of December 31, 2023 from P328 million as of December 31, 2022 from minority share in dividends for the period.

Total equity amounted to P12,353 million as of December 31, 2023 from P11,996 million as of December 31, 2022.

Results of Operations 2022

Revenues grew by 6% in 2022 reaching P1,634 million from P1,540 million in 2021 from improved revenues of all business segments aside from the distribution segment as explained below.

Service revenue improved by 10% to P742 million in 2022 compared with P676 million in 2021 primarily due to higher volume of integrated logistics services of the logistics & technical solutions segment.

Sale of goods went down by 4% to P569 million in 2022 from P595 million for the same period in 2021 mainly due to lower volume of sales of mobile phones of the distribution segment. At the same time, sale of goods was boosted by the acquisition of Avid Sales Corporation in November 2022 posting one-month sales of P94 million.

Rental income climbed by 10% to P265.7 million in 2022 from P240.8 million in 2021 mainly due to improved occupancy and higher rental rate of the property and related services segment.

Interest income rose to P56.6 million in 2022, up by 111% from P26.9 million in 2021 driven by rising interest rates in 2022.

Sale of real estate was nil in 2022 from P892 thousand from sale of one parking lot in 2021.

Cost of sales, services, real estate sold and rentals was slightly down to P1,058 million in 2022 from P1,069 million for the same period in 2021 as discussed below.

Cost of services amounted to P535 million in 2022 from P508 million in 2021, up by 5 % mainly associated to higher service revenue.

Cost of sales went down to P448 million in 2022, a decrease of 9% from P494 million of last year in relation to decrease in sales of the distribution segment.

Cost of rentals was recorded at P73.7 million in 2022, up by 11% against P66.5 million in 2021 linked to higher cost and occupancy of rental condominium units.
Cost of real estate sold was nil in 2022 compared to P434 thousand related to cost of parking slot sold in the same period of 2021.

Gross profit grew by 23% to P576 million in from P470 million in 2021 mostly contributed by logistics & technical support and property & related services and distribution segments.

Other operating expenses (income) amounted to P104 million expenses in 2022 from (P191 million) income in 2021 as explained below.

General and administrative expenses rose to P383 million in 2022, or 21% higher from P317 million in 2021 principally from higher personnel cost, utilities and representation. This was also increased by the acquisition of a distribution subsidiary.

Selling and distribution costs decreased by 68% to P13.9 million in 2022 from P44 million in 2021 mainly from reduction of commissions, warehousing and personnel related cost of the mobile distribution segment.

Other operating income – net was lower at P292.5 million, down by 47% in 2022 from
P553.1 million in 2021 principally due to higher income from lesser fair value gains of the property and related services segment.

Operating profit (loss) declined to P471.6 million in 2022 from P661 million in 2021 mainly resulting from decrease in other operating income-net as explained above.

Other income (charges) rose to P120 million income in 2022 against P93.9 million income in 2021 mainly from the following:

Finance income to P83 million in 2022 as compared with P81.9 million last year. There was no material change for this account.

Gain on bargain purchase amounted to P14.55 million in 2022. In November 2022, the Company acquired 100% ownership of Avid Sales Corporation (Avid). The said gain represented the difference of the acquisition cost of investment over the fair value of net assets of Avid at acquisition date.

Finance costs amounted to P1.8 million in 2022 from P2.69 million in 2021 primarily due to lower foreign currency exchange loss.

Other gains - net amounted to P24 million income in 2022, increased by 66% compared with P14.7 million of the previous year mainly from gain on pre-termination of lease contract.

Similarly, profit before tax was behind by 22% at P592 million in 2022 from P755 million in 2021 mainly due to lower operating profit mentioned above.

Tax expense amounted to P163 million in 2022 or 110% bigger from P77.8 million in 2021 mainly from greater current tax expenses in 2022. Also in 2021, the Company recognized tax income of P4 million given that the CREATE Law was signed after the end of 2020 reporting period but with retroactive effect to July 1, 2020. Furthermore, the recognized net deferred tax assets and net deferred tax liabilities as of January 1, 2021 were remeasured to 25% resulting to additional deferred tax income – net amounting to P145 million in 2021.

Net profit stood lower by 37% to P428.9 million in 2022 against P677.5 million in 2021 principally due to lower other operating income from fair value gains in 2022. Excluding fair gains value, net of tax, and 2021 deferred tax income adjustment from CREATE law gain on bargain purchase, net income improved by 70% from all operating segments.

Net profit attributable to equity holders of the parent amounted to P427.6 million 2022 against P666 million in 2021 as discussed above.

Net profit attributable to non-controlling interest (NCI) amounted to P1.3 million in 2022 compared with P11 million in 2021 primarily due to lower net income of its investee for the period.

Financial Position 2022

Cash and cash equivalents rose by 39% to P3,832 million as of December 31, 2022 from P2,750 million as of December 31, 2021. Cash was principally provided from operating activities from decrease in short-term placements.

Short-term placements stood nil as of December 31, 2022 from P1,702 million as of December 31, 2021 from transfer to time deposits with maturities of less than three months.

Trade and other receivables amounted to P243 million as of December 31, 2022 from P327 million as of December 31, 2021, lower by 26% mainly from collection of receivables of the distribution segment. Trade customers are generally established and stable companies with reasonable assurance of collectability of their accounts. Nonetheless, trade accounts are periodically reviewed to assess the possible losses from non-collection and allowance is provided for possible losses on accounts which are considered doubtful of collection.

Advances to related parties was maintained at P2.3 million as of December 31, 2022 and December 31, 2021. There was no material change for this account.

Merchandise inventories and supplies - net reached P324 million as of December 31, 2022, higher by 160% from P124 million as of December 31, 2021 mainly due to higher merchandise of the distribution segment related to the acquisition of distribution subsidiary in addition to stock-up of inventories of MySolid.

Real estate inventories stood at P428 million as of December 31, 2022 from P437 million as of December 31, 2021. There was no material change for this account.

Other current assets stood higher by 48% to P350 million as of December 31, 2022 compared with P237 million as of December 31, 2021 primarily from higher input VAT of the property and related segment.

Total current assets reached P5,180 million as of December 31, 2022 from P5,581 million as of December 31, 2021 as discussed above.

Non-current trade and other receivables grew by 12% to P941 million as of December 31, 2022 from P838 million as of December 31, 2021 mainly attributable to higher conversion of USD denominated cash surrender value of investment in life insurance.

Financial assets at fair value through other comprehensive income amounted to P37 million as of December 31, 2022 vs. P27.4 million as of December 31, 2021 arising from fair value gains on club shares.

Investment in associate was P88 million as of December 31, 2022 from P76.5 million as of December 31, 2021 representing deposits to the planned increase in authorized capital stock of Fekon Solid Motorcycle Mfg Corp.

Investment in bonds stood at P20 million for both December 31, 2022 and 2021.

Property and equipment dropped to P1,586 million as of December 31, 2022 from P1,626 million as of December 31, 2021. There was no material change for this account.

Investment properties – net went up by 21% to P5,608 million as of December 31, 2022 from P4,638 as of December 31, 2021 attributable to construction in progress for the development of warehouse facility and fair value gains of the property & related service segment.

Rights-of-use (ROU) assets – net decreased to P2.9 million as of December 31, 2022, lower by 49% from P5.7 million as of December 31, 2021 from depreciation of ROU assets under PFRS 16, Leases.

Post-employment benefit asset grew to P152 million as of December 31, 2022 vs. P131.9 million as of December 31, 2021 principally due to greater fair value of plan assets from effect of acquisition of new subsidiary.

Deferred tax assets - net declined by 18% to P9.9 million as of December 31, 2022, from P12 million as of December 31, 2021 mainly from distribution segment's reversal of provisions for inventory obsolescence.

Other non-current assets increased by 44% to P38 million as of December 31, 2022 from P26.2 million as of December 31, 2021 resulting from payment of cash bond of the property and related segment.

Total non-current assets amounted to P8,484 million as of December 31, 2022 and P7,403 million as of December 31, 2021 mainly from increase in investment properties as discussed above.

Total assets reached P13,664 million as of December 31, 2022 from P12,985 million as of December 31, 2021 as discussed above.

Trade and other payables was up by 5% to P478 million as of December 31, 2022 against P455 million as of December 31, 2021 mainly from higher non-trade and other payables.

Customers' deposits went up by 41% to P14.59 million as of December 31, 2022 from P10.3 million as of December 31, 2021 primarily due to additional deposits received by istribution/retail segment.

Current lease liabilities decreased by 25% to P2.79 million as of December 31, 2022 from P3.7 million as of December 31, 2021 due to payments of lease liabilities.

Advances from related parties amounted to P1.88 million as of December 31, 2022 and as of December 31, 2021. There was no change for this account.

Income tax payable grew by 1198% to P13.9 million as of December 31, 2022 from P1 million as of December 31, 2021 mainly from greater tax expense of certain subsidiaries for the year.

Total current liabilities amounted to P511 million as of December 31, 2022 from P472 million as of December 31, 2021 due to higher trade & other payables and income tax payable.

Non-current refundable deposits climbed by 604% to P184.9 million as of December 31, 2022, from P26 million as of December 31, 2021 mainly from security deposit related to real estate development project of the property & related services segment.

Non-current lease liabilities stood at P748.6 thousand as of December 31, 2022 compared P2.88 million as of December 31, 2021 primarily from transfer of non-current lease liabilities to current portion.

Post-employment benefit obligation amounted to P15.8 as of December 31, 2022 and P19.79 million as of December 31, 2021. The decrease was mainly from benefits paid and actuarial gains during the year. This represents the unfunded retirement obligation of certain subsidiaries.

Deferred tax liabilities -net amounted to P955 million as of December 31, 2022 and P874 million as of December 31, 2021. It went up mainly in relation to the fair value gains of the property and related segment. In 2023, the Company retrospectively restated the 2022 and 2021 financial statements to correct prior period error in deferred tax liabilities on accumulated fair value gains and depreciation of investment properties resulting in a reduction in this account in the amount of P56 million.

Total non-current liabilities amounted to P 1,212 million as of December 31, 2022 and P979 as of December 31, 2021 from higher non-current refundable deposits and deferred tax liabilities of the property and related segment as mentioned above.

Total liabilities amounted to P1,723 million as of December 31, 2022 from P1,452 million as of December 31, 2021 as discussed above.

Capital stock stood at P2,030 million as of December 31, 2022 and December 31, 2021.

Additional paid-in capital was maintained at P4,641 million as of December 31, 2022 and as of December 31, 2021.

Treasury shares amounted to P115 million as of December 31, 2022 and as of December 31, 2021.

Revaluation reserves rose by 197% to P149 million as of December 31, 2022 from P50 million as of December 31, 2021 due to exchange gains on currency differences in translating financial statements of foreign operation.

Retained earnings increased to P4,962 million as of December 31, 2022 from P4,644 million as of December 31, 2021 as a result of net profit attributable to parent during the period. In 2023, the Company retrospectively restated the 2022 and 2021 financial statements to correct prior period error in deferred tax liabilities on accumulated fair value gains and depreciation of investment properties. The restatement increased this account in the amount of P56 million.

Total equity attributable to Equity holders of Parent amounted to P11,612 million as of December 31, 2022 and P11,195 million as of December 31, 2021.

Non-controlling interests fell to P328 million as of December 31, 2022 from P337 million as of December 31, 2021 from minority share in dividends for the period.

Total equity amounted to P11,941 million as of December 31, 2022 from P11,533 million as of December 31, 2021.

Results of Operations 2021

Revenue rose by 34% to P1,540 million in 2021 from P1,152 million million in 2020 from improved revenues of the distribution, technical support and solutions and property and related segments as explained below.

Service revenue went up by 18% to P676 million in 2021 from P572 million in 2020 primarily due to better revenues of technical support and solutions segment and hotel operations of property and related segment offset by lower service income of MySolid of the distribution segment. Higher service revenue of technical support and solutions segment was mainly from service integration project, higher demand for logistics services and greater volume of in-warranty repairs. Moreover, service revenue from hotel operation of property and related segment almost doubled from higher occupancy and resumption of operation at Green Sun while there was significant decline of 95% in service income of MySolid as explained below.

Sale of goods grew by 115% to P595 million in 2021 from P276 million in 2020 principally due to higher volume of sales of the distribution and technical support and solutions segments. MySolid Technologies and Devices Corporation (MySolid) of the distribution segment had to take over direct distribution upon the withdrawal of its distributor for a certain area, resulting to higher sales although lower service income. Moreover, the Company registered improved sale of equipment and tablet devices to government units of the technical support and solution segment.

Rental income was at P240.8 million in 2021 and P242.7 million in 2020. There was no material change for this account.

Interest income was down by 56% to P26.9 million in 2021from P60 million in 2020 mostly due to lower interest rates on time deposit placements.

Sale of real estate was P892 thousand from sale of one parking lot in 2021, nil in 2020.

Cost of sales, services, real estate sold and rentals grew to P1,069.8 million in 2021, up 42% from P753 million in 2020 as discussed below.

Cost of services amounted to P508 million in 2021 from P442 million in 2020, higher by 15% mainly in relation to greater service revenue.

Cost of sales surged to P494.5 million in 2021, an increase of 101% from P245 million in 2020 in associated to increase in sales.

Cost of rentals was at P66.5 million and P64.99 million in 2021 and 2020, respectively. There was no material change for this account.

Cost of real estate sold stood at P434 thousand related to cost of parking slot sold in 2021, nil in 2020.

Gross profit grew by 18% to P470 million in 2021 from P399 million in 2020 contributed by higher revenues of the technical support & solutions and property & related services segments. Despite higher revenues posted by MySolid, its combined gross profit on sales and service income declined by 47% from the previous year mostly due to lower specs products as compared to market.

Other operating expenses (income) amounted to P191 million in 2021 from P72.6 million in 2020 as explained below.

General and administrative expenses was recorded at P318 million in 2021from P327 million in 2020 or lower by 3%. There was no material change for this account.

Selling and distribution costs diminished by 18% to P44 million in 2021from P54 million for the same period of 2020 mainly from lower personnel costs, warranty, and warehousing expenses of the distribution segment.

Other operating income – net rose by 79% to P553 million in 2021 from P308 million in 2020 as fair value gains on investment properties reached record numbers of P500 million in 2021 versus P265 million of the previous year,

Operating profit (loss) improved by 103% to P661 million in 2021 from P326 million in 2020, associated with higher other operating income as explained above.

Other income (charges) went up to P94 million in 2021 against P37 million in 2020 mainly from the following:

Finance income grew by 15% to P82 million in 2021 as compared with P71 million of last year mainly from greater cash surrender value on investment in life insurance diminished by weakened interest income during the year.

Finance costs amounted to P2.7 million in 2021 from P41.9 million in 2020 chiefly due to lower foreign currency exchange loss in 2021.

Other gains - net amounted to P14.7 million income in 2021, or higher by 91% compared with P7.4 million of the previous year mainly from gain on reversal of provision and miscellaneous income.

Profit before tax was P755 million in 2021, a 108% improvement from P363 million in 2020 mainly due to other operating income on fair value gains mentioned above.

Tax expense went down to P78 million in 2021 from P140 million in 2020 attributable to decrease in corporate income tax rates to 25% from implementation of CREATE Law. The Company also recognized tax income of P4 million given that the CREATE Law was signed after the end of 2020 reporting period but with retroactive effect to July 1, 2020. The Company determined that this event was a non-adjusting subsequent event in the 2020 financial statements, hence, tax income relative to the retroactive effect was reported in 2021. Further, the recognized net deferred tax assets and net deferred tax liabilities as of January 1, 2021 were remeasured to 25%. This resulted in additional deferred tax income –net amounting to P145 million in 2021.

Net profit soared to P677 million in 2021 against P223 million in 2020 due to the better performance of the technical support and solutions, property and related services and investment and other segments diminished by losses of MySolid of the distribution segment. The recorded profit also included non-recurring gain of P145 million deferred tax income relative to the remeasurement of deferred tax liabilities explained above.

Net profit attributable to equity holders of the parent amounted to P666 million in 2021 against P220 million in 2020 as discussed above.

Net profit attributable to non-controlling interest (NCI) amounted to P11.4 million in 2021 compared with P2.9 million in 2020 chiefly due to minority share on dividends declared by Starworld of the property and related services segment.

Financial Position 2021

Cash and cash equivalents stood at P2,750 million as of December 31, 2021, higher by 199% from P918 million as of December 31, 2020. Cash was primarily provided from operating activities attributable to the decrease in short-term placements offset by higher trade and other receivables.

Short-term placements was lower by 49% to P1,702 million as of December 31, 2021 from P3,326 million as of December 31, 2020 from placements in time deposits with term of 90 days or less classified under cash equivalents above.

Trade and other receivables reached P327 million as of December 31, 2021 against P315 million as of December 31, 2020. There was no material change for this account. Trade customers are generally established and stable companies with reasonable assurance of collectibility of them accounts. Nonetheless, trade accounts are periodically reviewed to assess the possible losses from non-collection and allowance is provided for possible losses on accounts which are considered doubtful of collection.

Advances to related parties amounted to P2.4 million as of December 31, 2021 from P3.4 million as of December 31, 2020 due to impairment provision during the year.

Merchandise inventories and supplies - net amounted to P125 million as of December 31, 2021, a decrease by 37% compared with P198 million as of December 31, 2020 mainly from lower merchandise and finished goods of the distribution segment.

Real estate inventories stood at P438 million as of December 31, 2021 and P437 million as of December 31, 2020. There was no material change for this account.

Other current assets went down by 33% to P237 million as of December 31, 2021 compared with P351 million as of December 31, 2020 mainly due to lower deferred costs and input vat.

Total current assets reached P5,581 million as of December 31, 2021 from P5,550 million as of December 31, 2020 mainly from higher short-term placements offset by lower cash and cash equivalents and other current assets as discussed above.

Non-current trade and other receivables stood at P838.5 million as of December 31, 2021 from P750.9 million as of December 31, 2020 primarily due to higher cash surrender value of investment in life insurance.

Financial assets at fair value through other comprehensive income amounted to P27.4 million as of December 31, 2021 from P24.1 million as of December 31, 2020 attributable to fair value gains on investment in club shares.

Investment in an associate amounted to P76.5 million as of December 31, 2021 from P18.2 million as of December 31, 2020 from additional deposits to the planned increase in authorized capital stock of Fekon Solid Motorcycle Mfg Corp.

Investment in bonds was P20 million as of December 31, 2021 (none in 2020) for investment made during the year.

Property and equipment decreased to P1,626 million as of December 31, 2021 from P1,680 million as of December 31, 2020. There was no material change for this account.

Investment property increased to P4,638 million as of December 31, 2021 from P4,035 as of December 31, 2020 from fair value gains and additions during the year.

Rights-of-use (ROU) assets – net was P5,7 million as of December 31, 2021, lower by 41% from P9.5 million as of December 31, 2020 mostly from depreciation of ROU assets under PFRS 16, Leases.

Post-employment benefit assets was P 132 million as of December 31, 2021 and P138 million as of December 31, 2020 principally due to lower fair value of plan assets from benefits paid during the year.

Deferred tax assets – net stood at P12 million as of December 31, 2021 and P70.8 as of December 31, 2020 mainly due to derecognition of DTA on allowance of impairment of receivables, effect of change in tax rate and reversal of temporary difference of the distribution segment.

Other non-current assets amounted to P26.3 million as of December 31, 2021 from P26.5 million December 31, 2020. There was no material change for this account.

Total non-current assets amounted to P7,403 million as of December 31, 2021 and P6,753 million as of December 31, 2020 as discussed above.

Total assets reached P12,985 million as of December 31, 2021 from P12,304 million as of December 31, 2020 as discussed above.

Trade and other payables rose to P455 million as of December 31, 2021 against P397 million as of December 31, 2020, a 15% increase mainly from higher trade payables.

Customers' deposits went down by 34% to P10.4 million as of December 31, 2021 from P15.7 million as of December 31, 2020 principally due to recognition of sales of the distribution segment once the criteria for revenue recognition was satisfied.

Current lease liabilities fell by 11% to P3.7 million as of December 31, 2021 from P4.15 million as of December 31, 2020 due to payments of lease liabilities.

Advances from related parties was P1.88 million as of December 31, 2021 and December 31, 2020.

Income tax payable amounted to P1.1 million as of December 31,2021 from P4.6 million as of December 31, 2020 mainly from lower income tax rate and payments made during the year.

Total current liabilities increased to P473 million as of December 31, 2021 from P423.6 million as of December 31, 2020 from higher trade and other payables.

Non-current refundable deposits amounted to P26 million as of December 31, 2021 from P28.89 million as of December 31, 2020 mostly due to application of deposits to receivables of the property and related segment.

Non-current lease liabilities was P2.9 million as of December 31, 2021 from at P6.4 million as of December 31, 2021 and December 31, 2020 primarily from payments made.

Post-employment benefit obligation was P19.8 million as of December 31, 2021 from P27.6 million as of December 31, 2020 principally from benefits paid and reduction in past service cost of separated employees of the distribution segment.

Deferred tax liabilities-net amounted to P874 million as of December 31, 2021, lower by 3% from P905 million as of December 31, 2020.

Total non-current liabilities amounted to P 979 million as of December 31, 2021 from P1,024 million as of December 31, 2020 from lower deferred tax liabilities.

Total liabilities amounted to P1,452 million as of December 31, 2021 from P1,447 million as of December 31, 2020.

Capital stock stood at P2,030 million as of December 31, 2021 and December 31, 2020.

Additional paid-in capital remained at P4,641 million as of December 31, 2021 and December 31, 2020.

Treasury shares amounted to P115 million as of December 31, 2021 and December 31, 2020.

Revaluation reserves climbed 360% to P50 million as of December 31, 2021 from P10.9 million as of December 31, 2020 chiefly due to other comprehensive income from gains on currency exchange differences in translating financial statements of foreign operation.

Retained earnings increased to P4,588 million as of December 31, 2021 from P3,922 million as of December 31, 2020 as a result of net profit attributable to parent during the period.

Total equity attributable to Equity holders of Parent amounted to P11,195 million as of December 30, 2021 and P10,490 million as of December 31, 2020.

Non-controlling interests amounted to P338 million as of December 31, 2021 and P366.6 million as of December 31, 2020 from minority interest share for the year.

Total equity amounted to P12,985 million as of December 31, 2021 from P12,303 million as of December 31, 2020.

<u>Past and future financial condition and results of operations, with particular emphasis on the prospects for the future.</u>

The Philippine economic performance finished strong in 2023 with a full-year gross domestic product (GDP) growth rate of 5.6 percent outpacing major economies in Asia, such as China (5.2 percent), Vietnam (5.0 percent), and Malaysia (3.8 percent) due to stronger domestic demand despite an elevated inflation rate and external challenges.

With the improving economic conditions, the Company was able to achieve a significant growth of 51% in consolidated revenues to P2,467 million from P1,634 million in 2022 (P1,540 million in 2021). Net profit increased to P531 million compared to P429 million in 2022 (from P677.6 million profit in 2021) with property & related services providing the largest share at 62%, logistics and technical solutions accounting for 27%, investment & others at 7%, and distribution/retail contributing 4% combined with fair value gains of investment property amounting to P296 million in 2023 (P224 million after tax) from P216 million in 2022 (P162 million after tax) and P500 million in 2021 (P375 million after tax).This translated to earnings per share of P028 in 2023, P0.23 in 2022 and P0.37 in 2021. Excluding fair value gains net income improved by 38% from all operating segments. The Company's diversified business will continue to tap the attractive growth opportunities defining its strategic roadmap to ensure its long-term profitable and sustainable growth.

Distribution/Retail

Avid Sales Corporation (Avid) is engaged in the business of consumer electronics retail through both online and offline networks and digital solutions for institutional clients. Avid recognized P895 million in revenue and P14.4 million in net profit for the full year of 2023 from its Sony Centre business concept, AV surfer, direct sales and e-commerce online businesses. Avid was acquired in November 2022, where it contributed P95 million in revenue and P457 thousand net profit sourced from its December 2022 operation. In 2024, it is projecting net sales revenue of Php1,006 million and net profit of P16 million based on retail sales from brick- and-mortar stores, enterprise business and e-commerce platform.

Solid Video Corporation's revenue went up by 24% to P281 million from P226 million in 2022 (from P116 million in 2021) attributable to its special project with a government agency and sale of high-end medical equipment. Accordingly, net profit went up by 182% to P29 million compared to P 10 million in 2022 (from P23 million net loss in 2021). With the awarded government projects, improvement in market share for production related video cameras the creative production market, virtual production for the local market and marketing automated solutions involving AI, it is forecasting to hit P400 million in revenue and P20 million in net profit in 2024.

MySolid Technologies & Devices Corporation (MySolid) generated revenue of P87 million down by 51% from P177 million the previous year (from P273 million in 2021) incurring a net loss of P8 million from P5.2 million net profit in 2022 (P83.7 million net loss in 2021). Driven by good business opportunities for its target customers and innovative ventures, MySolid is targeting P150 million in revenues and P2 million net profit in 2024.

SolidGroup Technologies Corporation (MyHouse) revenue went up by 33% to P33.9 million from to P27 million in 2022 (P44 million in 2021) as a result of modular sales for residential, commercial and industrial use. It foresees a recovery in 2024 projecting P120 million in revenue and P18 million in net income from its ongoing and upcoming projects.

Property & Related Services

Property & Related Services (PRS) revenue from external customers declined to P263 million in 2023 from P270 million in 2022 (P255 million in 2021) principally from leasing operations. This segment accounted for 11% of the company's consolidated revenues in 2023. It nevertheless continued to be a profitable and significant contributor to the company's growth recognizing an increase in net income of P331.9 million from P258 million in 2022 (P706.6 million in 2021) attributed mainly to higher fair value gains.

Solid Manila Corporation delivered slight revenue growth of P 203 million in 2023 from P198.8 million in 2022 (P199 million in 2021) mainly from leasing operations. Its net income barely went up to P353 million from P351 million (inclusive of fair value gains) (P582 million in 2021) primarily due to higher fair value gains. It has an ongoing construction project which includes the renovation of Green Sun Building to relaunch new concepts that will give rise to new needs and new business opportunities for growth to reposition the company in the industry. It is set to begin construction of a 4-story mixed-used commercial center in Dagupan City to capitalize on the growing business environment in Dagupan with expected return on investment over a 7-year period. It foresees net revenues of P255 million and P125 million in net profit (excluding property fair value gains) in 2024.

Zen Towers Corporation recognized revenue of P51 million in 2023 from P44 million in 2022 (P42 million in 2021) due to improved occupancy of its residential units. It resulted to higher net income of P 24 million from P19 million in 2022 (P23 million in 2021). The 14-storey condominium Tower 3 project intended for commercial and office lease with an estimated cost of P500 million was pushed back in preference to other priority projects of the Company. Its focus in 2024 will be on improving the facilities and creating more value to encourage customer retention while increasing occupancy with quality long term clients. As rental market both for office and residential lease is seen to be competitive with little growth for 2024, it projected a revenue of P57 million and net income of P27 million.

Green Sun and Casa Bocobo hotel operations posted a decline in its combined revenue at P92.5 million from P109 million in 2022 (P108 million in 2021) due to renovations and shorter hotel stay of guests. This also resulted to a lower combined net profit of P12 million compared to P23 million the preceding year (from P46 million net income in 2021). In 2024, it is strategically focused in achieving a combined revenue of P135 million and net income of P16 million through implementation of commission-based incentives for corporate bookers and leveraging online travel agencies to increase its reach to top free independent travelers (FIT).

Precos Inc's construction of 10.5-hectare LEED-accredited distribution facility in Calamba, Laguna with projected cost of P3 billion is expected to be completed by the 2nd quarter of 2024. With the anticipated commencement of its operation in the third quarter of 2024, this segment forecasts about P500 million in revenues and P250 million in net profit. This will be an important foundation of the Company's growth in terms of profitability and sustainability in the medium and long term.

Logistics and Technical Support

Logistics and technical solutions segment maintained its position as the key player year by year as it recognized a 9% revenue climb to P727 million from P665.8 million the previous year (P531 million in 2021) and net income escalation by 35% to P142 million from P105 million the preceding year principally due to the higher volume of transactions across all services provided during the year.

Omni Solid Services Inc. (OSSI) climbed 34% in net income to P134.9 million from P100.7 million in 2022 (P62 million in 2021) supported by the revenue hike of 13% to P586 million in 2023 compared to

P518 million last year (P386 million in 2021), consistent with its upward financial performance year-on-year. In 2024, it will increase its fleet of delivery vehicles to improve its logistics operation and procure equipment to boost its output in assembly and laboratory services targeting to attain its projected revenue of P565 million and net profit of P115 million.

SolidService Electronics Corporation's revenue marginally went down by 3% to P 147 million from P152 million in 2022 because of industry trend of continuous decrease in units for repair due to non-availability and higher cost of parts while net profit improved to P7.3 million from P4.3 million coming from support fee of a new client. In line with its ongoing projects as AV and Heating, Ventilation and Air Conditioning (HVAC) service provider, it will embark on another project in information and communication technology as sub-contractor targeting P200 million revenue and P5 million net income in 2024.

Investment and others

Investment and others segment posted a 12% revenue growth to P 396 million from P373 million in 2022 (inclusive of dividends from subsidiaries) (P277 million in 2021) brought by higher dividends from subsidiaries of P199 million from P195 million in 2022 (P135 million in 2021). However, net profit declined slightly to P236 million from P240 million the previous year due to provision for impairment of investment in an associate. As cash flow performance was strong, it returned P109 million to stockholders in the form of cash dividends in 2023 and 2022. With the positive business outlook in 2024, it aims to achieve P200 million in revenue and P160 million in net profit.

The Company maintained a successful focus on recurring revenue streams as it managed its business operations with the fundamental business practices for a strong financial position and year-on-year profitable operations. It looks forward to another strong performance in 2024 with its healthy balance sheet, and strategic focus areas. It will continue to build on the trusted relationships with its customers and stakeholders while facing the challenges of implementing business sustainability strategy in the long term.

i. Known Trends or Demands, Commitments, Events or Uncertainties that will impact Liquidity.

The Company is not aware of any known trends, demands, commitments, events or uncertainties that will materially impact on its liquidity.

ii. Events that will trigger Direct or Contingent Financial Obligation that is material to the Company, including any default or acceleration of an obligation.

As discussed in Notes of the financial statements under Contingencies, certain subsidiaries of the Company are involved in litigation or proceedings, the outcome of which could individually or taken as a whole, not adversely affect the financial results, operations or prospects of the Company. Except of these contingencies, the Company is not aware of other events that will materially trigger direct or contingent financial obligation.

iii. Material Off-Balance Sheet Transactions, Arrangements, Obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

The Company has no material off-balance sheet transactions, arrangements, obligations and other relationships with unconsolidated entities or other persons created during the period that is not included in the financial statements.

iv. Material Commitments for Capital Expenditures, the general purpose of the Commitment and Expected Sources of Funds

The Company estimates capital expenditures for the year 2024 to amount to P1.5 billion for various real estate development, renovation and upgrade of facilities and transportation equipment. The purchase and/or construction of these capital expenditures will be financed primarily through the funds of the Company and partly through loans.

v. Known Trends, Events or Uncertainties that will impact Sales/Revenues/Income from Continuing Operations

The sales downtrend experienced by MySolid Technologies & Devices Corporation (MySolid), a wholly owned subsidiary of the Company under the distribution segment, this couple of years was heightened by the COVID-19 pandemic in 2020. It pursued a business model of earning service income equivalent to percentage of sales of MyPhone products when it assigned the distribution of MyPhone products to its local distributors/importers in last quarter of 2019. While MySolid sold most of its products in 2020 under this distribution model, it lost a key distributor in first quarter 2020 and another one in first quarter 2021. Moreover, its ODM partners failed to provide the current mobile phone models due to component shortage and huge cost. Amidst the slowdown of general local handset brands in the maturing telecom market in the Philippines, MySolid downsized and rationalized its business in 2022 and focused mostly on tablet devises for institutional sales and feature phones for select territorial distributors. Following this, in 2023, MySolid will discontinue distribution of the feature phone on account of low forecasted volume and demand for these low-end basic phones. The Company expects MySolid's revenues to further decline by half with positive results.

In August 2019, Kita Corporation (Kita), a wholly owned subsidiary of the Company, 25 year-contract of lease with Clark Development Corporation (CDC) covering parcels of land had expired. In 2019, Kita had surrendered the buildings to Clark International Airport Corporation since these locations are part of the site for the second Clark Airport runway. In 2021, the Company decided not to renew the lease contact. Kita is currently securing clearance from CDC. Hence, Kita's leasing operations declined to its single residential property in Angeles, Pampanga.

vi. Significant elements of Income or Loss that did not arise from Continuing Operations

None.

vii. Causes for any Material Changes from Period to Period

As explained in Section V under Known Trends, Events and Uncertainties above, MySolid Technologies & Devices Corporation (MySolid), a wholly owned subsidiary of the Company under the distribution segment pursued a business model of earning service income equivalent to percentage of sales of MyPhone products when it assigned the distribution of MyPhone products to its local distributors/importers in the last quarter of 2019. The change in distribution model, business interruption from the pandemic and unavailability of current mobile phone models contributed to significant sales decline and business losses. Also, MySolid had to take over direct distribution upon withdrawal of a distributor in a certain area in 2021, resulting to better topline for that year but still incurring losses, despite going through corporate restructuring and the downsizing of its operations. MySolid also derecognized in 2021 deferred tax assets on allowance for doubtful accounts on receivables amounting to P19.6 million of MySolid which were deemed not recoverable. In 2022, amidst the slowdown of general local handset brands in the maturing telecom market in the Philippines, MySolid further downsized and rationalized its business in 2022 and focused mostly on tablet devises for institutional sales and feature phones for select territorial distributors. This ensued further lower sales in 2023 and 2022 resulting to operating loss of P8.8 million in 2023 and net profit of P5 million arising from foreign currency gains in 2022.

In November 2022, the Company acquired Avid Sales Corporation (ASC) following a due diligence audit by Isla Lipana &Co. (a member firm of Price Waterhouse Coopers). Consequently, the one-month results of operation ending December 31, 2022 of ASC and its ensuing financial position as of December 31, 2022 was included in the 2022 consolidated financial statements of the Company. Following this, this resulted to considerable changes in the results of operations and financial position of the consolidated report. It also resulted to a gain on acquisition of shares of P14.55 million for the year 2022. In 2023, it reported a full year revenue of P895 million and net profit of P14 million.

In 2023, the Group retrospectively restated its 2022 and 2021 consolidated financial statements to correct the amount of its deferred tax liabilities. The effects of the restatement in the consolidated statements of financial position as of December 31, 2022 and January 1, 2022 resulted to a decrease in deferred tax liabilities and increase in retained earnings in the amount of P56 million. The restatement has no impact on the consolidated statements of comprehensive income and consolidated statements of cash flows as of December 31, 2022 and January 1, 2022

Based on the appraisal reports obtained in 2023, 2022 and 2021, the Company reported fair value gains on investment property of P296 million, P216 million and P500 million for 2023, 2022 and 2021, respectively.

2023

<u>Balance Sheet Items (2023 vs. 2022)</u>
(Increase or decrease of 5% or more in the financial statements)

Cash and cash equivalents – 29% decrease to P2,710 million from P3,832 million

Primarily provided from investing activities from acquisition of investment property and increase in short-term placements. This account stood at 19% and 28% as a percentage of total assets for 2023 and 2022.

Short-term Investments – P153 million in 2023 from nil in 2022

Chiefly from transfer to time deposits with maturities of less than three months. This account stood at 1.1% as percentage of total assets in 2023 and nil in 2022.

Trade and other receivables – 4% increase to P251 million from P242 million

There was no material change for this account. As a percentage of total assets, this account stood at 1.7% in both years.

Advances to related parties – P2.4 million for both years

No change for this account. This account stood at 0.02%as a percentage of total assets in both years.

Merchandise inventories and supplies – 4% increase to P337 million from P325 million

There was no material change for this account. This account represented 2% as a percentage of total assets in both years.

Real estate inventories – P428.9 million for both years

There was no material change for this account. In 2023, the Company disposed its investment in Laguna International Industrial Park, Inc. (LIIP) which included fully impaired land and land development costs. This account stood at 3% as a percentage of total assets in both years.

Other current assets –37% increase to P480 million from P350 million

Mainly from higher input VAT of the property and related services segment. This account stood at 3% as a percentage of total assets in both years.
Non-current trade and other receivables –12% increase to P941 million from P838.5 million

Primarily attributable to advances to supplier for the ongoing construction of investment property in Calamba, laguna and higher conversion of USD denominated cash surrender value of investment in life insurance. This account stood at 8%and 7% as a percentage of the total assets in 2023 and 2022, respectively.

Financial assets at fair value through other comprehensive income – 50% increase to P55.4 million from P37 million

Attributable to fair value gains on investment in club shares. This account stood at 0.39% and 0.27% as a percentage of total assets for 2023 and 2022, respectively.

Investment in an associate – 45% decrease to P48 million from P88 million

Due to recognized impairment loss amounting to P40 million due to the downturn in its business prospects. This stood 0.34% and 0.64% as of percentage of total assets in 2023 and 2022, respectively.

Investment in bond – P20 million in 2023 and 2022

No change for this account. This represented 0.14% and 0.15% of total assets in 2023 and 2022, respectively.

Property, plant and equipment – 1% decrease to P1,594 million from P1,586 million

There was no material change for this account. This represented 11% and 12% as a percentage of total assets in 2023 and 2022, respectively.

Investment property – 24% increase to P6,967 million from P5,608 million

Attributable to construction in progress for the development of warehouse facility and fair value gains of the property and related services segment. This account stood at 49% and 41% as a percentage of total assets in 2023 and 2022, respectively.

Right of Use assets – 61% increase to P4.6 million from P2.9 million

Resulting from additional ROU assets for leases that qualified under PFRS 16. This account stood at 0.03% and 0.02% as a percentage of total assets in 2023 and 2022, respectively.

Post-employment benefit asset – 19% increase to P124 million from P152 million

Principally due to higher present value of obligation than the fair value of plan assets. This represented 0.9% and 1.1% of total assets in 2023 and 2022, respectively.

Deferred tax assets – 11% inccrease to P11 million from P10 million

Mainly from distribution segment's provisions for inventory obsolescence. This account stood at 0.08% and 0.07% of total assets in 2023 and 2022, respectively.

Other non-current assets – 3% increase to P38.9 million from P37.9 million

There was no material change for this account. This represented 0.27% and 0.28%as percentage to total assets in 2023 and 2022, respectively.

Trade and other payables – 23% increase to P586 million from P478 million

Primary due to higher non-trade and other payables of distribution/retail segment and property & related services segment. This account stood at 4.10% and 3.5% as a percentage of total liabilities and equity in 2023 and 2022, respectively.

Customers' deposits – 71% decrease to P4.2 million from P14.6 million

Principally due to additional deposits received by distribution/retail segment. This account represented 0.11% and 0.08% as a percentage of total liabilities and equity in 2023 and 2022, respectively.

Current Lease Liability – 83% increase to P5.1 million from P2.8 million

Due to payments during the year. This account stood at 0.04% an 0.02% as a percentage of total liabilities and equity for both 2023 and 2022, respectively.

Advances from related parties – nil in 2023 and P1.88 million in 2022

No movement for this account. This account stood at 0.01% as a percentage of total liabilities and equity in 2022.

Income tax payable –10% increase to P15.2 million from P13.9 million

Mainly from greater tax expense of certain subsidiaries for the year. This account was pegged at 0.11% and 0.10% of the total liabilities and equity in 2023 and 2022, respectively.

Non-current refundable deposits – 4% increase to P192 million from P184.9 million

Mostly from security deposit related to real estate development project of the property and related services segment. This represented 1.35% of the total liabilities and equity in both years.

Non-Current Lease Liability –100% decrease to nil from P0.75 million

Primarily from transfer of non-current lease liabilities to current portion. This account represented 0.02% as a percentage of total liabilities and equity in 2022.

Post-employment benefit obligation – 27% increase to P20.2 million from P15.8 million

Principally from lower discount rates and higher salary projection rate in the actuarial valuation study for PAS19 reporting. This account stood at 0.14% and 0.12% of the total liabilities and equity in 2023 and 2022, respectively.

Deferred tax liabilities – 8% increase to P1,031 million from P955 million

Mainly in relation to the fair value gains of the property and related segment. This account stood at 7.2% and 7% as a percentage of total liabilities and equity in 2023 and 2022, respectively.

Capital stock – no change

This account stood at 14% and 15% of total liabilities and equity for 2023 and 2022, respectively.

Additional Paid-In-Capital – no change

This account represented 32% and 34% % of total liabilities and equity for 2023 and 2022, respectively.

Treasury Shares – no change

This account represented 1% of total liabilities and equity for both years.

Revaluation reserves – 14% decrease to P129 million from P149 million

Chiefly due to remeasurement of post-employment benefit plan. It stood at 0.90% and 1.09% of total liabilities and equity in 2023 and 2022.

Retained earnings – 8% increase to P5,362 million from P4,962 million

Resulting from net profit attributable to parent during the period. This account stood at 37% and 36% of total liabilities and equity in 2023 and 2022, respectively

2023

<u>Income Statement Items (2023 vs. 2022)</u>
(Increase or decrease of 5% or more in the financial statements)

Service revenue – 5% increase to 782 million from P742.9 million

Improved primarily due to higher volume of integrated logistics services of the logistics and technical solutions segment. As a percentage of total revenues, this account represented 32% and 45% in 2023 and 2022, respectively.

Sale of goods – 131% decrease to P1,315 million from P569 million

Mainly due to full year sales of Avid Sales Corp in 2023 as compared to its one-month sales in 2022. Avid was acquired in November 2022. As a percentage of total revenues, this account represented 53% and 35% in 2023 and 2022, respectively.

Rental income – 5% increase to P278 million from P265.7 million

Mainly due to improved occupancy and higher rental rate of the property and related services segment. As a percentage of total revenues, this account represented 11% and 16% in 2023 and 2022, respectively.

Interest income – 59% increase to P90 million from P56.7 million

Driven by rising interest rates in 2023. As a percentage of total revenues, this account represented 4% and 3% in 2023 and 2022, respectively.

Sale of real estate – Nil in 2023 and 2022

Cost of services – 1% decrease to P529 million from P535.9 million

There was no material change for this account. This account stood at 21% and 33% in 2023 and 2022 based on total revenues.

Cost of sales - 131% increase to P1,037 million from P448 million

Associated to increase in sales of the distribution segment. As a percentage of total revenues, this account represented 27% and 32% in 2023 and 2022, respectively.

Cost of rentals – 2% decrease to P72 million from P73.7 million

There was no material change for this account. This account represented 3% and 5% in 2023 and 2022 based on total revenues.

Cost of real estate sales – Nil in 2023 and 2022

Gross profit – 44% increase to P827 million from P576 million

Contributed mostly by distribution segments. As a percentage of total revenues, this account stood at 34% and 35% in 2023 and 2022, respectively.

General and administrative expenses – 28% increase to P488 million from P383 million

Principally from higher personnel cost as an upshot of the acquisition of a distrubiton/retail subsidiary in November 2022 with a full year recognition in 2023 as compared to one month the previous year. Higher taxes and licenses and filing fee of the property and related services segment and allowance for impairment of an investment in an associate of the investment in others segment also contributed to the increase. As a percentage of total revenues, this account stood at 20% and 23% in 2023 and 2022, respectively.

Selling and distribution costs – 794% increase to P124 million from P13.9 million

Mainly from increase in manpower cost, rental and bank charges from credit card transactions, commission and communication and light & water of the distribution/retail segment. This account represented 5% and 1% of total revenues for 2023 and 2022, respectively.

Other operating income –net - 24% increase to P362 million from P292.5 million

Attributable to higher fair value gains of the property and related services segment. As a percentage to total revenues, this account represented 15% in 2023 and 18% in 2022.

Operating profit - 22% increase to P576 million from P471.6 million

Associated with improved gross profit and other operating income-net. This account represented 23% and 29% as a percentage of total revenues for 2023 and 2022, respectively.

Finance income – 54% increase to P128 million from P83 million

Driven by higher interest income from time deposit placements. This account represented 5% as a percentage of total revenues for both 2023 and 2022.

Gain on bargain purchase – nil in 2023 from P14.6 million in 2022

In November 2023, the Company acquired 100% ownership of Avid Sales Corporation (Avid). The said gain represented the difference of the acquisition cost of investment over the fair value of net assets of Avid at acquisition date. This account represented 1% as a percentage of total revenues for 2022.

Finance costs - 227% increase to P6 million from P1.8 million

Chiefly due to lower foreign currency exchange losses. This account represented 0.24% and 0.11% as a percentage of total revenues in 2023 and 2022 respectively.

Other gains - net – 33% increase to P32 million from P24 million

Mainly from gain on higher net interest income on retirement benefit asset (obligation), gain on deconsolidation of LIIP and Interstar, and supplier support fee. This account stood at 1.3% and 1.5% in 2023 and 2022 as a percentage of total revenues.

Profit before tax –24% increase to P731 million from P592 million

Mainly due to higher operating profit. This account stood at 30% in 2023 and 36% in 2022 as a percentage of total revenues.

Tax expense – 22% increase to P199 million from P163 million

Attributable to greater pre-tax income in 2023. This account stood at 8% in 2023 and 10% in 2022 based on total revenues.

Net profit – 24% increase to P531.7 million from P428.9 million

Principally due to better performance of all segments and higher other operating income from fair value gains in 2023. This account stood at 22% in 2023 and 26% in 2022.

2022

<u>Balance Sheet Items (2022 vs. 2021)</u>
(Increase or decrease of 5% or more in the financial statements)

Cash and cash equivalents – 39% increase to P3,832 million from P2,750 million

Primarily provided from operating activities from decrease in short-term placements. This account stood at 28% and 21% as a percentage of total assets for 2022 and 2021.

Short-term Investments – Nil in 2022 from P1,702 million in 2021

Chiefly from transfer to time deposits with maturities of less than three months. This account stood at nil in 2022 and 13% on total assets in 2021.

Trade and other receivables – 26% decrease to P242.8 million from P327 million

Mainly from collection of receivables of the distribution segment. As a percentage of total assets, this account stood 1.78% for 2022 and 3% for 2021.

Advances to related parties – P2,386.8 for both years

No change for this account. This account stood at 0.02%as a percentage of total assets in 2022 and 2021.

Merchandise inventories and supplies – 160% increase to P324 million from P125 million

Mainly from higher merchandise of the distribution segment related to the acquisition of distribution subsidiary in addition to stock-up of inventories of MySolid. This account represented 2% and 0.96% as a percentage of total assets for years 2021 and 2020, respectively.

Real estate inventories – P428.9 million from P437.8 million

There was no material change for this account. This account stood at 3% as a percentage of total assets in both years.

Other current assets –48% increase to P350 million from P237 million

Mainly from higher input VAT of the property and related services segment. This account stood at 3% and 2% as a percentage of total assets in 2022 and 2021, respectively.

Non-current trade and other receivables –12% increase to P941 million from P838.5 million

Primarily attributable to higher conversion of USD denominated cash surrender value of investment in life insurance. This account stood at 7%and 6% as a percentage of the total assets in 2022 and 2021, respectively.

Financial assets at fair value through other comprehensive income – 35% increase to P37 million from P27.4 million

Attributable to fair value gains on investment in club shares. This account stood at 0.27% and 0.21% as a percentage of total assets for 2022 and 2021, respectively.

Investment in an associate – 15% increase to P88 million from P76.5 million

Due to additional deposits to the planned increase in authorized capital stock of Fekon Solid Motorcycle Mfg Corp. This stood 0.64% and 0.59% as of percentage of total assets in 2022 and 2021, respectively.

Investment in bond – P20 million in 2022 and 2021

No change for this account. This represented 0.15% of total assets in both years.

Property, plant and equipment – 2% decrease to P1,586 million from P1,626.5 million

There was no material change for this account. This represented 12% and 13% as a percentage of total assets in 2022 and 2021, respectively.

Investment property – 21% increase to P5,608.5 million from P4,638 million

Attributable to construction in progress for the development of warehouse facility and fair value gains of the property and related services segment. This account stood at 41% and 36% as a percentage of total assets in 2022 and 2021, respectively.

Right of Use assets – 49% decrease to P2.9 million from P5.7 million

Resulting from depreciation of ROU assets under PFRS 16, Leases. This account stood at 0.02% and 0.04% as a percentage of total assets in 2022 and 2021, respectively.

Post-employment benefit asset – 15% increase to P152 million from P132 million

Principally due to greater fair value of plan assets from effect of acquisition of new subsidiary. This represented 1% of total assets in both years.

Deferred tax assets – 18% decrease to P10 million from P12 million

Mainly from distribution segment's reversal of provisions for inventory obsolescence. This account stood at 0.07% and 0.09% of total assets in 2022 and 2021, respectively.

Other non-current assets – 44% increase to P37.9 million from P26.3 million

Resulting from payment of cash bond of the property and related segment. This represented 0.28% and 0.20%as percentage to total assets in 2022 and 2021, respectively.

Trade and other payables – 5% increase to P478 million from P455 million

Primary due to higher non-trade and other payables. This account stood at 3.5% and 4% as a percentage of total liabilities and equity in 2022 and 2021, respectively.

Customers' deposits –41% increase to P14.6 million from P10.4 million

Principally due to additional deposits received by distribution/retail segment. This account represented 0.11% and 0.08% as a percentage of total liabilities and equity in 2022 and 2021, respectively.

Current Lease Liability – 25% decrease to P2.8 million from P3.7 million

Due to payments during the year. This account stood at 0.02% an 0.03% as a percentage of total liabilities and equity for both 2022 and 2021, respectively.

Advances from related parties – P1.88 million in 2022 and 2021

No movement for this account. This account stood at 0.01% as a percentage of total liabilities and equity in both years.

Income tax payable –1198% increase to P13.9 million from P1.1 million

Mainly from greater tax expense of certain subsidiaries for the year. This account was pegged at 0.10% and 0.01% of the total liabilities and equity in 2022 and 2021, respectively.

Non-current refundable deposits – 604% increase to P184.9 million from P26 million

Mostly from security deposit related to real estate development project of the property and related services segment. This represented 1.35% and 0.2% of the total liabilities and equity in 2022 and 2021, respectively.

Non-Current Lease Liability –74% decrease to P0.75 million from P2.9 million

Primarily from transfer of non-current lease liabilities to current portion. This account represented 0.01% and 0.02% as a percentage of total liabilities and equity in 2022 and 2021.

Post-employment benefit obligation – 20% decrease to P15.8 million from P19.8 million

Principally from benefits paid and actuarial gains during the year. This account stood at 0.12% and 0.15% of the total liabilities and equity in 2022 and 2021, respectively.

Deferred tax liabilities – 9% increase to P1,011 million from P931 million

Mainly in relation to the fair value gains of the property and related segment. This account stood at 7.4% and 7% as a percentage of total liabilities and equity in 2022 and 2021, respectively.

Capital stock – no change

This account stood at 15% and 16% of total liabilities and equity for 2022 and 2021, respectively.

Additional Paid-In-Capital – no change

This account represented 34% and 36% % of total liabilities and equity for 2022 and 2021, respectively.

Treasury Shares – no change

This account represented 1% of total liabilities and equity for both years.

Revaluation reserves – 197% increase to P149 million from P50 million

Chiefly due to exchange gains on currency differences in translating financial statements of foreign operation. It stood at 1.09% and 0.39% of total liabilities and equity in 2022 and 2021.

Retained earnings – 7% increase to P4,906 million from P4,588 million

Resulting from net profit attributable to parent during the period. This account stood at 36% and 35% of total liabilities and equity in 2022 and 2021, respectively.

2022

Income Statement Items (2022 vs. 2021)
(Increase or decrease of 5% or more in the financial statements)

Service revenue – 10% increase to 742.9 million from P676 million

Improved primarily due to higher volume of integrated logistics services of the logistics and technical solutions segment. As a percentage of total revenues, this account represented 45% and 44% in 2022 and 2021, respectively.

Sale of goods – 4% decrease to P569 million from P595 million

Mainly due to lower volume of sales of mobile phones of the distribution segment. At the same time, sale of goods was boosted by the acquisition of Avid Sales Corporation in November 2022 posting one-month sales of P94 million. As a percentage of total revenues, this account represented 35% and 39% in 2022 and 2021, respectively.

Rental income – 10% increase to P265.7 million fromP240.8 million

Mainly due to improved occupancy and higher rental rate of the property and related services segment. As a percentage of total revenues, this account represented 16% for both years.

Interest income – 111% increase to P56.7 million from P26.9 million

Driven by rising interest rates in 2022. As a percentage of total revenues, this account represented 3% and 2% in 2022 and 2021, respectively.

Sale of real estate – Nil from P892 thousand

Nil in 2022, with one parking unit sold in 2021. As a percentage of total revenues, this account was nil in 2022 and stood at 0.06% in 2021.

Cost of services – 5% increase to P535.9 million from P508 million

Mainly in relation to higher service revenue. This account stood at 33% for both years as a percentage of total revenues.

Cost of sales - 9% decrease to P448 million from P494.5 million

Associated to decrease in sales of the distribution segment. As a percentage of total revenues, this account represented 27% and 32% in 2022 and 2021, respectively.

Cost of rentals – 11% increase to P73.7 million from P66.5 million

Linked to higher cost and occupancy of rental condominium units. This account represented 5% and 4% in 2022 and 2021 based on total revenues.

Cost of real estate sales – Nil from P434 thousand

Related to cost of parking slot sold in the same period of 2021. As a percentage of total revenues, this account was nil in 2022 and stood at 0.03% in 2021.

Gross profit – 23% increase to P576 million from 470 million

Contributed by logistics and technical solutions, property & related services and distribution segments. As a percentage of total revenues, this account stood at 35% and 31% in 2022 and 2021, respectively.

General and administrative expenses – 21% increase to P383 million from P317.6 million

Principally from higher personnel cost, utilities and representation. This was also increased by the acquisition of a distribution subsidiary. As a percentage of total revenues, this account stood at 23% and 21% in 2022 and 2021, respectively.

Selling and distribution costs –68% decrease to P13.9 million from P44 million

Mainly from reduction of commissions, warehousing and personnel related cost of the mobile distribution segment. This account represented 0.85% and 3% of total revenues for 2022 and 2021, respectively.

Other operating income –net - 47% decrease to P292.5 million from P553 million

Attributable to higher income from lesser fair value gains of the property and related services segment. As a percentage to total revenues, this account represented 18% in 2022 and 36% in 2021.

Operating profit - 29% decrease to P471.6 million from P661 million

Associated with lower other operating income-net. This account represented 29% and 43% as a percentage of total revenues for 2022 and 2021, respectively.

Finance income – 2% increase to P83 million from P82 million

There was no material change for this account. This account represented 5% as a percentage of total revenues for 2022 and 2021.

Gain on bargain purchase – P14.6 million in 2022

In November 2022, the Company acquired 100% ownership of Avid Sales Corporation (Avid). The said gain represented the difference of the acquisition cost of investment over the fair value of net assets of Avid at acquisition date. This account represented 5% as a percentage of total revenues for 2022 and 2021.

Finance costs - 32% decrease to P1.8 million from P2.7 million

Chiefly due to lower foreign currency exchange loss. This account represented 0.11% and 0.17% as a percentage of total revenues in 2022 and 2021 respectively.

Other gains - net – 66% increase to P24 million from P14.7 million

Mainly from gain on pre-termination of lease contract. This account stood at 1.5% and 0.95% in 2022 and 2021 as a percentage of total revenues.

Profit before tax –22 % decrease to P592 million from P755 million

Mainly due to lower operating profit. This account stood at 36% in 2022 and 49% in 2021 as a percentage of total revenues.

Tax expense – 110% increase to P163 million from P78 million

Attributable to greater current tax expenses in 2022. Also in 2021, the Company recognized tax income of P4 million given that CREATE Law was signed after the end of 2020 reporting period but with retroactive effect to July 1, 2020. Furthermore, the recognized net deferred tax assets and net deferred tax liabilities as of January 1, 2021 were remeasured to 25% resulting to additional deferred tax income-net amounting to P145 million in 2021. This account stood at 10% in 2022 and 5% in 2021 based on total revenues.

Net profit – 37% decrease to P428.9 million from P677 million

Principally due to lower other operating income from fair value gains in 2022. Excluding fair value gains, net of tax, and deferred tax income from CREATE law adjustment, net income improved by 70% from all operating segments. This account stood at 26% in 2022 and 44% in 2021.

2021

Balance Sheet Items (2021 vs. 2020)
(Increase or decrease of 5% or more in the financial statements)

Cash and cash equivalents – 199% increase to P2,750 million from P918 million

Primarily provided from operating activities attributable to the decrease in short-term placements offset by higher trade and other receivables. This account stood at 21% and 7% as a percentage of total assets for 2021 and 2020.

Short-term Investments – 49% decrease to P1,702 million from P3,326 million

Chiefly from placements in time deposits with term of 90 days or less classified under cash equivalents above. This account stood at 13% and 27% based on total assets in 2021 and 2020, respectively.

Trade and other receivables – 4% increase to P327 million from P315 million

There was no material change for this account. This account stood 3% as a percentage of total assets for both years.

Advances to related parties – 30% decrease to 2.4 million from P3.4 million

Due to impairment provision during the year. This account stood at 0.02% and 0.03% as a percentage of total assets in 2021 and 2020.

Merchandise inventories and supplies – 37% decrease to P125 million from P198 million

Mainly from lower merchandise and finished goods of the distribution segment. This account represented 1% and 2% as a percentage of total assets for years 2021 and 2020, respectively.

Real estate inventories – P437.8 million from P437.1 million

There was no material change for this account. This account stood at 3% and 4% as a percentage of total assets in 2021 and 2020, respectively.

Other current assets –33% decrease to P237million from P351 million

Mainly due to lower deferred costs and input vat. This account stood at 2% and 3% as a percentage of total assets in 2021 and 2020, respectively.

Non-current trade and other receivables –12% increase to P838.5 million from P750.9 million

Primarily due to higher cash surrender value of investment in life insurance. This account stood at 6% as a percentage of the total assets in both years.

Financial assets at fair value through other comprehensive income – 14% increase to P27.4 million from P24.1 million

Attributable to fair value gains on investment in club shares. This account stood at 0.21 and 0.20% as a percentage of total assets for 2021 and 2020, respectively.

Investment in an associate – 321% increase to P76.5 million from P18.2 million

From additional deposits to the planned increase in authorized capital stock of Fekon Solid Motorcycle Mfg Corp. This stood 1% and 0.15% as of percentage of total assets in 2021 and 2020, respectively.

Investment in bond – P20 million in 2021

From investment made during the year, none in 2020. This represented 0.15% of total assets in 2021.

Property, plant and equipment – 3% decrease to P1,626.5 million from P1,680 million

There was no material change for this account. This represented 13% and 14% as a percentage of total assets in 2021 and 2020, respectively.

Investment property – 15% increase to P4,638 million from P4035 million

Mainly due to fair value gains and additions on investment property of the property and related services segment. This account stood at 36% and 33% as a percentage of total assets in 2021 and 2020, respectively.

Right of Use assets – 41% decrease to P5.7 million from P9.5 million

Resulting from depreciation of ROU assets under PFRS 16, Leases. This account stood at 0.04% and 0.08% as a percentage of total assets in 2021 and 2020, respectively.

Post-employment benefit asset – 5% decrease to P132 million from P138 million

Principally due to lower fair value of plan assets from benefits paid during the year. This represented 1% of total assets in both years.

Deferred tax assets – 83% decrease to P12 million from P70.8 million

Mainly due to derecognition of DTA on allowance of impairment of receivables, effect of change in tax rate and reversal of temporary difference of the distribution segment. This account stood at 0.09% and 1% of total assets in 2021 and 2020, respectively.

Other non-current assets – 1% decrease to P26.3 million from P26.5 million

There was no material change for this account. This represented 0.20% and 0.22%as percentage to total assets in 2021 and 2020, respectively.

Trade and other payables – 15% increase to P455 million from P397 million

Mainly due to higher trade payables. This account stood at 4% and 3% as a percentage of total liabilities and equity in 2021 and 2020, respectively.

Customers' deposits –34% decrease to P10.4 million from P15.7 million

Principally due to recognition of sales of the distribution segment once the criteria for revenue recognition was satisfied. This account represented 0.08% and 0.13% as a percentage of total liabilities and equity in 2021 and 2020, respectively.

Current Lease Liability – 11% decrease to P3.7 million from P4.15 million

Due to payments during the year. This account stood at 0.03% as a percentage of total liabilities and equity for both 2021 and 2020.

Advances from related parties – P1.88 million in 2021 and 2020

No movement for this account. This account stood at 0.01% and 0.02% as a percentage of total liabilities and equity in 2021 and 2020, respectively.

Income tax payable –77% decrease to P1.1 million from P4.6 million

Mainly from lower income tax rate and payments made during the year. This account was pegged at 0.01% and 0.04% of the total liabilities and equity in 2021 and 2020, respectively.

Non-current refundable deposits – 9% decrease to P26 million from P28.9 million

Mostly due to application of deposits to receivables of the property and related segment. This represented 0.2% of the total liabilities and equity in both 2021 and 2020.

Non-Current Lease Liability –55% decrease to P2.9 million from P6.4 million in 2020

Primarily from payments made. This account represented 0.02% and 0.05% as a percentage of total liabilities and equity in 2021 and 2020.

Post-employment benefit obligation – 28% decrease to P19.8 million from P27.6 million

Principally from benefits paid and reduction in past service cost of separated employees of the distribution segment. This account stood at 0.15% and 0.22% of the total liabilities and equity in 2021 and 2020, respectively.

Deferred tax liabilities – 3% decrease to P931 million from P961 million

There was no material change for this account. This account stood at 7% and 8% as a percentage of total liabilities and equity in 2021 and 2020, respectively.

Capital stock – no change

This account stood at 16% and 17% of total liabilities and equity for 2021 and 2020, respectively.

Additional Paid-In-Capital – no change

This account represented 36% and 38% % of total liabilities and equity for 2021 and 2020, respectively.

Treasury Shares – no change

This account represented 1% of total liabilities and equity for both years.

Revaluation reserves – 360% increase to P50 million from P10.9 million

Chiefly due to other comprehensive income from gains on currency exchange differences in translating financial statements of foreign operation. It stood at 0.39% and 0.09% of total liabilities and equity in 2021 and 2020.

Retained earnings – 17% increase to P4,588 million from P3,922 million

Resulting from net profit attributable to parent during the period. This account stood at 35% and 32% of total liabilities and equity in 2021 and 2020, respectively.

<u>Income Statement Items (2021 vs. 2020)</u>
(Increase or decrease of 5% or more in the financial statements)

Service revenue – 18% increase to 676 million from P572 million

Primarily due to better revenues of technical support and solutions segment and hotel operations of property and related segment offset by lower service income of MySolid of the distribution segment. Higher service revenue of technical support and solutions segment was mainly from service integration project, higher demand for logistics services and greater volume of in-warranty repairs. Moreover, service revenue from hotel operation of property and related segment almost doubled from higher occupancy and resumption of operation at Green Sun while there was significant decline of 95% in service income of MySolid as explained below. As a percentage of total revenues, this account represented 44% and 50% in 2021 and 2020, respectively.

Sale of goods – 115% increase to P595 million from P276 million

Mostly due to better revenues of technical support and solutions segment and hotel operations of property and related segment offset by lower service income of MySolid of the distribution segment. Higher service revenue of technical support and solutions segment was mainly from service integration project, higher demand for logistics services and greater volume of in-warranty repairs. Moreover, service revenue from hotel operation of property and related segment almost doubled from higher occupancy and resumption of operation at Green Sun while there was significant decline of 95% in service income of MySolid as explained below. As a percentage of total revenues, this account represented 39% and 24% in 2021 and 2020, respectively.

Rental income – 1% decrease to P240.8 million fromP242 million

There was no material change for this account. As a percentage of total revenues, this account represented 16% and 21% and for years 2021 and 2020, respectively.

Interest income – 56% decrease to P26.9 million from P60 million

Mostly due to lower interest rates from time deposit placements. As a percentage of total revenues, this account represented 2% and 5% in 2021 and 2020, respectively.

Sale of real estate – 100% increase to P892 thousand from nil

1 parking unit sold during the year. As a percentage of total revenues, this account stood at 0.06% in 2021.

Cost of services – 15% increase to P508 million from P442 million

Mainly in relation to greater service revenue. This account stood at 33% and 38% in 2021 and 2020 as a percentage of total revenues.

Cost of sales - 101% increase to P494.5 million from P245 million

Associated to increase in sales. As a percentage of total revenues, this account represented 32% and 21% in 2021 and 2020, respectively.

Cost of rentals – 2% increase to P66.5 million from P64.99 million

There was no material change for this account. This account represented 4% and 6% in 2021 and 2020 based on total revenues.

Cost of real estate sales – 100% increase toP434 thousand from nil

Related to cost of parking slot sold in 2021. As a percentage of total revenues, this account represented 0.03% in 2021.

Gross profit – 18% increase to P470 million from P398.9 million

Contributed by higher revenues of the technical support & solutions and property & related services segments. As a percentage of total revenues, this account stood at 31% and 35% in 2021 and 2020, respectively.

General and administrative expenses – 3% decrease to P317.6 million from P327 million

There was no material change for this account. As a percentage of total revenues, this account stood at 21% and 28% in 2021 and 2020, respectively.

Selling and distribution costs –18% decrease to P44 million from P54 million

Mainly from lower personnel costs, warranty, and warehousing expenses of the distribution segment. This account represented 3% and 5% of total revenues for 2021 and 2020, respectively.

Other operating income –net - 79% increase to P553 million from P308 million

Attributable to fair value gains on investment properties. As a percentage to total revenues, this account represented 36% in 2021 and 27% in 2020.

Operating profit - 103% increase to P661 million from P326 million

Associated with higher other operating income. This account represented 43% and 28% as a percentage of total revenues for 2021 and 2020, respectively.

Finance income – 15% increase to P82 million from P71 million

Mainly from greater cash surrender value on investment in life insurance diminished by weakened interest income during the year. This account represented 5% and 6% as a percentage of total revenues for 2021 and 2020, respectively.

Finance costs - 94% decrease to P2.7 million from P41.9 million

Chiefly due to lower foreign currency exchange loss in 2021. This account represented 0.17% and 4% as a percentage of total revenues in 2021 and 2020, respectively.

Other gains - net – 99% increase to P14.7 million from P7.4 million

Mainly from gain on reversal of provision and miscellaneous income. This account stood at 1% and 0.64% in 2021 and 2020 as a percentage of total revenues.

Profit before tax –108 % increase to P755 million from P363 million

Mainly due to other operating income on fair value gains. This account stood at 49% in 2021 and 32% in 2020 as a percentage of total revenues.

Tax expense – 44% decrease to P78 million from P140 million

Attributable to decrease in corporate income tax rates to 25% from implementation of CREATE Law. The Company also recognized tax income of P4 million given that the CREATE Law was signed after the end of 2020 reporting period but with retroactive effect to July 1, 2020. Further, additional deferred tax income was recorded from remeasurement of net deferred tax assets and net deferred tax liabilities as of January 1, 2021. This account stood at 5% in 2021 and 12% in 2020 based on total revenues.

Net profit – 204% increase to P677 million from P223 million

Due to the better performance of the technical support and solutions, property and related services and investment and other segments diminished by losses of MySolid of the distribution segment. The recorded profit also included non-recurring gain of P145 million deferred tax income relative to the remeasurement of deferred tax liabilities explained above. This account stood at 44% in 2021 and 19% in 2020.

viii. Seasonal Aspects that had Material Effect on the Financial Condition or Results of Operations

There is no significant seasonality in the Company's business that materially affects financial condition or results of operations.

Item 7. FINANCIAL STATEMENTS

The consolidated financial statements and schedules to Financial Statements and Supplementary Schedules are filed as part of the Form 17 - A.

(B) Information on Independent Accountant and Other Related Matters

(1) External Audit Fees and Services

(a) Under the caption Audit and Audit-Related Fees, the aggregate fees billed for each of the last two fiscal years for professional services rendered by the external auditor for:

1. The audit of the registrant's annual financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements for those fiscal years:

The audit fees of our present external auditor, Punongbayan and Araullo for the examination of our annual audited financial statements, including those of our subsidiaries for the years ended December 31, 2023 and 2022 amounted to P6.46 million and P6.4 million, respectively.

2. Other assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the registrant's financial statements.

None for 2023 and 2022.

(b) Under the caption "Tax Fees", the aggregate fees billed in each of the last two (2) fiscal years for professional services rendered by the external auditor for tax accounting, compliance, advice, planning and any other form of tax services. Registrant shall describe the nature of the services comprising the fees disclosed under this category.

The tax fees paid to the Tax Division of Punongbayan and Araullo for tax consultation and advisory services of our Company and those of our subsidiaries for the year ended December 31, 2023 and 2022 amounted to P240 thousand for both years.

(c) Under the caption "All Other Fees", the aggregate fees billed in each of the last two (2) fiscal years for products and services provided by the external auditor, other than the services reported under items (a) & (b) above. Registrants shall describe the nature of the services comprising the fees disclosed under this category.

There were no other fees paid for the years 2023 and 2022.

(d) The audit committee's approval policies and procedures for the above services.

The overall scope of the audit was reviewed and approved by the Audit Committee. The terms of engagement of the audit were also reviewed and approved by the Audit Committee.

The scope and terms of engagement of the tax consultation and advisory services were also reviewed and approved by the Audit Committee.

Upon the favorable endorsement by the Audit Committee, the proposed terms of engagement of services are submitted for approval to the Board of Directors. All of the above services were approved by the Board of Directors.

Item 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The Company has no disagreements with the current accountant on accounting and financial disclosure.

On June 22, 2023, the Company reappointed Punongbayan and Araullo (P&A) as its external auditors for the year 2023.

In compliance with the Code of Corporate Governance, pursuant to SEC Memorandum Circular No. 6, series of 2009, on the rotation of external auditors, a new Partner-In-Charge, Mr. Renan A. Piamonte was designated for the independent audit of our Company financial statements for 2023 to replace the previous Partner-In-Charge, Mr. Nelson J. Dinio who handled the audit of 2022 financial statements.

D. Interim Periods: Comparable discussion to assess material changes

See attached SEC Form 17-Q

E. Brief Description and General Nature and Scope of the Business

1. Business Development

The Company, formerly United Paracale Mining Company, was incorporated on October 9, 1933 as a mining company.

On May 31, 1996, the Company's new set of stockholders executed deeds of assignment transferring to the Company their investments in shares of stock of certain companies as full payment for their subscriptions to 1.5 billion shares of the Company's capital stock. On June 18, 1996, the Securities and Exchange Commission approved the assignment of shares and the following amendments to the Company's Articles of Incorporation: (a) change in the Company's corporate name to Solid Group Inc.; (b) change in its primary purpose to that of a holding company; (c) change of the par value of its shares from P.01 to P1.00; (d) the declassification of its class A and class B capital stock; and (e) the increase in its authorized capital stock from P20 million (divided into P1.2 billion Class A shares and 0.8 billion Class B shares at P0.01 par value) to P5 billion divided into 5 billion shares at P1.00 par value, all of one class.

On September 4, 1996, an additional 524,475,000 of Company's shares of stock were offered to the public and listed in the Philippine Stock Exchange.

The Company was engaged in the manufacture of color television for both domestic and export sales as well as the distribution and marketing of various consumer audio and video products involving two major brands Sony and Aiwa. Two other manufacturing operations involved plastic molding factories. Due to dramatic changes in the business environment including the 1997 Asian crisis, market liberalization (AFTA duty reduction) and severe competition from both overseas and local sources, the Company eventually phased out its manufacturing operations in television production in 2002 and in plastics molding in 2009.

On the November 21, 2002 special stockholders' meeting, the stockholders approved the acquisition of the shares and/or economic interests in the Destiny Group (consisting of Destiny, Inc. and subsidiaries (DI) and Destiny Cable, Inc. and subsidiaries) from the Elena Lim family in exchange for 1.026 billion shares of the Company with par value of P1.00 per share.

In May 2003, the Company completed the acquisition of the entire issued and outstanding shares of DI, which is in the business of broadband multimedia services. The acquisition was approved by the Bureau of Internal Revenue (BIR) on May 15, 2003. A notice of exemption for the issuance of shares under the Revised Securities Act was filed with the Securities and Exchange Commission on November 6, 2003. Company shares totaling 224,461,752 was proposed to be issued in payment for the DI acquisition upon approval of the listing of these shares with the Philippine Stock Exchange. However, in 2004, upon further review of the assets and liabilities of DI, certain receivables from and payables to related parties were removed from the valuation of DI's net assets. The re-valuation resulted in a change in its financial position from a net asset to a net liability of P23,201,010. The Company and DCI agreed that the Company would no longer issue shares of stock to DCI as payment for its acquisition of DI, but instead assume the DI's net liability which represents fair value of the ongoing business of DI including its existing cable internet subscriber base which, in accordance with the pooling of interest accounting applied to this transaction, was charged to additional paid-in capital. In 2012, Solid Broadband Corporation (SBC), the surviving company after the merger with DI, sold its broadband cable infrastructure and broadband internet subscriber base to Skycable Corporation.

The Company ventured into a 26-storey high rise condominium project Zen Towers located in the heart of Manila in 2007. This project was expanded in 2010 with the completion of a 11-storey building composed of offices for sale and lease in the same premise. Also part of the real estate business is a 75-room budget hotel Casa Bocobo in Manila which started in 2008 and a 144-room business hotel and three fully equipped event venues in Makati launched as Green Sun in 2014.

The Company reinvented itself by realigning its resources to market its own Filipino brand of mobile phone, 'my|phone', which was launched as the country's first dual SIM phone in 2007.

In November 2022, the Company acquired Avid Sales Corporation from the Lim Family for P100.2 million after the board approval on November 9, 2022. The acquisition price is less than 10% of the Company's total consolidated assets and less than the threshold amount for material related party transaction. The acquisition was ratified by the stockholders during the annual Stockholders' Meeting held on June 22, 2023.

The Company has fifteen (15) wholly-owned subsidiaries as of December 31, 2023, as follows:

My Solid Technologies & Devices Corporation (MySolid) was incorporated on April 21, 2009 to engage in the manufacture, sale, distribution, importation of any type of digital communication devices, communication technology, broadband and audio-video equipment, gadgets and accessories as well as undertake product research and development. MySolid merged with MyTel Mobility Solutions Inc. (MyTel), another wholly subsidiary of the Company with similar business, with MySolid as the surviving company effective June 1, 2012.

SolidGroup Technologies Corporation (SGTC) was incorporated on November 17, 1989 to engage in the development and implementation of information technology systems and applications. On February 22, 2011, the Board of Directors and stockholders approved the amendment of the SGTC's articles of incorporation to change its primary purpose. This was approved by the Securities and Exchange Commission on March 22, 2011 and starting that date, SGTC's primary purpose is to engage in, operate, conduct and maintain business of designing, manufacturing, installing, importing, exporting, marketing, distributing or otherwise dealing in at wholesale and retail prefabricated modular house and office units. SGTC was formerly a wholly-owned subsidiary of SC. In 2007, SGTC became a wholly-owned subsidiary of the Company when SC declared property dividend to the Company in the form of its investment in SGTC.

Solid Video Corporation (SVC) was incorporated on October 12, 1984. SVC distributes professional video equipment, accessories and supplies to broadcast networks and other companies.

Solid Manila Corporation (SMC) was incorporated on June 13, 1983. SMC is engaged in the lease and development of the Company's real estate properties. SMC merged with Solid Distributors, Inc. (SDI), another wholly-owned subsidiary of the Company, on December 23, 2003, with SMC as the surviving company. SMC merged with Solid Corporation (SC), another wholly owned subsidiary of the Company engaged in the same business of leasing real estate properties, with SMC as the surviving company effective January 1, 2012. In 2014, SMC renovated the Solid House Building and repurposed it to hotel and events place and operated the Green Sun Hotel. In December 2016, Green Sun Hotel Management, Inc. was incorporated and took over the management and operation of the hotel in 2017.

Zen Towers Corporation (Zen) was incorporated on July 6, 2005. Zen is engaged in the development and sale of real estate properties. It developed the Zen Tri-Tower condominium located in Ermita, Manila.

Precos Corporation (Precos) was incorporated on October 31, 1989 to engage in real estate and related businesses. Prior to 2004, Precos was 60% owned by Solid Corporation (SC) and 40% owned by Sony International (Singapore) Ltd. (SONIS). In 2004, Precos reacquired as treasury stock the shares held by SONIS, thereby making the Company a wholly owned subsidiary of SC. In 2007, Precos became a wholly-owned subsidiary of the Company when SC declared property dividend to the Company in the form of its investment in Precos. In February 2008, Precos acquired Phil-Nanning Consortium, Inc. (PNCI), a domestic company engaged in real estate business. PNCI has a subsidiary organized and operating in Guangxi, China engaged in property development. In August 2016, Precos sold its 100% ownership in PNCI to Solid Company Limited.

Kita Corporation (Kita) was incorporated on October 1, 1994. Kita produced color TV sets under the AIWA brand at its factory located inside the Clark Special Economic Zone. Kita ceased its manufacturing operations effective April 15, 2001 after its agreement with Aiwa expired in April 1, 2000 and was no longer renewed. Kita merged with Clark Plastics Manufacturing Corporation (CPMC), a wholly owned subsidiary of SC, on April 2004, with Kita as the surviving company. After its merger with CPMC, Kita resumed operations to continue the business of CPMC, which is injected plastics manufacturing as well as the lease of its property. In December 2010, Kita ceased the operations of its injected plastics manufacturing business. Henceforth, Kita's revenues principally come from the lease of its properties. In August 2019, Kita's 25-year contract of lease with Clark Development Corporation (CDC) covering parcels of land had expired and surrendered certain buildings to Clark International Airport Corporation since these locations are part of the site for the second Clark Airport runway. The lease was no longer renewed and it is currently securing clearance from CDC.

Omni Solid Services Inc. (OSSI) (formerly Solid Laguna Corporation SLC) was incorporated on May 15, 1995. SLC merged with Solid City Industrial and Commercial Corporation (SCICC), a wholly-owned subsidiary of Solid Corporation, on December 28, 2001 with SLC as the surviving company. SLC ceased its consumer electronics manufacturing operations in December 2002 after its manufacturing agreement with SPH expired in September 2002 and was not renewed. Subsequently, SLC's business is injected plastics manufacturing which was the business of SCICC prior to their merger. SLC ceased the operations of the plastic injection manufacturing business at the end of 2009 and operated as lessor of real estate. SLC merged with Omni Logistics Corporation (OLC), another wholly owned subsidiary of the Company, effective January 1, 2012, with SLC as the surviving company. After the merger, SLC resumed the business of OLC of providing warehousing and logistics services to third parties. On March 19, 2012, SLC changed its corporate name to Omni Solid Services, Inc.

SolidService Electronics Corporation (SEC) (formerly Solid Electronics Corporation SEC) was incorporated on August 9, 1982. SEC operates the repair and service centers for SONY brands of audio and video consumer electronics equipment and MyPhone digital devices. SEC merged with AA Electronics Corporation (AAEC), another wholly-owned subsidiary of the Company and Solid Electronics Services Inc. (SESI), a wholly owned subsidiary of SC on April 12, 2004 with SEC as the surviving company. On September 28, 2018, SEC changed its corporate name to SolidService Electronics Corporation.

Brilliant Reach Limited (BRL) was incorporated on March 12, 2003 in the British Virgin Islands and acquired by the Company on July 31, 2003. BRL handles and manages the placement of the Company's investible funds in foreign currency fixed income financial assets and other investments.

Solid Manila Finance Inc. (SMFI) was incorporated on September 9, 1999. SMFI is engaged in the financing and extension of business, appliance and other loans.

Solid Broadband Corporation (SBC) was incorporated on September 22, 2000 to offer broadband services. SBC obtained a congressional franchise to construct, install, establish, operate and maintain telecommunications systems throughout the Philippines under Republic Act No. 9116 which took effect on April 15, 2001. It has been granted provisional authority to use its franchise by the National Telecommunications Commission on April 15, 2002. SBC was merged with Destiny Inc. (DI) as approved by the Securities and Exchange Commission on August 26, 2005, with SBC as the surviving entity. Henceforth, SBC assumed the operations of DI of broadband cable infrastructure and provides transport services to an affiliate engaged in cable television operations. It also provides integrated multimedia services, among which are, VSAT, broadcast uplink and leased line services. In 2007, SBC started the marketing and distribution of mobile phones. In 2010, My Solid Technologies & Devices Corporation assumed the importation of the mobile phones from SBC while MyTel Mobility Solutions Inc. took over the distribution of mobile phones from SBC. On May 11, 2012, SBC entered into an agreement with Skycable Corporation for the sale/assignment and purchase of its wired and satellite assets and broadband/internet subscriber base. After the sale of its assets, SBC remaining business was acting as collecting agent of Sky Cable until the SBC's clients are transferred to the latter.

MyApp Corporation (MyApp) was incorporated on October 23, 2014 as a holding company. MyApp holds 50% ownership of Creative Hothouse Manila, Inc. which is engaged to design and develop mobile applications. In October 2016, MyApp sold its ownership in Creative Hothouse Manila, Inc. to Creative Hothouse Philippines PTE., LTD.

Green Sun Hotel Management Inc. was incorporated on December 19, 2016 to engage in the hotel and its related business.

Avid Sales Corporation (Avid) was incorporated on July 23, 1996. It is presently engaged in distribution, wholesale and retail of home appliances and electronic products through both online and offline networks and digital solutions for institutional clients.

Henceforth, the term "Company" would mean the Parent Company and/or any of its subsidiaries.

2. Business of Issuer

Principal Products and Services

The consumer electronics business of the Company as of December 31, 2023 are:

(1) sale of mobile phones which generated sales of P88 million (for 49,019 units) or 7% of sales in 2023, P178 million (for 185,388 units) or 31% of sales in 2022 and P270 million (for 292,176 units) or 45% of sales in 2021; and (2) after-sales service for principally SONY brands of consumer 8 electronic products and My|Phone with its 33 company-owned service centers throughout the Philippines as of end of 2023 which generated service income of P147 million or 19% of service revenues in 2023, P152 million or 21% of service revenues in 2022 and P147 million or 22% of service revenues in 2021; (3) warehousing, distribution and product testing of consumer electronic products with service revenue of P307 million or 39% of service revenues in 2023, P261 million or 4% of service revenues in 2022 and P205 million or 30% of service revenues in 2021; (4) subcontract or toll manufacturing of color TV sets for other brand owner (i.e. TCL, Skyworth) which generated tolling fee of P115 million (for 420,008 units) or 15% of service revenues in 2023, P95 million (for 420,008 units) or 13% of service revenues in 2022 and P53 million (for 293,866 units) or 8% of service revenues in 2021; (5) sale of refurbished appliances of P55 million or 4% in 2023, P55 million or 10% of sales in 2022 and P25 million or 4% of sales in 2021; (6) Retail sale of consumer electronic appliances of P883 million (for 141,462 units) or 67% of sales in 2023, P95 million (for 8,874 units) or 17% of sales in 2022 and none in 2021; (7) after-sales service for various consumer product sold in stores of P12 million or 2%, nil in 2022 and 2021; (8) Service income from commission on sale of mobile products amounted to nil in 2023 and 2022 and P3 million or 0.4% of service revenues in 2021.

As mentioned above, Solid Broadband Corporation (SBC) sold its wired and satellite assets and broadband/internet subscriber base on May 11, 2012. After the sale of its assets, SBC remaining business was acting as collecting agent of Sky Cable Corporation until the SBC's clients are transferred to the latter. Revenues arising from this activity amounted to P86 million or 11% o service revenues in 2023, P101 million or 14% of service revenues in 2022 and P97 million or 14% of service revenues in 2021.

The Company's other business activities are: the development and sale of industrial estates in joint venture with Samsung Corporation of Korea, the development of residential condominium for sale and the development and lease of other real estate properties and hotel operations, sale of prefabricated modular houses, sale of broadcast/professional equipment and accessories, services from project integration.

The Company's products and services are sold in the Philippines. Revenues for the last 3 years, are as follows: broadcast/professional equipment and accessories of P258 million or 20% of sales in 2023, P216 million or 38% of sales in 2022 and P256 million or 43% of sales in 2021; prefabricated modular houses and services of P31 million or 2% or sales in 2023, P25 million or 4% of sales in 2022 and P44 million or 7% of sales in 2021. Real estate sales amounted to nil in 2023 and 2022 and P893 thousand or 0.06% of revenues in 2021. Revenues from hotel operations amounted to P94 million or 12% or service revenues in 2023, P109 million or 15% of service revenues in 2022 and P107 million or 16% of service revenues in 2021. Service fee from project integration and repairs of P23 million or 3% or service revenue in 2023, P20 million or 3% of service revenues in 2022 and P61 million or 9% of service revenues in 2021.

Distribution

The broadcast/professional equipment and accessories is also sold directly to its corporate clients such as broadcast stations. The Company distributes through its subsidiaries consumer electronic products and devices in the Philippines. MySolid Technologies and Devices Corporation (MySolid) is selling their remaining MyPhone stocks to corporate clients and government entities through public biddings.

Moreover, the Company also sells retail consumer electronic products through Avid Sales Corporation (Avid) under four concepts: Sony Centre (exclusive for Sony products), AV Surfer 9 (for multi-brand products) and Avidpro or Avid Multi-media (for corporate clients and government institutions) and online store (from own online store, Lazada and Shoppee). As of December 31, 2023, it markets through 36 retail and online stores.

Status of any-publicly announced new product or service

None.

Competition

Avid competes with several retail consumer electronic stores: Abenson, Electroworld, SM Appliance, Anson, Western, Henry's Camera, Beyond Innovation and other retailers.

The broadcast/professional equipment and accessories that the Company sells competes with other brands like Panasonic and Sharp. Other local competitors are MQ Lightings, WAM Pacific, Composite Technologies, BMH System Solutions, Inc, Media Convergence Inc. Overseas competitors and B & H Photo Supply, Tape & Media, Tape Resources and Expandore.

The prefabricated modular houses that the Company markets are standardized in design, modular assembled, easy to assemble and disassemble and relocate and can also be stored easily. Its main products are designed and manufactured using light steel frames and sandwich wall panels that covers a wide range of applications such as temporary offices, dormitories for construction sites, municipal offices, residential settlements, school classrooms shops, temporary housing for disaster relief and military camps, temporary buildings for exhibitions. It competes with Indigo Prefab House and Smarthouse.

The MyPhone brand celphones and tablets distributed by MySolid and STL has shifted its focus from regular marketing to public biddings and meeting new players in the said channel giving outright discount to corporate accounts and warranty extension as required by the procuring entity.

The Company provides warehousing, and logistics services mostly to electronics companies. It competes with Yusen Air Logistics, Seaquest Logistics, Lite Xpress International, DB Schenker and CJ Logistics among others. It also offers testing services to electronics companies and competes with TUV Rhineland, Duinus Smart Tech. and SPIA Product Conformity Services Inc.

The Company operates a hotel through Casa Bocobo Hotel (CBH) and The Hotel at Green Sun. It competes with other budget hotels within the Manila area and Makati area, respectively.

Inventories and Service Parts

The Company through its subsidiaries procures inventories and service parts from a number of sources in the Philippines and foreign suppliers for the supply of consumer and professional products and prefabricated modular houses.

Dependency of the business upon a single or few customers

Due to the expiration of lease contract of Kita Corporation (Kita) with CDC in 2019, Kita sole revenue is from the lease of its residential property. The Company has no other major existing sales contracts.

Service

The Company provides through its subsidiaries, after-sales service for all the consumer electronic products it manufactures. As at December 31, 2023, it has 33 service centers throughout the Philippines. It is accredited by 3 AV brands namely Sony, JBL and GMA affordabox and also an accredited installer and service center for AC brand – Gree and TCL.

Related Party Transactions

The Company provides non-interest-bearing cash advances to its subsidiaries for their working capital requirements. Subsidiaries of the Company generally depend on one another for supply of services and lease of properties. (See Item 12- Certain Relationships and Related Transactions of form 17-A)

Principal Terms and Expiration Dates of all Licenses and Agreements

- Memorandum of Understanding with Sony Philippines, Inc. (Sony)

On July 1, 2003, Solid Electronics Corporation (SEC) entered into a Memorandum of Understanding (MOU) with Sony for network support for Sony products. Under the MOU, Sony authorized the Company to perform in-warranty and out-of warranty services to customers in the Philippines for a fee calculated as a percentage of Sony's annual sales.

In-warranty services shall be rendered free of charge to customers. The actual cost of replacement parts related to in-warranty services shall be shouldered by Sony. Network support fees shall be at a fixed rate per month. The Agreement is effective unless revoked by any of the parties.

- Distributorship Agreement with Sony Corporation

Solid Video Corporation has a non-exclusive Distributorship Agreement with Sony Corporation of Hong Kong Limited (Sony HK), a corporation organized and existing under the laws of Hong Kong. Under the agreement, SVC was designated by Sony HK as its non-exclusive distributor of Sony products in the Philippines. In addition, SVC shall provide the customers in the Philippines with repair and parts replacement services, including but not limited to repair and parts replacement services rendered by SVC which are covered under the 12-month warranty period at its own costs and expenses.

- Agreement with Sky Cable Corporation

In 2012, Solid Broadband Corporation (SBC) and Sky Cable Corporation (Sky) agreed that the management and administration of the sale, assignment and transfer of its assets, equipment, contracts, permits, licenses and subscriber base (the Assets) of SBC be entrusted to Sky. Sky, as the manager of the Assets, was given the overall power and responsibilities to handle all aspects necessary to carry out the administration and operations of the Assets and SBC, to accord the necessary additional authorizations, should the need arise. Sky assumes to pay SBC all cost and expenses in connection with use and operation of the assets.

Pursuant to the above agreement and pending the issuance of the National Telecommunications Commission (NTC) approval of the transfer of assets, SBC entered into an operating agreement with Sky on June 2, 2015 for the accommodation of the VSAT transactions of Sky wherein the said transactions will be sold and collected through SBC. Effective 2023, the service fee and other charges amounted to P4.7 million. The agreement is effective unless revoked by either party.

- Franchise

Solid Broadband Corporation (SBC) obtained a congressional franchise for 25 years to construct, install, establish, operate and maintain telecommunications systems throughout the Philippines under Republic Act No. 9116 which took effect on April 14, 2001. On May 11, 2012, SBC entered into an agreement with Sky Cable Corporation for the sale/assignment and purchase of its wired and satellite assets and broadband/internet subscriber base. After the sale of its assets, SBC remaining business was acting as collecting agent of Sky Cable until the SBC's clients are transferred to the latter.

Need for any government approval

The transfer of the assets of SBC to Sky Cable Corporation pursuant to its Agreement on May 11, 2012 is still pending the approval of the National Telecommunications Commission.

Effect of existing and probable governmental regulations on the business

None.

Research and development activities

The Company has not spent any significant amount for research and development activities in the last three years.

Costs and effects of compliance with environmental laws

The Company has complied with environmental laws at minimal costs.

Employees

The Company and its subsidiaries have 396 regular employees as at December 31, 2023 as shown in the table below. It estimates to have 435 employees by the end of December 31, 2024. There is no existing union as of December 31, 2023. There are no employees who would be on strike nor have been on strike in the past three (3) years, nor are threatening to strike. The Company has no supplemental benefits and incentive arrangements with its employees other than the regular Christmas bonus, thirteenth month pay, performance incentives and leave conversions.

	Number of employees
Management	21
Sales and Distribution	96
Operation	99
Service	57
Administration	69
Finance	54
Total	396

Major Risks involved in the Businesses of the Company

The Company and its subsidiaries identify the major risks of the businesses by assessing the business environment in which they operate. Major risks and threats are addressed through the corporate planning process, which defines appropriate strategic directions and actions to be taken. These directions and actions are managed by regular audit and management review of the operations and financial results of the Company and its subsidiaries. Significant issues, which may arise as a result of the management review, are then presented to the appropriate committees and Board of Directors for resolution.

The Company's business is continuously subject to rapid technology changes which may cause inventory obsolescence. The Company monitors developments in technology advances that could affect its business.

Item 2. Properties

B. Description of Property

Certain properties owned by the Company through its subsidiaries are as follows:

Location	Land Area (in sq. m.)	Current and Intended Use
Laguna International Industrial Park, Binan, Laguna	73,532	Building and warehouse for lease
La Huerta, Bicutan, Paranaque	18,490	Office building & warehouses for lease
Valenzuela, Marulas, Bulacan	10,493	Factory and warehouses, building for lease
San Dionisio, Paranaque	6,690	Warehouses for lease
Laguna International Industrial Park, Binan, Laguna	5,141	Warehouse for lease
Don Chino Roces Ave, Makati City	5,000	Hotel and office building
San Antonio, Paranaque	4,702	Warehouse for lease
San Antonio, Paranaque	4,056	Warehouse for lease
Natividad St., Ermita, Manila	4,505	Condominium tower (for sale)
Osmena Blvd., Cebu City	3,859	Office building for lease
Brgy. Tabuco, Naga City	3,059	Commercial lot for lease
Tandang Sora, Quezon City	2,511	Modular residential building for dormitory type leasing
Barrio Pantal, Dagupan City	1,918	Building under construction
Barrio San Rafael, Iloilo City	1,750	Service center and building for lease
J. Bocobo St., Ermita, Manila	1,724	Commercial building and hotel
Brgy. San Roque, San Pablo City	1,714	Service center and building for lease
Bacoor, Cavite	1,334	Commercial building for lease
Cabanatuan City, Nueva Ecija	1,212	Service center and building for lease
Araneta, Quezon City	1,000	Office building for lease
Calamba Premiere Industrial Park	4,176	Commercial lots for lease
Brgy. Parian, Prinza and Barandal,	132,929	Raw Land under development

Calamba		
Pililla, Rizal	257,083	Agricultural lot for lease

Solid Corporation also owns a parcel of land in Bgys. Talipapa and Pamaldan, Cabanatuan City, Nueva Ecija with an area of 1,914,180 square meters. This property is the subject of a case filed by Solid Corporation on October 17, 1995 with the Department of Agrarian Reform Regional Adjudication Board (RARAB) to declare the emancipation patents issued to several tenant farmers of the said property and any patents that may subsequently be issued covering the same, null and void on the ground that the requirements of Presidential Decree No. 27 have not been complied with. The portion of the property that may be subject to litigation consists of 47,211 square meters. On February 6, 1997, the case was submitted for resolution. On June 26, 1997, the RARAB ordered the processing of the Certificate of Land Transfer for issuance to the tenants. On July 31, 1997, Solid Corporation appealed the RARAB decision to the DAR's Central Adjudication Board (DARAB). The appeal was resolved adverse to Solid Corporation on January 31, 2002. Solid Corporation appealed the DARAB decision to the Court of Appeals on February 11, 2002. The Court of Appeals dismissed the petition of Solid Corp. on March 1, 2002. In November 2002, Solid Corporation withdrew its appeal at the Court of Appeals preparatory to negotiating with DAR and Landbank, which the Court of Appeals granted last June 28, 2004. No amicable settlement was however reached. Thus, Solid Corporation filed for a Petition for Higher Valuation of Land before the Provincial Agrarian Reform Adjudication Board of the Department of Agrarian Reform in Cabanatuan City on November 18, 2007. The Department of Agrarian Reform granted Solid Corporation's petition and ordered Land Bank to re-evaluate the land valuation based only on Republic Act No. 6657 (The Comprehensive Agrarian Reform Program) on September 28, 2012. Land Bank amended the valuation and tendered an Amended Offer of P14.97 million to Solid Corporation (or Solid Manila Corporation, the surviving company after the merger of Solid Manila Corporation and Solid Corporation). Solid Manila Corporation applied for an amended valuation for Php 16.4 million Pesos. Solid Manila Corporation is complying with the documentation requirements to recover compensation as of April 2023.

Franchise

A Company's subsidiary, Solid Broadband Corporation (SBC), obtained a congressional franchise to construct, install, establish, operate and maintain telecommunications systems throughout the Philippines under Republic Act No. 9116 which took effect on April 15, 2001. On May 11, 2012, SBC entered into an agreement with Skycable Corporation for the sale/assignment and purchase of its wired and satellite assets and broadband/internet subscriber base, (See Agreements). After the sale of its assets, SBC remaining business was acting as collecting agent of Sky Cable.

Mortgage, lien or encumbrance and limitation on ownership or usage on the properties

On December 29, 2023, the Group received proceeds from the initial drawdown of long-term loan from a local bank amounting to P105.0 million to partially finance the construction of warehouse facility in Calamba, Laguna. The outstanding loan has a term of ten years with a two-year grace period. The loan bears interest at 6.25% per annum. The related debt issuance cost of P0.8 million was for the documentary stamp tax. The loan is secured by a real estate mortgage for a total amount of P1.2 billion on real estate property and a suretyship agreement with one subsidiary.

Except for the above third-party claims filed against the Company's subsidiaries as disclosed above, there are no other mortgage, lien or encumbrance and limitation on the ownership or usage on the properties.

Lease agreements

The Company through its subsidiary, Avid Sales Corp. and SolidService Electronics Corporation, has entered into third party lease contracts for the operation of its electronic stores and service centers.

Location	Annual Rent (In Thousand Pesos)	Expiration Date
Alabang	3,450	December 31, 2023
Baguio	1,761	Various up to April 30, 2024
Cebu City	2,428	Various up to December 31, 2023
Ermita, Manila	2,357	April 30, 2023
Imus, Cavite	524	April 14, 2023
Laguna	1,771	Various up to December 31, 2024
Ortigas, Mandaluyong City	5,490	October 31, 2024
Pasay	3,406	October 31, 2024
Pasig City	2,107	Various up to December 31, 2024
Makati	5,876	Various up to December 31, 2024
Quezon City	4,807	Various up to December 31, 2024
San Fernando, Pampanga	1,267	Various up to January 31, 2024
Valenzuela	4,112	Various up to December 31, 2023
Zamboanga	1,053	December 31, 2024

The lease contracts are renewable upon mutual agreement of the parties.

Also, the Company through its subsidiaries, primarily Solid Manila Corporation, Omni Solid Services Inc. and Zen Tower Corporation, leases out to tenants certain real estate properties as summarized below. These leases are renewable on terms mutually acceptable to the parties.

Location	Annual Rent (In Thousand Pesos)	Expiration Date
Araneta, Quezon City	5,102	Various up to January 31,2025
Bacoor, Cavite	5,124	July 31, 2029
Cagayan de Oro	2,141	Various up to July 31, 2024
Calamba, Laguna	1,753	October 31, 2030
Ermita, Manila	59,769	Various up to June 30, 2026
Iloilo	4,026	Various up to November 30, 2024
Jones Ave., Cebu City	5,542	Various up to June 30, 2025
La Huerta, Bicutan, Paranaque	18,707	Various up to October 31, 2027
Laguna International Industrial Park, Binan, Laguna	84,793	Various up to February 14, 2028
Magallanes, Makati	20,295	Various up to July 6, 2029
Naga, Camarines Sur	1,201	May 31, 2038
Project 4, Quezon City	1,429	March 31, 2025
Quezon Ave., Quezon City	4,037	Various up to September 30, 2027
San Antonio, Paranaque City	41,204	Various up to December 31, 2023
Valenzuela, Bulacan	17,419	Various up to June 30, 2024

Properties the Company intends to acquire in the next twelve months

The Company estimates capital expenditures for the year 2024 amounting to P1.5 billion for various real estate development, renovation and upgrade of facilities and transportation equipment. The purchase and/or construction of these capital expenditures will be financed primarily through the funds of the Company and partly through loans.

Item 3. Legal Proceedings

A. Legal Proceedings

As discussed in Item 2 (See Properties), Solid Manila Corporation is involved in litigation or other proceedings affecting its titles to real estate property and certain other litigation in relation to property, the outcome of which could individually or taken as a whole, not adversely affect the financial results, operations or prospects of the Company. The Company does not believe any such litigation will have a significant impact on the financial results, operations, or prospects of the Company.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of the security holders during the fourth quarter of the fiscal year covered by this report.

F. Directors and Executive Officers

Please see the accompanying Information Statement for a brief summary of the business experience of each director and officer in the last five years.

G. Market Price of and Dividend on the Registrant's Common Equity

(1) Market Information

(a) Principal Market

The principal market for the registrant's common equity is the Philippine Stock Exchange.

(i) The registrant's common equity is listed and traded only at the Philippine Stock Exchange. The high and low sales prices for each quarter within the last two years are as follows:

Stock Prices

	High (₱)	Low (₱)
2023		
First quarter	0.98	0.85
Second quarter	1.04	0.87
Third quarter	1.06	0.86
Fourth quarter	0.98	0.88
2022		
First quarter	1.17	0.91

Second quarter	0.96	0.81
Third quarter	0.97	0.79
Fourth quarter	0.90	0.79

(ii) Not applicable. The principal market is the Philippine Stock Exchange.

(b) The Company share was trading at P0.92 as of April 26, 2024 (the latest practicable trading date).

(c) Not applicable. This report is not filed in relation to registration of securities.

(2) Holders

The number of shareholders of record as of April 30, 2024 was 4,201. Common shares outstanding as of April 30, 2024 were 1,821,542,000 shares. Total issued shares as of April 30, 2024 were 2,030,975,000.

Top 20 stockholders of the Company's common stock as of April 30, 2024 are as follows:

	Name of Stockholder	No. of Shares Held	% to Total Outstanding
1.	AA Commercial, Inc.	583,377,817	32.03
2.	AV Value Holdings Corporation	499,999,999	27.45
3.	PCD Nominee Corporation (F)	343,252,774	18.84
4.	Lim, David S.	79,488,591	4.36
5.	Lim, Vincent S.	71,887,187	3.95
6.	Lim, Jason S.	65,176,160	3.58
7.	Marvin Jacob T. Lim	20,000,000	1.10
8.	PCD Nominee Corporation (NF)	13,328,051	0.73
9.	Christopher James L. Tan	11,162,000	0.61
10.	Melissa May Chua Cham Lim	11,000,000	0.60
	Michael Jordan Lim	11,000,000	0.60
	Kevin Michael Lim Tan	11,000,000	0.60
	Jonathan Joseph Lim	11,000,000	0.60
11.	Philippines International Life Insurance Co., Inc	10,000,000	0.55
	Jeremiah Joseph Lim	10,000,000	0.55
	Jessica Megan Lim	10,000,000	0.55
	Isabel Joyce Lim Tan	10,000,000	0.55
	Michelle May Chua Cham Lim	10,000,000	0.55
12.	Chua, Willington Chua &/or Constantino	8,770,000	0.48
13.	Chia Tzu Chern	2,872,000	0.16
14.	Chua, Constantino &/or Willington &/or George	1,750,000	0.10
15.	Hottick Development Corporation	1,408,000	0.08
16.	Paz, Venson	1,065,000	0.06
17.	Columbian Motors Corporation	1,000,000	0.05
	Lucio W. Yan &/or Clara Yan	1,000,000	0.05
18.	Lim, Julia	590,000	0.03
19.	Castillo Laman Tan Pantaleon & San Jose Law Office	536,000	0.03
20.	GMA Farms Inc.	500,000	0.03
	Jacinto Ray Sy	500,000	0.03
	Suntay, Isabel C.	500,000	0.03
	White Elephants Inc.	500,000	0.03

b. Not applicable. This report is not filed in relation to registration of securities or any acquisition, business combination or other reorganization.

c. Not applicable. This report is not filed in relation to any acquisition, business combination or other reorganization.

d. Not applicable. This report is not filed in relation to registration of securities.

(3) Dividends

a. In 2023, cash dividend of P0.06 per share to stockholders of record as of August 18, 2023 and payable on September 15, 2023. In 2022, cash dividend of P0.06 per share to stockholders of record as of July 29, 2022 and payable on August 24, 2022.

b. The Company's retained earnings as of December 31, 2023 included undistributed earnings of subsidiaries and unconsolidated investees, which are not currently available for dividend declaration until such time that the subsidiaries have distributed them. The Company's retained earnings is also restricted for the cost of 209,433,000 treasury shares amounting to P115.6 million as of December 31, 2023.

(4) Recent Sales of Unregistered or Exempt Securities

There was no sale of unregistered or exempt securities in 2021 to 2023.

a. Securities Sold.

No securities were sold by the Company from 2021 to 2023.

b. Underwriters and Other Purchases

Not applicable. There were no securities sold by the Company from 2021 to 2023.

c. Consideration

Not applicable. There were no securities sold by the Company from 2021 to 2023.

d. Exemption from Registration Claimed

Not applicable. There were no securities sold by the Company from 2021 to 2023.

H. Compliance with Corporate Governance Practices

The Company adopted a Manual on Corporate Governance to institutionalize the rules and principles of good corporate governance in accordance with the Code of Corporate Governance promulgated by Securities and Exchange Commission (SEC). Its Manual on Corporate Governance was submitted to the SEC on September 2, 2002 in accordance with SEC Memorandum Circular No. 2 Series of 2002.

Pursuant to the Manual, three Board Committees – Audit, Nomination and Compensation and Renumeration Committees were created in 2003 to aid in complying with principles of good corporate governance. In 2003, the Company increased the number of independent directors from one (1) to two (2). In 2004, in compliance with SEC Memorandum Circular No. 6. the Company increased the number of independent directors in its Audit Committee, from one independent director to two (2) independent directors, and appointed an independent director to head the Audit Committee. In 2008, the company created another committee, the Risk Management Committee in addition to the 3 existing committees composed of four (4) members chaired by an independent director.

A Compliance Officer (CO) was appointed in 2002, directly reporting to the Chairman of the Board to monitor compliance with the provisions and requirements of the Manual. The Compliance Officer has established an evaluation system to measure or determine the level of compliance of the Company with its Manual. In June 2023, a new CO was appointed by the Board of Directors as replacement to the retired CO.

The Board of Directors approved the Company's Revised Manual of Corporate Governance in compliance with SEC Memorandum Circular No. 6, Series of 2009 on September 30, 2010. The Company adopted the Revised Manual of Corporate Governance and submitted it to the SEC on September 30, 2010. Also, the Company adopted the Amended Manual on Corporate Governance which was submitted to the SEC on July 25, 2014.

On June 13, 2013, the Board of Directors approved the Audit Committee Charter.

On April 2, 2014, the Board of Directors approved the Revised Code of Business Conduct of the Company.

On August 12, 2014, the Company's Board of Directors approved the following charters: Corporate Governance and Nominations Committee Charter, Compensation or Renumeration Committee Charter and Risk Management Committee Charter. The Company updated its various charter and the Company's Board of Directors approved the same on November 5, 2019 - the Amended Corporate Governance & Nominations Committee Charter, Risk Management Committee Charter, Internal Audit Charter, Audit Committee Charter. On the same date, the Board approved the Related Party Transaction Committee Charter. On November 10, 2020, the Board approved the Board Charter.

On April 1, 2009, the Board of Directors approved the Whistle Blowing Policy. On November 11, 2014, the Board of Directors approved the policies on: Enterprise Risk Management Policy, Conflict of Interest Policy, Related Party Transaction Policy and Insider Trading Policy. On November 5, 2019, the Company's Board of Directors approved the Amended Related Party Transaction Policy, Enterprise Risk Management Policy, Insider Trading Policy, Policy and Data Relating to Health, Safety and Welfare of Employees, Conflict of Interest Policy.

On August 8, 2019, the Company's Board of Directors approved the Material Related Party Transactions Policy of the Company in compliance with SEC Memorandum Circular No. 10, Series of 2019 and submitted the same to the SEC.

The Board of Directors approved the Amended Manual on Corporate Governance in compliance with SEC Memorandum Circular 19, Series of 2016 on May 29, 2017 and submitted it to the SEC on the same date, with an amendment submitted to the SEC on June 8, 2017.

Under the amended manual, the Company created the Related Party Transaction Committee and combined the other Board Committees. The Company has the following Board Committees: Audit Committee, Corporate Governance, Compensation and Nomination Committee and Risk Management Committee and Related Party Transaction Committee.

The company has reelected Mr. Rafael F. Simpao and Atty Siegfred B Mison as Independent Directors during the Annual Stockholders' meeting on June 22, 2023.

The Company reappointed Punongbayan and Araullo, CPAs as its independent accountant for the year 2023 during the Annual Stockholders' meeting on June 22, 2023.

In 2023, the Company designated a new engagement partner for the audit of the financial statements of the Company beginning the year ending December 31, 2023 in compliance with its Manual on Corporate Governance, which requires that the Company's external auditor be rotated or the handling partner changed every five (5) years or earlier.

The Company, its Directors, Officers and Employees complied with all the leading practices and principles on Good Governance as embodied in the Company's Manual. All members of the Board of Directors as well as Senior Management officers completed and were duly certified to have attended a 1- day special seminar on Corporate Governance conducted by Institute of Corporate Directors. On September 22, 2023, the Company's Directors and Officers attended a half day special seminar on Corporate Governance with Risk Opportunities Assessment and Management (ROAM), Inc, an SEC accredited training provider in compliance with SEC Memorandum Circular No. 20, Series of 2013.

In compliance with the Company's Amended Manual on Corporate Governance, the Board of Directors performed an annual self-assessment of its performance. The assessment included that of the Board itself, the Chairman, individual members and its board committees. In April 2022, the Company engaged an external facilitator who reviewed and assisted the Company in the conduct of its 2021 assessment in compliance with the Company's manual in accordance with SEC's Code of Corporate Governance for Publicly-listed companies.

On June 28, 2013, the Company accomplished and submitted the Annual Corporate Governance Report (ACGR) for the year 2012 in compliance with SEC Memorandum Circular No. 5, Series of 2013. There are no major deviations from the adopted Revised Manual on Corporate Governance. The Company also accomplished the ACGR for the year 2015 which was attached as part of the 2015 Annual Report in SEC Form 17-A. The Company submitted the 2016 ACGR on May 19, 2017 in compliance with SEC Memorandum Circular No. 20, Series of 2016. The 2017 Integrated Annual Corporate Governance Report (I-ACGR) was submitted on May 30, 2018 in compliance with SEC Memorandum Circular No.15, Series of 2017. Subsequent I-ACGR were submitted on or before its deadline. For 2023 I-ACGR, this will be submitted on or before May 30, 2024.

I. External Audit Fees and Services

(1) External Audit Fees and Services

(a) Under the caption Audit and Audit-Related Fees, the aggregate fees billed for each of the last two fiscal years for professional services rendered by the external auditor for:

1. The audit of the registrant's annual financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements for those fiscal years:

The audit fees of our present external auditor, Punongbayan and Araullo for the examination of our annual audited financial statements, including those of our subsidiaries for the years ended December 31, 2023 and 2022 amounted to P6.46 million and P6.4 million, respectively.

2. Other assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the registrant's financial statements.

None for 2023 and 2022.

(b) Under the caption "Tax Fees", the aggregate fees billed in each of the last two (2) fiscal years for professional services rendered by the external auditor for tax accounting, compliance, advice, planning and any other form of tax services. Registrant shall describe the nature of the services comprising the fees disclosed under this category.

The tax fees paid to the Tax Division of Punongbayan and Araullo for tax consultation and advisory services of our Company and those of our subsidiaries for the year ended December 31, 2023 and 2022 amounted to P240 thousand for both years.

(c) Under the caption "All Other Fees", the aggregate fees billed in each of the last two (2) fiscal years for products and services provided by the external auditor, other than the services reported under items (a) & (b) above. Registrants shall describe the nature of the services comprising the fees disclosed under this category.

There were no other fees paid for the years 2023 and 2022.

(d) The audit committee's approval policies and procedures for the above services.

The overall scope of the audit was reviewed and approved by the Audit Committee. The terms of engagement of the audit were also reviewed and approved by the Audit Committee.

The scope and terms of engagement of the tax consultation and advisory services were also reviewed and approved by the Audit Committee.

Upon the favorable endorsement by the Audit Committee, the proposed terms of engagement of services are submitted for approval to the Board of Directors. All of the above services were approved by the Board of Directors.

J. Request for Annual Report on SEC Form 17-A

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY WILL PROVIDE, FREE OF CHARGE, A COPY OF THE COMPANY'S SEC FORM 17-A (ANNUAL REPORT) DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE STOCKHOLDER MAY BE CHARGED A REASONABLE COST FOR PHOTOCOPYING THE EXHIBITS.

ALL REQUESTS MAY BE SENT TO THE FOLLOWING ADDRESS:

Solid Group, Inc.
2285 Don Chino Roces Avenue,
Makati City, Metro Manila
Attention: Annabella S. Orbe

SOLID GROUP INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **Solid Group Inc. and Subsidiaries** is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

JASON S. LIM	SUSAN L. TAN	VINCENT S. LIM
Chairman of the Board	President & Chief Executive Officer	SVP & Chief Financial Officer
Passport No. P1105245B	Passport No. P5617366A	Passport No. P4677771B
Date/Place Issued:	Date/Place Issued:	Date/Place Issued:
March 19, 2019, Manila	January 15, 2018, Manila	February 4, 2020, Manila

26 APR 2024

Signed this _____ day of _________ 2024.

26 APR 2024

SUBSCRIBED AND SWORN to before me this _________ day of ___________, affiants exhibiting to me their passport with details shown above.

Doc No. 480;
Page No. 97;
Book No. XX;
Series of 2024

ATTY. RENE MA. M. VILLA
Notary Public of Makati City
Appointment No. M-111
Until December 31, 2024
PTR No. MKT 10073904; 01-02 2024; Makati City
IBP Lifetime No. 013595; 12-27-2013; LC
Roll No. 37226
MCLE Compliance No. VII-0024195; 02-15-2022
Ground Floor, Makati Terraces Condominium
3650 Dayap St., Brgy. Tejeros, Makati City 1204

P&A Grant Thornton

Consolidated Financial Statements and Independent Auditors' Report

Solid Group Inc. and Subsidiaries

December 31, 2023, 2022 and 2021
(With Corresponding Figures as of January 1, 2022)

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

Report of Independent Auditors

The Board of Directors and Stockholders
Solid Group Inc. and Subsidiaries
2285 Don Chino Roces Avenue
Makati City, Philippines

Opinion

We have audited the consolidated financial statements of Solid Group Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2023, and the notes to consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC) and described in Note 2 to the consolidated financial statements.

Basis for Opinion

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

Other Matter

We draw attention to Note 2 to the consolidated financial statements, which indicates that the consolidated financial statements have been prepared in accordance with PFRS, as modified by the financial reporting reliefs issued and approved by the SEC. The qualitative impact of the financial reporting reliefs on the consolidated financial statements are disclosed in Note 2 to the consolidated financial statements. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

(a) Valuation of Investment Properties at Fair Value

Description of the Matter

The Group's investment properties consist mainly of land and improvements, and buildings and improvements held for lease under operating lease arrangements. The Group's investment properties are accounted for under the fair value model. As at December 31, 2023, the Group's investment properties amounted to P6,967.2 million representing 48.5% of the total consolidated assets. In determining the fair value of investment properties, management engaged the services of a professional and independent appraiser, with sufficient experience with respect to both the location and the nature of the investment properties and used relevant valuation methodologies.

The valuation of investment properties was considered as a key audit matter as the amount is material to the consolidated financial statements, and that the process of determining the fair value involves high estimation uncertainty and significant assumptions, and requires engagement of a valuation expert.

The Group's disclosures about investment properties and the related fair value disclosures are included in Notes 2, 3, 12 and 30.

How the Matter was Addressed in our Audit

Our audit procedures to address the risk of material misstatement relating to valuation of investment properties included:

- determining whether the independent appraiser engaged by the Group has the necessary professional competency, capabilities and objectivity; and,

- evaluating the results of the work of independent appraiser by determining the appropriateness of the methods applied, reasonableness of assumptions used such as the selection of comparable properties and determination of price adjustments due to size and features, among others, and reliability of data used in computing for the fair value.

(b) Revenue Recognition for Sale of Goods and Rendering of Services

Description of the Matter

The Group recognizes revenue only when (or as) the performance obligation to transfer control of the promised goods or services is satisfied. The transfer of control can occur over time or at a point in time. For the year ended December 31, 2023, the Group's revenue from sale of goods and rendering of services amounted to P1,315.4 million and P782.7 million, respectively. Since the revenue from sale of goods and rendering of services is significant and susceptible to fraud or error that could cause material misstatements to the consolidated financial statements, we consider this as a key audit matter.

The Group's disclosures about its revenue from sale of goods and rendering of services and revenue recognition policies are included in Notes 2 and 4.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to revenue recognition included:

- obtaining an understanding of the Group's revenue transactions by reviewing revenue contracts and revenue transaction processes, and testing of design effectiveness of the internal controls related to the process of recording sale and receipts, which include inquiry and observation, and performing walkthrough of controls of indicating processing marked on source documents and comparing details of amounts entered to source documents;

- evaluating appropriateness of the Group's revenue recognition policy in accordance with PFRS 15, *Revenue from Contracts with Customers*;

- testing sales invoices, delivery receipts, cash receipt sales and other related supporting documents, on a sample basis, of revenue transactions throughout the current period to determine whether transactions are valid and existing;

- performing sales cut-off test, including, among others, examining sales transactions near period end, and analyzing and reviewing delivery orders, commercial invoices, sales returns, credit memos and other receivable adjustments subsequent to the end of the reporting period to determine whether revenues are appropriately recognized in the proper period;

- confirming receivables, on sample basis, using positive confirmations, performing alternative procedures for non-responding customers such as, but not limited to, examining cash receipts or sales and billing invoices; and,

- performing detailed analysis of revenue components on a per month and per product basis and financial key ratio analysis related to revenues such as, but not limited to, comparing the current year's revenue as a percentage of total revenues, receivable turnover and average collection period.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audits resulting in this independent auditors' report is Renan A. Piamonte.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 10076150, January 3, 2024, Makati City
SEC Group A Accreditation
Partner - No. 107805-SEC (until financial period 2023)
Firm - No. 0002 (until financial period 2024)
BIR AN 08-002511-037-2022 (until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 11, 2024

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022
(With Corresponding Figures as of January 1, 2022)
(Amounts in Philippine Pesos)

	Notes	**December 31, 2023**	December 31, 2022 (As Restated – see Note 2)	January 1, 2022 (As Restated – see Note 2)
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	5	**P 2,710,806,862**	P 3,832,058,109	P 2,749,788,562
Short-term placements	5	**153,780,405**	-	1,702,458,454
Trade and other receivables - net	6	**251,417,991**	242,779,722	327,047,374
Advances to related parties	25	**2,420,429**	2,386,851	2,386,851
Merchandise inventories and supplies - net	8	**337,347,302**	324,629,855	124,880,881
Real estate inventories	9	**428,929,955**	428,929,955	437,787,335
Other current assets - net	13	**480,578,047**	350,046,112	237,055,863
Total Current Assets		**4,365,280,991**	5,180,830,604	5,581,405,320
NON-CURRENT ASSETS				
Trade and other receivables	6	**1,084,168,861**	941,259,567	838,536,028
Financial assets at fair value through other comprehensive income	7	**55,400,000**	37,000,000	27,400,000
Investment in an associate	7	**48,022,714**	88,022,714	76,512,000
Investment in bonds	7	**20,000,000**	20,000,000	20,000,000
Right-of-use assets - net	10	**4,665,980**	2,901,782	5,673,637
Property and equipment - net	11	**1,594,725,932**	1,586,203,581	1,626,508,328
Investment properties - net	12	**6,967,166,931**	5,608,592,324	4,638,814,250
Post-employment benefit asset - net	21	**123,953,587**	152,210,254	131,951,617
Deferred tax assets - net	22	**11,044,677**	9,950,528	12,090,214
Other non-current assets - net	13	**38,933,179**	37,901,985	26,279,062
Total Non-current Assets		**9,948,081,861**	8,484,042,735	7,403,765,136
TOTAL ASSETS		**P 14,313,362,852**	P 13,664,873,339	P 12,985,170,456

	Notes	December 31, 2023	December 31, 2022 (As Restated – see Note 2)	January 1, 2022 (As Restated – see Note 2)
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade and other payables	15	**P 586,312,082**	P 478,162,124	P 455,481,732
Customers' deposits		**4,272,982**	14,591,002	10,366,460
Lease liabilities	10	**5,120,889**	2,791,164	3,711,489
Income tax payable		**15,271,602**	13,925,841	1,072,680
Advances from related parties	25	**-**	1,881,570	1,881,570
Total Current Liabilities		**610,977,555**	511,351,701	472,513,931
NON-CURRENT LIABILITIES				
Interest-bearing loan	14	**105,000,000**	-	-
Refundable deposits	16	**192,693,811**	184,885,593	26,244,550
Post-employment benefit obligation	21	**20,200,719**	15,844,501	19,793,584
Deferred tax liabilities - net	22	**1,031,056,402**	955,050,472	874,570,581
Lease liabilities	10	**-**	748,583	2,878,860
Total Non-current Liabilities		**1,348,950,932**	1,156,529,149	923,487,575
Total Liabilities		**1,959,928,487**	1,667,880,850	1,396,001,506
EQUITY				
Attributable to the Parent Company's stockholders				
Capital stock	23	**2,030,975,000**	2,030,975,000	2,030,975,000
Additional paid-in capital		**4,641,701,922**	4,641,701,922	4,641,701,922
Treasury shares - at cost	23	**(115,614,380)**	(115,614,380)	(115,614,380)
Revaluation reserves - net	23	**128,781,811**	149,200,491	50,287,013
Retained earnings	23	**5,362,557,945**	4,962,231,103	4,643,901,604
Total equity attributable to the Parent Company's stockholders		**12,048,402,298**	11,668,494,136	11,251,251,159
Non-controlling interests	23	**305,032,067**	328,498,353	337,917,791
Total Equity		**12,353,434,365**	11,996,992,489	11,589,168,950
TOTAL LIABILITIES AND EQUITY		**P 14,313,362,852**	P 13,664,873,339	P 12,985,170,456

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(With Corresponding Figures as of January 1, 2022)

	Notes	2023	2022	2021
REVENUES				
Sale of goods	4, 25	**P 1,315,397,087**	P 569,204,496	P 595,189,618
Rendering of services	25, 26	**782,652,204**	742,891,260	676,223,209
Rentals	12, 25, 27	**278,482,627**	265,740,814	240,777,116
Interest	5, 6, 7, 25	**90,293,659**	56,669,513	26,869,721
Sale of real estate		**-**	-	892,857
		2,466,825,577	1,634,506,083	1,539,952,521
COSTS OF SERVICES, SALES, RENTALS AND REAL ESTATE SALES	17, 18			
Cost of sales		**1,037,750,665**	448,487,210	494,517,506
Cost of services		**529,239,509**	535,987,772	508,324,310
Cost of rentals		**72,186,605**	73,732,185	66,528,808
Cost of real estate sales		**-**	-	434,180
		1,639,176,779	1,058,207,167	1,069,804,804
GROSS PROFIT		**827,648,798**	576,298,916	470,147,717
OTHER OPERATING EXPENSES (INCOME)				
General and administrative expenses	18	**488,827,742**	383,232,503	317,581,180
Selling and distribution costs	18	**124,760,455**	13,953,887	44,267,297
Other operating income - net	19	**(362,285,587)**	(292,500,950)	(553,169,725)
		251,302,610	104,685,440	(191,321,248)
OPERATING PROFIT		**576,346,188**	471,613,476	661,468,965
OTHER INCOME (CHARGES) – Net				
Finance income	5, 6, 20	**128,342,280**	83,341,782	81,961,223
Finance costs	20	**(6,009,463)**	(1,835,328)	(2,691,280)
Gain on bargain purchase	1	**-**	14,551,673	-
Other gains	20	**32,666,476**	24,473,330	14,704,501
		154,999,293	120,531,457	93,974,444
PROFIT BEFORE TAX		**731,345,481**	592,144,933	755,443,409
TAX EXPENSE	22	**199,580,349**	163,218,285	77,854,004
NET PROFIT		**P 531,765,132**	P 428,926,648	P 677,589,405
Net profit attributable to the:				
Parent Company's stockholders	24	**P 509,619,362**	P 427,622,019	P 666,154,358
Non-controlling interests		**22,145,770**	1,304,629	11,435,047
		P 531,765,132	P 428,926,648	P 677,589,405
Basic and diluted earnings per share attributable to the Parent Company's stockholders	24	**P 0.28**	P 0.23	P 0.37

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(With Corresponding Figures as of January 1, 2022)

	Notes	2023	2022	2021
NET PROFIT		**P 531,765,132**	P 428,926,648	P 677,589,405
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will be reclassified subsequently to profit or loss –				
Currency exchange differences on translating financial statements of foreign operations	23	**(9,249,466)**	86,245,201	29,777,985
Items that will not be reclassified subsequently to profit or loss:				
Fair value gains on financial assets at fair value through other comprehensive income	7, 23	**18,400,000**	9,600,000	3,300,000
Remeasurement of post-employment defined benefit plan	21, 23	**(39,063,646)**	3,462,228	2,277,975
Tax income (expense)	22, 23	**9,494,432**	(393,951)	4,009,791
		(11,169,214)	12,668,277	9,587,766
		(20,418,680)	98,913,478	39,365,751
TOTAL COMPREHENSIVE INCOME		**P 511,346,452**	P 527,840,126	P 716,955,156
Total comprehensive income attributable to:				
Parent Company's stockholders		**P 489,200,682**	P 526,535,497	P 705,520,109
Non-controlling interests		**22,145,770**	1,304,629	11,435,047
		P 511,346,452	P 527,840,126	P 716,955,156

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 and 2021
(With Corresponding Figures as of January 1, 2022)

	Notes	Attributable to the Parent Company's Stockholders: Capital Stock	Additional Paid-in Capital	Treasury Shares - at Cost	Revaluation Reserves	Retained Earnings	Total	Non-controlling Interests	Total Equity
Balance at January 1, 2023									
As previously reported		P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 149,200,491	P 4,906,253,479	P 11,612,516,512	P 328,498,353	P 11,941,014,865
Effect of restatement	2	-	-	-	-	55,977,624	55,977,624	-	55,977,624
As restated		2,030,975,000	4,641,701,922	(115,614,380)	149,200,491	4,962,231,103	11,668,494,136	328,498,353	11,996,992,489
Effect of deconsolidation of subsidiaries	23	-	-	-	-	-	-	5,689,831	5,689,831
Dividends declared	23	-	-	-	-	(109,292,520)	(109,292,520)	(51,301,887)	(160,594,407)
Total comprehensive income (loss) for the year		-	-	-	(20,418,680)	509,619,362	489,200,682	22,145,770	511,346,452
Balance at December 31, 2023		**P 2,030,975,000**	**P 4,641,701,922**	**(P 115,614,380)**	**P 128,781,811**	**P 5,362,557,945**	**P 12,048,402,298**	**P 305,032,067**	**P 12,353,434,365**
Balance at January 1, 2022									
As previously reported		P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 50,287,013	P 4,587,923,980	P 11,195,273,535	P 337,917,791	P 11,533,191,326
Effect of restatement	2	-	-	-	-	55,977,624	55,977,624	-	55,977,624
As restated		2,030,975,000	4,641,701,922	(115,614,380)	50,287,013	4,643,901,604	11,251,251,159	337,917,791	11,589,168,950
Dividends declared	23	-	-	-	-	(109,292,520)	(109,292,520)	(10,724,067)	(120,016,587)
Total comprehensive income for the year		-	-	-	98,913,478	427,622,019	526,535,497	1,304,629	527,840,126
Balance at December 31, 2022		P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 149,200,491	P 4,962,231,103	P 11,668,494,136	P 328,498,353	P 11,996,992,489
Balance at January 1, 2021									
As previously reported		P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 10,921,262	P 3,921,769,622	P 10,489,753,426	P 366,558,216	P 10,856,311,642
Effect of restatement	2	-	-	-	-	55,977,624	55,977,624	-	55,977,624
As restated		2,030,975,000	4,641,701,922	(115,614,380)	10,921,262	3,977,747,246	10,545,731,050	366,558,216	10,912,289,266
Dividends declared	23	-	-	-	-	-	-	(40,075,472)	(40,075,472)
Total comprehensive income for the year		-	-	-	39,365,751	666,154,358	705,520,109	11,435,047	716,955,156
Balance at December 31, 2021		P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 50,287,013	P 4,643,901,604	P 11,251,251,159	P 337,917,791	P 11,589,168,950

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(With Corresponding Figures as of January 1, 2022)

	Notes	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 731,345,481**	P 592,144,933	P 755,443,409
Adjustments for:				
Fair value gains on investment properties - net	12	**(296,696,566)**	(216,030,827)	(500,949,401)
Interest income	5, 6, 7, 21, 25	**(192,070,738)**	(94,489,051)	(45,655,958)
Depreciation and amortization	10, 11, 13, 18	**85,796,379**	83,921,372	86,391,426
Impairment loss on investment in associates	7, 18	**40,000,000**	-	-
Interest expense	10, 21	**9,758,968**	5,637,252	4,843,892
Gain on sale of property and equipment	11, 20	**(4,464,233)**	(1,601,267)	(1,410,329)
Gain on deconsolidation	20, 23	**(3,344,559)**	-	-
Impairment loss on trade and other receivables - net	6, 20	**367,814**	784,916	-
Gain on sale of investment property	12, 20	**(339,000)**	(649,000)	-
Unrealized foreign currency exchange gains		**(20,197)**	(435,394)	(13,901,755)
Gain on bargain purchase of a subsidiary	1	**-**	(14,551,673)	-
Reversal of allowance for inventory obsolescense – net	8	**-**	(11,145,980)	(39,478,252)
Impairment loss on input value-added tax	13, 18	**-**	803,925	33,579
Reversal for impairment losses on trade and other receivables – net	6, 20	**-**	-	5,008,187
Gain on derecognition of liabilities	15, 20	**-**	-	(3,519,420)
Impairment losses on advances to related parties	18, 25	**-**	-	1,000,000
Derecognition of cancelled project		**-**	-	109,929
Operating profit before working capital changes		**370,333,349**	344,389,206	247,915,307
Decrease (increase) in trade and other receivables		**(145,631,463)**	100,386,465	(108,814,515)
Decrease (increase) in merchandise inventories and supplies		**(12,717,447)**	(106,186,773)	112,953,041
Increase in real estate inventories		**-**	(13,687,463)	(692,719)
Increase in advances to related parties		**-**	-	(1,000,000)
Decrease (increase) in other current assets		**(131,856,817)**	(48,891,352)	117,345,031
Decrease (increase) in post-employment benefit asset		**37,091,591**	(5,613,064)	3,411,909
Decrease (increase) in other non-current assets		**(970,642)**	(11,637,822)	160,314
Increase (decrease) in trade and other payables		**108,188,945**	(95,625,482)	72,104,549
Increase (decrease) in customers' deposits		**(10,318,020)**	4,224,542	(5,350,910)
Decrease in advances from related parties		**7,237,448**	-	-
Increase (decrease) in refundable deposits		**6,887,054**	158,450,070	(3,299,577)
Increase (decrease) in post-employment benefit obligation		**(41,992,095)**	6,751,107	(2,229,461)
Cash generated from operations		**186,251,903**	332,559,434	432,502,969
Interest received		**84,009,745**	55,130,603	31,167,032
Cash paid for income taxes		**(112,503,500)**	(91,606,316)	(52,049,934)
Net Cash From Operating Activities		**157,758,148**	296,083,721	411,620,067
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of investment property	12	**(1,070,227,041)**	(745,944,118)	(110,515,004)
Additional short-term placements	5	**(746,325,903)**	(4,775,490,726)	(4,573,404,102)
Maturity of short-term placements	5	**592,545,498**	6,477,949,180	6,197,422,585
Interest received		**91,914,465**	32,011,415	14,457,615
Acquisitions of property and equipment	11	**(89,213,822)**	(37,222,933)	(28,298,018)
Proceeds from disposal of investment property	12	**8,688,000**	12,980,000	-
Proceeds from disposal of property and equipment	11	**5,873,942**	4,320,856	8,209,869
Acquisition of intangible assets	13	**(82,087)**	-	-
Collection of (additional) advances to related parties	25	**(33,578)**	-	1,000,000
Acquisition of a wholly owned subsidiary	1	**-**	(100,200,100)	-
Additional investments in an associate	7	**-**	(11,510,714)	(58,326,400)
Investment in bonds	7	**-**	-	(20,000,000)
Refund of payment from construction-in-progress		**-**	-	500,000
Net Cash From (Used in) Investing Activities		**(1,206,860,526)**	856,892,860	1,431,046,545
Balance brought forward		**(P 1,049,102,378)**	P 1,152,976,581	P 1,842,666,612

	Notes	2023	2022	2021
Balance carried forward		**(P 1,049,102,378)**	P 1,152,976,581	P 1,842,666,612
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	23	**(160,594,407)**	(120,016,587)	(40,075,472)
Proceeds from availment of interest-bearing loans	14	**105,000,000**	-	-
Repayment of lease liabilities	10	**(7,201,585)**	(4,191,680)	(4,955,272)
Net Cash Used in Financing Activities		**(62,795,992)**	(124,208,267)	(45,030,744)
Effects of Foreign Exchange Rate Changes on Cash and Cash Equivalents		**(9,229,262)**	445,205	33,817,535
CASH OF ACQUISITION (DECONSOLIDATION) OF SUBSIDIARIES	1, 23	**(123,615)**	53,056,028	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,121,251,247)**	1,082,269,547	1,831,453,403
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**3,832,058,109**	2,749,788,562	918,335,159
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 2,710,806,862**	P 3,832,058,109	P 2,749,788,562

Supplemental Information on Non-cash Investing and Financing Activities:

1. In 2022, the Group transferred certain investment properties with a carrying amount of P2.4 million, respectively, to property and equipment (see Notes 11 and 12). There was no similar transation in 2023.

2. In 2022, a subsidiary sold its remaining parcels of land to another subsidiary. As a result, the parcels of land with a total cost of P22.5 million were reclassified from real estate inventories to investment properties (see Notes 9 and 12). There was no similar transaction in 2023.

3. The Group recognized additional right-of-use asset and lease liability both amounting to P8.3 million in 2023 (see Note 10). There was no similar transaction in 202

4. As a result of deconsolidation of certain subsidiaries in 2023, the Group derecognized the related assets and liabilities of the subsidiaries from the consolidated financial statements as of December 31, 2023 (see Note 23).

5. Management obtains annual appraisal reports on its investment properties from independent appraisers. As a result of the appraisal, the Group recognizes fair valu gains on investment property amounting to P296.7 million, P216.0 million and P500.9 million in 2023, 2022, and 2021, respectively (see Note 19).

6. In 2022, the Parent Company acquired shares of Avid to bring its ownership interest to 100%. As a result of acquisition, the Group's property and equipment and right-of-use assets increased by P3.1 million and P0.8 million, respectively.

See Notes to Consolidated Financial Statements.

(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Group Background

Solid Group Inc. (SGI or the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission ("the Commission") on October 16, 1933. SGI currently conducts business as an investment holding company. On September 4, 1996, SGI listed its shares of stock in the Philippine Stock Exchange (PSE).

The Parent Company holds effective ownership interests in the following subsidiaries (the Parent Company and the subsidiaries are collectively referred to herein as "the Group") and an associate:

	Percentage of Ownership				
Subsidiaries / Associate	**2023**	2022	2021	Notes	Nature of Business
Subsidiaries:					
Avid Sales Corporation (Avid)	**100**	100	-		Distribution, wholesale and retail of home appliances and electronic products
Brilliant Reach Limited (BRL)	**100**	100	100	a	Investment holding company
Casa Bocobo Hotel, Inc. (CBHI)	**100**	100	100	b	Hotel and restaurant operation
Green Sun Hotel Management, Inc. (GSHMI)	**100**	100	100		Hotel and restaurant operation
Kita Corporation (Kita)	**100**	100	100		Leasing of real estate properties
My Solid Technologies & Devices Corporation (My Solid)	**100**	100	100		Sale of mobile phones and accessories
MyApp Corporation (MyApp)	**100**	100	100	c	Investment holding company
Omni Solid Services, Inc. (OSSI)	**100**	100	100		Logistics and assembly of consumer electronics products
Precos, Inc. (Precos)	**100**	100	100	c	Real estate
Solid Broadband Corporation (SBC)	**100**	100	100		Broadband, cable and satellite services
SolidService Electronics Corporation (SEC)	**100**	100	100		Repair services for audio and video products
Solid Group Technologies Corporation (SGTC)	**100**	100	100		Trading of prefabricated modular house and office units
Solid Manila Corporation (SMC)	**100**	100	100		Real estate
Solid Manila Finance, Inc. (SMFI)	**100**	100	100		Financing
Solid Video Corporation (SVC)	**100**	100	100		Trading of professional audio/ video equipment
Zen Towers Corporation (ZTC)	**100**	100	100		Real estate
SVC Hong Kong Limited (SVC HK)	**100**	100	-	f	Trading of professional audio/ video equipment
Skyworld Corporation (Skyworld)	**75**	75	75	b, c	Investment holding company
Starworld Corporation (Starworld)	**50**	50	50	b, d	Real estate
Interstar Holdings Company, Inc. (Interstar)	**-**	73	73	b	Investment holding company
Laguna International Industrial Park, Inc. (LIIP)	**-**	50	50	b, e	Real estate
Associate –					
Fekon Solid Motorcycle Mfg. Corp. (Fekon)	**44**	44	44	7.3	Sale of motorcycle, motor parts and products

Notes:
(a) Incorporated and domiciled in the British Virgin Islands
(b) Indirectly owned through SMC
(c) Pre-operating or non-operating
(d) Starworld is 20% owned by SMC and 40% owned by Skyworld
(e) LIIP is 22.5% owned by SMC and 37.5% owned by Interstar as of December 31, 2022 and 2021
(f) Indirectly owned through SVC

Additional information:

(i) In 2023, SMC sold its shares of stock in Interstar and LIIP. Details of deconsolidation are presented in Note 23.5.

(ii) In November 2022, the Parent Company acquired shares of Avid for P100.2 million to bring its ownership interest to 100%. Management assessed that it has control over Avid and was considered as a wholly owned subsidiary as of December 31, 2022. The Group has determined this acquisition to be a business combination for which the purchase price was allocated between the identifiable assets and liabilities at fair value [see Note 3.1(e)].

For the purpose of determining the gain on bargain purchase, the Group determined the fair value of the identified net assets of Avid as of November 2022 as presented below.

Fair value of assets acquired:	
Cash	P 53,056,028
Trade and other receivables - net	31,852,968
Merchandise inventories - net	82,416,221
Other current assets	43,951,983
Property and equipment - net	3,070,012
Right-of-use assets - net	845,801
Post-employment benefit asset - net	21,204,286
	236,397,299
Fair value of liabilities assumed:	
Trade and other payables	118,305,874
Lease liability	823,673
Deferred tax liability	2,515,979
	121,645,526
Fair value of net assets acquired	114,751,773
Cash consideration	(100,200,100)
Gain on bargain purchase	**P 14,551,673**

The fair values of the identifiable assets and liabilities assumed from Avid as at the date of acquisition was determined to be higher than the total cost; hence, the Group recognized a gain on bargain purchase amounting to P14.6 million, presented as Gain on Bargain Purchase under Other Income (Charges) – Net in the 2022 consolidated statement of income.

The revenues and net profit of Avid since the acquisition date included in the 2022 consolidated income amounted to P95.3 million and P0.5 million, respectively. On the other hand, the revenues and net profit of Avid in 2022, as though the acquisition had been as of January 1, 2022, amounted to P697.3 million and P10.4 million, respectively.

There are no contingent consideration arrangements arising from this acquisition.

The fair value of the receivable acquired as part of the business combination amounted to P31.9 million, with gross contractual amount of P33.3 million.

The acquisition-related costs amounted to P1.6 million, which is presented as part of Taxes and licenses and Outside services under General and Administrative Expenses in the 2022 consolidated statement of income (see Note 18).

(iii) In 2021, SVC incorporated SVC HK with a 100% interest over the latter. SVC HK is a foreign private entity domiciled and incorporated under the laws of Hong Kong. SVC HK started its operations in 2022.

(iv) SBC holds a provisional authority, granted by the National Telecommunications Commission, to use its legislative franchise under Republic Act (R.A.) No. 9116, *An Act Granting Solid Broadband Corporation a Franchise to Construct, Install, Establish, Operate and Maintain Telecommunications Systems throughout the Philippines* (see Note 26.3).

(v) SMFI is subject to the rules and regulations provided under R.A. No. 8556, *The Financing Group Act of 1998* (see Note 31).

1.2 Other Corporate Information

The registered office addresses and principal places of business of the Parent Company and its subsidiaries, except those listed below, are located at 2285 Don Chino Roces Avenue, Makati City. The registered office addresses and principal places of business of the other subsidiaries are as follows:

Avid, SMC and CBHI	-	1000 J. Bocobo cor. T.M. Kalaw Street, Ermita, Manila
BRL	-	2nd Floor, Abbott Building, P.O. Box 933, Road Town, Tortola, British Virgin Islands
Kita	-	N7175 Gil Puyat Ave. cor. Feati St., Clark Freeport Zone, Clarkfield, Pampanga
OSSI	-	Solid St., LIIP, Mamplasan, Biñan, Laguna
SEC	-	145 G. Araneta Avenue, Brgy. Tatalon, Quezon City
Starworld	-	CPIP Brgys. Batino & Prinza, Calamba, Laguna
SVC HK	-	RM A301, 3/F Blk. A Sea View Est 2-8 Watson Rd, Causeway Bay, Hong Kong
ZTC	-	1111 Natividad A. Lopez St., Brgy. 659-A, District 5, Ermita, Manila

1.3 Approval for Issuance of Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2023 (including the comparative consolidated financial statements as of December 31, 2022 and for the years ended December 31, 2022 and 2021 and the corresponding figures as of January 1, 2022) were authorized for issue by the Parent Company's Board of Directors (BOD) on April 11, 2024.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information that has been used in the preparation of these consolidated financial statements is summarized below and in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC) in response to the COVID-19 pandemic. The financial reporting reliefs availed of by the Group are disclosed in detail below and in the succeeding pages. PFRS are adopted by the Financial and Sustainability Reporting Standards Council (FSRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic, for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) SEC Financial Reporting Reliefs Availed by the Group

The Group has availed of several financial reporting reliefs granted by the SEC relating to several implementation issues of PFRS 15, *Revenue from Contracts with Customers*, affecting the real estate industry under following Memorandum Circular (MC):

- MC No. 14-2018, *Philippine Interpretation Committee Question and Answer (PIC Q&A) No. 2018-12 Implementation Issues Affecting Real Estate Industry*
- MC No. 03-2019, *PIC Q&A Nos. 2018-12-H and 2018-14*
- MC No. 04-2020, *Deferment of the Implementation of IFRS Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Costs) for Real Estate Industry*
- MC 34-2020, *Deferral of PIC Q&A No. 2018-12 and IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry for another period of three years or until 2023*

SEC MC No. 08-2021, *Amendment to SEC MC No. 14-2018, MC No. 03-2019, MC No. 04-2020, and MC No. 34-2020 to Clarify Transitory Provision*, provides real estate companies the accounting policy option of applying either the full retrospective approach or the modified retrospective approach when they apply the provisions of the PIC and IFRIC pronouncement.

Discussed below and in the succeeding page are the financial reporting reliefs availed of by the Group, including the descriptions of the implementation issues and their estimated qualitative impacts to the consolidated financial statements. The Group opted to avail the reliefs until the end of the deferment period as provided under the relevant MC.

(i) *IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry (deferred until December 31, 2023)*

The IFRIC concluded that any inventory (work-in-progress) for unsold units under construction that the entity recognizes is not a qualifying asset, as the asset is ready for its intended sale in its current condition (i.e., the developer intends to sell the partially constructed units as soon as it finds suitable customers and, in signing a contract with a customer, will transfer control of any work-in-progress relating to that unit to the customer). Accordingly, no borrowing costs can be capitalized on such unsold real estate inventories.

Had the Group elected not to defer the IFRIC Agenda Decision, it would have the following impact in the consolidated financial statements:

- interest expense would have been higher;
- cost of real estate inventories would have been lower;
- total comprehensive income would have been lower;
- retained earnings would have been lower; and,
- the carrying amount of real estate inventories would have been lower.

(ii) PIC Q&A No. 2018-12-D, *Concept of the Significant Financing Component in the Contract to Sell and PIC Q&A No. 2020-04, Addendum to PIC Q&A 2018-12-D: Significant Financing Component Arising from Mismatch between the Percentage of Completion and Schedule of Payments*

PFRS 15 requires that in determining the transaction price, an entity shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component.

There is no significant financing component if the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference. Further, the Group does not need to adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception that the timing difference of the receipt of full payment of the contract price and that of the completion of the project, are expected within one year and significant financing component is not expected to be significant.

Had the Group elected not to defer this provision of the standard, it would have an impact in the consolidated financial statements as there would have been a significant financing component when there is a difference between the POC of the real estate project and the right to the consideration based on the payment schedule stated in the contract. The Group would have recognized an interest income when the POC of the real estate project is greater than the right to the consideration and interest expense when lesser. Both interest income and expense will be calculated using the effective interest rate method.

This will impact the retained earnings, real estate sales, and profit or loss in the year of adoption and in comparative periods presented. Furthermore, these would have impacted the cash flows from operations and cash flows from financing activities for all years presented in case of a full retrospective approach. Should the Group elect to apply the modified retrospective approach as allowed by MC No. 2021-08, this will impact the opening retained earnings in the year of adoption.

(c) *Presentation of Consolidated Financial Statements*

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents a consolidated statement of comprehensive income separately from the consolidated statement of income.

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to the third consolidated statement of financial position are not required to be disclosed.

(d) *Restatement of Prior Period Consolidated Financial Statements*

In 2023, the Group retrospectively restated its 2022 and 2021 consolidated financial statements to correct the amount of its deferred tax liabilities.

The effects of the restatement in the consolidated statements of financial position as of December 31, 2022 and January 1, 2022 are shown below.

	As Previously Reported	Adjustments	As Restated
December 31, 2022			
Deferred tax liabilities – net	P1,011,028,096	(P 55,977,624)	P 955,050,472
Retained earnings	4,906,253,479	55,977,624	4,962,231,103
Net effect in net assets		P -	
January 1, 2022			
Deferred tax liabilities – net	P 930,548,205	(P 55,977,624)	P 874,570,581
Retained earnings	4,587,923,980	55,977,624	4,643,901,604
Net effect in net assets		P -	

The restatement has no impact on the consolidated statements of income, consolidated statements of comprehensive income and consolidated statements of cash flows as of December 31, 2022 and January 1, 2022.

Accordingly, the Group presents a third consolidated statement of financial position as of January 1, 2022 without the related notes, except for the disclosures required under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

(e) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of Amended Standards

(a) Effective in 2023 that are Relevant to the Group

The Group adopted for the first time the following amendments to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2023:

PAS 1 and PFRS Practice Statement 2 (Amendments)	:	Presentation of Financial Statements – Disclosure of Accounting Policies
PAS 8 (Amendments)	:	Definition of Accounting Estimates
PAS 12 (Amendments)	:	Deferred Tax Related to Assets and Liabilities from a Single Transaction

Discussed below and in the succeeding page is the relevant information about these pronouncements.

(i) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies*. The amendments replace the requirement for entities to disclose their significant accounting policies with the requirement to disclose their material accounting policy information. The amendments also include guidance to help entities apply the definition of material in making decisions about accounting policy disclosures.

The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial, that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements and if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. The application of these amendments is reflected in the Group's consolidated financial statements under Notes 2 and 3.

(ii) PAS 8 (Amendments), *Definition of Accounting Estimates*. The amendments introduce a new definition of accounting estimate which is a monetary amount in the financial statements that are subject to measurement uncertainty. It also clarifies that a change in accounting estimate that results from new information or new developments is not a correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. The application of these amendments had no significant impact on the Group's consolidated financial statements.

(iii) PAS 12 (Amendments), *Deferred Tax Related to Assets and Liabilities from a Single Transaction*. The amendments narrow the scope of the initial recognition exception under PAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgment (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). Management assessed that the application of these amendments had no significant impact on the Group's consolidated financial statements.

(b) *Effective in 2023 that are not Relevant to the Group*

Among the amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2023, the amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*, are not relevant to the Group's consolidated financial statements.

(c) *Effective Subsequent to 2023 but not Adopted Early*

There are pronouncements effective for annual periods subsequent to 2023, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and none of these are expected to have significant impact on the Group's consolidated financial statements:

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2024)

(ii) PAS 1 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants* (effective from January 1, 2024)

(iii) PAS 7 (Amendments), *Cash Flow Statements* and PFRS 7 (Amendments), *Financial Instruments: Disclosures – Supplier Finance Arrangements* (effective from January 1, 2024)

(iv) PFRS 16 (Amendments), *Leases – Lease Liability in a Sale and Leaseback* (effective from January 1, 2024)

(v) PAS 21 (Amendments), *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability* (effective from January 1, 2025)

(vi) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between and Investor and its Associates or Joint Venture* (effective date deferred indefinitely)

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries as enumerated in Note 1.1, after the elimination of intercompany transactions.

Financial statements of entities in the Group that are prepared as of a date different from that of the date of these consolidated financial statements were adjusted to recognize the effects of significant transactions or events that occur between that date of their reporting period and the date of these consolidated financial statements. Adjustments are also made to bring into line any dissimilar accounting policies that may exist.

Subsidiaries are consolidated from the date the Group obtains control. The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the elements of controls. Accordingly, entities are deconsolidated from the date that control ceases (see Note 1.1).

The acquisition method is applied to account for acquired subsidiaries. On an acquisition-by-acquisition basis, the excess of the consideration transferred, the amount of any non-controlling interest (NCI) in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill.

Acquired investment in associate is subject to the purchase method.

The Group's transactions with NCI that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the Group in their capacity as owners.

2.4 Financial Instruments

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognized on their settlement date (i.e., the date that the Group commits to purchase or sell the asset).

(a) Financial Assets

(i) Classification, Measurement and Reclassification of Financial Assets

The Group's financial assets include financial assets at amortized cost and at fair value through other comprehensive income (FVOCI).

Financial Assets at Amortized Cost

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Short-term Placements, Trade and Other Receivables (except advances to suppliers and receivable from officers and employees), Advances to Related Parties, Investment in Bonds, Refundable deposits (presented as part of Other Current Assets account) and Refundable deposits, Deposit to suppliers and Cash bond (presented as part of Other Non-current Assets account).

Financial Assets at FVOCI

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading or as mandatorily required to be classified as fair value through profit or loss (FVTPL). The Group has irrevocably designated equity instruments as at FVOCI on initial recognition.

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes.

A change in the objective of the Group's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(ii) Impairment of Financial Assets

At the end of the reporting period, the Group assesses and recognizes its ECL on a forward-looking basis associated with its financial assets carried at amortized cost. The measurement of ECL involves consideration of broader range of information that is available without undue cost or effort at the reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may affect the collectability of the future cash flows of the financial assets. Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instruments evaluated based on a range of possible outcomes.

The Group applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade and other receivables, except for loans receivables with significant financing component, and advances to related parties. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL using a provision matrix, the Group uses its historical experience, external indicators and forward-looking information.

The Group also assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics and have been grouped based on the days past due.

For loans receivables, which is presented under Trade and Other Receivables account in the consolidated statement of financial position, the Group recognizes lifetime ECL when there has been a significant increase in credit risk on a financial asset since initial recognition. Lifetime ECL represents the expected credit loss that will result from all possible default events over the expected life of a financial asset, irrespective of the timing of the default. However, if the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures and provides for credit losses that are expected to result from default events that are possible within 12-months after the end of the reporting period.

For debt instruments (i.e., investment in bonds) measured at amortized cost, the allowance for credit losses is based on the ECL associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since the origination of the financial asset, in such case, a lifetime ECL for a purchased or originated credit impaired, the allowance for credit losses is based on the change in the ECL over the life of the asset. The Group recognized a loss allowance for such losses at each reporting date.

The Group determines whether there has been a significant increase in credit risk for financial asset since initial recognition by comparing the risk of default occurring over the expected life of the financial asset between the reporting date and the date of the initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that may indicate an actual or expected deterioration of the credit quality of the financial assets.

(b) *Financial Liabilities*

Financial liabilities include interest-bearing loans, trade and other payables (excluding tax-related liabilities, advances from customers and reserve for warranty costs), lease liabilities, advances from related parties and refundable deposits.

2.5 Merchandise Inventories and Supplies

Inventories are valued at the lower of cost and net realizable value (NRV). The cost is determined using the moving average method.

2.6 Real Estate Inventories

Real estate inventories consist of land and land development costs and property development costs.

Subsequent to initial recognition, land and land development costs and property development costs are stated at the lower of cost and net realizable value. An item of land and land development cost is derecognized upon disposal or when no future economic benefits are expected to arise from the sale of asset.

2.7 Property and Equipment

Property and equipment, except land, are carried at acquisition cost or construction cost less subsequent depreciation, amortization and any impairment losses. Land held for use in production or administration is stated at cost less any impairment losses.

Construction in progress pertains to the accumulated costs of putting up the assets, additions or improvements including the applicable borrowing cost.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	10 to 25 years
Test, communication and other equipment	5 to 20 years
Machinery and equipment	5 to 10 years
Transportation equipment	5 years
Computer system	2 to 5 years
Furniture, fixtures and office equipment	2 to 5 years
Tools and equipment	2 to 3 years

Leasehold improvements are amortized over the estimated useful lives of the assets from two to 15 years or the terms of the relevant leases, whichever is shorter.

2.8 Intangible Assets

Intangible assets include non-proprietary club shares and computer software licenses, which are accounted for under the cost model.

The Group's non-proprietary club shares are assessed as having indefinite useful life.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Capitalized costs are amortized on a straight-line basis over the estimated useful lives (ranging from three to ten years) as the lives of these intangible assets are considered finite. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred. Development costs not meeting these criteria for capitalization are expensed as incurred.

Intangible assets are subject to impairment testing when indications exist, as described in Note 2.13.

2.9 Investment Property

Investment property is accounted for under the fair value model. It is revalued annually and is included in the consolidated statement of financial position at its fair value. Fair value is supported by market evidence and is determined by independent appraisers with sufficient experience with respect to both the location and the nature of the investment property.

Investment property, which consists mainly of land and improvements, and buildings and improvements under operating lease agreements, is initially measured at acquisition cost, including transaction costs.

Construction-in-progress pertains to the accumulated costs of putting up the assets, additions or improvements including the applicable borrowing cost.

Transfers from other accounts (such as Land and Land Development Costs and Property and Equipment) are made to investment property when and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers from investment property are made when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For tax purposes, investment property is carried at cost less accumulated depreciation computed on a straight-line basis over the estimated net useful lives of the assets ranging from 11 to 25 years.

2.10 Business Combinations

Business acquisitions are accounted for using the acquisition method of accounting.

Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Negative goodwill is charged directly to profit or loss. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

2.11 Revenue and Expense Recognition

Revenue comprises revenue from sale of goods and real estate and the rendering of services measured by reference to the fair value of consideration received or receivable by the Group for the foods sold and services rendered, excluding value-added tax (VAT) and trade discounts.

The Group often enters into transactions involving the sale of goods and real estate and rendering of services. The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied. The Group uses the practical expedient in PFRS 15 with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting period and the explanation of when such amount will be recognized as revenue as the Group’s contracts with customers have original expected duration of one year or less, except for real estate sales.

In addition, the following specific recognition criteria must also be met before revenue is recognized significant judgments in determining the timing of satisfaction of the following performance obligations are disclosed in Note 3.1(b):

(a) *Rendering of services (other than commission income)* – Revenue, which primarily arise from service fees, room and events services, assembly and test lab services, warehousing and repair services, is recognized by the amount in which the Group has a right to invoice that corresponds directly with the value of services rendered that is completed over a period of time.

(b) *Sale of goods* – Revenue, which primarily includes the sale of handsets, devices, accessories, equipment, appliances and modular houses, is recognized at a point in time. This is generally when the customer has taken an undisputed delivery of goods.

(c) *Warranty and network support fee (shown as part of Rendering of Services)* – Revenue from warranty and network support fee is recognized over time upon actual rendering of in-warranty and out-of-warranty services to the customers. Revenue from network support, which is a fixed amount per month as indicated in the contract, is accrued at the end of each month.

(d) *Sale of real estate*

(i) *Sale of real estate on pre-completed real estate properties* – Revenue from real estate sales is recognized over time proportionate to the progress of the development. The Group measures its progress based on actual costs incurred relative to the total expected costs to be incurred in completing the development.

(ii) *Sale of real estate on completed real estate properties* – Revenue from real estate sales is recognized at a point in time when the control over the real estate property is transferred to the buyer.

Payments received from buyers which do not meet the revenue recognition criteria are presented as Customers Deposits account in the consolidated statement of financial position.

(e) *Commission income (shown as part of Rendering of Services)* – Commission income is recognized over time when the performance of contractually agreed tasks have been substantially rendered.

(f) *Service charges and penalties* – Revenue is generally recognized over time when the service has been provided and when there is reasonable degree of certainty as to their collectability.

(g) *Other revenues from utilities charged and common use service area (CUSA)* – Other revenues arising from utilities and CUSA charges related to leasing activities are recognized over time as the Group performs the contractually agreed task. Customers are invoiced monthly as work progresses, which are also due upon receipt by the customers.

The Group assesses its revenue agreement against the specific criteria in order to determine if it is acting as a principal or an agent [see Note 3.1(h)]. Billings from the common area, air conditioning, utilities and other dues are presented at net amounts since the Group acts as a principal. Other revenues from electricity and water dues, in which the Group acts as an agent, are presented in excess of actual charges and consumption.

Further, the Group provides a product warranty for a period of 15 months from the time of sale on its sales of goods related to hidden and manufacturer's defect. Under the terms of this warranty, customers can return the product for repair or replacement if it fails to perform in accordance with published specifications. These warranties are accounted for under PAS 37. However, if the Group is required to refund the related purchase price for returned goods, it recognizes a refund liability for the expected refunds by adjusting the amount of revenues recognized during the period.

In obtaining customer contracts, the Group incurs incremental costs. As the expected amortization period of these costs, if capitalized, would be less than one year, the Group uses the practical expedient in PFRS 15 and expenses such costs as incurred. The Group also incurs costs in fulfilling contracts with customers. However, as those costs are within the scope of other financial reporting standards, the Group accounts for those costs in accordance with accounting policies related to those financial reporting standards.

Cost and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized. All finance costs are reported in the consolidated statement of income on an accrual basis, except capitalized borrowing costs, if applicable, which are included as part of the cost of the related qualifying asset.

2.12 Leases

The Group accounts for its leases as follows:

(a) Group as a Lessee

Subsequent to initial recognition, the Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Further, the lease liability will be reduced for payments made and increased for interest. The lease liability is remeasured to reflect any reassessment or modification, or if there are changes in substance fixed payments.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

(b) Group as a Lessor

Leases which do not transfer to the lessee substantially all the risks and rewards of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in the consolidated statement of income on a straight-line basis over the lease term.

2.13 Impairment of Non-financial Assets

The Group's property and equipment, investment in associate, intangible assets, right-of-use assets and other non-financial assets are subject to impairment testing. Intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. Except for impairment losses on goodwill, an impairment loss is reversed if the asset or cash-generating unit's recoverable amount exceeds its carrying amount.

2.14 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan and defined contribution plans, and other employee benefits.

The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory, and administered by an investment manager. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method.

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligation to pay further contributions after payment of the fixed contribution.

Termination benefits are payable when employment is terminated by the Group for authorized cause before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in the Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

Short-term employee benefits are monetary and non-monetary benefits provided to current employees, which are expected to be settled 12 months after the end of the reporting period during which the employee services are rendered.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Determination of Lease Term of Contracts with Renewal and Termination Options

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option.

Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated and the renewal of the contract is not subject to mutual agreement of both parties.

For leases of payment centers, the factors that are normally the most relevant are (a) if there are significant penalties should the Group pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Group is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The Group included the renewal period as part of the lease term for leases of some of its payment centers due to the significance of these assets to its operations. These leases have a short, non-cancellable lease period (i.e., one to five years) and there will be a significant negative effect on operations if a replacement is not readily available. However, there are other payment centers wherein the provision in the contract requires mutual agreement of both parties on the terms and agreements of the renewal and termination of the lease contract; hence, renewal options for these leases were not included as part of the lease term.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

(b) Determination of Timing of Satisfaction of Performance Obligations

(i) Rendering of Services

The Group determines that its revenue from rendering of services shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group provides the services without the need of reperformance of other companies. This demonstrates that the customers simultaneously receive and consume the benefits of the Group's rendering of the services as it performs.

In determining the best method of measuring the progress of the Group's rendering of services, management considers the output method under PFRS 15 because it directly measures the value of the services transferred to the customer.

(ii) Sale of Goods

The Group determines that its revenue from sale of goods shall be recognized at a point in time when the control of the goods has passed to the customer (i.e., generally when the customer has acknowledged delivery of the goods).

(iii) Sale of Real Estate

The Group exercises critical judgment in determining whether the performance obligation to deliver and transfer the control over the real estate properties (i.e., land and condominium building) to customers is satisfied over time or at a point in time.

In making this judgment, the Group considers the delivery to and acceptance by the buyer of the property as a transfer of control at specific point in time since the Group does not have a significant continuing involvement with the property sold to the buyer and the earning process is virtually complete. Further, the Group's enforceable right for payment becomes due upon transfer of control over the real estate property. The Group's management determines that its revenue from the sale of real estate inventories, which are completed and ready for use, shall be recognized at a point in time when the control has transferred to the customer (see Note 2.11).

(c) Determination of ECL on Trade and Other Receivables, Investment in Bonds and Advances to Related Parties

The Group uses a provision matrix to calculate ECL for trade and other receivables. The provision matrix is based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions).

For loans receivables (presented under Trade and Other Receivables account), the allowance for impairment is based on the ECL associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized.

The Group also uses an external benchmarking approach to calculate ECL for investment in bonds. The provision rates are derived from published credit ratings by external rating agencies. As referenced to these external credit benchmarks, the Group defines the credit ratings based on certain financial ratios and appropriately determines the equivalent internal credit ratings. Referenced probability of default is then derived from the latest annual global corporate default study published by the external rating agency. The Group makes an annual reassessment of the applicability and reliability of the reference rates used.

The Group has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Other portion of the Group's financial asset at amortized cost pertains to advances to related parties. In relation to this, the maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk. In the case of these advances to related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. Management determines possible impairment based on the sufficiency of the related parties' highly liquid assets in order to repay the Group's receivables if demanded at the reporting date taking into consideration the historical defaults of the related parties. If the Group cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of receivables can be collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

The details about the ECL on the Group's trade and other receivables, investment In debt securities and advances to related parties are disclosed in Notes 6, 7.2, 25.4, 28.2(b), 28.2(c) and 28.2(e).

(d) Costing of Merchandise Inventories and Supplies

The Group's inventory costing policies and procedures were based on a careful evaluation of present circumstances and facts affecting production operations. A review of the benchmarks set by management necessary for the determination of inventory costs and allocation is performed regularly. Actual data are compared to the related benchmarks and critical judgment is exercised to assess the reasonableness of the costing policies and procedures which are currently in place and to make the necessary revisions in light of current conditions.

(e) Distinguishing Business Combination and Asset Acquisition

The Group determines whether the acquisition of an entity constitutes a business acquisition or an asset acquisition. The accounting treatment for the acquisition is determined by assessing whether the transaction involved a purchase of a business, as defined in PFRS 3, taking into consideration the substance of the transaction. Failure to make the right judgment will result in misstatement of assets.

On initial recognition, the assets and liabilities of the acquired businesses and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates will affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in profit or loss in the subsequent period.

Management has assessed that the acquisition of ownership in Avid is to be accounted for as a business combination since it does constitute an acquisition of a business. In 2022, the Group recognized a gain on bargain purchase amounting to P14.6 million, which represents the excess of total fair value of Avid's net identified assets over the total considerations transferred (see Note 1.1).

(f) Distinction Between Investment Property, Owner-occupied Properties and Real Estate Inventories

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the properties but also to other assets used in the production or supply process. On the other hand, real estate inventories are properties intended to be sold in the normal course of business.

(g) Distinction Between Operating and Finance Leases for Contracts where the Group is the Lessor

The Group has entered into various lease agreements as either a lessor or lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on the management's judgment, all of the Group's lease agreements were determined to be operating leases.

(h) Evaluating Principal Versus Agent Consideration

The Group exercises judgment to determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e., the Group is a principal) or to arrange for the other party to provide those goods or services (i.e., the Group is an agent). Failure to make the right judgment will result in misstatement of revenues and expenses accounts. The Group assessed that it is only acting as an agent for utility transactions of its tenants under operating leases. The amount of utility revenues and utility expenses, which were set-off against each other amounted to P24.3 million, P30.9 million and P26.1 million in 2023, 2022 and 2021, respectively, in the consolidated statements of income.

(i) Recognition of Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources, and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. Similarly, possible outflows of economic benefits to the Group that do not meet the recognition criteria of a liability are considered contingent liabilities, hence, are not recognized in the consolidated financial statements.

Judgment is exercised by management to distinguish between provisions and contingencies. Disclosures on relevant provisions and contingencies are presented in Note 27.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Determination of Appropriate Discount Rate in Measuring Lease Liabilities

The Group measures its lease liabilities at the present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate.

In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) Estimation of Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses).

Specifically for loans receivables, the Group's ECL calculations are outputs of complex modes with a number of underlying assumptions which include: (1) the Group's criteria for assessing if there has been a significant increase in credit risk; and, (2) development of expected credit loss models, including the choice of inputs relating to macroeconomic variables.

Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Notes 6, 7.2, 25.4, 28.2(b), 28.2(c) and 28.2(e).

(c) Fair Value Measurement for Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument.

Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

The carrying values of the Group's financial assets at FVOCI and the amounts of fair value changes recognized on those assets are disclosed in Note 7.

(d) Determination of Net Realizable Value of Merchandise Inventories and Supplies

In determining the net realizable value of merchandise inventories and supplies, management takes into account the most reliable evidence available at the time the estimates are made.

The Group's core business is continuously subject to rapid technology changes which may cause inventory obsolescence. Moreover, future realization of the carrying amounts of inventories is affected by price changes in different market segments of electronic devices, modular houses, broadcast equipment and accessories (see Note 8). Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's merchandise inventories and supplies within the next reporting period.

(e) Determination of Net Realizable Value of Real Estate Inventories

The Group adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of real estate inventories. The net realizable value for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions.

Net realizable value in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar property at the same stage of completion, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

Management's assessment of net realizable value of properties under development requires the estimates of future cash flows to be derived from these properties. These estimates require judgment as to the anticipated sale prices by reference to recent sales transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions.

The carrying amounts of the real estate inventories are disclosed in Note 9.

(f) Estimation of Useful Lives of Right-of-Use Assets, Property and Equipment and Intangible Assets

The Group estimates the useful lives of right-of-use assets, property and equipment and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical/commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of right-of-use assets, property and equipment and intangible assets are analyzed in Notes 10.1, 11 and 13.1, respectively. Based on management's assessment as of December 31, 2023 and 2022, there is no change in the estimated useful lives of property and equipment during those years. Actual results, however, may vary due to changes in estimates brought about by changes in the factors mentioned above.

(g) Fair Value Measurement of Investment Property

The Group's investment property, which consists of parcels of land and improvements and buildings and improvements, are carried at fair value at the end of the reporting period. In determining the fair value of these assets, the Group engages the services of professional and independent appraisers applying the relevant valuation methodologies as discussed in Note 30.4.

For investment properties with appraisals conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

A significant change in these elements may affect prices and the value of the assets. The amounts of fair value gains recognized on investment property are disclosed in Note 12.

(h) Determination of Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The carrying value of recognized deferred tax assets, which management assessed may be fully utilized in the coming years, as of December 31, 2023 and 2022 is disclosed in Note 22.2. Certain deferred tax assets, however, were not recognized since management believes that there is no assurance that the related tax benefits will be realized in the coming years.

(i) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.13). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Based on management's assessment, certain non-financial assets were impaired in 2023 and 2022 (see Note 13). Consequently, the Group recognizes loss on impairment for these assets (see Note 18).

(j) Estimation of Reserve for Warranty Costs

The Group offers a warranty, for a period ranging from one to two years, for each consumer electronic product sold. Management estimates the related provision for future warranty costs based on a certain percentage of sales, as determined based on historical warranty claim information as well as recent trends that might suggest that past cost information may differ from expectations. Warranty costs also include the actual cost of materials used in repairing the electronic products.

The amounts of provision for warranty claims recognized and the outstanding balance of Reserve for warranty costs, which is presented as part of Trade and Other Payables account in the consolidated statements of financial position, are disclosed in Note 15.

(k) Valuation of Post-employment Defined Benefit

The determination of the Group's obligation and cost of post-employment benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 21.2 and include, among others, discount rates and expected rate of salary increases. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit asset and obligation in the next reporting period.

The amounts of the fair value of the retirement benefit asset and present value of retirement benefit obligation and the analysis of the movements in the fair value of the retirement benefit asset and present value of retirement benefit obligation, as well as the significant assumptions used in estimating such asset and obligation are presented in Note 21.2.

4. SEGMENT INFORMATION

4.1 Business Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's BOD, its chief operating decision-maker. The BOD is responsible for allocating resources and assessing the performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and services. The Group's main operating businesses are organized and managed separately according to the nature of services and products provided and the different markets served, with each segment representing a strategic business unit as each of these services requires different technologies and resources as well as marketing approaches.

The Group's different business segments are presented as follows:

(a) Distribution/Retail is involved in the sale of mobile phones and devices, home appliances and other electronic products, professional audio and video equipment, and prefabricated modular houses;

(b) Property and related services are involved in the leasing, development and sale of industrial and other real estate properties and hotel and restaurant operations;

(c) Logistics and technical solutions are presently engaged in the business of warehousing and distribution; and,

(d) Investment and others include investment holding companies, and those included in the business of financing and credit extension.

The measurement policies of the Group used for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements. In addition, corporate resources, which are not directly attributable to the business activities of any operating segment, are not allocated to a segment.

Segment assets are allocated based on their use or direct association with a specific segment and they include all operating assets used by each business segment and consist principally of operating cash, receivables, inventories, investment properties and property and equipment, net of allowances and provisions.

Similar to segment assets, segment liabilities include all operating liabilities used by each segment and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

Segment revenues, expenses and performance include sales and purchases between business segments; such sales and purchases are eliminated in the consolidation.

4.2 Analysis of Segment Information

The tables below and in the succeeding page present certain asset and liability information regarding business segments as of December 31, 2023, 2022 and 2021 and the related revenue and profit information for each of the three years in the period ended December 31, 2023 (amounts are in thousands).

	Distribution/ Retail	Property and Related Services	Logistics and Technical Solutions	Investments and Others	Total
2023					
SEGMENT RESULTS					
Sales to external customers	P 1,298,825	P 263,539	P 727,092	P 177,370	P 2,466,826
Intersegment sales	-	85,144	5,828	219,100	310,072
Total revenues	1,298,825	348,683	732,920	396,470	2,776,898
Cost of sales, services, and rentals	1,024,644	148,634	442,426	83,417	1,699,121
Other operating expenses (income)	245,479	(167,842)	121,634	100,752	300,023
Operating profit (loss)	28,702	367,891	168,860	212,301	777,754
Finance income	5,550	70,221	12,974	39,597	128,342
Finance costs	(4,888)	(1,026)	(172)	(6)	(6,092)
Other gains – net	6,957	12,864	7,387	2,115	29,323
Profit before tax	36,321	449,950	189,049	254,007	929,327
Tax expense	16,351	117,994	46,783	18,004	199,132
Net profit	**P 19,970**	**P 331,956**	**P 142,266**	**P 236,003**	**P 730,195**
SEGMENT ASSETS AND LIABILITIES					
Total assets	**P 975,004**	**P 10,677,784**	**P 822,312**	**P 9,189,463**	**P 21,664,563**
Total liabilities	**P 289,688**	**P 1,926,375**	**P 177,904**	**P 82,614**	**P 2,476,581**
OTHER SEGMENT INFORMATION					
Capital expenditures	**P 10,842**	**P 1,101,390**	**P 32,015**	**P 181**	**P 1,144,428**
Depreciation and amortization	**10,470**	**25,399**	**32,471**	**905**	**69,245**
Impairment loss	**-**	**-**	**-**	**57,004**	**57,004**
2022					
SEGMENT RESULTS					
Sales to external customers	P 539,233	P 270,466	P 665,848	P 158,959	P 1,634,506
Intersegment sales	137	105,661	4,128	213,970	323,896
Total revenues	539,370	376,127	669,976	372,929	1,958,402
Cost of sales, services, and rentals	437,195	182,359	403,517	97,656	1,120,727
Other operating expenses (income)	105,502	(134,480)	134,729	67,634	173,385
Operating profit (loss)	(3,327)	328,248	131,730	207,639	664,290
Finance income	17,823	25,048	3,618	36,969	83,458
Finance costs	(1,276)	(681)	(313)	(2)	(2,272)
Other gains – net	911	16,809	4,859	6,724	29,303
Profit before tax	14,131	369,424	139,894	251,330	774,779
Tax expense	5,982	111,460	34,787	10,853	163,082
Net profit	P 8,149	P 257,964	P 105,107	P 240,477	P 611,697
SEGMENT ASSETS AND LIABILITIES [As Restated – see Note 2.2 (d)]					
Total assets	P 984,831	P 8,976,589	P 764,238	P 9,075,857	P 19,801,515
Total liabilities	P 313,756	P 1,426,037	P 172,648	P 69,128	P 1,981,569

	Distribution/ Retail	Property and Related Services	Logistics and Technical Solutions	Investments and Others	Total
OTHER SEGMENT INFORMATION					
Capital expenditures	P 7,067	P 756,560	P 21,735	P 93	P 785,455
Depreciation and amortization	4,918	28,051	49,741	1,196	83,906
Impairment loss	3,328	1,227	-	586	5,141
2021					
SEGMENT RESULTS					
Sales to external customers	P 634,083	P 255,003	P 526,524	P 124,343	P 1,539,953
Intersegment sales	112	134,976	7,248	152,820	295,156
Total revenues	634,195	389,979	533,772	277,163	1,835,109
Cost of sales, services, and rentals	522,956	140,352	336,957	94,115	1,094,380
Other operating expenses (income)	120,103	(426,260)	123,574	867,616	685,033
Operating profit (loss)	(8,864)	675,887	73,241	(684,568)	55,696
Finance income	8,753	16,204	1,259	56,771	82,987
Finance costs	(1,401)	(1,765)	(890)	(4)	(4,060)
Other gains – net	324	22,667	4,409	809,979	837,379
Profit (loss) before tax	(1,188)	712,993	78,019	182,178	972,002
Tax expense	59,310	6,424	11,264	856	77,854
Net profit (loss)	(P 60,498)	P 706,569	P 66,755	P 181,322	P 894,148
SEGMENT ASSETS AND LIABILITIES [As Restated – see Note 2.2 (d)]					
Total assets	P 813,956	P 7,770,072	P 668,278	P 8,850,060	P 18,102,366
Total liabilities	P 271,481	P 1,382,503	P 184,747	P 62,174	P 1,900,905
OTHER SEGMENT INFORMATION					
Capital expenditures	P 454	P 125,982	P 8,352	P 3,415	P 138,203
Depreciation and amortization	5,628	26,066	53,688	977	86,359
Impairment loss	76	34	1,000	1,045	2,155

Prior to 2022, the Group was presenting the operations of SVC under logistics and technical solutions segment. In 2022, the Group's management decided to transfer the operations of SVC from logistics and technical solutions segment to distribution/retail segment. The Group's management also updated the 2021 presentation of segment reporting to conform with the current year's presentation.

There have been no significant changes from prior periods in the measurement methods used to determine reported segment information.

4.3 Reconciliations

The total segment balances presented for the Group's operating segments reconciled to the Group's consolidated balances as presented in the consolidated financial statements are as follows (amount in thousands):

	Segment Totals	Intersegment Accounts	Consolidated Balances
2023			
Revenues	**P 2,776,898**	**(P 310,072)**	**P 2,466,826**
Net profit for the year	**730,195**	**(198,430)**	**531,765**
Total assets	**21,664,563**	**(7,351,200)**	**14,313,363**
Total liabilities	**2,476,581**	**(516,653)**	**1,959,928**
Other segment information:			
Capital expenditures	**1,144,428**	**-**	**1,144,428**
Depreciation and amortization	**69,245**	**16,551**	**85,796**
Impairment losses*	**57,004**	**(17,004)**	**40,000**
2022			
Revenues	P 1,958,402	(P 323,896)	P 1,634,506
Net profit for the year	611,697	(182,770)	428,927
Total assets	19,801,515	(6,136,642)	13,664,873
Total liabilities	1,981,569	(313,688)	1,667,881
Other segment information:			
Capital expenditures	785,455	-	785,455
Depreciation and amortization	83,906	15	83,921
Impairment losses*	5,141	-	5,141
2021			
Revenues	P 1,835,109	(P 295,156)	P 1,539,953
Net profit for the year	894,148	(216,559)	677,589
Total assets	18,102,366	(5,117,196)	12,985,170
Total liabilities	1,900,905	(504,903)	1,396,002
Other segment information:			
Capital expenditures	138,203	-	138,203
Depreciation and amortization	86,359	32	86,391
Impairment losses*	2,155	-	2,155

** The amount of impairment loss for 2023, 2022 and 2021 is gross of reversal of allowance for impairment losses totaling to P4,013, P3,552 and P6,130, respectively (see Note 6).*

4.4 Disaggregation of Revenues from Contracts with Customers and Other Counterparties

When the Group prepares its investor presentations and when the Group management evaluates the financial performance of the operating segments, it disaggregates revenue similar to its segment reporting as presented in Note 4.2. The Group determines that the categories used in the investor presentations and financial reports used by the Group's management can be used to meet the objective of the disaggregation disclosure requirement of PFRS 15, which is to disaggregate revenue from contracts with customers and other counterparties (except for rentals accounted for under PFRS 16 included herein as additional information) into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. A summary of additional disaggregation from the segment revenues and other unallocated income are shown below (amounts in thousands).

	Segment Revenues (Sales to External Customers)				
	Point in time	Over time	Leases	Interest	Total
December 31, 2023					
Distribution/Retail	P 1,260,539	P 38,285	P -	P -	P 1,298,824
Logistics and technical solutions	54,858	564,757	-	-	619,615
Property and related services	-	92,534	278,482	-	371,016
Investments and others	-	87,077	-	90,294	177,371
	P 1,315,397	**P 782,653**	**P 278,482**	**P 90,294**	**P 2,466,826**
December 31, 2022					
Distribution/Retail	P 513,592	P 22,983	P -	P -	P 536,575
Logistics and technical solutions	55,612	508,432	-	-	564,044
Property and related services	-	109,187	265,741	-	374,928
Investments and others	-	102,289	-	56,670	158,959
	P 569,204	P 742,891	P 265,741	P 56,670	P 1,634,506
December 31, 2021					
Distribution/Retail	P 568,023	P 66,059	P -	P -	P 634,082
Logistics and technical solutions	27,166	405,170	-	-	432,336
Property and related services	893	107,521	240,777	-	349,191
Investments and others	-	97,473	-	26,870	124,343
	P 596,082	P 676,223	P 240,777	P 26,870	P 1,539,952

The Group's segment revenues (sales to external customers) include rendering of services, sale of goods, rentals and sale of real estate which are presented in the consolidated statements of income.

5. CASH AND CASH EQUIVALENTS AND SHORT-TERM PLACEMENTS

5.1 Cash and Cash Equivalents

Cash and cash equivalents include the following components as of December 31:

	2023	2022
Cash on hand and in banks	**P 379,190,854**	P 666,536,014
Cash equivalent	**2,331,616,008**	3,165,522,095
	P 2,710,806,862	P 3,832,058,109

Cash in banks generally earn interest based on daily bank deposit rates. Cash equivalents pertain to highly liquid short-term investment with maturity periods varying from one to 90 days and earn annual interests ranging from 0.13% to 6.30%, 0.30% to 6.20%, and 0.01% to 6.25% in 2023, 2022 and 2021, respectively.

Interest earned from cash in banks and cash equivalents are presented as part of Interest under Revenues and as part of Finance income under Other Income (Charges) – net in the consolidated statements of income (see Note 20.2).

5.2 Short-term Placements

Short-term placements, which is presented separately in the consolidated statements of financial position, pertain to time deposits with maturity periods varying between 91 to 365 days and earns effective interests ranging from 6.00% to 6.25% in 2023 and ranging from 0.20% to 1.80% in 2021. As of December 31, 2023, short-term placements amounting to P153.8 million are presented separately in the consolidated statements of financial position. There were no time deposits with maturity of more than three months in 2022.

Interest earned from short-term placements is presented as part of Interest under Revenues and as part of Finance income under Other Income (Charges) – net in the consolidated statements of income (see Note 20.2). The outstanding balance of such interest is presented as Interest receivable under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Notes	2023	2022
Current:			
Trade receivables	6.1 26.1, 26.3	**P 238,535,700**	P 217,342,171
Loans receivables	6.3	**38,181,893**	50,375,822
Advances to:			
Suppliers	6.2(a)	**28,152,028**	37,862,856
Officers and employees	6.2(b), 25.10	**2,387,919**	2,903,048
Rental receivables	6.5	**17,544,381**	21,275,870
Interest receivable	5.2, 7.2	**11,796,266**	5,512,352
Non-trade receivables		**1,331,462**	609,404
Other receivables	6.6	**20,803,358**	14,203,747
		358,733,007	350,085,270
Allowance for impairment	6.7	**(107,315,016)**	(107,305,548)
		251,417,991	242,779,722
Non-current:			
Trade receivables	6.1	**-**	179,970
Advances to suppliers	6.2(a)	**120,000,000**	-
Loans receivables	6.3	**3,867,284**	7,513,876
Cash surrender value of investment in life insurance	6.4	**960,301,577**	933,565,721
		1,084,168,861	941,259,567
		P 1,335,586,852	P 1,184,039,289

All trade and other receivables are subject to credit risk exposure [see Note 28.2(b)]. The Group does not identify the specific concentration of credit risk with regard to trade and other receivables as the amounts recognized resemble a large number of receivables from various customers.

6.1 Trade Receivables

Aside from the sales of goods and services, trade receivables also include the Group's receivables related to the sold condominium units which are being paid for by the customers in monthly installments. Certain receivables from trade customers are covered by post-dated checks. Trade receivables are measured at amortized cost and have annual effective interest rates ranging from 4.60% to 12.00% in 2023 and ranging from 4.60% to 12.74% in 2022 and 2021, depending on the payment terms. Trade receivables which are expected to be settled beyond one year after the end of the reporting period are classified as non-current trade and other receivables.

Interest earned from real estate sales amounted to P0.7 million, P0.9 million and P1.0 million in 2023, 2022 and 2021, respectively, and is presented as part of Finance Income under Other Income (Charges) – net in the consolidated statements of income (see Note 20.2).

Trade receivables from the sale of goods and services are usually due within 30 to 90 days, generally unsecured and do not bear interest.

6.2 Advances

(a) Suppliers

Generally, advances to suppliers include advance payments made to suppliers for future purchases of mobile phone units and accessories and for the purchases of pro-tapes, video and medical equipment, and spare parts. In 2023, the Group made an advance payment to its third-party supplier for the ongoing construction of investment property in Calamba, Laguna (see Note 12).

Advances to suppliers that will be applied as payment for future purchase of merchandise inventories and supplies are classified and presented under Current Assets account. On the other hand, advances to contractors and/or suppliers that will be applied as payment for future acquisition or construction of items of property and equipment, or acquisition and construction of investment property are classified and presented under the Non-Current Assets account. The classification and presentation are based on the eventual usage or realization of the asset to which it was advanced for.

(b) Officers and Employees

Advances to officers and employees, on the other hand, represent unsecured, noninterest-bearing cash advances for business-related expenditures and are subject to liquidation (see Note 25.10).

6.3 Loans Receivables

Loans receivables pertain to appliances loans, business loans and car loans offered by the Group to its customers. Loans receivables that are expected to be settled beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as part of non-current trade and other receivables.

Interest income recognized on the Group's loans receivables amounted to P6.3 million, P7.5 million and P7.3 million in 2023, 2022 and 2021, respectively, and are presented as part of Interest under Revenues in the consolidated statements of income. The effective interest rates on loans receivables ranging from 5.00% to 36.00% in 2023 and from 5.10% to 36.00% both in 2022 and 2021. There was no outstanding interest on loans receivable as of December 31, 2023 and 2022.

6.4 Cash Surrender Value of Investment in Life Insurance

Cash surrender value of investment in life insurance pertains to insurance policies purchased by BRL for certain directors of the Parent Company. The beneficiary of this investment in life insurance is the Parent Company and accounted for under the cash surrender value method. Under this method, the initial cash surrender value of the insurance policies is recognized immediately in the consolidated statements of financial position. Subsequently, any increase in cash surrender value is recognized as part of Finance income under Other Income (Charges) account – net in the consolidated statements of income (see Note 20.2). In 2023, 2022 and 2021, the increase in cash surrender value amounted to P35.9 million, P35.8 million and P43.3 million, respectively.

6.5 Rental Receivables

Rental receivables represent uncollected monthly receivables from a related party and third-party tenants of the Group. This includes rent receivables arising from the application of PFRS 16, which represent the difference between the cash basis rent income and the straight-line rent income of all outstanding lease contracts as of the end of the reporting periods.

6.6 Other Receivables

Other receivables include the following:

- amounts due from credit card companies for the sale of CCTV, which are collected the following day the receivables are recognized;
- testing fees and utility charges billed by the Group to its lessees;
- unsecured, noninterest-bearing cash advances made to Homeowners' Association for expenses incurred by the unit owners and related outstanding receivables; and,
- retention fees and other claims to government (i.e., Social Security System).

6.7 Allowance for Impairment

All of the Group's trade and other receivables have been assessed for impairment based on the ECL model. The fair value of these short-term financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value. Based on management's assessment of the ECL using the simplified approach, certain trade receivables were found to be impaired; hence, adequate amount of allowance for impairment have been recognized.

A reconciliation of the allowance for impairment on trade and other receivables at the beginning and end of 2023 and 2022 is shown below.

	Note	**2023**	2022
Balance at beginning of year		**P 107,305,548**	P 107,640,217
Impairment losses		**4,380,640**	4,336,857
Reversal of impairment losses		**(4,012,799)**	(3,551,941)
Write-off of receivables		**(358,373)**	(2,560,480)
Impact of the acquisition	1.1	**-**	,440,895
Balance at end of year		**P 107,315,016**	P 107,305,548

The net impairment losses amounting to P0.4 million and P0.8 million in 2023 and 2022, respectively, are presented as Impairment losses on trade and other receivables – net while the net reversal of P5.0 million in 2021 is presented as Reversal for impairment losses on trade and other receivables – net both under General and Administrative Expenses in the consolidated statements of income (see Note 18).

7. INVESTMENTS

7.1 Financial Assets at Fair Value Through Other Comprehensive Income

The Group has equity securities pertaining to its 33% equity ownership interest in the common stock of Sony Philippines, Inc. (SPI). This investment is related to the Joint Venture Agreement (JVA) executed in 1997 with Sony Corporation of Japan which has expired on May 8, 2005. On April 11, 2005, the Group received a formal notice of the expiry of the JVA. The Group and Sony Corporation have both agreed to pursue negotiations for an equitable settlement of all matters relating to the JVA and its expiration. The Group determined that the fair value of this investment is nil as of December 31, 2023 and 2022.

On the other hand, the fair values of the Group's investments in club shares amounting to P55.4 million and P37.0 million, which represent proprietary membership club shares, as of December 31, 2023 and 2022, respectively, have been determined based on quoted prices in less active markets due to lack of trading activities among its participants (see Note 30.2).

A reconciliation of the net carrying amounts of financial assets at FVOCI is shown below.

	Note	**2023**	2022
Balance at beginning of year		**P 37,000,000**	P 27,400,000
Fair value gains	23.3	**18,400,000**	9,600,000
Balance at end of year		**P 55,400,000**	P 37,000,000

The recognized fair value gains are presented as items that will not be reclassified subsequently to profit or loss under Other Comprehensive Income in the consolidated statements of comprehensive income.

7.2 Investment in Bonds

In 2021, the Group invested in held-to-collect corporate bonds, classified, and measured at amortized cost, amounting to P20.0 million, which bear fixed interest rate of 4.34% per annum and will mature on October 12, 2027. The amount of investment is presented as Investment in Bonds in the consolidated statements of financial position. There were no additional investments made in 2023 and 2022.

Interest income generated from investment in bonds amounting to P0.9 million both in 2023 and 2022 and P0.2 million in 2021 are presented as part of Interest under Revenues section of the consolidated statements of income. The outstanding balance of such interest amounting to P0.2 million as of December 31, 2023 and 2022 is presented as part of Interest receivable under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

The Group's investment in bonds, which are subject to credit risk exposure [see Note 28.2(e)], has been reviewed for impairment. Based on such review, the management determines that no impairment loss is needed to be recognized in 2023 and 2022 as the bonds were in good credit standing as of December 31, 2023 and 2022.

7.3 Investment in an Associate

The Parent Company's investment in an associate pertains to its ownership interest in Fekon. Fekon is a private company incorporated and domiciled in the Philippines. Fekon's primary purpose is to engage in the business of manufacturing, selling, distributing, marketing, trading and assembling of all kinds of goods such as but not limited to motorcycles, e-bicycles, motor parts and products, electronic devices and other electronic merchandise.

Fekon's registered office address and principal place of business is located at Block 7, Lot 8B, San Simon Industries Park, San Isidro, San Simon, Pampanga.

In 2022, the Group made additional deposits in the share of Fekon, totaling P11.5 million in relation to the planned increase in authorized capital stock of the latter. There were no additional deposits made in 2023.

As of December 31, 2023 and 2022, Fekon is still in the process of completing its documents on its application to increase its authorized capital stock with the Commission. Management believes that upon approval by the Commission, the Group will have significant influence with 44% ownership interest over Fekon. Accordingly, the deposits are recognized as Investment in an Associate in the consolidated statements of financial position. The total equity interest of the Group is at 44% as of December 31, 2023 and 2022.

Initially, the Group's investment is measured at cost and subsequently, upon approval of the application with the Commission, will be measured using the equity method.

The summarized unaudited financial information for Fekon is shown below.

	2023	2022
Current assets	**P 154,760,429**	P 142,664,730
Non-current assets	**15,635,082**	43,615,185
Total assets	**P 170,395,511**	P 186,279,915
Current liabilities	**P 54,416,378**	P 39,541,843
Non-current liabilities	**11,154,103**	29,919,111
Total liabilities	**P 65,570,481**	P 69,460,954
Revenue	**P 66,049,185**	P 94,082,830
Net loss for the year	**(P 29,585,227)**	(P 71,531,196)

A reconciliation of the above summarized financial information to the carrying amount of the investment in Fekon is shown below.

	2023	2022
Net asset of Fekon	**P 104,825,030**	P 116,818,961*
Proportion of ownership interest	**44.0%**	44.0%
	46,123,013	51,400,343
Nominal goodwill in equity ownership	**41,899,701**	36,622,371
	88,022,714	88,022,714
Allowance for impairment	**(40,000,000)**	-
Carrying amount of investment	**P 48,022,714**	P 88,022,714

** Excluding deposit on future stock subscription presented under non-current liabilities.*

In 2023, due to the downturn in Fekon business prospects, the Group recognized an impairment loss relative to its investment amounting to P40.0 million which is presented as Impairment Loss on Investments in Associates under Operating Expenses (see Note 18).

8. MERCHANDISE INVENTORIES AND SUPPLIES

Inventories at the end of 2023 and 2022 were stated at lower of cost or NRV. The details of inventories are shown below.

	Note	**2023**	2022
At cost:			
Merchandise inventories	17.1	**P 96,411,950**	P 101,101,195
Service parts, supplies and others		**33,679,231**	33,377,904
		130,091,181	134,479,099
At NRV:			
Merchandise inventories	17.1	**222,907,343**	206,024,769
Service parts, supplies and others		**13,012,734**	10,615,162
		235,920,077	216,639,931
Allowance for inventory obsolescence		**(28,663,956)**	(26,489,175)
		207,256,121	190,150,756
		P 337,347,302	P 324,629,855

The Group's inventories are primarily composed of appliances, handsets, devices, accessories, professional tapes, equipment, spare parts and modular houses.

The movements in the allowance for inventory obsolescence are as follows:

	Note	**2023**	2022
Balance at beginning of year		**P 26,489,175**	P 28,528,333
Impairment losses		**6,591,114**	511,495
Reversal of allowance for inventory obsolescence		**(4,416,333)**	(11,657,475)
Impact of the acquisition	1.1	**-**	9,106,822
		P 28,663,956	P 26,489,175

The Group recognized a net provision for inventory obsolescence amounting to P2.2 million in 2023 and a net reversal of provision from previous write-down of inventories upon sale of those inventories amounting to P11.1 million and P39.5 million in 2022 and 2021, respectively. The net provision and reversal are included as an adjustment to Cost of Sales in the consolidated statements of income (see Notes 17.1 and 18).

The Group has no outstanding purchase commitment for the acquisition of merchandise inventories and supplies as of December 31, 2023 and 2022.

An analysis of the cost of merchandise inventories charged to operations is presented in Note 17.1.

9. REAL ESTATE INVENTORIES

This account is composed of:

	2023	2022
Land and land development costs	**P 26,386,874**	P 26,386,874
Property development costs	**402,543,081**	402,543,081
	P 428,929,955	P 428,929,955

9.1 Land and Land Development Costs

In 2023, the cost of land and land development held by LIIP, which was provided with full allowance for impairment, were included as part of the consideration transferred upon the disposal of the investment in LIIP (see Note 23.5).

In 2022, Starworld sold parcels of land to SMC for P22.6 million. As a result of this transaction, the parcels of land with a total cost of P22.5 million were transferred to investment properties with the purpose of earning rentals and/or long-term capital appreciation (see Note 12). There were no land sales in 2023.

Management believes that the carrying values of these assets are lower than their realizable values considering present market rates; thus, no valuation allowance has been provided in the financial statements.

9.2 Property Development Costs

The Group, through ZTC, has initiated the planning and construction of the Tri Towers condominium building. Construction was started by ZTC in 2005. The construction of Tower 1 and Tower 2 were completed in 2008 and 2012, respectively, and while the construction of Tower 3 has not yet started, it has already incurred expenses for the planning phase as of December 31, 2023 and 2022.

Property development costs, at the end of each reporting periods, represent condominium units for sale, office tower units, construction in progress of land and Tower 3, office tower and parking units for which Group has been granted permit to sell by the Housing and Land Use Regulatory Board of the Philippines.

Based on management's assessment, the related asset is still recoverable as of the end of the reporting periods (see Note 27.2).

10. LEASES

The Group is a lessee under non-cancellable operating leases covering certain office spaces and store branches. The lease for these office spaces and store branches has a term of one to five years. Generally, termination of lease contracts shall be communicated to the lessee by the lessor prior to the termination or expiration of the lease contract. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the consolidated statements of financial position as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index, or a rate are excluded from the initial measurement of the lease liability and asset.

The Group classifies its right-of-use assets and lease liabilities as separate line items in the consolidated statements of financial position.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublease the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying lease asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. The Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

Refundable security deposits represent the lease deposits made for the lease of the Group's business spaces, both short and long-term lease agreements. Related security deposits for these leases amounted to P36.7 million and P36.5 million as of December 31, 2023 and 2022, respectively, and are presented as part of Other Current Assets and Other Non-current Assets account in the consolidated statements of financial position (see Note 13). Refundable security deposits which are expected to be settled beyond one year after the end of the reporting period are classified as non-current assets.

10.1 Right-of-use Assets

The carrying amounts of the Group's right-of-use assets, which pertain to office spaces and store branches, as of December 31, 2023 and 2022, including the movements during the reporting period are shown below.

	Note	**2023**	2022
Balance at beginning of year		**P 2,901,782**	P 5,673,637
Additions		**8,257,280**	-
Amortization		**(6,493,082)**	(3,617,656)
Impact of the acquisition	1.1	**-**	845,801
Balance at end of year		**P 4,665,980**	P 2,901,782

The amount of depreciation and amortization computed on right-of-use assets is presented as part of the following accounts:

	Notes	**2023**	2022	2021
Cost of services	17.2	**P 1,812,430**	P 3,395,173	P 4,303,497
General and administrative expenses		**4,680,652**	222,483	-
	18	**P 6,493,082**	P 3,617,656	P 4,303,497

10.2 Lease Liabilities

Lease liabilities are presented in the consolidated statements of financial position as of December 31, 2023 and 2022 as follows:

	2023	2022
Current	**P 5,120,889**	P 2,791,164
Non-current	**-**	748,583
	P 5,120,889	P 3,539,747

The movements in the lease liabilities recognized in the consolidated statements of financial position as of December 31 are as follows:

	Notes	**2023**	2022
Balance at beginning of year		**P 3,539,747**	P 6,590,349
Additional lease liabilities		**8,257,280**	-
Repayments of lease liabilities	10.4	**(7,201,585)**	(4,191,680)
Interest accretion	10.4	**525,447**	317,405
Impact of the acquisition	1.1	**-**	823,673
		P 5,120,889	P 3,539,747

The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's regional markets strategy and the economic benefits of exercising the option exceed the expected overall cost.

The table below and in the succeeding page describes the nature of the Group's leasing activities by type of right-of-use asset recognized in the consolidated statements of financial position.

	Number of right-of-use assets leased	**Range of remaining term**	**Average remaining lease term**	**Number of leases with extension options**	**Number of leases with termination options**
December 31, 2023					
Office space and store branches	**7**	**3 months to 1 year**	**1 year**	**1**	**2**

	Number of right-of-use assets leased	Range of remaining term	Average remaining lease term	Number of leases with extension options	Number of leases with termination options
December 31, 2022					
Office space and store branches	19	3 months to 1 year and 11 months	5 months	6	-

As of December 31, 2023 and 2022, the Group has no commitments for leases entered into which had not commenced.

The undiscounted maturity analysis of lease liabilities of December 31 is as follows:

	2023	2022
Within one year	**P 5,120,899**	P 2,791,164
More than one year to two years	**-**	748,583
	P 5,120,899	P 3,539,747

10.3 Lease Payments Not Recognized as Liabilities

The Group has elected not to recognize lease liabilities for short-term leases or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

The amount of expense relating to short-term leases for the year ended December 31, 2023 and 2022 is allocated in the consolidated statements of income as follows:

	Notes	**2023**	2022	2021
Cost of services	17.2	**P 11,994,543**	P 12,150,453	P 5,215,617
Cost of rental	17.3	**219,000**	219,000	219,000
General and administrative expenses		**32,389,883**	1,385,224	4,721,282
	18	**P 44,603,426**	P 13,754,677	P 10,155,899

10.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases, including interest, amounted to P7.2 million, P4.2 million and P5.0 million in 2023, 2022 and 2021, respectively. Interest expense in relation to lease liabilities amounted to P0.5 million, P0.3 million and P0.6 million in 2023, 2022 and 2021, respectively, and is presented as part of Finance costs under Other Income (Charges) – net in the consolidated statements of income (see Note 20.1).

11. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation, amortization and impairment losses of property and equipment at the beginning and end of 2023 and 2022 are shown below.

	Land	Buildings and Improvements	Machinery and Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Test, Communication and Other Equipment	Computer System	Leasehold Improvements	Tools and Equipment	Construction in Progress	Total
December 31, 2023											
Cost	P 1,288,354,682	P 379,659,325	P 195,106,677	P 312,676,797	P 282,703,618	P 25,425,998	P 86,669,310	P 117,262,423	P 109,669,602	P 27,137,678	P 2,824,666,110
Accumulated depreciation and amortization	-	(186,753,104)	(176,143,668)	(291,898,485)	(237,514,731)	(21,050,804)	(77,559,323)	(112,499,158)	(91,520,905)	14,346,250	(1,180,593,928)
Accumulated impairment losses	-	(35,000,000)	-	-	-	-	-	-	-	(14,346,250)	(49,346,250)
Net carrying amount	**P 1,288,354,682**	**P 157,906,221**	**P 18,963,009**	**P 20,778,312**	**P 45,188,887**	**P 4,375,194**	**P 9,109,987**	**P 4,763,265**	**P 18,148,697**	**P 27,137,678**	**P 1,594,725,932**
December 31, 2022											
Cost	P 1,278,354,682	P 372,499,019	P 194,928,008	P 304,872,692	P 258,523,865	P 23,662,042	P 86,553,862	P 112,874,003	P 104,357,611	P 236,213	P 2,736,861,997
Accumulated depreciation and amortization	-	(164,638,384)	(167,668,820)	(279,593,471)	(213,062,681)	(18,065,496)	(76,965,882)	(110,282,684)	(85,380,998)	14,346,250	(1,101,312,166)
Accumulated impairment losses	-	(35,000,000)	-	-	-	-	-	-	-	(14,346,250)	(49,346,250)
Net carrying amount	P 1,278,354,682	P 172,860,635	P 27,259,188	P 25,279,221	P 45,461,184	P 5,596,546	P 9,587,980	P 2,591,319	P 18,976,613	P 236,213	P 1,586,203,581
January 1, 2022											
Cost	P 1,277,854,682	P 359,206,004	P 192,796,418	P 295,738,000	P 250,520,348	P 22,909,095	P 86,152,648	P 111,245,598	P 100,455,133	P -	P 2,696,877,926
Accumulated depreciation and amortization	-	(144,232,356)	(157,795,381)	(266,605,095)	(189,910,156)	(14,935,652)	(76,319,893)	(106,709,705)	(78,861,360)	14,346,250	(1,021,023,348)
Accumulated impairment losses	-	(35,000,000)	-	-	-	-	-	-	-	(14,346,250)	(49,346,250)
Net carrying amount	P 1,277,854,682	P 179,973,648	P 35,001,037	P 29,132,905	P 60,610,192	P 7,973,443	P 9,832,755	P 4,535,893	P 21,593,773	P -	P 1,626,508,328

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2023 and 2022 is shown below.

	Land	**Buildings and Improvements**	**Machinery and Equipment**	**Furniture, Fixtures and Office Equipment**	**Transportation Equipment**	**Test, Communication and Other Equipment**	**Computer System**	**Leasehold Improvements**	**Tools and Equipment**	**Construction in Progress**	**Total**
Balance at January 1, 2023, net of accumulated depreciation, amortization and impairment losses	P 1,278,354,682	P 172,860,635	P 27,259,188	P 25,279,221	P 45,461,184	P 5,596,546	P 9,587,980	P 2,591,319	P 18,976,613	P 236,213	P 1,586,203,581
Additions	10,000,000	6,737,296	178,669	7,944,733	24,179,753	1,763,956	115,448	4,388,420	6,343,536	27,562,012	89,213,822
Reclassification	-	423,011	-	-	-	-	-	-	237,536	(660,547)	-
Disposals – net	-	-	-	(140,628)	-	-	-	-	(1,269,081)	-	(1,409,709)
Depreciation and amortization charges for the year	-	(22,114,720)	(8,474,848)	(12,305,014)	(24,452,050)	(2,985,308)	(593,441)	(2,216,474)	(6,139,907)	-	(79,281,762)
Balance at December 31, 2023, net of accumulated depreciation, amortization and impairment losses	**P 1,288,354,682**	**P 157,906,221**	**P 18,963,009**	**P 20,778,312**	**P 45,188,887**	**P 4,375,194**	**P 9,109,987**	**P 4,763,265**	**P 18,148,697**	**P 27,137,678**	**P 1,594,725,932**
Balance at January 1, 2022, net of accumulated depreciation, amortization and impairment losses	P 1,277,854,682	P 179,973,648	P 35,001,037	P 29,132,905	P 60,610,192	P 7,973,443	P 9,832,755	P 4,535,893	P 21,593,773	P -	P 1,626,508,328
Impact of the acquisition (see Note 1.1)	500,000	-	-	542,521	1,556,162	-	-	471,329	-	-	3,070,012
Additions	-	963,362	596,099	9,666,676	6,740,691	752,947	401,214	1,157,076	4,085,393	12,859,475	37,222,933
Reclassification	-	12,350,048	273,214	-	-	-	-	-	-	(12,623,262)	-
Transfer from investment properties (see Note 12)	-	-	2,410,714	-	-	-	-	-	-	-	2,410,714
Disposals – net	-	(20,395)	(1,148,437)	(1,074,505)	(293,336)	-	-	-	(182,916)	-	(2,719,589)
Depreciation and amortization charges for the year	-	(20,406,028)	(9,873,439)	(12,988,376)	(23,152,525)	(3,129,844)	(645,989)	(3,572,979)	(6,519,637)	-	(80,288,817)
Balance at December 31, 2022, net of accumulated depreciation, amortization and impairment losses	P 1,278,354,682	P 172,860,635	P 27,259,188	P 25,279,221	P 45,461,184	P 5,596,546	P 9,587,980	P 2,591,319	P 18,976,613	P 236,213	P 1,586,203,581

Construction in progress pertains to accumulated costs incurred on building improvements being constructed in various properties of the Group. There were constructions completed in 2023 and 2022. As a result, completed constructions were reclassified to specific items of property and equipment. In 2023 and 2022, no borrowing costs were capitalized.

In 2022, the Group transferred certain investment properties with a carrying amount of P2.4 million to property and equipment (see Note 12). There is no similar transaction in 2023.

In 2023 and 2022, the Group sold certain items of property and equipment with carrying amounts of P1.4 million and P2.7 million, respectively. Aside from these assets, the Group also disposed of certain fully depreciated and amortized items of property and equipment with original cost of P3.0 million and P2.9 million in 2023 and 2022, respectively. The Group recognized a gain on disposal of these assets totaling P4.5 million, P1.6 million and P1.4 million in 2023, 2022 and 2021, respectively, which are presented as part of Other Gains – net in the consolidated statements of income (see Note 20.3).

The amount of depreciation and amortization computed on property and equipment is presented as part of the following accounts:

	Notes	**2023**	2022	2021
Cost of services	17.2	**P 46,667,201**	P 48,263,894	P 55,033,545
Cost of rentals	17.3	**14,396,908**	16,415,434	15,173,681
General and administrative expenses		**18,217,653**	15,609,489	11,848,287
	18	**P 79,281,762**	P 80,288,817	P 82,055,513

As of December 31, 2023 and 2022, none of the Group's property and equipment were held as collateral for loans. Further, no impairment losses were recognized in 2023, 2022 and 2021 as the management believes that the carrying amount of property and equipment is recoverable in full.

There were no restrictions on titles and items of property and equipment as of December 31, 2023 and 2022.

12. INVESTMENT PROPERTIES

The Group's investment properties, accounted for under the fair value method, consist mainly of land and improvements, and buildings and improvements that are held under operating lease agreements. These properties earn rental income amounting to P278.5 million, P265.7 million and P240.8 million in 2023, 2022 and 2021, respectively, and are presented as Rentals under Revenues in the consolidated statements of income. The Group also incurred direct costs such as real property taxes, repairs and maintenance and utilities, which are presented as part of Cost of Rentals in the consolidated statements of income (see Note 17.3).

The fair values of the Group's investment properties as of December 31, 2023 and 2022 were determined based on appraisal report dated December 12, 2023 and November 12, 2022, respectively. Management obtains annual appraisal reports on its investment properties from independent appraisers (see Note 30.4).

The changes in the carrying amounts of investment property as of December 31 as presented in the consolidated statements of financial position are summarized as follows:

	Land and Improvements	Building and Improvements	Construction in Progress	Total
2023:				
Balance at beginning of year	P 4,810,678,828	P 782,639,879	P 15,273,617	P 5,608,592,324
Additions	120,000	3,909,390	1,066,197,651	1,070,227,041
Fair value gains (losses) – net (see Note 19)	318,111,060	(21,414,494)	-	296,696,566
Reclassification	-	4,565,182	(4,565,182)	-
Disposals	(8,349,000)	-	-	(8,349,000)
Balance at end of year	**P 5,120,560,888**	**P 769,699,957**	**P 1,076,906,086**	**P 6,967,166,931**
2022:				
Balance at beginning of year	P 3,707,666,498	P 818,924,537	P 112,223,215	P 4,638,814,250
Additions	735,695,348	3,785,035	6,463,735	745,944,118
Fair value gains (losses) – net (see Note 19)	253,695,866	(37,665,039)	-	216,030,827
Reclassification	103,407,273	6,060	(103,413,333)	-
Transfer to property and equipment (see Note 11)	-	(2,410,714)	-	(2,410,714)
Transfer from land and land development costs (see Note 9.1)	22,544,843	-	-	22,544,843
Disposals	(12,331,000)	-	-	(12,331,000)
Balance at end of year	P 4,810,678,828	P 782,639,879	P 15,273,617	P 5,608,592,324

The Group is continuously incurring expenses for the construction of a certain warehouse intended for leasing purposes. These expenses are capitalized and recorded as part of construction in progress. There were no capitalized borrowing costs in 2023 and 2022.

In 2022, the Group paid cash bond amounting to P15.0 million for its application for conversion of land and is presented as part of Cash bond under Other Non-current Assets account in the 2022 consolidated statement of financial position (see Note 13.2).

In 2023 and 2022, the Group received payment from an association managing an industrial park as compensation for damages to Group's property amounting to P5.4 million, which is presented under Other Operating Income in the consolidated statements of income (see Note 19).

The Group sold certain land and improvements with a total appraised value of P8.3 million and P12.3 million in 2023 and 2022, respectively. The related gain on this sale is presented under Other Gains - net under Other Income (Charges) – net in the consolidated statements of income (see Note 20.3).

Certain investment property is used as collateral on loan payable as of December 31, 2023 (see Note 14). There was no similar transaction in 2022.

13. OTHER ASSETS

The composition of these accounts as of December 31 is shown below.

	Notes	2023	2022
Current:			
Input VAT – net	13.3	**P 252,416,753**	P 136,301,258
Creditable withholding taxes		**139,000,438**	140,325,320
Prepayments	13.3	**37,020,692**	21,701,571
Refundable deposits	10	**32,165,777**	33,189,744
Deferred input VAT		**15,590,124**	14,725,136
Deferred cost	13.3	**692,786**	419,800
Others	13.3	**3,691,477**	3,383,283
		480,578,047	350,046,112
Non-current:			
Cash bond	13.2	**15,635,346**	15,635,346
Intangible assets – net	13.1	**13,099,425**	13,038,873
Refundable deposits	10	**4,529,457**	3,354,203
Others	13.3	**5,668,951**	5,873,563
		38,933,179	37,901,985
		P 519,511,226	P 387,948,097

13.1 Intangible Assets

Intangible assets include non-proprietary club shares and computer software licenses, which are accounted for under the cost model. The gross carrying amounts and accumulated amortization and impairment of intangible assets as of December 31 is shown below.

	2023	2022
Cost	**P 33,609,916**	P 33,527,829
Accumulated amortization and impairment	**(20,510,491)**	(20,488,956)
Net carrying amount	**P 13,099,425**	P 13,038,873

A reconciliation of the carrying amounts of intangible assets at the beginning and end of 2023 and 2022 are shown below.

	2023	2022
Balance at the beginning of year, net of accumulated amortization and impairment	**P 13,038,873**	P 13,053,772
Additions	**82,087**	-
Amortization during the year	**(21,535)**	(14,899)
Balance at end of year, net of accumulated amortization and impairment	**P 13,099,425**	P 13,038,873

Intangible assets are subject to annual impairment testing whenever there is an indication of impairment. Certain non-proprietary club shares were assessed to be impaired as determined by the management; hence, an adequate amount of allowance for impairment has been recognized in prior years. There were no impairment losses recognized in 2023, 2022 and 2021 as the recoverable amount of intangible assets determined by management is higher than the carrying value.

Amortization charges are presented as part of Depreciation and amortization under General and Administrative Expenses in the consolidated statements of income (see Note 18).

As of December 31, 2023 and 2022, the cost of the Group's fully amortized intangible assets amounted to P2.8 million and P2.1 million, respectively.

There are no intangible assets that have been pledged as security for any liabilities. Further, there were no other contractual commitments entered into in 2023 and 2022 related particularly for intangible assets.

13.2 Cash Bond

Cash bond represents deposits made with the Bureau of Customs for taxes and duties related to its importations. It also includes the payments made by the Group for its application for conversion of land (see Note 12).

As of December 31, 2023 and 2022, the total amount is currently demandable; however, the Group does not expect to refund the cash bond within 12 months from the end of the reporting period.

13.3 Others

In 2022, certain input VAT of Group was found to be impaired by the management; hence, adequate amounts of allowance for impairment have been recognized. Accordingly, the related allowance for impairment has been established for input VAT amounting to P0.8 million as of December 31, 2022. There was no similar transaction in 2023.

Prepayments pertain to prepaid insurance, prepaid rent, and prepayments for professional fees, import charges and others.

Deferred costs represent the cost of inventories which have not been charged to cost of sales pending the completion of the Group's certain projects. In 2023 and 2022, upon the continuation of all projects deferred in previous years, a significant amount of deferred cost has been charged to cost of sales and services.

Deposits to suppliers represent the refundable amount paid by the Group to its suppliers for the distribution utilities provided to the Group.

Other current assets include deferred installation costs which pertain to the costs paid by the Group to its contractors for the installation of modular houses. Upon completion of installation, the cost is transferred to cost of sales. On the other hand, other non-current assets mostly pertain to land properties held by SMC which are subject to transfer to certain individuals under R.A. No. 6657, *Comprehensive Agrarian Reform Law of 1988*.

14. INTEREST-BEARING LOAN

On December 29, 2023, the Group received proceeds from the initial drawdown of long-term loan from a local bank amounting to P105.0 million to partially finance the construction of warehouse facility in Calamba, Laguna. The outstanding loan has a term of ten years with a two-year grace period. The loan bears interest at 6.25% per annum. The related debt issuance cost of P0.8 million for the documentary stamp tax is presented as part shown as part of Taxes and licenses under General and Administrative Expenses in the 2023 consolidated statement of income (see Note 18).

The loan is secured by a real estate mortgage for a total amount of P1.2 billion on real estate property recorded as part of Investment Properties in the 2023 consolidated statement of financial position (see Note 12) and a suretyship agreement with one subsidiary.

15. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	**2023**	2022
Trade payables		**P 364,062,277**	P 289,146,078
Non-trade payables		**46,409,082**	31,728,386
Accrued expenses		**43,602,144**	33,863,749
Refundable deposits	16, 25.2	**35,890,057**	35,916,953
Deferred output VAT		**20,430,061**	17,496,915
Output VAT		**13,617,604**	5,907,899
Unearned rental		**12,673,977**	14,305,667
Withholding taxes payable		**10,230,077**	11,895,275
Advances from customers		**9,538,653**	2,615,902
Rentals payable		**4,278,523**	4,278,523
Reserve for warranty costs		**2,514,215**	1,868,964
Retention payable		**1,564,727**	1,271,458
Other payables		**21,500,685**	27,866,355
		P 586,312,082	P 478,162,124

Trade payables mainly represent obligations to various suppliers for the acquisition of goods, materials and supplies necessary for the Group's operations and productions.

Nontrade payables are the obligations arising from transactions that are not within the ordinary course of business which includes lessees' deposits for electricity, communication costs, gasoline expenses, professional fees and others.

Accrued expenses include amounts charged for rentals, outside services, salaries and other incidental operating expenses of the Group which are expected to be settled within the next reporting period.

The Group receives refundable deposits from various lessees. The long-term portion of the refundable deposits from various tenants is shown as a separate line item in the consolidated statements of financial position (see Note 16). Refundable deposits are remeasured at amortized cost using effective interest rates ranging from 5.45% to 9.63% in 2023 and from 2.70% to 4.18% in 2022 and 2021 at the inception of the lease term. Interest expense recognized from the amortization of refundable deposits amounting to P0.9 million in 2023 and P0.2 million in 2022 and 2021 are presented as part of Finance costs under Other Income (Charges) account in the consolidated statements of income (see Note 20.1).

Unearned rentals represent advance payments received from lessees.

Advances from customers pertain to the integration services in progress and customer deposit on sale of goods paid in advance to the Group.

A provision is recognized for expected warranty claims on products sold during the year based on the Group's past experience on the level of repairs and returns. The movements on this account are as follows:

	Notes	**2023**	2022
Balance at beginning of year		**P 1,868,964**	P 2,294,308
Additional provision	18	**695,033**	-
Actual warranty claims		**(49,782)**	(109,280)
Reversal of reserve for warranty claims	19	**-**	(316,064)
Balance at end of year		**P 2,514,215**	P 1,868,964

In 2023 and 2021, additional provision for warranty claims is recognized and is presented under General and Administrative Expenses in the consolidated statements of income. There was no additional provision in 2022.

In 2022 the Group reversed previously recognized provision amounting to P0.3 million, which is presented under Other Operating Income (Expense) in the 2022 consolidated statement of income. There was no reversal in 2023 and 2021.

Other payables primarily consist of payroll-related liabilities and due to government agencies for unpaid contributions for social security and other benefits of the Group's employees.

In 2021, the Group has written-off certain trade and other payables as management assessed that these liabilities will not be collected anymore. The related gains amounting to P3.5 million are presented as part of Other Gains – net in the 2021 consolidated statement of income (see Note 20.3). There was no similar transaction in 2023 and 2022.

Management considers the carrying amounts of trade and other payables recognized in the consolidated statements of financial position to be reasonable approximation of their fair values.

16. REFUNDABLE DEPOSITS

The Group has long-term refundable deposits from various tenants. These refundable deposits are remeasured at amortized cost using the effective interest ranging from 3.48% to 5.50% at the inception of the lease terms.

In 2022, the Group entered into Built to Specification Agreement (BTSA) with a third-party lessee. The lessee will lease a warehouse for 15 years with an option to renew for another five years. The warehouse will be built to the specifications included in BTSA. The lease will commence once the certificate of completion has been obtained. The Group received a security deposit amounting to P172.4 million which serves as protection in the event the lessee refuses to pay the Group when the conditions have been met. The accumulated costs for the construction of the warehouse are presented as part of Construction-in-progress under Investment Properties in the statements of financial position (see Note 12).

Further, in 2022, certain security deposits of the Group were offset against rental and other receivables amounting to P0.3 million. There was no similar transaction in 2023.

As of December 31, 2023 and 2022, the outstanding balance of these refundable deposits amounted to P192.7 million and P184.9 million, respectively. The current portion of the refundable deposits are presented as part of Trade and Other Payables account in the consolidated statements of financial position (see Note 15). On the other hand, non-current portion is presented separately under Non-current Liabilities section of the consolidated statements of financial position.

17. COSTS OF SALES, SERVICES, RENTALS AND REAL ESTATE SALES

17.1 Cost of Sales

The details of this account are shown below.

	Notes	**2023**	2022	2021
Merchandise inventories at beginning of year	8	**P 307,125,964**	P 108,496,159	P 217,962,817
Net purchases of merchandise inventories during the year	18, 25.1	**1,047,769,213**	566,739,952	424,529,100
Impact of the acquisition	1.1	**-**	91,523,043	-
Goods available for sale		**1,354,895,177**	766,759,154	642,491,917
Merchandise inventories at end of year	8	**(319,319,293)**	(307,125,964)	(108,496,159)
Net provision (reversal) of allowance for inventory obsolescence	8	**2,174,781**	(11,145,980)	(39,478,252)
	18	**P 1,037,750,665**	P 448,487,210	P 494,517,506

17.2 Cost of Services

The following are the breakdown of direct costs and expenses from rendering of services:

	Notes	2023	2022	2021
Subcontracting services		**P 118,080,784**	P 86,940,517	P 69,856,400
Materials, supplies and other consumables		**89,317,594**	89,861,588	88,703,886
Service fees		**82,823,592**	99,081,744	94,115,062
Salaries and employee benefits	21.1	**57,486,584**	55,671,177	51,851,788
Transportation and travel		**49,324,515**	48,576,412	25,951,583
Depreciation and amortization	10.1, 11	**48,479,631**	51,659,067	59,337,042
Outside services		**29,209,446**	23,109,091	22,679,120
Rentals	10.3	**11,994,543**	12,150,453	5,215,617
Repairs and maintenance		**10,894,207**	10,137,713	10,695,435
Communication, light and water		**10,386,320**	20,328,853	18,315,025
Food and beverage		**10,304,141**	13,587,422	13,977,836
Insurance		**4,843,260**	4,741,791	4,183,663
Equipment cost		**2,356,975**	10,931,688	32,536,922
Advertising and promotions		**322,239**	100,896	944,444
Integration		**-**	-	4,781,219
Others		**3,415,678**	9,109,360	5,179,268
	18	**P 529,239,509**	P 535,987,772	P 508,324,310

17.3 Cost of Rentals

The details of this account are as follows:

	Notes	2023	2022	2021
Taxes and licenses		**P 25,818,679**	P 25,185,612	P 23,828,353
Depreciation and amortization	11	**14,396,908**	16,415,434	15,173,681
Outside services		**8,541,518**	10,160,040	9,410,241
Utilities and communication		**6,170,749**	5,336,758	3,921,184
Repairs and maintenance		**4,722,775**	4,216,828	2,332,536
Outside services		**3,340,027**	2,800,328	2,691,621
Association dues		**2,737,682**	3,700,273	3,940,697
Salaries and employee benefits	21.1	**1,262,392**	1,146,408	1,058,275
Materials and supplies		**892,006**	1,223,259	725,134
Rentals	10.3	**219,000**	219,000	219,000
Others		**4,084,869**	3,328,245	3,228,086
	12, 18	**P 72,186,605**	P 73,732,185	P 66,528,808

Others primarily consist of franchise fees and insurance expenses.

17.4 Cost of Real Estate Sales

This account pertains to the Group's cost of condominium units and parking lots amounting to P0.4 million in 2021 (see Note 18). There was no sale of real estate inventories occurred in 2023 and 2022.

18. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

	Notes	**2023**	2022	2021
Net purchases of merchandise inventories	17.1, 25.1	**P 1,047,769,213**	P 566,739,952	P 424,529,100
Salaries and employee benefits	21.1, 21.2, 25.8	**297,866,489**	241,806,699	230,734,289
Subcontracting services		**122,624,622**	90,398,768	69,747,800
Materials, supplies and other consumables		**100,425,952**	100,418,965	92,173,226
Taxes and licenses	1.1	**90,561,267**	58,499,769	55,710,759
Depreciation and amortization	10.1, 11, 13.1	**85,796,379**	83,921,372	86,391,426
Service fees		**82,823,592**	98,214,841	94,065,598
Utilities and communication		**71,217,663**	77,748,951	65,368,005
Transportation and travel		**65,122,553**	59,954,148	39,009,180
Outside services	1.1	**57,465,063**	70,753,936	73,521,748
Rentals	10.3	**44,603,426**	13,754,677	10,155,899
Impairment loss on investment in an associate	7.3	**40,000,000**	-	-
Repairs and maintenance		**32,488,694**	24,890,672	23,536,275
Selling and bank charges		**26,032,330**	886,175	-
Representation and entertainment		**6,789,127**	16,474,665	5,016,096
Food and beverage		**6,302,020**	7,395,565	13,977,836
Advertising and promotions		**3,160,000**	543,261	1,352,057
Installation cost		**2,421,569**	1,725,255	3,688,022
Equipment cost		**2,356,975**	10,931,688	32,536,922
Impairment losses on inventory obsolescence – net	8	**2,174,781**	-	-
Provisions for warranty claims	15	**695,033**	-	1,550,923
Warranty claims		**445,257**	553,812	1,039,764
Impairment losses on trade and other receivables – net	6.7	**367,841**	784,916	-
Impairment losses on advances to related parties	25.4	**-**	-	1,000,000
Reversal of allowance for inventory obsolescence – net	8	**-**	(11,145,980)	(39,478,252)
Impairment loss on input VAT	13.3	**-**	803,925	33,579
Integration		**-**	-	4,781,219
Cost of condominium units and parking lots	17.4	**-**	-	434,180
Reversal for impairment losses on trade and other receivables – net	6.7	**-**	-	(5,008,187)
Changes in merchandise, finished goods and work-in-process inventories	17.1	**(12,193,329)**	(107,106,765)	109,466,658
Miscellaneous		**75,448,459**	46,444,290	36,319,159
		P 2,252,764,976	P 1,455,393,557	P 1,431,653,281

These expenses are classified in the consolidated statements of income as follows:

	Notes	**2023**	2022	2021
Cost of sales	17.1	**P 1,037,750,665**	P 448,487,210	P 494,517,506
Cost of services	17.2	**529,239,509**	535,987,772	508,324,310
General and administrative expenses		**488,827,742**	383,232,503	317,581,180
Selling and distribution costs		**124,760,455**	13,953,887	44,267,297
Cost of rentals	17.3	**72,186,605**	73,732,185	66,528,808
Cost of real estate sales	17.4	**-**	-	434,180
		P 2,252,764,976	P 1,455,393,557	P 1,431,653,281

19. OTHER OPERATING INCOME

The breakdown of this account is as follows:

	Notes	**2023**	2022	2021
Fair value gains on investment property – net	12	**P 296,696,566**	P 216,030,827	P 500,949,401
Income from utilities charged to tenants		**24,313,501**	30,943,397	26,093,341
Common usage service area	25.7	**6,113,133**	15,235,166	12,630,720
Compensation for damages	12	**5,357,143**	5,357,143	-
Revenue share from embedded third party application		**221,187**	5,287,593	532,610
Reversal of reserve for warranty costs	15	**-**	316,064	-
Miscellaneous – net		**29,584,057**	19,330,760	12,963,653
		P 362,285,587	P 292,500,950	P 553,169,725

20. OTHER INCOME (CHARGES)

20.1 Finance Costs

This account consists of the following:

	Notes	**2023**	2022	2021
Foreign currency exchange losses		**P 4,306,595**	P 1,316,704	P 1,414,996
Interest expense on:				
Refundable deposits	15	**921,164**	190,973	195,523
Lease liabilities	10.4	**525,447**	317,405	596,418
Deficiency tax		**251,234**	108	239,723
Miscellaneous		**5,023**	10,138	244,620
		P 6,009,463	P 1,835,328	P 2,691,280

20.2 Finance Income

This account consists of the following:

	Notes	**2023**	2022	2021
Interest income from:				
Cash and cash equivalents				
and short-term placements	5	**P 91,252,634**	P 31,134,784	P 13,434,940
Real estate sale	6.1	**661,831**	876,631	1,022,675
Increase in cash surrender value of investment in				
life insurance	6.4	**35,921,315**	35,758,442	43,312,753
Foreign currency exchange gain		**506,500**	15,571,925	24,190,855
		P 128,342,280	P 83,341,782	P 81,961,223

20.3 Other Gains

The breakdown of this account is as follows:

	Notes	**2023**	2022	2021
Net interest income on retirement benefit asset	21.2	**P 9,862,614**	P 5,808,123	P 4,328,622
Gain on forfeiture of security deposits		**6,057,760**	13,660,979	-
Gain on sale of property and equipment	11	**4,464,233**	1,601,267	1,410,329
Gain on deconsolidation	23.5	**3,344,759**	-	-
Proceeds from insurance		**1,484,093**	-	-
Gain on sale of investment property	12	**339,000**	649,000	-
Gain on derecognition of liabilities	15	**-**	-	3,519,420
Miscellaneous		**7,114,017**	2,753,961	5,446,130
		P 32,666,476	P 24,473,330	P 14,704,501

The Group recognized an income from the forfeiture of security deposit on various tenants amounting to P6.1 million and P13.7 million in 2023 and 2022, respectively.

21. EMPLOYEE BENEFITS

21.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are summarized below.

	Notes	**2023**	2022	2021
Short-term benefits		**P285,831,557**	P231,656,397	P224,174,955
Post-employment benefits	21.2, 25.8	**9,034,932**	10,150,302	6,559,334
	18	**P297,866,489**	P241,806,699	P230,734,289

These expenses are classified in the consolidated statements of income as follows:

	Notes	**2023**	2022	2021
General and administrative expenses		**P 230,954,290**	P 182,666,672	P 156,327,926
Cost of services	17.2	**57,486,584**	55,671,177	51,851,788
Selling and distribution costs		**8,163,223**	2,322,442	21,496,300
Cost of rentals	17.3	**1,262,392**	1,146,408	1,058,275
	18	**P 297,866,489**	P 241,806,699	P 230,734,289

21.2 Post-employment Benefits

(a) Characteristics of the Defined Benefit Plan

The Group maintains a funded, tax-qualified, non-contributory post-employment benefit plan that is being administered by an investment manager that is legally separated from the Group. The investment manager manages the fund in coordination with the Group's management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The Group's post-employment benefit plan provides retirement benefits ranging from 100% to 115% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2023, 2022 and 2021.

The amounts of retirement benefit asset recognized in the consolidated statements of financial position are determined as follows:

	2023	2022
Fair value of plan assets	**P 256,663,816**	P 252,778,811
Present value of obligation	**(132,710,229)**	(100,568,557)
	P 123,953,587	P 152,210,254

On the other hand, the retirement benefit obligation recognized by certain subsidiaries, which does not have an established post-employment benefit plan, amounted to P20.2 million and P15.8 million as of December 31, 2023 and 2022, respectively.

The movements in the fair value of plan assets of the Group are presented below.

	2023	2022
Balance at beginning of year	**P 252,778,811**	P 210,714,273
Interest income	**18,174,971**	10,936,997
Benefits paid	**(13,262,276)**	(642,943)
Loss on plan assets (excluding amounts included in net interest)	**(1,027,690)**	(12,366,836)
Impact of the acquisition (see Note 1.1)	**-**	44,137,320
Balance at end of year	**P 256,663,816**	P 252,778,811

The movements in the present value of the retirement benefit obligation recognized in the books are as follows:

	2023	2022
Balance at beginning of year	**P 116,413,058**	P 98,556,240
Benefits paid	**(13,262,276)**	(642,943)
Current service costs	**9,034,932**	10,150,302
Interest costs	**8,312,357**	5,128,874
Remeasurements –		
Actuarial gains arising from:		
Changes in financial assumptions	**25,676,853**	(14,623,294)
Experience adjustments	**12,312,686**	(720,066)
Changes in demographic assumptions	**46,415**	(485,704)
Impact of the acquisition (see Note 1.1)	**-**	22,933,035
Benefits paid from book reserve	**(5,623,077)**	(3,883,386)
Balance at end of year	**P 152,910,948**	P 116,413,058

The significant actuarial gains in 2023 and 2022 arising from the financial assumptions pertains to the effects of differences between the discount rates and salary projection rates used while the actuarial gains arising from experience adjustments pertains to the effects of differences between the previous actuarial assumptions and what has actually occurred, including the changes in those actuarial assumptions during the applicable reporting periods.

The plan assets consist of the following as of December 31 (see Note 25.7):

	2023	2022
Debt securities:		
Philippines government bonds	**P 233,627,163**	P 250,427,972
UITF	**17,348,796**	2,480,717
Corporate bonds	**2,905,252**	157,649
Others	**2,782,605**	(287,527)
	P 256,663,816	P 252,778,811

The fair values of the debt securities are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy). UITF is classified as Level 2 while other assets are classified as Level 3 in the fair value hierarchy.

The plan assets earned a net return of P17.1 million and P14.3 million in 2023 and 2021, respectively, and incurred a net loss of P1.4 million in 2022.

Plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

The components of amounts of post-employment benefit expense recognized in the consolidated statements of income and consolidated statements of comprehensive income in respect of the post-employment defined benefit plan are presented below.

	Notes	**2023**	2022	2021
Reported in consolidated statements of income:				
Current service cost	21.1	**P 9,034,932**	P 10,150,302	P 13,232,696
Net interest income	20.3	**(9,862,614)**	(5,808,123)	(4,328,622)
Past service	21.1	**-**	-	(6,673,362)
		(P 827,682)	P 4,342,179	P 2,230,712
Reported in consolidated statements of comprehensive income (loss):				
Actuarial gains from:				
Changes in financial assumptions		**(P 25,676,853)**	P 14,623,294	P 5,593,190
Changes in experience adjustments		**(12,312,686)**	720,066	3,982,085
Changes in demographic assumption		**(46,417)**	485,704	49,329
Return (loss) on plan assets (excluding amounts included in net interest)		**(1,027,690)**	(12,366,836)	(7,346,629)
	23.3	**(P 39,063,646)**	P 3,462,228	P 2,277,975

Current service cost and past service cost are presented as part of Salaries and employee benefit account under General and Administrative Expenses in the consolidated statements of income (see Note 18).

The net interest income is included in Other Gains – net in the consolidated statements of income (see Note 20.3). Amounts recognized in other comprehensive income, net of tax, were classified within items that will not be reclassified subsequently to profit or loss in the consolidated statements of comprehensive income.

For determination of the post-employment benefit obligation, the following actuarial assumptions were used:

	2023	2022	2021
Discount rates	**5.94% - 6.12%**	4.98% - 7.22%	4.85% - 5.09%
Salary increase rate	**8.00%**	5.00%	5.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working lives of employees before retirement at the age of 60 ranges from 6.0 to 25.0 years for males and 2.0 to 32.0 years for females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero-coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan is generally concentrated on investment in debt securities, although the Group also invests in UITF.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(iii) Inflation Risk

A significant proportion of the defined benefit obligation is linked to inflation. The increase in inflation will increase the Group's liability. A portion of the plan assets are inflation-linked debt securities which will mitigate some of the effects of inflation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described in the succeeding pages.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit asset as of December 31, 2023 and 2022:

	Impact on Post-employment Benefit Asset/Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
December 31, 2023			
Discount rate	**+/- 0.5%**	**(P 8,321,225)**	**P 9,411,097**
Salary increase rate	**+/- 1.0%**	**19,426,351**	**(15,098,506)**
December 31, 2022			
Discount rate	+/- 0.5%	(P 4,765,479)	P 1,726,202
Salary increase rate	+/- 1.0%	3,727,770	(2,539,373)

The sensitivity analysis in the preceding page is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Group through its Management Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve those long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency.

The Group actively monitors how the duration, and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolios, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of the plan assets as of December 31, 2023 and 2022 are generally concentrated in government debt securities, although the Group also invests in UITF for liquidity purposes.

(iii) Funding Arrangements and Expected Contributions

The plan is currently overfunded by P144.2 million based on the latest actuarial valuation. On the other hand, the Group is yet to determine how much and when to fund its retirement benefit obligation as of December 31, 2023.

The Group does not expect to make any contribution to the plan during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan follows:

	2023	2022
Within one year	**P 16,693,335**	P 19,340,551
More than one year to 5 years	**25,230,402**	20,720,040
More than 5 years to 10 years	**100,433,980**	53,518,210
More than 10 years to 15 years	**137,561,319**	105,898,509
More than 15 years to 20 years	**238,349,183**	155,225,739
More than 20 years	**1,828,849,849**	785,348,444
	P2,347,118,068	P1,140,051,493

The weighted average duration of the defined benefit obligation at the end of the reporting period is 19 years.

22. TAXES

22.1 Registration with Philippine Economic Zone Authority (PEZA)

SMC is registered with the PEZA as an Ecozone Facilities Enterprise at the Laguna International Industrial Park – Special Economic Zone (LIIP – SEZ). As an Ecozone Facilities Enterprise, SMC shall lease its building in LIIP – SEZ to PEZA-registered export enterprises located therein. SMC is subject to 5% tax on gross income earned on such facilities in lieu of all national and local taxes.

On July 1, 1998, the PEZA approved Starworld's registration as an Ecozone developer and operator of the CPIP – Special Economic Zone located at Bo. Parian, Calamba City. Under the terms of the registration and subject to certain requirements, Starworld shall be exempt from all national and local taxes and instead will be subject to the 5% preferential tax rate on gross income after allowable deductions.

22.2 Current and Deferred Taxes

The components of tax expense reported in the consolidated statements of income and consolidated statements of comprehensive income are as follows:

	2023	2022	2021
Reported in consolidated statements of income:			
Current tax expense:			
RCIT at 25% / 20%	**P 78,589,815**	P 66,840,352	P 42,896,941
Final tax at 20% / 15%	**35,083,692**	16,055,065	6,600,074
MCIT at 1.5% in 2023, 1% in 2022 and 2021	**1,500,636**	612,193	686,785
Excess MCIT over RCIT	**-**	749	-
Preferential tax at 5%	**-**	279	-
Effect of change in income tax rate	**-**	-	(4,164,426)
	115,174,143	83,508,638	46,019,374
Application of excess MCIT	**-**	-	(458,706)
Deferred tax expense (income) arising from:			
Origination and reversal of temporary differences	**84,406,206**	79,709,647	157,941,870
Effect of change in income tax rate	**-**	-	(145,236,661)
Derecognition of deferred tax asset on allowance for impairment of receivables	**-**	-	19,588,127
	84,406,206	79,709,647	32,293,336
	P 199,580,349	P 163,218,285	P 77,854,004
Reported in consolidated statements of comprehensive income (loss):			
Deferred tax expense (income) on:			
Remeasurements of defined benefit post-employment plan	**(P 9,494,432)**	P 393,951	(P 1,255,869)
Deferred tax income on changes in fair value of financial assets at FVOCI	**-**	-	(3,210,000)
Effect on change in income tax rate	**-**	-	456,078
	(P 9,494,432)	P 393,951	(P 4,009,791)

The reconciliation of tax on gross and pretax profit computed at the applicable statutory rates to tax expense reported in the consolidated statements of income is as follows:

	2023	2022	2021
Tax on pretax profit at 25%	**P 182,836,370**	P 148,036,233	P 188,860,852
Adjustment for income subjected to lower tax rates	**(7,534,698)**	(3,114,429)	(3,709,807)
Tax effects of:			
Nontaxable income	**(32,533,180)**	(23,767,494)	(27,849,650)
Unrecognized deferred tax assets from net operating loss carry-over (NOLCO) and MCIT and other temporary differences	**34,968,769**	9,280,211	48,688,669
Nondeductible expenses and losses	**22,007,616**	34,861,771	26,495,290
Excess of itemized deductions over optional standard deduction	**(164,528)**	534,491	329,727
Application of NOLCO	**-**	(3,082,021)	(5,618,593)
Excess of MCIT over RCIT	**-**	53,571	-
Reversal of previously recognized deferred tax assets	**-**	415,952	-
Deferred tax on allowance	**-**	-	58,603
Effect of change in income tax rate	**-**	-	(149,401,087)
Tax expense	**P 199,580,349**	P 163,218,285	P 77,854,004

The net deferred tax assets of certain subsidiaries as of December 31 relate to the following:

	2023	2022
Deferred tax assets:		
Allowance for inventory obsolescence	**P 4,708,858**	P 4,109,359
Allowance for impairment on trade and other receivables	**3,343,463**	3,353,263
Fair value loss on investment property	**2,265,698**	2,265,698
Retirement benefit obligation	**2,259,958**	657,724
Provision for warranty claims	**628,554**	467,241
Accrued expenses	**585,352**	585,352
PFRS 16 adoption	**(150,658)**	(29,910)
MCIT	**76,435**	869,518
Deferred rental income	**44,724**	-
	13,762,384	12,278,245
Deferred tax liabilities:		
Unrealized foreign currency loss	**(1,672,838)**	(1,403,228)
Accumulated depreciation on investment property	**(1,044,869)**	(924,489)
	(2,717,707)	(2,327,717)
Deferred tax assets – net	**P 11,044,677**	P 9,950,528

The net deferred tax liabilities of certain subsidiaries as of December 31 relates to the following:

	2023	2022 [As Restated – see Note 2.1(d)]
Deferred tax assets:		
Accumulated amortization on right-of-use asset	**P 10,903,452**	P 10,468,169
Allowance for impairment on trade and other receivables	**5,446,168**	6,846,121
Impairment losses on property and equipment	**3,586,563**	3,586,563
Allowance for inventory obsolescence	**3,265,156**	3,320,960
Unearned rent income	**2,947,303**	2,917,794
Impairment losses on trade and other receivables	**1,412,121**	-
MCIT	**1,358,889**	637,181
NOLCO	**(389,188)**	799,683
Deferred rent income	**251,972**	689,402
Inventory losses due to obsolescence	**238,418**	238,418
Impairment losses on input VAT	**200,981**	200,981
Unamortized past service costs	**127,835**	232,740
Unrealized forex loss – DTL net	**159**	-
	29,349,829	29,938,012
Deferred tax liabilities:		
Fair value gains on investment property – net	**(851,066,215)**	(777,685,711)
Accumulated depreciation on investment property	**(148,807,789)**	(142,389,338)
Retirement benefit asset	**(30,050,639)**	(36,162,527)
Excess of FV over cost of property	**(12,211,529)**	(12,211,529)
Amortization of lease liabilities	**(10,828,319)**	(10,327,040)
Accrued rent income	**(4,216,982)**	(3,038,728)
Unrealized foreign currency gains	**(3,163,842)**	(3,164,219)
PFRS 16	**(60,916)**	(9,392)
	(1,060,406,231)	(984,988,484)
Deferred tax liabilities – net	**(P1,031,056,402)**	(P 955,050,472)

The components of net deferred tax expense reported in the consolidated statements of income are as follows:

	2023	2022	2021
Fair value gains investment property – net	**P 72,485,001**	P 68,402,244	P 1,255,188
Accumulated depreciation on investment property	**7,883,017**	8,374,877	(22,765,113)
Retirement benefit asset	**1,798,438**	399,274	(2,923,419)
Accrued income	**1,178,251**	(89,541)	(48,148)
NOLCO	**1,138,763**	1,073,130	5,693,393
Allowance (reversal) for inventory obsolescence	**(599,499)**	2,583,897	13,415,250
Amortization of lease liabilities	**501,279**	(127,779)	3,046,650
Deferred rent income	**437,431**	(539,017)	340,962
Accumulated depreciation on right-of-use assets	**(435,282)**	(848,793)	(1,639,103)
Excess of MCIT over RCIT	**(327,198)**	(805,171)	177,410
Unrealized foreign currency gains (losses) – net	**269,069**	(1,141,070)	5,763,611
Provision for warranty claims	**(161,316)**	106,336	(227,794)
Allowance for impairment on trade and other receivables	**153,535**	1,232,228	26,142,587
PFRS 16 adoption	**76,024**	494,475	1,239,171
Unamortized past service costs	**38,202**	-	89,590
Unearned rent income	**(29,509)**	178,549	6,382,910
Accrued expenses	**-**	350,271	344,324
Impairment loss on investment in subsidiaries	**-**	272,191	(559,140)
Impairment loss on property and equipment	**-**	(200,981)	717,313
Impact of the acquisition	**-**	(5,473)	-
Fair value over deemed cost	**-**	-	(2,442,306)
Available for sale securities	**-**	-	(1,710,000)
	P 84,406,206	P 79,709,647	P 32,293,336

The deferred tax income in 2023 and 2021 amounting to P9.5 million and P4.0 million, respectively, and the deferred tax expense in 2022 amounting to P0.4 million, in the consolidated statements of comprehensive income pertains to the tax effect of the changes in fair value of financial assets at FVOCI and remeasurements of post-employment defined benefit plan (see Note 23.3).

Presented below are the details of NOLCO, which can be claimed as deductions from future taxable profit within three to five years from the year the tax loss was incurred. Specifically, NOLCO incurred in 2021 and 2020 can be claimed as a deduction from the gross income until 2026 and 2025, respectively, in accordance with R.A. No. 11494, *Bayanihan to Recover as One Act*. In 2022, the NOLCO carry-over period is reverted to three years from the year the tax loss was incurred.

Year Incurred	Amount	Applied Amount	Expired Amount	Remaining Balance	Valid Until
2023	P 58,202,069	P -	P -	P 58,202,069	2026
2022	30,654,231	-	-	30,654,231	2025
2021	138,523,393	-	-	138,523,393	2026
2020	166,054,076	(13,088,254)	-	152,965,822	2025
	P 393,433,769	**(P 13,088,254)**	**P -**	**P 380,345,515**	

The Group is subject to MCIT which is computed at 1.5% in 2023 and 1% in 2022 and 2021 of gross income, as defined under the tax regulations or RCIT, whichever is higher. The details of the Group's MCIT are as follows:

Year Incurred	Amount	Applied Amount	Expired Amount	Remaining Balance	Valid Until
2023	P 1,500,636	P -	P -	P 1,500,636	2026
2022	612,193	-	-	612,193	2025
2021	686,785	-	-	686,785	2024
2020	1,360,982	(458,706)	(902,276)	-	
	P 4,160,596	**(P 458,706)**	**(P 902,276)**	**P 2,799,614**	

The Group did not recognize the deferred tax assets on NOLCO, MCIT and other deductible temporary differences of certain subsidiaries as management has assessed that those subsidiaries may not be able to realize their related tax benefits within the prescribed availment period. The NOLCO, MCIT and other deductible temporary differences as of December 31 for which the related deferred tax assets have not been recognized by certain entities in the Group are shown below.

	2023		2022		2021	
	Amount	**Tax Effect**	Amount	Tax Effect	Amount	Tax Effect
NOLCO	**P 116,633,288**	**P 29,730,789**	P 93,688,945	P 23,383,846	P 92,035,445	P 23,048,188
Allowance for inventory obsolescence	**5,640,616**	**1,410,154**	5,127,564	1,281,891	1,648,408	412,102
Unamortized past service cost	**1,614,359**	**403,590**	1,883,419	470,855	2,152,479	538,120
Allowance for impairment of trade receivables	**1,509,192**	**377,298**	1,080,176	270,044	19,297,292	4,824,323
Retirement benefit obligation	**1,204,196**	**301,049**	1,561,420	390,355	1,028,908	257,227
Allowance for impairment of intangible assets	**272,127**	**68,032**	272,127	68,032	272,127	68,032
MCIT	**117,104**	**117,104**	128,427	128,427	134,138	134,138
Unrealized foreign currency gains – net	**(51,968)**	**(12,992)**	(49,372)	(13,105)	(4,318,005)	(1,079,501)
Reserve for commission	**-**	**-**	-	-	1,281,128	320,282
	P 126,938,914	**P 32,395,024**	P 103,692,706	P 25,980,345	P 113,531,920	P 28,522,911

In 2023 and 2022, the Group opted to use itemized deduction in computing for its income tax due, except for certain subsidiaries which still opted to claim OSD in the current year.

In 2021, the Group claimed itemized deductions in computing for its income tax due, except for SBC and ZTC, which opted to claim OSD in those years.

23. EQUITY

23.1 Capital Stock

The Parent Company has a total authorized capital stock of P5.0 billion divided into 5,000,000,000 shares with P1 par value.

On June 18, 1996, the Commission issued an Order approving the Registration Statement covering the securities which comprised the Parent Company's entire authorized capital stock. On September 4, 1996, the Parent Company's shares were listed in the PSE and the trading of offer shares commenced.

The Parent Company offered to the public 665,000,000 shares at an offer price of P5.85 per share. The offer shares consist of 524,475,000 primary shares (new shares) and 140,525,000 secondary shares (existing shares).

As of December 31, 2023 and 2022, the Parent Company has issued shares of 2,030,975,000 (with P1 par value), of which, 468,787,704 shares are held by the public in 2023 and 2022, respectively. There are 4,209 and 4,221 holders of the listed shares which closed at P0.94 and P0.87 per share on December 31, 2023 and 2022, respectively.

23.2 Retained Earnings

The BOD approved the declaration of cash dividends in 2023 and 2022 as follows:

Date of Declaration	Stockholders of Record as of	No. of Shares Outstanding	Amount per Share	Total
August 3, 2023	**August 18, 2023**	**1,821,542,000**	**P 0.06**	**P109,292,520**
June 30, 2022	July 29, 2022	1,821,542,000	P 0.06	P 109,292,520

The dividends were paid within the year of declaration and approval. Retained earnings is restricted in the amount of P115.6 million as of December 31, 2023 and 2022, equivalent to the cost of 209,433,000 shares held in treasury. There was no dividend declaration to the Parent Company's stockholders in 2021.

23.3 Revaluation Reserves

The components of this account and its movements are as follows:

	Notes	**2023**	2022	2021
Remeasurement of post-employment benefit:				
Balance at beginning of year		**P 69,518,803**	P 66,450,526	P 63,372,760
Actuarial gains (loss) during the year	21.2	**(39,063,646)**	3,462,228	2,277,975
Tax income (expense)	22.2	**9,494,432**	(393,951)	799,791
Balance at end of year		**39,949,589**	69,518,803	66,450,526
Cumulative translation adjustments:				
Balance at beginning of year		**57,039,969**	(29,205,232)	(58,983,217)
Currency exchange differences on translating financial statements of foreign operations		**(9,249,466)**	86,245,201	29,777,985
Balance at end of year		**47,790,503**	57,039,969	(29,205,232)
Unrealized fair value losses financial on financial assets at FVOCI:				
Balance at beginning of year		**22,606,719**	13,006,719	6,496,719
Fair value gains – net	7.1	**18,400,000**	9,600,000	3,300,000
Tax income	22.2	**-**	-	3,210,000
Balance at end of year		**41,006,719**	22,606,719	13,006,719
Other comprehensive income attributable to NCI interest		**35,000**	35,000	35,000
		P 128,781,811	P 149,200,491	P 50,287,013

23.4 Subsidiary with Material Non-controlling Interest

Noncontrolling interests (NCI) pertain to the 25.0%, 27.0%, 50.0% and 50.0% equity ownership of minority stockholders in Skyworld, Interstar, Starworld and LIIP, respectively. In 2023, the Group sold its shares of stock in Interstar and LIIP (see Notes 1.1). The details of deconsolidation are presented in Note 23.5.

The selected financial information (before inter-company eliminations) of Starworld and LIIP, which are considered the material NCI are shown below.

	Starworld		LIIP
	2023	2022	2022
Current assets	**P 576,695,016**	P 654,425,958	P 88,691
Non-current assets	**1,656,883**	95,928	-
Total assets	**P 578,351,899**	P 654,521,886	P 88,691
Current liabilities	**P 365,911**	P 935,495	P 8,039,271
Non-current liabilities	**2,093,711**	1,858,901	-
Total liabilities	**P 2,459,622**	P 2,794,396	P 8,039,271
Equity (capital deficiency) attributable to owners of the parent	**P 287,946,139**	P 325,863,745	(P 3,974,540)
NCI	**P 287,946,139**	P 325,863,745	(P 3,974,540)
Revenue	**P 38,404,858**	P 35,376,782	P -
Profit (loss) for the year attributable to owners of the parent	**P 12,120,868**	P 1,281,686	(P 750)
Profit (loss) for the year attributable to NCI	**12,120,868**	1,281,686	(750)
Profit (loss) for the year	**24,241,736**	2,563,372	(1,500)
Other comprehensive loss for the year (all attributable to owners of the parent)	**(76,949)**	(420,545)	-
Total comprehensive income (loss) for the year attributable to owners of the parent	**12,043,919**	861,141	(750)
Total comprehensive income (loss) for the year attributable to NCI	**12,120,868**	1,281,686	(750)
Total comprehensive income (loss) for the year	**P 24,164,787**	P 2,142,827	(P 1,500)
Net cash used in operating activities	**(P 13,572,748)**	(P 75,099,400)	(P 1,500)
Net cash from investing activities	**29,189,428**	757,184,293	-
Net cash used in financing activities	**(100,000,000)**	(95,992,453)	-
	(84,383,320)	586,092,440	(1,500)
Effect of exchange rate on cash and cash equivalent	**(693)**	466,286	-
Net cash inflow (outflow)	**(P 84,384,013)**	P 586,558,726	(P 1,500)

The corporate information of Starworld and LIIP, as well as the Parent Company's stockholding thereto, is provided in Note 1.2.

In 2023, 2022 and 2021, cash dividend amounting to P51.3 million, P10.7 million and P40.1 million, respectively, was declared to NCI which were paid within the year of declaration and approval.

Management determined that the difference between the respective equity ownership of minority stockholders over the equity of the aforementioned subsidiaries and the amount of NCI recognized in the consolidated statements of financial position is not material to the consolidated financial statements.

23.5 Loss of Control Over Subsidiaries

As discussed in Notes 1 and 23.4, the Group sold its shares of stock in Interstar and LIIP in 2023. At the date of disposal, the net carrying amount of these entities and the determination of the gain or loss on deconsolidation are as follows:

	LIIP	Interstar	Total
Cash & cash equivalents	P 87,791	P 35,824	P 123,615
Real estate inventories – land	248,000	-	248,000
Real estate inventories – land development	2,419,600	-	2,419,600
Real estate inventories – allowance	(2,667,600)	-	(2,667,600)
Total current assets	87,791	35,824	123,615
Trade and other payables	-	38,987	38,987
Advances from related parties	8,039,271	5,083,105	13,122,376
LIIP advances from Interstar	(4,003,358)	-	(4,003,358)
Total current liabilities	(4,035,913)	(5,122,092)	(9,158,005)
Net assets	(3,948,122)	(5,086,268)	(9,034,390)
Net assets - NCI	(4,316,539)	(1,373,292)	(5,689,831)
Share of the Parent Company in net assets of Interstar and LIIP	368,417	(3,712,976)	(3,344,559)
Consideration received	(100)	(100)	(200)
Gain (loss) in deconsolidation	**(P 368,317)**	**P 3,713,076**	**P 3,344,759**

The net gain on deconsolidation amounting to P3.4 million is presented as part of Other gains under Other Income (Charges) – net section of the 2023 consolidated statement of income (see Note 20).

24. EARNINGS PER SHARE

Basic earnings per share (EPS) is computed by dividing net profit attributable to the Parent Company's stockholders by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividends declared, stock split and reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potential dilutive shares. Currently, the Group does not have potentially dilutive shares outstanding; hence, the diluted earnings per share is equal to the basic earnings per share.

Basic and diluted earnings for profit attributable to the Parent Company's stockholders are computed as follows:

	2023	2022	2021
Net profit for the year attributable to the Parent Company's stockholders	**P 509,619,362**	P 427,622,019	P 666,154,358
Divided by weighted average shares outstanding:			
Number of shares issued	**2,030,975,000**	2,030,975,000	2,030,975,000
Treasury shares	**(209,433,000)**	(209,433,000)	(209,433,000)
	1,821,542,000	1,821,542,000	1,821,542,000
Earnings per share – basic and diluted	**P 0.28**	P 0.23	P 0.37

There were no outstanding convertible preferred shares and bonds or other stock equivalents as of December 31, 2023, 2022 and 2021; hence, diluted earnings per share is equal to the basic earnings per share.

25. RELATED PARTY TRANSACTIONS

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form. Based on the requirement of the SEC Memorandum Circular 2019-10, *Rules on Material Related Party Transactions for Publicly Listed Companies*, transactions amounting to 10% or more of the total assets based on the latest audited financial statements that were entered into with related parties are considered material. All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent director's vote is not secured; the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a one-year period that breaches the 10% materiality threshold, the same board approval would be required for the transaction(s) that meets and exceeds the materiality threshold covering the same related party.

The Group's related parties include other companies owned by the Parent Company's majority stockholders and the Group's key management personnel as described below. The summary of the Group's significant transactions in 2023, 2022 and 2021 with its related parties and the outstanding balances as of December 31, 2023 and 2022 are as follows:

Related Party Category	Notes	Amounts of Transaction			Outstanding Receivable (Payable)	
		2023	2022	2021	**2023**	2022
Related Parties Under Common Ownership:						
Purchase of mobile phones	25.1	**P -**	P 213,100,301	P 101,445,462	**P -**	P -
Purchase of supplies and services	25.1	**-**	2,720,453	505,342	**-**	-
Purchase of spare parts	25.1	**-**	289,508	995,878	**-**	-
Advances to suppliers	25.1	**-**	-	4,029,423	**-**	-
Lease of real property	25.2	**5,858,891**	5,502,329	7,428,555	**-**	-
Refundable deposits	25.2	**-**	67,000	106,305	**(891,305)**	(891,305)
Collection of business loans	25.3	**-**	(5,500,000)	(4,000,000)	**-**	-
Interest income	25.3	**-**	331,250	600,000	**-**	-
Cash advances granted – net of allowance	25.4	**33,578**	-	-	**2,420,429**	2,386,851
Related Parties Under Common Ownership:						
Cash advances obtained	25.4	**-**	-	-	**-**	(1,881,570)
Commissions	25.5	**-**	-	2,962,042	**-**	-
Sale of goods	25.6	**-**	-	1,675,060	**-**	-
Rendering of services	25.7	**853,334**	700,745	3,505,631	**-**	-
Key Management Personnel:						
Compensation	25.8	**52,838,952**	56,529,290	47,682,666	**-**	-

None of the companies under the Group is a joint venture. The Parent Company is not subject to joint control. Related parties that exercise significant influence over the Parent Company are AA Commercial, Inc. and AV Value Holdings Corporation.

Further, transactions with Avid, as disclosed on the succeeding pages, transpired before the acquisition of ownership of the Parent Company over Avid in 2022. Transactions after the acquisition between related parties were eliminated at consolidated financial statements.

Unless otherwise stated, the Group's outstanding receivables from and payables to related parties arising from advances, sale and purchase of goods, management services and other services, are unsecured, noninterest-bearing and generally settled in cash within 12 months from the end of the reporting period.

Based on the management assessment, certain receivables were found to be impaired using the provision matrix; hence, adequate amount of allowance for impairment have been recognized as of December 31, 2023, 2022 and 2021 (see Note 25.4).

25.1 Purchase of Goods, Supplies and Services

In 2022 and 2021, the Group purchased mobile phones, tablets and accessories at prevailing market prices from Solid Trading Limited (STL), a related party under common ownership which is based in Hong Kong, amounting to P213.1 million and P101.4 million, respectively, and recorded as part of Net purchases under Cost of Sales in the consolidated statements of income (see Note 17.1). There were no similar purchases in 2023.

Further, the Group also made advance payments to STL which were fully applied in 2022. There were no additional advances paid in 2023 and 2022.

Prior to acquisition of Avid, certain subsidiaries purchased electronic devices and spare parts from Avid totaling P3.0 million and P1.5 million, respectively. The related purchases were recorded as part of Net purchases under Cost of Sales in the 2022 and 2021 consolidated statements of income (see Note 17.1).

25.2 Lease of Real Property

The Group leases its office space to TCL Sun Inc. (TCL), a related party under common ownership, with a lease term of five years with escalation rates. Likewise, prior to the acquisition, certain subsidiaries leased out land, buildings and office spaces to Avid. Revenues arising from these transactions are presented as part of Rentals under the Revenues of the consolidated statements of income.

Deposits received from the related parties for these lease agreements are refundable at the end of the lease term. There were no additional deposits received in 2023. The outstanding balance of refundable deposits are presented under Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

25.3 Granting of Loans

Prior to the acquisition, the Group granted an unsecured business loan to Avid with the original principal loan amounting to P80.0 million which bears an annual interest rate of 8.0%. The loan will mature in 2025. Principal repayment related to this loan amounted to P5.5 million and P4.0 million in 2022 and 2021, respectively.

The total interest earned from these loans amounting to P0.3 million and P0.6 million in 2022 and 2021, respectively, is presented as part of Interest under Revenues section of the 2022 and 2021 consolidated statements of income. All outstanding receivables on these loans were collected in 2022.

25.4 Advances to and from Related Parties

In the normal course of business, certain subsidiaries of the Group grant and obtain unsecured, noninterest-bearing cash advances to and from related parties under common ownership for working capital requirements and other purposes. As of December 31, 2023 and 2022, outstanding balances of these advances are presented as Advances to and from Related Parties account in the consolidated statements of financial position.

In 2023, the Group granted insignificant amount of additional advances to its related party, which remains uncollected as of December 31, 2023, is presented under Advances to Related Parties account in the 2023 consolidated statement of financial position. There was no similar transaction for 2022 and 2021.

The outstanding balances related to advances obtained from related parties as of December 31, 2022 was fully settled in 2023.

In 2021, the Group recognized impairment loss from certain advances amounting to P1.0 million which is presented as Impairment losses on advances to related parties under General and Administrative Expenses in the 2021 consolidated statement of income (see Note 18). There were no impairment losses recognized in 2023 and 2022.

25.5 Transactions with STL

The Group earned commission income from STL at 10.7% of sales recognized by STL from its sale of the subsidiary's products in 2021. Commission income is presented as part of Rendering of Services in the 2021 consolidated statement of income. There was no similar transaction in 2023 and 2022.

25.6 Sale of Goods

Prior to the acquisition, the Group sold mobile phones, tablets and accessories, tapes and equipment to Avid. Revenues from said transactions in 2021 are presented as part of Sale of Goods under Revenues in the 2021 consolidated statement of income.

25.7 Rendering of Services

In 2021, the Group provided assembly, repair, warehousing, and distribution services to Avid. Revenues from the said transaction amounting to P3.5 million in 2021 are presented as part of Rendering of Services under Revenues section of the 2021 consolidated statement of income.

In 2023 and 2022, a certain subsidiary bills TCL service charges for common usage and service area and consumption of utilities. Charges arising from these transactions are presented as part of Common usage and service area and utilities charges under Other Operating Income section of the consolidated statements of comprehensive income (see Note 19). There was no similar transaction in 2021.

As of December 31, 2023 and 2022, there are no outstanding receivables arising from these transactions.

25.8 Key Management Personnel Compensation

The compensation of key management personnel is broken down as follows:

	2023	2022	2021
Short-term benefits	**P 49,678,661**	P 54,166,870	P 47,188,046
Post-employment benefit	**3,160,291**	2,362,420	494,620
	P 52,838,952	P 56,529,290	P 47,682,666

These amounts are shown as part of Salaries and employee benefits under General and Administrative Expenses in the consolidated statements of income (see Notes 18 and 21.1).

25.9 Transactions with the Retirement Fund

The Group has established a formal multi-employer retirement plan which is administered by an investment manager, except for certain subsidiaries whose retirement fund remained unfunded as of December 31, 2023 and 2022.

The retirement fund consists of corporate bonds, government securities and UITF with fair values totaling P256.7 million and P252.8 million as of December 31, 2023 and 2022, respectively. The retirement fund neither provides any guarantee nor surety for any obligation of the Group.

The details of the contributions of the Group and benefits paid out by the plan to employees are presented in Note 21.2.

25.10 Advances to Officers

In the ordinary course of business, the Group provided unsecured, noninterest-bearing advances to its officers subject to liquidation. The outstanding receivable arising from these transactions are presented as part of Advances to officers and employees under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.2).

26. SIGNIFICANT CONTRACTS AND AGREEMENTS

26.1 Memorandum of Understanding with SPI

On July 1, 2003, the Group entered into a Memorandum of Understanding (MOU) with Sony for network support for Sony. Under the MOU, Sony authorized the Group to perform in-warranty and out-of-warranty services to customers in the Philippines for a fee calculated as a percentage of Sony's annual sales.

In-warranty services shall be rendered free of charge to customers. The actual cost of replacement parts related to in-warranty services shall be shouldered by Sony. Network support fees are billed at a fixed rate per month. The agreement is effective unless revoked by any of the parties.

Network support fees and in-warranty service fees relating to Sony products amounted to P97.2 million, P101.1 million and P95.3 million in 2023, 2022 and 2021, respectively, and are presented as part of Rendering of Services in the consolidated statements of income.

The outstanding balances arising from these transactions amounting to P9.9 million and P20.4 million as of December 31, 2023 and 2022, respectively, are included as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.1).

26.2 Distributorship Agreement with Sony Corporation of Hong Kong Limited (Sony HK)

The Group has a non-exclusive Distributorship Agreement (the Agreement) with Sony HK, a corporation organized and existing under and by virtue of the laws of Hong Kong. Under the Agreement, the Group was designated by Sony HK as its non-exclusive distributor of Sony products in the Philippines. In addition, the Group shall provide the customers in the Philippines with repair and parts replacement services, including but not limited to repair and parts replacement services rendered by the Group which are covered under the 12 month-warranty period at its own costs and expenses. The Agreement was effective until March 31, 2022.

26.3 Management Agreement with Sky Cable Corporation

For continuity of services to subscribers, the Group and SkyCable Corportion (SkyCable) undertook to cooperate with each other and to execute further actions as may be necessary to carry out the purposes of the agreement on sale of assets pending the approval of the National Telecommunications Commission (NTC). The Management Agreement shall be automatically terminated on the date of the NTC's approval of the transfer of the assets in favor of SkyCable. As of December 31, 2023, the NTC approval has not yet been obtained.

The Group was given the overall power and responsibility to handle all aspects necessary to carry out the administration and operations of SkyCable and to accord the necessary additional authorizations, should the need arise.

Revenues arising from these transactions amounted to P4.7 million, P4.3 million and P3.0 million in 2023, 2022 and 2021, respectively, and is presented as part of Rendering of services under Revenues in the consolidated statements of income. The outstanding receivable amounted to P0.5 million and P0.4 million as of December 31, 2023 and 2022, respectively, and is included as part of Trade receivables under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.1).

27. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

27.1 Operating Lease Commitments – Group as Lessor

Certain subsidiaries are lessors under various non-cancellable operating lease agreements covering certain real estate properties. These leases have terms ranging from one to 10 years, with renewal options, and include annual escalation rates ranging from 5% to 10%. These subsidiaries receive fixed monthly payments.

The Group is subject to risks associated with the rights it retains in the properties it leases, such as alterations made by the lessee that may impair the value of the leased properties. To manage the exposure on such risks, the Group exercises strict control over the fit-out process and no alterations are allowed to be made without prior approval of the Group. The Group also requires security deposits and advance rentals equivalent to at least three months of rent.

Moreover, the Group retains its right to inspect the leased properties during the lease term. In case of expiration of lease term or early termination due to the default of the lessee, the Group is entitled to the improvements installed on the leased properties without an obligation to reimburse the lessee for the costs of improvements.

The future minimum lease receivables under these non-cancellable operating leases as of December 31 are presented below.

	2023	2022
Within one year	**P 139,786,685**	P 120,876,257
After one year but not more than two years	**109,479,747**	87,959,542
After two year but not more than three years	**91,681,740**	47,027,813
After three year but not more than four years	**84,909,324**	32,105,872
After four year but not more than five years	**20,014,941**	23,629,227
More than five years	**48,713,683**	41,012,641
	P 494,586,120	P 352,611,352

The total rent income recognized from these transactions, including rent income resulting from the application of the straight-line basis of revenue recognition for the reporting periods, are presented as Rentals under Revenues section of the consolidated statements of income. There was no contingent rent (i.e., variable rent considerations) related to these operating leases.

27.2 Purchase Commitments

In 2007, the Group has entered into several construction contracts with various subcontractors for the construction of Tri-Towers condominium building. The construction of Tower 1 and Tower 2 were completed in 2008 and 2012, respectively, while the construction of Tower 3 has not yet started, yet it has incurred expenses for the planning phase as of December 31, 2023 and 2022 (see Note 9.2).

27.3 Deficiency Tax Assessments

Certain subsidiaries have outstanding deficiency tax assessments with the BIR and outstanding tax cases filed with the Court of Tax Appeals (CTA) covering the taxable years 2011, 2012, 2015, 2016 and 2017 to which the BIR and CTA have sought to investigate, and consequently, examine certain books, records and accounts that relate to transactions in the ordinary course of business. Pursuant to the Group's policy of addressing such actions in line with prudent business practice, the Group has engaged tax counsel and advisors in relation to these matters.

As of December 31, 2023, the majority of these deficiency tax assessments and tax cases are still under protest or reconsideration. Management believes that the Group has enough legal basis under the law to support their claims, and that the outcome of such tax assessments will not have a material impact in the Group's consolidated financial statements; hence, no provision was recognized as of December 31, 2023.

27.4 Purchase Agreement

In previous year, the Group entered into a purchase agreement with Asia Travel Philippines Inc. (ATPI). As of December 31, 2023 and 2022, the unearned portion with ATPI is presented as part of Other Payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

27.5 Others

The Group has unused credit facilities amounting to P1.1 billion both in 2023 and 2022.

There are other commitments, guarantees, litigations and contingent liabilities that arise in the normal course of the Group's operations which are not reflected in the consolidated financial statements. As of December 31, 2023 and 2022, management is of the opinion that losses, if any, that may arise from these commitments and contingencies will not have a material effect on the Group's consolidated financial statements.

28. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarized in Note 29. The main types of risks are market risk, credit risk, liquidity risk and operational risk.

The Group's risk management is coordinated with its BOD and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate continuous returns.

The Group does not engage in the trading of financial assets for speculative purposes, nor does it write options. The most significant financial risks to which the Group is exposed are described below and in the succeeding pages.

28.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Group's foreign currency denominated trade and other receivables and trade and other payables, which are primarily denominated in USD and HKD. The Group also holds USD-denominated and HKD-denominated cash and cash equivalents.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency-denominated financial assets and financial liabilities, translated into Philippine pesos at the closing rate are as follows:

	2023		2022	
	USD	**HKD**	USD	HKD
Financial assets	**P 2,409,551**	**P 13,774,612**	P 77,309,095	P 13,944,081
Financial liabilities	**(1,115,666)**	**-**	(1,115,666)	-
Short-term exposure	**P 1,293,885**	**P 13,774,612**	P 76,193,429	P 13,944,081

The following table illustrates the sensitivity of the Group's profit before tax in 2023, 2022 and 2021 with respect to changes in the exchange rates of Philippine peso against foreign currencies. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months prior to the end of the reporting period at a 99% confidence level.

	2023		2022		2021	
	Reasonably Possible Change in Rate	**Effect in Profit Before Tax**	Reasonably Possible Change in Rate	Effect in Profit Before Tax	Reasonably Possible Change in Rate	Effect in Profit Before Tax
PHP – USD	**16.02%**	**P 207,280**	15.77%	P 12,015,704	23.06%	P 17,880,073
PHP – HKD	**17.38%**	**2,394,028**	15.93%	2,221,292	-	-
		P 2,601,308		P 14,236,996		P 17,880,073

If the Philippine peso had strengthened against the USD and HKD, with all other variables held constant, the Group's profit before tax would have been lower by P2.6 million, P14.2 million and P17.9 million in 2023, 2022 and 2021, respectively. Conversely, if the Philippine peso had weakened against the USD and HKD by the same percentage, with all variables held constant, profit before tax and equity would have been higher in 2023, 2022 and 2021 by the same amount.

Exposures to foreign exchange rates vary during the period depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis above is considered to be a reasonable estimation of the Group's currency risk.

(b) Interest Rate Risk

As of December 31, 2023 and 2022, the Group is exposed to changes in market interest rates through its cash and cash equivalents, short-term placements, loans receivables and interest-bearing loans which are subject to variable interest rates. All other financial assets and financial liabilities have fixed rates or are noninterest-bearing.

The sensitivity of profit or loss before tax are based on a reasonably possible change in interest rates of +/-3.00% in 2023, +/-6.16% in 2022 and +/-1.78% in 2021 for Philippine peso. On the other hand, the Group's exposure to foreign currency interest rates is insignificant. These changes in rates have been determined based on the average market volatility in interest rates, using standard deviation, in the previous 12 months, estimated at 99% level of confidence. The sensitivity analysis is based on the Group's financial instruments held at each reporting date, with the effect estimated from the beginning of the year. All other variables are held constant.

The changes in percentages would affect profit or loss before tax by +/-P90.9 million, +/-P235.9 million and +/-P92.8 million in 2023, 2022 and 2021, respectively.

(c) Other Price Risk

The Group's market price risk arises from its investments carried at fair value (i.e., financial assets measured at FVOCI). The Group manages exposure to price risk by monitoring the changes in the market price of the investments and at some extent, diversifying the investment portfolio in accordance with the limit set by management.

28.2 Credit Risk

Credit risk is the risk that the counterparties may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from granting loans and selling goods and services to customers including related parties, placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of real estate sales, advance payments are received to mitigate credit risk.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position and in the detailed analysis provided in the notes to the consolidated financial statements, as summarized below.

	Notes	**2023**	2022
Cash and cash equivalents	5.1	**P 2,710,806,862**	P 3,832,058,109
Short-term placements	5.2	**153,780,405**	-
Trade and other receivables – net*	6	**1,185,046,906**	1,143,273,385
Investment in bonds	7.2	**20,000,000**	20,000,000
Refundable deposits**	13	**36,695,234**	36,543,947
Advances to related parties	25.4	**2,420,429**	2,386,851
Cash bond**	13	**15,635,346**	15,635,346
		P 4,124,385,182	P 5,049,897,638

** Except for Advances to suppliers, officers and employees*
*** Presented as part of Other Assets*

The Group's management considers that all the above financial assets that are not impaired or past due at the end of each reporting period are of good credit quality.

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents and short-term placements as described below and in the succeeding pages.

(a) Cash and Cash Equivalents and Short-term Placements

The credit risk for cash and cash equivalents and short-term placements in the consolidated statements of financial position is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

Included in the cash and cash equivalents are cash in banks and cash equivalent with maturities of less than three months, and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) *Trade and Other Receivables*

The Group applies the simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other receivables.

With respect to other receivables from third parties, management assessed that these financial assets have a low probability of default since the Group can apply the related payables to these counterparties in case it defaults.

For loans receivable, the Group is not exposed to significant credit risk to any single counterparty or any group of counterparties having similar characteristics. Based on historical information about borrower default rates, management considers the credit quality of loans receivables that are not past due or impaired in assessing the credit risk. Further, the Group holds collateral against loans and other receivables in the form of personal guaranty, chattel mortgage and other forms of security. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are generally updated annually.

To measure the ECL, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The Group also concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other receivables as it shares the same credit risk characteristics.

The calculation of ECL incorporates forward-looking information. The Group has performed historical analysis and identified the key economic value factors, which includes gross domestic product, inflation and consumer price index, affecting credit risk and ECL for the loan portfolio.

On that basis, the loss allowance as of December 31, 2023 and 2022 was determined based on months past due, for trade and other receivables (except advances to suppliers and officers and employees, interest receivables and cash surrender value of investment in life insurance) are as follows:

	Not more than 60 days	More than 60 days but not more than 90 days	More than 90 days but not more than 120 days	More than 120 days	Total
December 31, 2023					
Expected loss rate	**0.54%**	**9.99%**	**20.12%**	**85.51%**	
Gross carrying amount	**P 151,016,795**	**P 19,747,672**	**P 35,657,441**	**P 113,842,170**	**P 320,264,078**
Loss allowance	**820,280**	**1,971,956**	**7,174,927**	**97,347,853**	**107,315,016**
December 31, 2022					
Expected loss rate	0.34%	12.07%	31.43%	84.10%	
Gross carrying amount	P 135,605,402	P 33,669,879	P 31,951,602	P 110,273,977	P 311,500,860
Loss allowance	457,268	4,064,326	10,042,916	92,741,038	107,305,548

The reconciliation of allowance for impairment on trade and other receivables at the beginning and end of 2023 and 2022 is presented in Note 6.7.

(c) *Advances to Related Parties*

For intercompany receivables that are repayable on demand, the ECL is based on the assumption that repayment of the receivables is demanded at the reporting date. The management determines the probability of collection upon demand. If a related party is unable to make repayment, the management considers the manner of recovery (i.e., sustained operations, availability of liquid and illiquid asset, etc.) to measure the ECL.

In 2021, the Group recognized impairment losses on advances to related parties amounting to P1.0 million which is presented as Impairment loss on advances to related parties under General and Administrative Expenses in the 2023 consolidated statement of income (see Note 18). There were no impairment losses recognized in 2023 and 2022.

(d) *Refundable and Other Deposits*

With respect to refundable and other deposits, management assessed that these financial assets have a low probability of default since these relate to reputable power and water distribution companies (i.e., with high quality external credit rating). Moreover, the Group has operating lease contracts as lessee with the counterparty lessors, wherein the Group can refund by the end of the term or can apply to future lease payments in case of defaults.

(e) *Investment in Bonds*

Investment in bonds measured at amortized cost are considered to have low credit risk, and therefore, the loss allowance during the period is determined to be equivalent to 12 months ECL. Management considers "low credit risk" for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default, and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

No impairment loss on investment in bonds has been recognized in 2023 and 2022 since the bonds are in good credit standing as of December 31, 2023 and 2022.

(f) *Cash Bond*

With respect to cash bond, management assessed that this financial asset has low probability of default since this relates to refundable deposits made with Bureau of Customs for taxes and duties relative to importations.

28.3 Liquidity Risk

Liquidity risk is the risk that cash may not be available to meet operating requirements and to pay obligations when due at a reasonable cost. Prudent liquidity risk management requires maintaining sufficient cash and credit facilities at reasonable cost to satisfy current requirements whenever the need arises. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-month and one-year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in short-term placements. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As of December 31, 2023 and 2022, the Group's financial liabilities [except for lease liabilities (see Note 10.2)] have contractual maturities, which are presented below.

	Current		Non-current
	Within 6 Months	6 to 12 Months	1 to 5 Years
2023			
Trade and other payables	P 495,806,810	P -	P -
Refundable deposits	-	-	192,693,811
Interest-bearing loans	-	-	157,500,000
	P 495,806,810	**P -**	**P 350,193,811**
2022			
Trade and other payables	P 396,205,147	P -	P -
Advances from related parties	1,881,570	-	-
Refundable deposits	-	-	184,885,593
	P 398,086,717	P -	P 184,885,593

The contractual maturities reflect the gross cash flows, which may differ with the carrying values of the financial liabilities at the end of the reporting period.

28.4 Operational Risk

The Group's exposure to significant operational risk relates to SMFI's secondary license to operate as a financing company under R.A. No. 8556 (see Note 1.2). Also, SMFI is under the regulation of the Commission. Management is aware that the Group will always have operational risk but seeks to minimize the probability and impact of such in its operations and consolidated financial statements.

The Group manages this risk through applicable controls, process and procedures, including effective organization structure. Internal controls ensure compliance with laws and regulations, including R.A. No. 8556 and SEC regulations, and the overall protection of SMFI's resources.

SMFI, as a financing company, is subject to, but not limited to, the following regulatory requirements under the implementing rules and regulations of the provisions of R.A. No. 8556:

(a) Total investment in real estate and in shares of stock in a real estate development corporation shall not exceed 25% of its net worth;

(b) More than 50% of the funds are invested in financing company activities;

(c) Total credit extended to its directors, officers, and stockholders shall not exceed 15% of its net worth; and,

(d) Total credit extended to any person, company, corporation or firm shall not exceed 30% of its net worth.

As of December 31, 2023 and 2022, the Group is compliant with the foregoing requirements.

29. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

29.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

	Notes	2023 Carrying Amounts	2023 Fair Values	2022 Carrying Amounts	2022 Fair Values
Financial assets					
At amortized cost:					
Cash and cash equivalents	5.1	**P2,710,806,862**	**P 2,710,806,862**	P 3,832,058,109	P 3,832,058,109
Short-term placements	5.2	**153,780,405**	**153,780,405**	-	-
Trade and other receivables – net	6	**1,185,046,906**	**1,185,046,906**	1,143,273,385	1,143,273,385
Investment in bonds	7.2	**20,000,000**	**18,198,220**	20,000,000	16,412,000
Refundable deposits	13	**36,695,234**	**36,695,234**	36,543,947	36,543,947
Advances to related parties	25.4	**2,420,429**	**2,420,429**	2,386,851	2,386,851
Cash bond	13	**15,635,346**	**15,635,346**	15,635,346	15,635,346
		4,124,385,182	**4,122,583,402**	5,049,897,638	5,046,309,638
Financial assets at FVOCI	7.1	**55,400,000**	**55,400,000**	37,000,000	37,000,000
		P4,179,785,182	**P 4,177,983,402**	P 5,086,897,638	P 5,083,309,638
Financial liabilities					
At amortized cost:					
Interest-bearing loans	14	**P 105,000,000**	**P 94,891,203**	P -	P -
Trade and other payables	15	**495,806,810**	**495,806,810**	396,205,147	396,205,147
Refundable deposits	16	**192,693,811**	**192,693,811**	184,885,593	184,885,593
Lease liabilities	10.2	**5,120,889**	**5,120,889**	3,539,747	3,539,747
Advances from related parties	25.4	**-**	**-**	1,881,570	1,881,570
		P 798,621,510	**P 788,512,713**	P 586,512,057	P 586,512,057

A description of the Group's risk management objectives and policies for financial instruments is provided in Note 28.

29.2 Offsetting of Financial Instruments

The Group has not set off financial instruments as of December 31, 2023 and 2022 and it does not have relevant offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) may have the option to settle all such amounts on a net basis in the event of default of the other party through approval by the respective BODs and stockholders of both parties.

The financial assets presented as part of Advances to Related Parties account can be offset by the amount of outstanding Advances from Related Parties account in the consolidated statements of financial position (see Note 25.4).

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements above, certain agreements between the Group and counterparties allows for net settlement of the relevant financial assets and financial liabilities when both parties elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

30. FAIR VALUE MEASUREMENTS AND DISCLOSURES

30.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities, and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the financial asset or financial liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the financial asset or financial liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or financial liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

30.2 Financial Instruments Measured at Fair Value

The Group's financial assets at FVOCI include proprietary golf club shares which are categorized within Level 2 as their prices are not derived from market considered due to lack of trading activities among market participants at the end or close to the end of the reporting period. As of December 31, 2023 and 2022, the Group's financial assets at FVOCI measured at fair value amounted to P55.4 million and P37.0 million, respectively (see Note 7.1).

The Group has no financial liabilities measured at fair value as of December 31, 2023 and 2022. Also, there were neither transfers between Levels 1 and 3 nor changes in the carrying amount of Level 2 instruments in both years.

30.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The tables below summarize the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed.

	Notes	Level 1	Level 3	Total
2023				
Financial Assets				
At amortized cost:				
Cash and cash equivalents	5.1	P 2,710,806,862	P -	P 2,710,806,862
Short-term placements	5.2	153,780,405	-	153,780,405
Trade and other receivables – net	6	-	1,185,046,906	1,185,046,906
Advances to related parties	25.4	-	2,420,429	2,420,429
Investment in bonds	7.2	18,198,220	-	18,198,220
Refundable deposits	13	-	36,695,234	36,695,234
Cash bond	13	-	15,635,346	15,635,346
		P 2,882,785,487	**P 1,239,797,915**	**P 4,122,583,402**
Financial Liabilities				
At amortized cost:				
Interest-bearing loans	14	P -	P 94,891,203	P 94,891,203
Trade and other payables	15	-	495,806,810	495,806,810
Refundable deposits	16	-	192,693,811	192,693,811
Lease liabilities	10.2	-	5,120,889	5,120,889
		P -	**P 788,512,713**	**P 788,512,713**
2022				
Financial Assets				
At amortized cost:				
Cash and cash equivalents	5	P 3,832,058,109	P -	P 3,832,058,109
Trade and other receivables – net	6	-	1,143,273,385	1,143,273,385
Advances to related parties	25.4	-	2,386,851	2,386,851
Investment in bonds	7.2	16,412,000	-	16,412,000
Refundable deposits	13	-	36,543,947	36,543,947
Cash bond	13	-	15,635,346	15,635,346
		P 3,848,470,109	P 1,197,839,529	P 5,046,309,638
Financial Liabilities				
At amortized cost:				
Trade and other payables	15	P -	P 396,205,147	P 396,205,147
Refundable deposits	16	-	184,885,593	184,885,593
Lease liabilities	10.2	-	3,539,747	3,539,747
Advances from related parties	25.4	-	1,881,570	1,881,570
		P -	P 586,512,057	P 586,512,057

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short duration.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability based on the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data. Further, management considers that the carrying amounts of these financial instruments approximate their fair values as the effect of discounting is insignificant.

30.4 Fair Value Measurements of Non-financial Assets

The fair value of the Group's investment properties is determined on the basis of the appraisals performed by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraisers in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's non-financial assets indicated above is their current use.

The fair value of these non-financial assets was determined based on the following approaches (see Note 12):

(a) Fair Value Measurement for Land and Improvements

The Level 3 fair value of land and improvements amounted to P5,120.6 million and P4,810.7 million as of December 31, 2023 and 2022, respectively, and was derived through appraisals by independent valuation specialists using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property.

(b) Fair Value Measurement for Building and Building Improvements

The Level 3 fair value of the buildings and improvements amounted to P769.7 million and P782.6 million as of December 31, 2023 and 2022, respectively, and was derived through appraisals by independent valuation specialists using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property.

(c) Fair Value Measurement for Construction in Progress

The Level 3 fair value of the construction in progress amounted to P1,076.9 million and P15.3 million as of December 31, 2023 and 2022, respectively. These fair values were determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees.

These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

The discount rates and terminal capitalization rates were determined with reference to published risk free rates and risk premium rates at the date of valuation.

There has been no change to the valuation techniques used by the Group during the year for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2023 and 2022.

31. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and total liabilities, excluding amounts advances from related parties. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. The Group's goal in capital management is to maintain a debt-to-equity structure ratio of not higher than 1:1 on a monthly basis.

The computation of the Group's debt-to-equity ratio is presented below.

	2023	2022 [As Restated – see Note 2.1(d)]
Total liabilities (excluding advances from related parties)	**P 1,959,928,487**	P 1,667,880,850
Total equity	**12,353,434,365**	11,996,992,489
	0.16 : 1.00	0.14 : 1.00

As of December 31, 2023 and 2022, the Group is not subject to any externally imposed capital requirements, except for SMFI. Under Section 6 of R.A. No. 8556, SMFI is subject to an externally imposed capital requirement of a minimum of P10.0 million paid-up capital. SMFI is in compliance with the minimum paid-up capital requirement as of December 31, 2023 and 2022.

32. EVENTS AFTER THE END OF THE REPORTING PERIOD

On March 18, 2024, the Group sold certain land and building improvements amounting to P83.7 million classified as Investment Properties in the statements of financial position for a total consideration of P90.0 million resulting to a gain of P6.3 million. The property has a total value of P79.6 million as of December 31, 2023.

On April 11, 2024, the Parent Company's Board of Directors approved the Group's plan to sell certain investment properties to a related party under common ownership, AV Value Holdings Corporation. The sale transaction is expected to be completed within 2024.

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Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

The Board of Directors and Stockholders
Solid Group Inc. and Subsidiaries
2285 Don Chino Roces Avenue
Makati City, Philippines

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Solid Group, Inc. and Subsidiaries (the Group) for the year ended December 31, 2023, on which we have rendered our report dated April 11, 2024. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of Revised Securities Regulation Code Rule 68 and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards, as modified by the financial reporting reliefs issued and approved by the Securities and Exchange Commission. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 10076150, January 3, 2024, Makati City
SEC Group A Accreditation
Partner - No. 107805-SEC (until financial period 2023)
Firm - No. 0002 (until financial period 2024)
BIR AN 08-002511-037-2022 (until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 11, 2024

SOLID GROUP INC. AND SUBSIDIARIES
List of Supplementary Information
December 31, 2023

Solid Group Inc. and Subsidiaries
Schedule A - Financial Assets
December 31, 2023

Name of Issuing Entity and Assocation of each Issue	Number of Shares of Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Value based on Market Quotation at End of Reporting Period	Income Received and Accrued
Financial Assets at Fair Value Through Other Comprehensive Income – Non-Current				
The Country Club	3	P 21,000,000	P 12,000,000	P -
Sta. Elena Golf Club	1	15,000,000	15,000,000	-
Alabang Country Club	2	12,000,000	12,000,000	-
Tagaytay Midlands Golf Club	4	7,400,000	2,800,000	-
		P 55,400,000	**P 41,800,000**	**P -**

Solid Group Inc. and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees and Principal Stockholders (Other than Related Parties)
December 31, 2023

Name and Designation of debtor	Balance at beginning of period	Additions	Deductions		Ending Balance		
			Amounts collected	Amounts assigned or set - off	Current	Non-current	Balance at end of period

NOT APPLICABLE

Solid Group Inc. and Subsidiaries
Schedule C - Amounts Receivable/Payable from/to Related Parties which are Eliminated During the Consolidation of Financial Statements
December 31, 2023

			Deductions		*Ending Balance*			
Name and Designation of Debtor	***Balance at Beginning of Period***	***Additions***	***Amounts Collected***	***Conversion***	***Amounts Written-off***	***Current***	***Non-current***	***Balance at End of Period***
Trade Receivables:								
My Solid Devices & Technologies Corporation	P 157,265	P 278,223	P -	P -	P -	P 435,488	P -	P 435,488
Kita Corporation	13,600,000	-	-	-	-	13,600,000	-	13,600,000
Green Sun Hotel Management Inc.	-	1,453,134	-	-	-	1,453,134	-	1,453,134
Omni Solid Services Inc.	-	630,883	-	-	-	630,883	-	630,883
SolidService Electronics Corporation	181,558	296,605	-	-	-	478,163	-	478,163
Solid Manila Corporation	183,258	-	183,258	-	-	-	-	-
Zen Towers Corporation	20,000,000	-	20,000,000	-	-	-	-	-
	P 34,122,081	**P 2,658,845**	**P 20,183,258**	**P -**	**P -**	**P 16,597,668**	**P -**	**P 16,597,668**
Advances to and From								
Kita Corporation	P 7,000,000	P -	P -	P -	P -	P 7,000,000	P -	P 7,000,000
	P 7,000,000	**P -**	**P -**	**P -**	**P -**	**P 7,000,000**	**P -**	**P 7,000,000**

Solid Group Inc. and Subsidiaries
Schedule C - Amounts Receivable/Payable from/to Related Parties which are Eliminated During the Consolidation of Financial Statements
December 31, 2022

Name and Designation of Creditor	Balance at Beginning of Period	Additions	Deductions: Amounts Collected	Deductions: Amounts Written-off	Ending Balance: Current	Ending Balance: Non-current	Balance at End of Period
Trade payables:							
My Solid Devices & Technologies Corporation	P 377,876	P -	(P 377,876)	P -	P -	P -	P -
Omni Solid Services Inc.	-	415,516	-	-	415,516	-	415,516
SolidService Electronics Corporation	-	12,780	-	-	12,780	-	12,780
Solid Manila Finance Inc.	-	1,066,139	-	-	1,066,139	-	1,066,139
Solid Manila Corporation	144,205	1,359,028	-	-	1,503,233	-	1,503,233
Solid Group Inc.	33,600,000	-	(20,000,000)	-	13,600,000	-	13,600,000
	P 34,122,081	**P 2,853,463**	**(P 20,377,875)**	**P -**	**P 16,597,668**	**P -**	**P 16,597,668**

Solid Group Inc. and Subsidiaries
Schedule D - Intangible Assets - Other Assets
December 31, 2023

			Deduction			
Description	***Beginning Balance***	***Additions at Cost***	***Charged to Cost and Expenses***	***Charged to Other Accounts***	***Other Changes Additions (Deductions)***	***Ending Balance***
Intangible assets						
Cost:						
Licenses and softwares	P 31,305,702	P 82,088	P -	P -	P -	P 31,387,790
Non-proprietary club shares	2,222,126	-	-	-	-	2,222,126
	P 33,527,828	P 82,088	P -	P -	P -	P 33,609,916
Accumulated Amortization and Impairment Losses:						
Licenses and softwares	(P 18,366,829)	P -	(P 21,536)	P -	P -	(P 18,388,365)
Non-proprietary club shares	(2,122,126)	-	-	-	-	(2,122,126)
	(P 20,488,955)	P -	(P 21,536)	P -	P -	(P 20,510,491)
Net Book Value:	**P 13,038,873**	**P 82,088**	**(P 21,536)**	**P -**	**P -**	**P 13,099,425**

Solid Group Inc. and Subsidiaries
Schedule E - Long-Term Debt
December 31, 2023

Title of issue and type of obligation	*Amount shown under caption"Current portion of long-term debt" in related balance sheet*	*Amount shown under caption"Long-Term Debt" in related balance sheet*

NOT APPLICABLE

Solid Group Inc. and Subsidiaries
Schedule F - Indebtedness to Related Parties
December 31, 2023

Name and designation of debtor	***Balance at beginning of period***	***Balance at end of period***

NOT APPLICABLE

Solid Group Inc. and Subsidiaries
Schedule G - Guarantees of Securities of Other Issuers
December 31, 2023

Name of issuing entity of securities guaranteed by the company for which this statement is filed	*Title of issue of each class of securities guaranteed*	*Total amount guaranteed an outstanding*	*Amount owned by person for which statement is filed*	*Nature of guarantee*

NOT APPLICABLE

Solid Group Inc. and Subsidiaries
Schedule H - Capital Stock
December 31, 2023

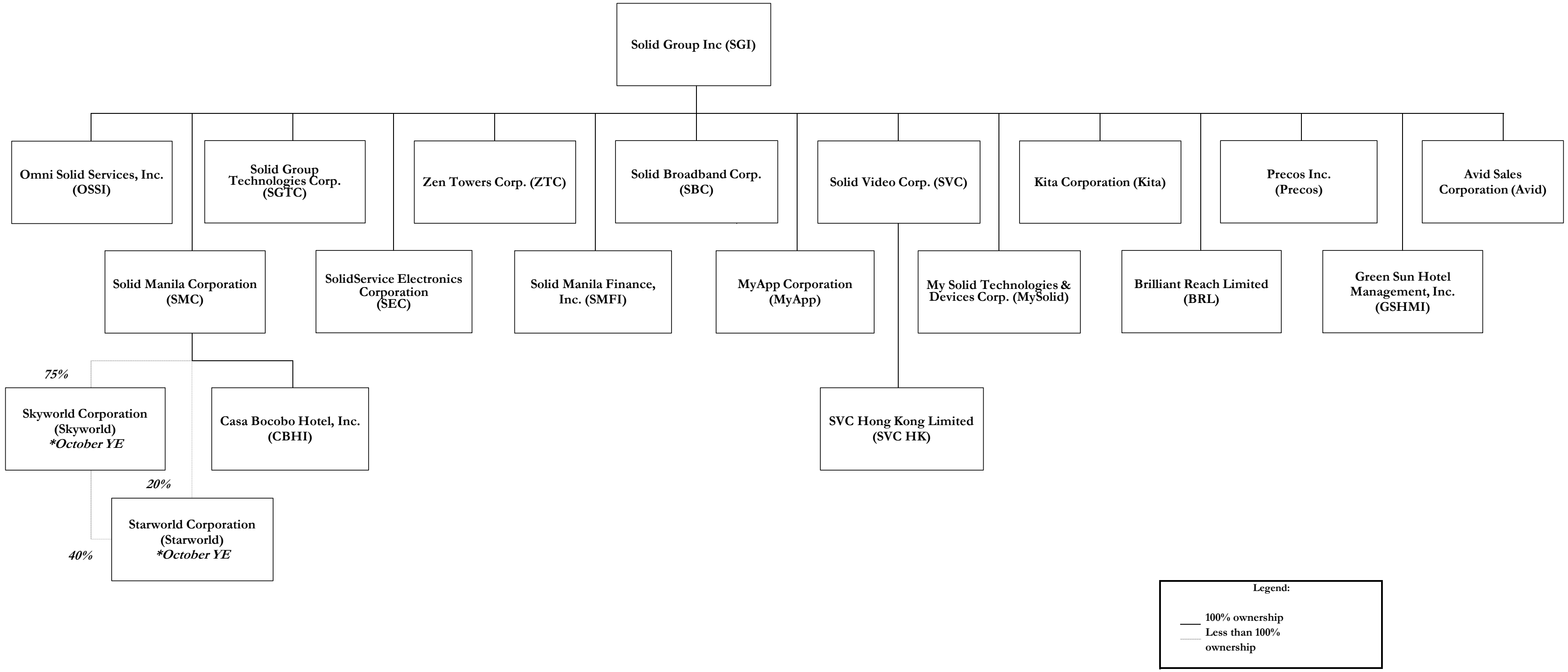
				Number of shares held by		
Title of Issue	***Number of shares authorized***	***Number of shares issued and outstanding as shown under the related balance sheet caption (A)***	***Number of shares reserved for options, warrants, conversion and other rights***	***Related parties (B)***	***Directors, officers and employees***	***Others***
Common shares - P1 par value						
Authorized - P5,000,000,000 shares	5,000,000,000					
Issued		2,030,975,000				
Outstanding		1,821,542,000		1,083,377,816	269,376,480	468,787,704

A: Number of shares issued and outstanding = 2,030,975,000 issued shares less 209,433,000 treasury shares
B: This represents shares held by AA Commercial and AV Value Holdings Corp., related parties which are ultimately owned by the Lim Family.

SOLID GROUP INC.
2285 Don Chino Roces Avenue, Makati City
Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2023

Unappropriated Retained Earnings Available for Dividends Declaration at Beginning of Year	P	1,235,636,407
Cash Dividends Declared During the Year	(	109,292,520)
Net Profit Realized During the Year		175,224,886
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	**P**	**1,301,568,773**

Solid Group Inc. and Subsidiaries
Map Showing the Relationships Between and Among the Company and its Related Parties



P&A Grant Thornton

Report of Independent Auditors on Components of Financial Soundness Indicators

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

The Board of Directors and Stockholders
Solid Group Inc. and Subsidiaries
2285 Don Chino Roces Avenue
Makati City, Philippines

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Solid Group, Inc. and Subsidiaries (the Group) for the years ended December 31, 2023 and 2022, on which we have rendered our report dated April 11, 2024. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculations, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission (SEC), and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS, as modified by the financial reporting reliefs issued and approved by the SEC. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2023 and 2022 and for the years then ended, and no material exceptions were noted.

PUNONGBAYAN & ARAULLO

By: **Renan A. Piamonte**
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 10076150, January 3, 2024, Makati City
SEC Group A Accreditation
Partner - No. 107805-SEC (until financial period 2023)
Firm - No. 0002 (until financial period 2024)
BIR AN 08-002511-037-2022 (until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 11, 2024

SOLID GROUP INC. AND SUBSIDIARIES
Supplemental Schedule of Financial Soundness Indicators
December 31, 2023 and 2022

Ratio	Formula	2023	Formula	2022
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets P 4,365,280,991 Divide by: Total Current Liabilities 610,977,555 Current ratio 7.14	7.14	Total Current Assets divided by Total Current Liabilities Total Current Assets P 5,180,830,604 Divide by: Total Current Liabilities 511,351,701 Current ratio 10.13	10.13
Acid test ratio	Quick Assets (Cash and cash equivalents + Short-term placements + Trade and other receivables - net) divided by Total Current Liabilities Cash and cash equivalent P 2,710,806,862 Short-term placements 153,780,405 Trade and other receivables - 251,417,991 Quick Assets 3,116,005,258 Divide by: Total Current Liabilities 610,977,555 Acid test ratio 5.10	5.10	Quick Assets (Cash and cash equivalents + Short-term placements + Trade and other receivables - net) divided by Total Current Liabilities Cash and cash equivalent P 3,832,058,109 Short-term placements - Trade and other receivables - 242,779,722 Quick Assets 4,074,837,831 Divide by: Total Current Liabilities 511,351,701 Acid test ratio 7.97	7.97
Solvency ratio	Total Liabilities divided by Total Assets Total Liabilities P 1,959,928,487 Divide by: Total Assets 14,313,362,852 Solvency ratio 0.14	0.14	Total Liabilities divided by Total Assets Total Liabilities P 1,667,880,850 Divide by: Total Assets 13,664,873,339 Solvency ratio 0.12	0.12
Debt-to-equity ratio	Total Liabilities (excluding Advances from related parties) divided by Total Equity Total Liabilities (excluding Advances from related parties) P 1,959,928,487 Divide by: Total Equity 12,353,434,365 Debt-to-equity ratio 0.16	0.16	Total Liabilities (excluding Advances from related parties) divided by Total Equity Total Liabilities (excluding Advances from related parties) P 1,665,999,280 Divide by: Total Equity 11,996,992,489 Debt-to-equity ratio 0.14	0.14
Gearing ratio	Financial Debt devided by Total Equity Financial Debt P 105,000,000 Divided by: Total Equity 12,353,434,365 Gearing ratio 0.01	0.01	Financial Debt devided by Total Equity Financial Debt P - Divided by: Total Equity 11,996,992,489 Gearing ratio -	0.00
Assets-to-equity ratio	Total Assets divided by Total Equity Total Assets P 14,313,362,852 Divide by: Total Equity 12,353,434,365 Assets-to-equity ratio 1.16	1.16	Total Assets divided by Total Equity Total Assets P 13,664,873,339 Divide by: Total Equity 11,996,992,489 Assets-to-equity ratio 1.14	1.14
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Interest expense EBIT P 731,870,928 Divide by: Interest expense 525,447 Interest rate coverage ratio 1,392.85	1392.85	Earnings before interest and taxes (EBIT) divided by Interest expense EBIT P 592,462,338 Divide by: Interest expense 317,405 Interest rate coverage ratio 1,866.58	1866.58

SOLID GROUP INC. AND SUBSIDIARIES
Supplemental Schedule of Financial Soundness Indicators
December 31, 2023 and 2022

Ratio	Formula	2023	Formula	2022
Operating margin	Operating Profit divided by Total Revenue Operating Profit P 576,346,188 Divide by: Total Revenue 2,466,825,577 Operating margin 0.23	0.23	Operating Profit divided by Total Revenue Operating Profit P 471,613,476 Divide by: Total Revenue 1,634,506,083 Operating margin 0.29	0.29
Net profit margin	Net Profit divided by Total Revenue Net Profit P 531,765,132 Divide by: Total Revenue 2,466,825,577 Net profit margin 0.22	0.22	Net Profit divided by Total Revenue Net Profit P 428,926,648 Divide by: Total Revenue 1,634,506,083 Net profit margin 0.26	0.26
Return on assets	Net Profit divided by Total Assets Net Profit P 531,765,132 Divide by: Total Assets 14,313,362,852 Return on assets 0.04	0.04	Net Profit divided by Total Assets Net Profit P 428,926,648 Divide by: Total Assets 13,664,873,339 Return on assets 0.03	0.03
Return on equity	Net Profit divided by Total Equity Net Profit P 531,765,132 Divide by: Total Equity 12,353,434,365 Return on equity 0.04	0.04	Net Profit divided by Total Equity Net Profit P 428,926,648 Divide by: Total Equity 11,996,992,489 Return on equity 0.04	0.04

COVER SHEET

SEC Registration Number

-	-	-	-	-	-	-	-	8	4	5

COMPANY NAME

SOLID GROUP INC. AND
SUBSIDIARIES

PRINCIPAL OFFICE (No./Street/Barangay/City/Town/Province)

2285 DON CHINO ROCES AVENUE
MAKATI CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
SEC FORM 17-Q	CGFD/MSRD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
N/A	8843-1511	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
4,201	Last Thursday of June (Per AOI)	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Christopher James L. Tan	cjlt@solidgroup.com.ph	8843-1511	N/A

Contact Person's Address

2285 DON CHINO ROCES AVENUE MAKATI CITY

Note: 1: In case of death, resgination or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17 (2)(b) THEREUNDER

1. For the quarterly period ended: March 31, 2024

2. Commission Identification Number: 845

3. BIR Tax Identification No.: 321-000-508-536

4. Exact name of registrant as specified in its charter **SOLID GROUP INC.**

5. Province, Country or other jurisdiction of incorporation: Philippines

6. _________ (SEC Use Only)
   Industry Classification Code

7. Address of principal office: Postal Code: 1231
   2285 Don Chino Roces Avenue, Makati City, Philippines

8. Telephone No: (632) 8843-1511

9. Former name, former address and former fiscal year, if changed since last report: N/A

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, P1 par value	1,821,542,000 shares

11. Are any or all of the securities listed on the Philippine Stock Exchange?
    Yes [X] No [ ]

    If yes, state the name of such Stock Exchange and the classes of securities listed therein:

    Philippine Stock Exchange Common

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports)

Yes [X] No [ ]

(b) has been subject to such filing requirement for the past 90 days.

Yes [X] No [ ]

PART I. – FINANCIAL INFORMATION
Item 1. Financial Statements

The unaudited consolidated financial statements of the Company and its subsidiaries for the three (3) months period ended March 31, 2024 are attached to this report.

Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations

Key Performance Indicators

The following key performance indicators are identified by the Company and included in the discussion of the results of operations and financial condition: revenue growth, asset turnover, operating expense ratio, earnings before interest, taxes, depreciation and amortization (EBITDA), earnings per share (EPS), current ratio and debt to equity ratio.

Key performance indicators for 2024 and 2023 are as follows:

	2024	2023
Revenue growth(decline)	1%	57%
Asset turnover	16%	16%
Operating expense ratio	25%	24%
EBITDA	P90.9 million	P112.9 million
EPS	P0.020	P0.034
Current ratio	10.92 : 1	7.14 : 1
Debt to equity ratio	0.15 : 1	0.16 : 1

Revenue growth (decline) is determined as follows: revenues for the current period less revenues for last period divided by the revenues of the previous period.

Asset turnover is computed based on the revenues (annualized) earned during the period divided by the average total assets.

Operating expense ratio is calculated as follows: operating expenses for the period divided by revenues for period.

EBITDA is determined by adding back interest expense, depreciation and amortization charges, to income from operations before income tax for the period.

Earnings per share (EPS) is computed based on the net income or loss for the period divided by the weighted average shares outstanding during the year.

Current ratio is computed as follows: total current assets as of end of the period divided by total current liabilities as of end of the period.

Debt to equity ratio is computed by dividing the total liabilities excluding amounts due to related parties as of end of the period by the total equity as of end of the period.

Revenue increased minimally by 1% in the first quarter of 2024 compared to 57% growth in the same period of 2023 mainly contributed by the distribution/retail segment.

Asset turnover stood at 16% for the first quarters of 2024 and 2023.

Operating expense ratio was higher at 25% for the first quarter of 2024 as compared to 24% for the first quarter of 2023 mainly due to higher expenses reported for the period.

EBITDA dropped to P89 million for the first quarter of 2024 from P112.9 million for the same period in 2023 driven by lower income of all segments with the exception of investment and others segment for the period.

Earnings per share went up to P0.022 for the first quarter of 2024 from earnings per share of P0.034 for the same period in 2023 mainly from lower net income for the period.

Current ratio was at 10.92 : 1 as of March 31, 2024 from 7.14 : 1 as of December 31, 2023 primarily due to decrease in current liabilities.

Debt to equity ratio stood at 0.15 : 1 as of March 31, 2024 from 0.16 : 1 as of December 31, 2023.

Results of Operations

Revenues in the first quarter of 2024 reached P561 million from P556 million for the same period in 2023 from improved revenues of the distribution/retail and property & related services segments as explained below.

Sale of goods climbed 4% to P305 million for the first quarter of 2024 from P293 million for the same period in 2023 primarily due to higher volume of sales of the distribution/retail segment.

Service revenue dropped by 10% to P157 million for the first quarter of 2024 from P175 million for the same period in 2023 mainly due to loss of a major client and the ongoing industry trend of lower repair demands of the logistics & technical solutions segment.

Rental income improved by 14% to P71 million for the first quarter of 2024 from P63 million for the same period in 2023 mainly due to higher occupancy.

Interest income declined by 25% to P18 million for the first quarter of 2024, from P24 million for the same period in 2023 mainly due to lower time deposit placements for the period.

Sale of real estate was P8 million in the first quarter of 2024 from sale of condominium unit, nil in same period of 2023.

Cost of sales, services, real estate sold and rentals increased by 7% to P402 million for the first quarter of 2024 from P378 million for the same period in 2023 as discussed below.

Cost of sales amounted to P244 million for the first quarter of 2024, an increase of 13% from P216 million for the same period of last year associated to increase in sales.

Cost of services reached P113 million for the first quarter of 2024 from P124 million for the same period of 2023 mainly in relation to decline in service revenue.

Cost of rentals grew by 7% at P40 million for the first quarter of 2024 from P37 million for the first quarter of 2023 due to higher taxes and licenses for the period.

Cost of real estate sold was P3.9 million in first quarter of 2024, nil in the same period of 2023.

Gross profit went down to P158 million from P178 million for the same period in 2023 due mainly to lower gross profit of distribution/retail and logistics & technical solutions segments.

Other operating expenses (income) amounted to P127 million for the first quarter of 2024 from P113 million for the same period of 2023 as explained below.

General and administrative expenses went down by 17% to P105 million for the first quarter of 2024 from P126 million for the same period of 2023 arising mainly from reallocation of various expense accounts to selling and distribution costs of the distribution/retail segment.

Selling and distribution costs surged by 341% to P35 million for the first quarter of 2024 from P8 million for the same period of 2023 primarily from reallocation of various expense accounts from general & administrative expenses of the distribution/retail segment.

Other operating income – net reached P13 million for the first quarter of 2024, down by 35% from P21 million for the same period in 2023 attributable to lower income from utilities charged to tenants of the property & related services segment.

Operating profit (loss) weakened by 52% to P31 million for the first quarter of 2024 from P65 million for the same period in 2023 associated with the reduced gross profit and lower other operating income as explained above.

Other income (charges) went up to P37 million income for the first quarter of 2024 against P27 million for the same period in 2023 principally from the following:

Finance costs diminished by 48% to P2.5 million for the first quarter of 2024 from P4.9 million in 2023 chiefly due to lower foreign currency exchange loss of the distribution/retail segment.

Finance income grew by 16% to P33 million for the first quarter of 2024 compared to P28 million for the same period of last year mainly due from increase in cash surrender value of investment in life insurance.

Other gains - net amounted to P6.8 million income in the first quarter of 2024, or higher by 94% compared with P3.5 million of the previous year primarily attributable to gain on sale of investment property by property & related services segment.

Profit before tax was P68 million for the first quarter of 2024, a decrease of 25% from P92 million for the same period in 2023 mainly due to lower operating profit as discussed above.

Tax expense went up by 9% to P28 million for the first quarter of 2024 from P26 million for the same period in 2023 from greater taxable income of the distribution/retail segment.

Net profit decreased by 39% to P40 million for the first quarter of 2024 against P66 million for the same period in 2023 primarily due to lower operating profit for the period.

Net profit attributable to equity holders of the parent realized P35 million for the first quarter of 2024 against P61 million net profit in the same period of 2023 as discussed above.

Net profit attributable to non-controlling interests (NCI) amounted to P4.5 million and P4.4 million for the first quarters of 2024 and 2023, respectively. This represents minority share in net profit for the period.

Financial Position

Cash and cash equivalents grew by 5% to P2,838 million as of March 31, 2024 from P2,710 million as of December 31, 2023. Cash was principally provided from operating activities attributed to decrease in trade & other receivables and increase in short-term placements.

Short-term placements jumped by 245% to P531 million as of March 31, 2024 from P153 million as of December 31, 2023 from additional placements in time deposits.

Trade and other receivables reached P165 million as of March 31, 2024 against P251 million as of December 31, 2023, a drop of 34% primarily from collection of trade & other receivables of the distribution/retail segment. Trade customers are generally established and stable companies with reasonable assurance of collectibility of their accounts. Nonetheless, trade accounts are periodically reviewed to assess the possible losses from non-collection and allowance is provided for possible losses on accounts which are considered doubtful of collection.

Advances to related parties was maintained at P2.4 million as of March 31, 2024 and as of December 31, 2023. There was no change for this account.

Merchandise inventories and supplies - net reached P415 million as of March 31, 2024, up by 23% compared with P337 million as of December 31, 2023 principally from higher merchandise and finished goods of the distribution/retail segment.

Real estate inventories amounted to P424 million as of March 31, 2024 from P428 million as of December 31, 2023 from sale of one condominium unit. There was no material change for this account.

Other current assets went up to P486 million as of March 31, 2024 compared with P480 million as of December 31, 2023. There was no material change for this account.

Total current assets reached P4,864 million as of March 31, 2024 from P4,365 million as of December 31, 2023 mainly from higher short-term placements and cash and cash equivalents.

Non-current trade and other receivables was significantly reduced by 49% to P551 million as of March 31, 2024 from P1,084 million as of December 31, 2023 in relation to termination of some investments in life insurance by investment & others segment.

Financial assets at fair value through other comprehensive income amounted to P55.4 million as of March 31, 2024 and as of December 31, 2023. There was no change for this account.

Investment in an associate stood at P48 million as of March 31, 2024 and as of December 31, 2023 representing deposits to the planned increase in authorized capital stock of Fekon Solid Motorcycle Mfg Corp. There was no change for this account.

Investment in bonds was P20 million as of March 31, 2024 and as of December 31, 2023 from investment made in 2021.

Property and equipment dropped to P1,583 million as of March 31, 2024 from P1,594 million as of December 31, 2023. There was no material change for this account.

Investment properties – net went up to P6,982 million as of March 31, 2024 from P6,967 million as of December 31, 2023. There was no material change for this account.

Rights-of-use (ROU) assets – net decreased to P4.3 million as of March 31, 2024, lower by 6% from P4.6 million as of December 31, 2023 from depreciation of ROU assets under PFRS 16, Leases.

Post-employment benefit assets - net stood at P123 million as of March 31, 2024 and as of December 31, 2023. There was no change for this account.

Deferred tax assets - net amounted to P11 million as of March 31, 2024 and as of December 31, 2023. There was no change for this account.

Other non-current assets increased to P40 million as of March 31, 2024 and P38 million as of December 31, 2023. There was no significant change for this account.

Total non-current assets amounted to P9,420 million as of March 31, 2024 and P9,948 million as of December 31, 2023 as discussed above.

Total assets reached P14,285 million as of March 31, 2024 from P14,313 million as of December 31, 2023 as discussed above.

Trade and other payables declined by 29% to P417 million as of March 31, 2024 against P586 million as of December 31, 2023 principally from payment of trade payables of the distribution/retail segment.

Customers' deposits decreased by 70% at P1.2 million as of March 31, 2024 from P4 million as of December 31, 2023 mostly due to recognition of sales of the distribution/retail segment once the criteria for revenue recognition was satisfied.

Current lease liabilities fell by 7% to P4.7 million as of March 31, 2024 from P5.1 million as of December 31, 2023 due to payments of lease liabilities.

Income tax payable grew by 41% to P21 million as of March 31, 2024 from P15 million as of December 31, 2023 from regular corporate income tax expense for the period.

Total current liabilities declined by 27% to P445 million as of March 31, 2024 from P610 million as of December 31, 2023 due to lower trade and other payables.

Interest-bearing loans grew 81% to P190 million as of March 31, 2024 from P105 million as of December 31, 2023 due to additional bank loans to partially finance the construction of warehouse facility in Calamba, Laguna of the property & related services segment.

Non-current refundable deposits amounted to P192 million as of March 31, 2024 and as of December 31, 2023. There was no significant change for this account.

Post-employment benefit obligation stood at P20 million as of March 31, 2024 and as of December 31, 2023. This represents the unfunded retirement obligation of certain subsidiaries.

Deferred tax liabilities -net amounted to P1,031 million as of March 31, 2024 and as of December 31, 2023. There was no change for this account.

Total non-current liabilities amounted to P 1,433 million as of March 31, 2024 and P 1,348 million as of December 31, 2023.

Total liabilities amounted to P1,879 million as of March 31, 2024 from P1,959 million as of December 31, 2023 as discussed above.

Capital stock stood at P2,030 million as of March 31, 2024 and December 31, 2023.

Additional paid-in capital was maintained at P4,641 million as of March 31, 2024 and as of December 31, 2023.

Treasury shares amounted to P115 million as of March 31, 2024 and as of December 31, 2023.

Revaluation reserves improved by 10% to P141 million as of March 31, 2024 from P128 million as of December 31, 2023 due to gain in currency exchange differences on translating financial statements of foreign operations.

Retained earnings increased to P5,398 million as of March 31, 2024 from P5362 million as of December 31, 2023 as a result of net profit attributable to parent for the period.

Total equity attributable to Equity holders of Parent amounted to P12,096 million as of March 31, 2024 and P12,048 million as of December 31, 2023.

Non-controlling interests amounted to P309 million as of March 31, 2024 and P305 million as of December 31, 2023. There was no material change for this account.

Total equity amounted to P12,406 million as of March 31, 2024 from P12,353 million as of December 31, 2023.

i. Known Trends or Demands, Commitments, Events or Uncertainties that will impact Liquidity.

The Company is not aware of any known trends, demands, commitments, events or uncertainties that will materially impact on its liquidity.

ii. Events that will trigger Direct or Contingent Financial Obligation that is material to the Company, including any default or acceleration of an obligation.

As discussed in Notes of the financial statements under Contingencies, certain subsidiaries of the Company are involved in litigation or proceedings, the outcome of which could individually or taken as a whole, not adversely affect the financial results, operations or prospects of the Company. Except of these contingencies, the Company is not aware of other events that will materially trigger direct or contingent financial obligation.

iii. Material Off-Balance Sheet Transactions, Arrangements, Obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

The Company has no material off-balance sheet transactions, arrangements, obligations and other relationships with unconsolidated entities or other persons created during the period that is not included in the financial statements.

iv. Material Commitments for Capital Expenditures, the general purpose of the Commitment and Expected Sources of Funds

The Company estimates capital expenditures for the year 2024 to amount to P1.5 billion for various real estate development, renovation and upgrade of facilities and transportation equipment. The purchase and/or construction of these capital expenditures will be financed primarily through the funds of the Company and partly through loans.

v. Known Trends, Events or Uncertainties that will impact Sales/Revenues/Income from Continuing Operations

Amidst the slowdown of general local handset brands in the maturing telecom market in the Philippines, MySolid Technologies & Devices Corporation (MySolid), a wholly owned subsidiary of the Company under the distribution/retail segment downsized and rationalized its business in 2022 and focused mostly on tablet devises for institutional sales and feature phones for select territorial distributors. Following this, in 2023, MySolid discontinued distribution of the feature phones on account of low volume and demand for these low-end basic phones and shifted its focus for institutional sales through public biddings and new marketing strategy for its tablet devices. The Company expects MySolid’s revenues to stabilize with break-even results.

In August 2019, Kita Corporation (Kita), a wholly owned subsidiary of the Company, 25-year contract of lease with Clark Development Corporation (CDC) covering parcels of land had expired. In 2019, Kita surrendered the buildings to Clark International Airport Corporation since these locations are part of the site for the second Clark Airport runway. In 2021, the Company decided not to renew the lease contact. Hence, Kita’s leasing operations declined to its single residential property in Angeles, Pampanga. In May 2024, the property was sold to a related party. It will have no material impact in the Company’s annual rental revenues.

vi. Significant elements of Income or Loss that did not arise from Continuing Operations

None

vii. Causes for any Material Changes from Period to Period

As explained in Section V under Known Trends, Events and Uncertainties above, MySolid Technologies & Devices Corporation (MySolid), a wholly owned subsidiary of the Company under the distribution segment downsized and rationalized its business in 2022 and focused mostly on tablet devises for institutional sales and feature phones for select territorial distributors. This resulted to further lower sales in 2023 and 2022 resulting to operating loss of P8.8 million in 2023 and net profit of P5.2 million arising from foreign currency gains in 2022.

In November 2022, the Company acquired Avid Sales Corporation (Avid) following a due diligence audit by Isla Lipana &Co. (a member firm of Price Waterhouse Coopers). Consequently, the one-month results of operation ending December 31, 2022 of Avid and its ensuing financial position as of December 31, 2022 was included in the 2022 consolidated financial statements of the Company. Following this, it resulted to considerable changes in the results of operations and financial position of the consolidated report. It also resulted to a gain on acquisition of shares of P14.55 million for the year 2022. In 2023, it reported a full year revenue of P895 million and net profit of P14 million.

In 2023, the Group retrospectively restated its 2022 and 2021 consolidated financial statements to correct the amount of its deferred tax liabilities. The effects of the restatement in the consolidated statements of financial position as of December 31, 2022 and January 1, 2022 resulted to a decrease in deferred tax liabilities and increase in retained earnings in the amount of P56 million. The restatement has no impact on the consolidated statements of comprehensive income and consolidated statements of cash flows as of December 31, 2022 and January 1, 2022

Based on the appraisal reports obtained in 2023, the Company reported fair value gains on investment property of P296 million as at year-end of 2023.

As of March 31, 2024 (Unaudited) vs December 31, 2023 (Audited)

Balance Sheet Items (as at March 31, 2024 vs. December 31, 2023)
(Increase or decrease of 5% or more in the financial statements)

Cash and cash equivalents – 5% increase to P2,838 million from P2,710 million

Cash was principally provided from operating activities attributed to decrease in trade & other receivables and increase in short-term placements. This account stood at 20% and 19% as a percentage of total assets as of March 31, 2024 and as of December 31, 2023, respectively.

Short-term placements – 245% increase to P531 million from P153 million

From additional placements in time deposits. As a percentage of total assets, this represented 4% and 1% as of March 31, 2024 and as of December 31, 2023, respectively.

Trade and other receivables – 34% decrease to P165 million from P251 million

Primarily from collection of trade & other receivables of the distribution/retail segment. As a percentage of total assets, this represented 1% as of March 31, 2024 and 2% as of December 31, 2023, respectively.

Merchandise inventories and supplies – 23% increase to P415 million from P337 million

Mainly from higher merchandise and finished goods of the distribution/retail segment. As of March 31, 2024 and as of December 31, 2023, as a percentage of total assets, this account represented 3% and 2%, respectively.

Real estate inventories – 1% decrease to P424 million from P428 million

From sale of one condominium unit by property & related services segment. There was no material change for this account. It stood at 3% as a percentage of total assets in both periods.

Other current assets – 1% increase to P486 million from P480 million

Primarily due to higher input VAT. This account stood at 3% as a percentage of total assets in both periods.

Non-current trade and other receivables – 49% decrease to P551 million from P1,084 million

Principally in relation to termination of some investments in life insurance by investment & others segment. As a percentage of total assets, this represented 4% as of March 31, 2024 and 8% as of December 31, 2023, respectively.

Financial assets at fair value through other comprehensive income – P20 million in both periods

This account stood at 0.39% as a percentage of total assets in both periods.

Investment in an associate – P48 million for both periods

No change. This stood 0.33% as a percentage of total assets in both periods.

Investment in bonds – No change

As a percentage of total assets, this represented 0.14% as of March 31, 2024 and 0.13% as of December 31, 2023, respectively

Property and equipment – 1% decrease to P1,583 million from P1,594 million

There was no material change for this account. As a percentage of total assets, this account represented 11% as of March 31, 2024 and as of December 31, 2023.

Investment properties – 0.22% increase to P6,982 million from P6,967 million

There was no material change for this account. This account stood at 49% as a percentage of total assets as of March 31, 2024 and as of December 31, 2023.

Right-of-Use (ROU) assets – 6% decrease to P4.3 million from P4.6 million

Solely from depreciation of ROU assets under PFRS 16, Leases. As of March 31, 2024 and as of December 31, 2023, this account stood at 0.03% as a percentage of total assets of both periods.

Post-employment benefit asset – P123.95 million for both periods

No movement for this account. This represented 0.87% of total assets in both periods.

Deferred tax assets – No change

This account stood at 0.08% of total assets in both periods.

Other non-current assets – 4% increase to P40 million from P38 million

There was no material change for this account. This represented 0.28% as a percentage of total assets as of March 31, 2024 and 0.27% as percentage to total assets as of December 31, 2023.

Trade and other payables – 29% decline to P417 million from P586 million

Principally from payment of outstanding trade payables of the distribution/retail segment. This account stood at 3% and 4% as a percentage of total liabilities and equity as of March 31, 2024 and as of December 31, 2023, respectively.

Customers' deposits –70% decrease to P1.2 million from P4.2 million

Mostly due to recognition of sales of the distribution/retail segment once the criteria for revenue recognition was satisfied. This account represented 0.01% and 0.03% as a percentage of total liabilities and equity as of March 31, 2024 and as of December 31, 2023.

Current Lease Liabilities – 7% decrease to P4.7 million from P5.1 million

Due to payments during the year. This account stood at 0.03% and 0.04% as a percentage of total liabilities and equity for the period ended March 31, 2024 and for the year ended December 31, 2023, respectively.

Income tax payable – 41% rise to P21 million from P15 million

Mainly from regular corporate income tax expense for the period. This account was pegged at 0.15% and 0.11% of the total liabilities and equity as of March 31, 2024 and as of December 31, 2023, respectively.

Interest-bearing loans – 81% growth to P190 million from P105 million

Solely due to additional bank loans to partially finance the construction of warehouse facility in Calamba, Laguna of the property & related services segment.

Non-current refundable deposits – P192.7 million from P192.69 million

This represented 1% as a percentage of the total liabilities and equity as of March 31, 2024 and as of December 31, 2023.

Post-employment benefit obligation – P20 million for both periods

No change. This account stood at 0.14% of the total liabilities and equity in both periods.

Deferred tax liabilities – P 1,031 million for both periods

No change. This account stood at 7% as a percentage of total liabilities and equity in both periods.

Capital stock – no change

This account stood at 14% of total liabilities and equity as of March 31, 2024 and as of December 31, 2023.

Additional Paid-In-Capital – no change

This account represented 32% of total liabilities and equity as of March 31, 2024 and as of December 31, 2023.

Treasury Shares – no change

This account represented 0.81% of total liabilities and equity for both periods.

Revaluation reserves –10% increase to P141 million from P128 million

Chiefly due to gain on currency exchange differences in translating financial statements of foreign operation. It stood at 0.99% and 0.90% of total liabilities and equity as of March 31, 2024 and as of December 31, 2023, respectively.

Retained earnings – increased to P5,398 million from P5,362 million

Mainly as a result of net profit attributable to parent during the period. This account stood at 37% and of total liabilities and equity as of March 31, 2024 and as of December 31, 2023.

<u>Income Statement Items (For the three months ended March 31, 2024 vs. March 31, 2023)</u>
(Increase or decrease of 5% or more in the financial statements)

Sale of goods – 4% increase to P305 million from P293 million

Primarily due to higher volume of sales of the distribution/retail segment. As a percentage of total revenues, this account represented 54% for the first quarter ended March 31, 2024 and 53% for the first quarter ended March 31, 2023.

Service revenue – 10% decrease to P157 million from P175 million

Mainly due to loss of a major client and the ongoing industry trend of lower repair demands of the logistics & technical solutions segment. As a percentage of total revenues, this account represented 28% and 31% for the three months ended March 31, 2024 and 2023, respectively.

Rental income – 14% increase to P71 million from P63 million

Principally due to higher occupancy. As a percentage of total revenues, this account represented 13% and 11% for the three months ended March 31, 2024 and 2023, respectively.

Interest income – 25% decrease to P18 million from P24 million

Mostly due to lower time deposit placements. As a percentage of total revenues, this account represented 3% and 4% for the three months ended March 31, 2024 and 2023, respectively.

Sale of real estate – 100% increase to P8 million from nil

From condominium unit sold. As a percentage of total revenues, this account represented 1% for the three months ended March 31, 2024.

Cost of sales - 13% increase to P244 million from P216 million

Associated to increase in sales. As a percentage of total revenues, this account represented 44% and 39% for the three months ended March 31, 2024 and 2023, respectively.

Cost of services – decrease to P113 million from P124 million

Mainly in relation to decline in service revenue. This account stood at 20% and 22 for the three months ended March 31, 2024 and 2023, respectively, as a percentage of total revenues.

Cost of rentals – 7% increase to P40 million from P37 million

Principally due to higher taxes and licenses. This account represented 7% for both periods as a percentage of total revenues.

Cost of real estate sales – 100% increase to P3.9 million from nil

From the cost of the condominium unit sold. As a percentage of total revenues, this account represented 1% for the three months ended March 31, 2024.

Gross profit – 11% decrease to P158 million from P178 million

Attributed to lower gross profit of distribution/retail and logistics & technical solutions segments. As a percentage of total revenues, this account stood at 28% and 32% for the first quarter ended March 31, 2024 and March 31, 2023, respectively.

General and administrative expenses – 17% decrease to P105 million from P126 million

Chiefly due to reclassification of manpower cost, rental expense and selling & bank charges from credit card transactions to selling & distribution expenses. These represented precisely the selling and distribution activities of distribution/retail segment. As a percentage of total revenues, this account stood at 19% and 23% for the three months ended March 31, 2024 and 2023, respectively.

Selling and distribution costs –341% increase to P35 million from P8 million

Primarily from reclassification of manpower cost, rental expense and selling & bank charges from credit card transactions from general & administrative expenses. As a percentage to total revenues, this account represented 6% and 1% for the first quarter ended March 31, 2024 and 2023, respectively.

Other operating income –net - 35% decrease to P13 million income from P21 million

Attributable to lower income from utilities charged to tenants of the property & related services segment. As a percentage to total revenues, this account represented 2% and 4% for the first quarter ended March 31, 2024 and 2023, respectively.

Operating profit – 52% decrease to P31 million from P65 million

Associated with reduced gross profit and lower other operating income. This account represented 6% and 12% as a percentage of total revenues for the three months ended March 31, 2024 and 2023, respectively.

Finance costs – 48% decrease to P2.5 million from P4.9 million

Chiefly due to lower foreign currency exchange loss of the distribution/retail segment. This account represented 0.46% and 0.89% as a percentage of total revenues in the first quarter of 2024 and 2023, respectively.

Finance income – 94% increase to P6.8 million from P3.5 million

Mainly from increase in cash surrender value of investment in life insurance This account represented 6% and 5% as a percentage of total revenues for the first quarter ended March 31, 2024 and March 31, 2023, respectively.

Other gains - net – 94% increase to P6.8 million from P3.5 million

Mostly from gain on sale of investment property by the property & related. This account stood at 1.2% and 0.6% in the first quarter of 2024 against the same period in 2023 as a percentage of total revenues.

Profit before tax – 25 % decrease to P68 million from P92 million

Mainly due to lower operating profit for the period. This account stood at 12% in the first quarter of 2024 and 17% vs the same period in 2023, respectively, as a percentage of total revenues,

Tax expense – 9% increase to P28 million from P26 million

Attributable to greater taxable income of the distribution/retail segment. This account stood both at 5% in the first quarter ended March 31, 2024 and 2023 based on total revenues.

Net profit – 39% decrease to P40 million from P66 million

Due to mainly to lower operating profit for the period. This account stood at 7% in the first quarter of 2024 and 12% vs the same period in 2023 as a percentage of total revenues, respectively.

viii. Seasonal Aspects that had Material Effect on the Financial Condition or Results of Operations

There were no significant seasonality in the Company's business that materially affects financial condition or results of operations.

PART II –OTHER INFORMATION

On April 11, 2024, the Board of Directors of Solid Group Inc. (SGI) approved the sale of certain assets of Solid Manila Corporation and Kita Corporation (both 100% owned by SGI) to AV Value Holdings Corporation. The prospective buyer, AV Value Holdings Corporation, is a holding company privately owned by the Lim family and a related party. The transaction was reviewed by the SGI Related Party Transaction Committee.

The Board of Directors also appointed Susan L. Tan, President and CEO of SGI, as the Company's Chief Sustainability Officer.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SOLID GROUP INC.

SUSAN L. TAN

President & Chief Executive Officer

VINCENT S. LIM

SVP & Chief Financial Officer and Chief Risk Officer

May 20, 2024

Solid Group Inc. and Subsidiaries

Unaudited Consolidated Financial Statements as of March 31, 2024 and
for the Three Months Ended March 31, 2024 and 2023

(with Comparative Audited Consolidated Statements of Financial Position
as of December 31, 2023)

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2024 AND DECEMBER 31, 2023
(Amounts in Philippine Pesos)

	Notes	March 31, 2024	December 31, 2023
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	P 2,838,952,367	P 2,710,806,862
Short-term placements	5	531,302,197	153,780,405
Trade and other receivables - net	6	165,226,000	251,417,991
Advances to related parties	25	2,420,429	2,420,429
Merchandise inventories and supplies - net	8	415,582,985	337,347,302
Real estate inventories - net	9	424,967,513	428,929,955
Other current assets	13	486,444,134	480,578,047
Total Current Assets		4,864,895,625	4,365,280,991
NON-CURRENT ASSETS			
Trade and other receivables	6	551,026,242	1,084,168,861
Financial assets at fair value through other comprehensive income	7	55,400,000	55,400,000
Investment in an associate	7	48,022,714	48,022,714
Investment in bonds	7	20,000,000	20,000,000
Property and equipment - net	11	1,583,993,293	1,594,725,932
Investment properties - net	12	6,982,381,436	6,967,166,931
Right-of-use asset - net	10	4,364,899	4,665,980
Post-employment benefit asset - net	21	123,953,587	123,953,587
Deferred tax assets - net	22	11,044,677	11,044,677
Other non-current assets - net	13	40,601,789	38,933,179
Total Non-current Assets		9,420,788,637	9,948,081,861
TOTAL ASSETS		P 14,285,684,262	P 14,313,362,852

	Notes	March 31, 2024	December 31, 2023
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	15	**417,879,037**	586,312,082
Customers' deposits		**1,272,982**	4,272,982
Lease liabilities	10	**4,783,069**	5,120,889
Income tax payable		**21,607,481**	15,271,602
Total Current Liabilities		**445,542,569**	610,977,555
NON-CURRENT LIABILITIES			
Interest-bearing loans	14	**190,000,000**	105,000,000
Refundable deposits	16	**192,723,811**	192,693,811
Post-employment benefit obligation	21	**20,200,719**	20,200,719
Deferred tax liabilities - net	22	**1,031,056,402**	1,031,056,402
Total Non-current Liabilities		**1,433,980,932**	1,348,950,932
Total Liabilities		**1,879,523,501**	1,959,928,487
EQUITY			
Equity attributable to the Parent Company's stockholders			
Capital stock	23	**2,030,975,000**	2,030,975,000
Additional paid-in capital		**4,641,701,922**	4,641,701,922
Treasury shares - at cost	23	**(115,614,380)**	(115,614,380)
Revaluation reserves	23	**141,268,964**	128,781,811
Retained earnings	23	**5,398,254,436**	5,362,557,945
Total equity attributable to the Parent Company's stockholders		**12,096,585,942**	12,048,402,298
Non-controlling interests	23	**309,574,819**	305,032,067
Total Equity		**12,406,160,761**	12,353,434,365
TOTAL LIABILITIES AND EQUITY		**P 14,285,684,262**	P 14,313,362,852

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Notes	March 31, 2024	March 31, 2023
REVENUES			
Sale of goods	4, 25	P 305,777,306	293,581,121
Rendering of services	25, 26	157,351,453	175,251,602
Rentals	12, 25, 27	71,775,251	63,079,690
Interest	5, 6, 7, 25	18,597,755	24,755,331
Sale of real estate		8,125,000	-
		561,626,765	556,667,744
COSTS OF SALES, SERVICES, RENTALS AND REAL ESTATE SALES	17, 18		
Cost of sales		244,589,944	216,431,870
Cost of services		113,914,722	124,098,465
Cost of rentals		40,339,271	37,602,206
Cost of real estate sold		3,962,442	-
		402,806,379	378,132,541
GROSS PROFIT		158,820,386	178,535,203
OTHER OPERATING EXPENSES (INCOME)			
General and administrative expenses	18	105,679,381	126,768,938
Selling and distribution costs	18	35,525,802	8,051,043
Other operating expense (income) - net	19	(13,976,239)	(21,650,988)
		127,228,944	113,168,993
OPERATING PROFIT (LOSS)		31,591,442	65,366,210
OTHER INCOME (CHARGES)			
Finance costs	20	(2,593,269)	(4,964,630)
Finance income	5, 6, 20	33,154,823	28,636,310
Other gains (losses) - net	1	6,831,071	3,528,179
		37,392,625	27,199,859
PROFIT (LOSS) BEFORE TAX		68,984,067	92,566,069
TAX EXPENSE (INCOME)	22	28,744,824	26,396,642
NET PROFIT (LOSS)		P 40,239,243	P 66,169,427
Net Profit (Loss) attributable to the:			
Parent Company's stockholders	24	P 35,696,491	P 61,733,443
Non-controlling interests		4,542,752	P 4,435,984
		P 40,239,243	P 66,169,427
Earnings (Loss) per share attributable to the Parent Company's stockholders	24	P 0.020	P 0.034

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Notes	March 31, 2024	March 31, 2023
NET PROFIT (LOSS)		P 40,239,243	P 66,169,427
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will be reclassified subsequently to profit or loss:			
Currency exchange differences on translating financial statements of foreign operations	23	12,487,153	(28,385,496)
		12,487,153	(28,385,496)
TOTAL COMPREHENSIVE INCOME		P 52,726,396	P 37,783,931
Total comprehensive income (loss) attributable to:			
Parent Company's stockholders		P 48,183,644	P 33,347,947
Non-controlling interests		4,542,752	4,435,984
		P 52,726,396	P 37,783,931

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Notes	March 31, 2024	March 31, 2023
EQUITY ATTRIBUTABLE TO THE PARENT COMPANY'S STOCKHOLDERS			
CAPITAL STOCK - P1 par value			
Authorized - 5,000,000,000 shares			
Issued - 2,030,975,000 shares			
Outstanding - 1,821,542,000 shares		P 2,030,975,000	P 2,030,975,000
ADDITIONAL PAID-IN CAPITAL		4,641,701,922	4,641,701,922
TREASURY SHARES - at cost			
Acquired at P0.5520 per share			
209,433,000 shares		(115,614,380)	(115,614,380)
REVALUATION RESERVES			
Balance at beginning of year			
As previously reported		128,781,811	149,200,491
Other comprehensive income (loss)		12,487,153	(28,385,496)
Balance at end of the period		141,268,964	120,814,995
RETAINED EARNINGS (DEFICIT)			
Balance at beginning of year			
As previously reported		5,362,557,945	4,906,253,479
Profit (loss) for the period attributable to Parent Company's stockholders		35,696,491	61,733,443
Dividends declared		-	-
Balance at end of the period		5,398,254,436	4,967,986,922
Total Equity Attributable to the Parent Company's stockholders		12,096,585,942	11,645,864,459
NON-CONTROLLING INTERESTS			
Balance at beginning of year		305,032,067	328,498,353
Profit (loss) for the period attributable to Non-controlling interests		4,542,752	4,435,984
Dividends declared		-	-
Balance at end of the period		309,574,819	332,934,337
TOTAL EQUITY		P 12,406,160,761	P 11,978,798,796

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	Notes	March 31, 2024	March 31, 2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		68,984,067	92,566,069
Adjustments for:			
Interest income		(40,824,888)	(52,064,789)
Depreciation and amortization		19,626,345	20,220,073
Impairment losses (reversal) on trade and other receivables		-	1,337,209
Interest expense		2,293,863	74,112
Loss (reversal) on inventory obsolescence		-	335,500
Unrealized foreign currency losses (gains) - net		(3,439)	(1,169,128)
Loss (gain) on sale of investment property		(6,290,786)	
Loss (gain) on sale of property and equipment		(46,429)	(1,034,100)
Operating profit before working capital changes		43,738,733	60,264,946
Decrease (increase) in trade and other receivables		633,669,522	(34,730,251)
Decrease (increase) in merchandise inventories and supplies		(78,235,683)	31,082,021
Decrease (increase) in real estate inventories		3,962,442	-
Decrease (increase) in other current assets		(20,990,926)	(72,299,497)
Decrease (increase) in other non-current assets		(1,668,610)	(5,079,255)
Increase (decrease) in trade and other payables		(168,433,044)	(53,017,638)
Increase (decrease) in customers' deposits		(3,000,000)	5,436,393
Increase (decrease) in refundable deposits		30,000	12,497,795
Cash generated from (used in) operations		409,072,434	(55,845,486)
Interest received		13,633,726	13,303,500
Cash paid for income taxes		277,590	(5,111,008)
Net Cash From (Used in) Operating Activities		422,983,750	(47,652,994)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		(8,876,593)	(9,803,992)
Proceeds from disposal of property and equipment		330,397	2,093,520
Additional short-term placements		(952,724,531)	
Maturity of short-term placements		575,202,739	
Interest received		17,781,707	21,847,566
Proceeds from disposal of investment property		90,000,000	
Acquisition of investment property		(98,923,719)	(206,182,241)
Net Cash From (Used in) Investing Activities		(377,210,000)	(192,045,147)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from interest-bearing loans - net		85,000,000	
Payment of lease liabilities and interest expense		(346,536)	(1,060,094)
Interest paid		(2,285,147)	(23,815)
Net Cash From (Used in) Financing Activities		82,368,317	(1,083,909)
Effects of Foreign Exchange Rate Changes on Cash and Cash Equivalents		3,439	1,169,128
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		128,145,505	(239,612,922)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,710,806,862	3,832,058,109
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		P 2,838,952,367	P 3,592,445,187

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2024 AND DECEMBER 31, 2023
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Group Background

Solid Group Inc. (SGI or the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission ("the Commission") on October 16, 1933. SGI currently conducts business as an investment holding company. On September 4, 1996, SGI listed its shares of stock in the Philippine Stock Exchange (PSE).

The Parent Company holds effective ownership interests in the following subsidiaries (the Parent Company and the subsidiaries are collectively referred to herein as "the Group") and an associate:

Subsidiaries / Associate	Percentage of Ownership 2024	2023	Notes	Nature of Business
Subsidiaries:				
Avid Sales Corporation (Avid)	**100**	100		Distribution, wholesale and retail of home appliances and electronic products
Brilliant Reach Limited (BRL)	**100**	100	a	Investment holding company
Casa Bocobo Hotel, Inc. (CBHI)	**100**	100	b	Hotel and restaurant operation
Green Sun Hotel Management, Inc. (GSHMI)	**100**	100		Hotel and restaurant operation
Kita Corporation (Kita)	**100**	100		Leasing of real estate properties
My Solid Technologies & Devices Corporation (My Solid)	**100**	100		Sale of mobile phones and accessories
MyApp Corporation (MyApp)	**100**	100	c	Investment holding company
Omni Solid Services, Inc. (OSSI)	**100**	100		Logistics and assembly of consumer electronics products
Precos, Inc. (Precos)	**100**	100	c	Real estate
Solid Broadband Corporation (SBC)	**100**	100		Broadband, cable and satellite services
SolidService Electronics Corporation (SEC)	**100**	100		Repair services for audio and video products
Solid Group Technologies Corporation (SGTC)	**100**	100		Trading of prefabricated modular house and office units
Solid Manila Corporation (SMC)	**100**	100		Real estate
Solid Manila Finance, Inc. (SMFI)	**100**	100		Financing
Solid Video Corporation (SVC)	**100**	100		Trading of professional audio/ video equipment
Zen Towers Corporation (ZTC)	**100**	100		Real estate
SVC Hong Kong Limited (SVC HK)	**100**	100	f	Trading of professional audio/ video equipment
Skyworld Corporation (Skyworld)	**75**	75	b, c	Investment holding company
Starworld Corporation (Starworld)	**50**	50	b, d	Real estate
Associate –				
Fekon Solid Motorcycle Mfg. Corp. (Fekon)	**44**	**44**		Sale of motorcycle, motor parts and products

Notes:

(a) *Incorporated and domiciled in the British Virgin Islands*
(b) *Indirectly owned through SMC*
(c) *Pre-operating or non-operating*
(d) *Starworld is 20% owned by SMC and 40% owned by Skyworld*
(e) *Indirectly owned through SVC*

Additional information:

(i) In 2023, SMC sold its shares of stock in Interstar and LIIP. Details of deconsolidation are presented in Note 23.5.

(ii) In November 2022, the Parent Company acquired shares of Avid for P100.2 million to bring its ownership interest to 100%. Management assessed that it has control over Avid and was considered as a wholly owned subsidiary as of December 31, 2022. The Group has determined this acquisition to be a business combination for which the purchase price was allocated between the identifiable assets and liabilities at fair value [see Note 3.1(e)].

For the purpose of determining the gain on bargain purchase, the Group determined the fair value of the identified net assets of Avid as of November 2022 as presented below.

Fair value of assets acquired:	
Cash	P 53,056,028
Trade and other receivables - net	31,852,968
Merchandise inventories - net	82,416,221
Other current assets	43,951,983
Property and equipment - net	3,070,012
Right-of-use assets - net	845,801
Post-employment benefit asset - net	21,204,286
	236,397,299
Fair value of liabilities assumed:	
Trade and other payables	118,305,874
Lease liability	823,673
Deferred tax liability	2,515,979
	121,645,526
Fair value of net assets acquired	114,751,773
Cash consideration	(100,200,100)
Gain on bargain purchase	**P 14,551,673**

The fair values of the identifiable assets and liabilities assumed from Avid as at the date of acquisition was determined to be higher than the total cost; hence, the Group recognized a gain on bargain purchase amounting to P14.6 million, presented as Gain on Bargain Purchase under Other Income (Charges) – Net in the 2022 consolidated statement of income.

The revenues and net profit of Avid since the acquisition date included in the 2022 consolidated income amounted to P95.3 million and P0.5 million, respectively. On the other hand, the revenues and net profit of Avid in 2022, as though the acquisition had been as of January 1, 2022, amounted to P697.3 million and P10.4 million, respectively.

There are no contingent consideration arrangements arising from this acquisition.

The fair value of the receivable acquired as part of the business combination amounted to P31.9 million, with gross contractual amount of P33.3 million.

The acquisition-related costs amounted to P1.6 million, which is presented as part of Taxes and licenses and Outside services under General and Administrative Expenses in the 2022 consolidated statement of income (see Note 18).

(iii) In 2021, SVC incorporated SVC HK with a 100% interest over the latter. SVC HK is a foreign private entity domiciled and incorporated under the laws of Hong Kong. SVC HK started its operations in 2022.

(iv) SBC holds a provisional authority, granted by the National Telecommunications Commission, to use its legislative franchise under Republic Act (R.A.) No. 9116, *An Act Granting Solid Broadband Corporation a Franchise to Construct, Install, Establish, Operate and Maintain Telecommunications Systems throughout the Philippines* (see Note 26.3).

(v) SMFI is subject to the rules and regulations provided under R.A. No. 8556, *The Financing Group Act of 1998* (see Note 31).

1.2 Other Corporate Information

The registered office addresses and principal places of business of the Parent Company and its subsidiaries, except those listed below, are located at 2285 Don Chino Roces Avenue, Makati City. The registered office addresses and principal places of business of the other subsidiaries are as follows:

Avid, SMC and CBHI	-	1000 J. Bocobo cor. T.M. Kalaw Street, Ermita, Manila
BRL	-	2nd Floor, Abbott Building, P.O. Box 933, Road Town, Tortola, British Virgin Islands
Kita	-	N7175 Gil Puyat Ave. cor. Feati St., Clark Freeport Zone, Clarkfield, Pampanga
OSSI	-	Solid St., LIIP, Mamplasan, Biñan, Laguna
SEC	-	145 G. Araneta Avenue, Brgy. Tatalon, Quezon City
Starworld	-	CPIP Brgys. Batino & Prinza, Calamba, Laguna
SVC HK	-	RM A301, 3/F Blk. A Sea View Est 2-8 Watson Rd, Causeway Bay, Hong Kong
ZTC	-	1111 Natividad A. Lopez St., Brgy. 659-A, District 5, Ermita, Manila

1.3 Approval for Issuance of Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended March 31, 2024 (including the comparative consolidated financial statements as of December 31, 2022 and for the years ended December 31, 2022 and 2021 and the corresponding figures as of January 1, 2022) were authorized for issue by the Parent Company's Board of Directors (BOD) on April 11, 2024.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information that has been used in the preparation of these consolidated financial statements is summarized below and in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC) in response to the COVID-19 pandemic. The financial reporting reliefs availed of by the Group are disclosed in detail below and in the succeeding pages. PFRS are adopted by the Financial and Sustainability Reporting Standards Council (FSRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic, for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) SEC Financial Reporting Reliefs Availed by the Group

The Group has availed of several financial reporting reliefs granted by the SEC relating to several implementation issues of PFRS 15, *Revenue from Contracts with Customers*, affecting the real estate industry under following Memorandum Circular (MC):

- MC No. 14-2018, *Philippine Interpretation Committee Question and Answer (PIC Q&A) No. 2018-12 Implementation Issues Affecting Real Estate Industry*
- MC No. 03-2019, *PIC Q&A Nos. 2018-12-H and 2018-14*
- MC No. 04-2020, *Deferment of the Implementation of IFRS Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Costs) for Real Estate Industry*
- MC 34-2020, *Deferral of PIC Q&A No. 2018-12 and IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry for another period of three years or until 2023*

SEC MC No. 08-2021, *Amendment to SEC MC No. 14-2018, MC No. 03-2019, MC No. 04-2020, and MC No. 34-2020 to Clarify Transitory Provision*, provides real estate companies the accounting policy option of applying either the full retrospective approach or the modified retrospective approach when they apply the provisions of the PIC and IFRIC pronouncement.

Discussed below and in the succeeding page are the financial reporting reliefs availed of by the Group, including the descriptions of the implementation issues and their estimated qualitative impacts to the consolidated financial statements. The Group opted to avail the reliefs until the end of the deferment period as provided under the relevant MC.

(i) *IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry (deferred until March 31, 2024)*

The IFRIC concluded that any inventory (work-in-progress) for unsold units under construction that the entity recognizes is not a qualifying asset, as the asset is ready for its intended sale in its current condition (i.e., the developer intends to sell the partially constructed units as soon as it finds suitable customers and, in signing a contract with a customer, will transfer control of any work-in-progress relating to that unit to the customer). Accordingly, no borrowing costs can be capitalized on such unsold real estate inventories.

Had the Group elected not to defer the IFRIC Agenda Decision, it would have the following impact in the consolidated financial statements:

- interest expense would have been higher;
- cost of real estate inventories would have been lower;
- total comprehensive income would have been lower;
- retained earnings would have been lower; and,
- the carrying amount of real estate inventories would have been lower.

(ii) PIC Q&A No. 2018-12-D, *Concept of the Significant Financing Component in the Contract to Sell and PIC Q&A No. 2020-04, Addendum to PIC Q&A 2018-12-D: Significant Financing Component Arising from Mismatch between the Percentage of Completion and Schedule of Payments*

PFRS 15 requires that in determining the transaction price, an entity shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component.

There is no significant financing component if the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference. Further, the Group does not need to adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception that the timing difference of the receipt of full payment of the contract price and that of the completion of the project, are expected within one year and significant financing component is not expected to be significant.

Had the Group elected not to defer this provision of the standard, it would have an impact in the consolidated financial statements as there would have been a significant financing component when there is a difference between the POC of the real estate project and the right to the consideration based on the payment schedule stated in the contract. The Group would have recognized an interest income when the POC of the real estate project is greater than the right to the consideration and interest expense when lesser. Both interest income and expense will be calculated using the effective interest rate method.

This will impact the retained earnings, real estate sales, and profit or loss in the year of adoption and in comparative periods presented. Furthermore, these would have impacted the cash flows from operations and cash flows from financing activities for all years presented in case of a full retrospective approach. Should the Group elect to apply the modified retrospective approach as allowed by MC No. 2021-08, this will impact the opening retained earnings in the year of adoption.

(c) Presentation of Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents a consolidated statement of comprehensive income separately from the consolidated statement of income.

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to the third consolidated statement of financial position are not required to be disclosed.

(d) Restatement of Prior Period Consolidated Financial Statements

In 2023, the Group retrospectively restated its 2022 and 2021 consolidated financial statements to correct the amount of its deferred tax liabilities.

The effects of the restatement in the consolidated statements of financial position as of December 31, 2022 and January 1, 2022 are shown below.

	As Previously Reported	**Adjustments**	**As Restated**
December 31, 2022			
Deferred tax liabilities – net	P1,011,028,096	(P 55,977,624)	P 955,050,472
Retained earnings	4,906,253,479	55,977,624	4,962,231,103
Net effect in net assets		P -	
January 1, 2022			
Deferred tax liabilities – net	P 930,548,205	(P 55,977,624)	P 874,570,581
Retained earnings	4,587,923,980	55,977,624	4,643,901,604
Net effect in net assets		P -	

The restatement has no impact on the consolidated statements of income, consolidated statements of comprehensive income and consolidated statements of cash flows as of December 31, 2022 and January 1, 2022.

Accordingly, the Group presents a third consolidated statement of financial position as of January 1, 2022 without the related notes, except for the disclosures required under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

(e) *Functional and Presentation Currency*

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of Amended Standards

(a) *Effective in 2024 that are Relevant to the Group*

The Group adopted for the first time the following amendments to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2024:

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2024)

(ii) PAS 1 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants* (effective from January 1, 2024)

(iii) PAS 7 (Amendments), *Cash Flow Statements* and PFRS 7 (Amendments), *Financial Instruments: Disclosures – Supplier Finance Arrangements* (effective from January 1, 2024)

(iv) PFRS 16 (Amendments), *Leases – Lease Liability in a Sale and Leaseback* (effective from January 1, 2024)

(b) *Effective Subsequent to 2024 but not Adopted Early*

There are pronouncements effective for annual periods subsequent to 2024, which are adopted by the FSRSC. Management will not adopt early the following relevant pronouncements in accordance with their transitional provisions; and none of these are expected to have significant impact on the Group's consolidated financial statements:

(i) PAS 21 (Amendments), *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability* (effective from January 1, 2025)

(ii) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of*

Assets Between and Investor and its Associates or Joint Venture (effective date deferred indefinitely)

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries as enumerated in Note 1.1, after the elimination of intercompany transactions.

Financial statements of entities in the Group that are prepared as of a date different from that of the date of these consolidated financial statements were adjusted to recognize the effects of significant transactions or events that occur between that date of their reporting period and the date of these consolidated financial statements. Adjustments are also made to bring into line any dissimilar accounting policies that may exist.

Subsidiaries are consolidated from the date the Group obtains control. The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the elements of controls. Accordingly, entities are deconsolidated from the date that control ceases (see Note 1.1).

The acquisition method is applied to account for acquired subsidiaries. On an acquisition-by-acquisition basis, the excess of the consideration transferred, the amount of any non-controlling interest (NCI) in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill.

Acquired investment in associate is subject to the purchase method.

The Group's transactions with NCI that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the Group in their capacity as owners.

2.4 Financial Instruments

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognized on their settlement date (i.e., the date that the Group commits to purchase or sell the asset).

(a) Financial Assets

(i) Classification, Measurement and Reclassification of Financial Assets

The Group's financial assets include financial assets at amortized cost and at fair value through other comprehensive income (FVOCI).

Financial Assets at Amortized Cost

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Short-term Placements, Trade and Other Receivables (except advances to suppliers and receivable from officers and employees), Advances to Related Parties, Investment in Bonds, Refundable deposits (presented as part of Other Current Assets account) and Refundable deposits, Deposit to suppliers and Cash bond (presented as part of Other Non-current Assets account).

Financial Assets at FVOCI

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading or as mandatorily required to be classified as fair value through profit or loss (FVTPL). The Group has irrevocably designated equity instruments as at FVOCI on initial recognition.

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes.

A change in the objective of the Group's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(ii) Impairment of Financial Assets

At the end of the reporting period, the Group assesses and recognizes its ECL on a forward-looking basis associated with its financial assets carried at amortized cost. The measurement of ECL involves consideration of broader range of information that is available without undue cost or effort at the reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may affect the collectability of the future cash flows of the financial assets. Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instruments evaluated based on a range of possible outcomes.

The Group applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade and other receivables, except for loans receivables with significant financing component, and advances to related parties. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL using a provision matrix, the Group uses its historical experience, external indicators and forward-looking information.

The Group also assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics and have been grouped based on the days past due.

For loans receivables, which is presented under Trade and Other Receivables account in the consolidated statement of financial position, the Group recognizes lifetime ECL when there has been a significant increase in credit risk on a financial asset since initial recognition. Lifetime ECL represents the expected credit loss that will result from all possible default events over the expected life of a financial asset, irrespective of the timing of the default. However, if the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures and provides for credit losses that are expected to result from default events that are possible within 12-months after the end of the reporting period.

For debt instruments (i.e., investment in bonds) measured at amortized cost, the allowance for credit losses is based on the ECL associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since the origination of the financial asset, in such case, a lifetime ECL for a purchased or originated credit impaired, the allowance for credit losses is based on the change in the ECL over the life of the asset. The Group recognized a loss allowance for such losses at each reporting date.

The Group determines whether there has been a significant increase in credit risk for financial asset since initial recognition by comparing the risk of default occurring over the expected life of the financial asset between the reporting date and the date of the initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that may indicate an actual or expected deterioration of the credit quality of the financial assets.

(b) Financial Liabilities

Financial liabilities include interest-bearing loans, trade and other payables (excluding tax-related liabilities, advances from customers and reserve for warranty costs), lease liabilities, advances from related parties and refundable deposits.

2.5 Merchandise Inventories and Supplies

Inventories are valued at the lower of cost and net realizable value (NRV). The cost is determined using the moving average method.

2.6 Real Estate Inventories

Real estate inventories consist of land and land development costs and property development costs.

Subsequent to initial recognition, land and land development costs and property development costs are stated at the lower of cost and net realizable value. An item of land and land development cost is derecognized upon disposal or when no future economic benefits are expected to arise from the sale of asset.

2.7 Property and Equipment

Property and equipment, except land, are carried at acquisition cost or construction cost less subsequent depreciation, amortization and any impairment losses. Land held for use in production or administration is stated at cost less any impairment losses.

Construction in progress pertains to the accumulated costs of putting up the assets, additions or improvements including the applicable borrowing cost.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	10 to 25 years
Test, communication and other equipment	5 to 20 years
Machinery and equipment	5 to 10 years
Transportation equipment	5 years
Computer system	2 to 5 years
Furniture, fixtures and office equipment	2 to 5 years
Tools and equipment	2 to 3 years

Leasehold improvements are amortized over the estimated useful lives of the assets from two to 15 years or the terms of the relevant leases, whichever is shorter.

2.8 Intangible Assets

Intangible assets include non-proprietary club shares and computer software licenses, which are accounted for under the cost model.

The Group's non-proprietary club shares are assessed as having indefinite useful life.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Capitalized costs are amortized on a straight-line basis over the estimated useful lives (ranging from three to ten years) as the lives of these intangible assets are considered finite. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred. Development costs not meeting these criteria for capitalization are expensed as incurred.

Intangible assets are subject to impairment testing when indications exist, as described in Note 2.13.

2.9 Investment Property

Investment property is accounted for under the fair value model. It is revalued annually and is included in the consolidated statement of financial position at its fair value. Fair value is supported by market evidence and is determined by independent appraisers with sufficient experience with respect to both the location and the nature of the investment property.

Investment property, which consists mainly of land and improvements, and buildings and improvements under operating lease agreements, is initially measured at acquisition cost, including transaction costs.

Construction-in-progress pertains to the accumulated costs of putting up the assets, additions or improvements including the applicable borrowing cost.

Transfers from other accounts (such as Land and Land Development Costs and Property and Equipment) are made to investment property when and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers from investment property are made when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For tax purposes, investment property is carried at cost less accumulated depreciation computed on a straight-line basis over the estimated net useful lives of the assets ranging from 11 to 25 years.

2.10 Business Combinations

Business acquisitions are accounted for using the acquisition method of accounting.

Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Negative goodwill is charged directly to profit or loss. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

2.11 Revenue and Expense Recognition

Revenue comprises revenue from sale of goods and real estate and the rendering of services measured by reference to the fair value of consideration received or receivable by the Group for the foods sold and services rendered, excluding value-added tax (VAT) and trade discounts.

The Group often enters into transactions involving the sale of goods and real estate and rendering of services. The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied. The Group uses the practical expedient in PFRS 15 with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting period and the explanation of when such amount will be recognized as revenue as the Group's contracts with customers have original expected duration of one year or less, except for real estate sales.

In addition, the following specific recognition criteria must also be met before revenue is recognized significant judgments in determining the timing of satisfaction of the following performance obligations are disclosed in Note 3.1(b):

(a) *Rendering of services (other than commission income)* – Revenue, which primarily arise from service fees, room and events services, assembly and test lab services, warehousing and repair services, is recognized by the amount in which the Group has a right to invoice that corresponds directly with the value of services rendered that is completed over a period of time.

(b) *Sale of goods* – Revenue, which primarily includes the sale of handsets, devices, accessories, equipment, appliances and modular houses, is recognized at a point in time. This is generally when the customer has taken an undisputed delivery of goods.

(c) *Warranty and network support fee (shown as part of Rendering of Services)* – Revenue from warranty and network support fee is recognized over time upon actual rendering of in-warranty and out-of-warranty services to the customers. Revenue from network support, which is a fixed amount per month as indicated in the contract, is accrued at the end of each month.

(d) *Sale of real estate*

(i) *Sale of real estate on pre-completed real estate properties* – Revenue from real estate sales is recognized over time proportionate to the progress of the development. The Group measures its progress based on actual costs incurred relative to the total expected costs to be incurred in completing the development.

(ii) *Sale of real estate on completed real estate properties* – Revenue from real estate sales is recognized at a point in time when the control over the real estate property is transferred to the buyer.

Payments received from buyers which do not meet the revenue recognition criteria are presented as Customers Deposits account in the consolidated statement of financial position.

(e) *Commission income (shown as part of Rendering of Services)* – Commission income is recognized over time when the performance of contractually agreed tasks have been substantially rendered.

(f) *Service charges and penalties* – Revenue is generally recognized over time when the service has been provided and when there is reasonable degree of certainty as to their collectability.

(g) *Other revenues from utilities charged and common use service area (CUSA)* – Other revenues arising from utilities and CUSA charges related to leasing activities are recognized over time as the Group performs the contractually agreed task. Customers are invoiced monthly as work progresses, which are also due upon receipt by the customers.

The Group assesses its revenue agreement against the specific criteria in order to determine if it is acting as a principal or an agent [see Note 3.1(h)]. Billings from the common area, air conditioning, utilities and other dues are presented at net amounts since the Group acts as a principal. Other revenues from electricity and water dues, in which the Group acts as an agent, are presented in excess of actual charges and consumption.

Further, the Group provides a product warranty for a period of 15 months from the time of sale on its sales of goods related to hidden and manufacturer's defect. Under the terms of this warranty, customers can return the product for repair or replacement if it fails to perform in accordance with published specifications. These warranties are accounted for under PAS 37. However, if the Group is required to refund the related purchase price for returned goods, it recognizes a refund liability for the expected refunds by adjusting the amount of revenues recognized during the period.

In obtaining customer contracts, the Group incurs incremental costs. As the expected amortization period of these costs, if capitalized, would be less than one year, the Group uses the practical expedient in PFRS 15 and expenses such costs as incurred. The Group also incurs costs in fulfilling contracts with customers. However, as those costs are within the scope of other financial reporting standards, the Group accounts for those costs in accordance with accounting policies related to those financial reporting standards.

Cost and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized. All finance costs are reported in the consolidated statement of income on an accrual basis, except capitalized borrowing costs, if applicable, which are included as part of the cost of the related qualifying asset.

2.12 Leases

The Group accounts for its leases as follows:

(a) Group as a Lessee

Subsequent to initial recognition, the Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Further, the lease liability will be reduced for payments made and increased for interest. The lease liability is remeasured to reflect any reassessment or modification, or if there are changes in substance fixed payments.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

(b) Group as a Lessor

Leases which do not transfer to the lessee substantially all the risks and rewards of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in the consolidated statement of income on a straight-line basis over the lease term.

2.13 Impairment of Non-financial Assets

The Group's property and equipment, investment in associate, intangible assets, right-of-use assets and other non-financial assets are subject to impairment testing. Intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. Except for impairment losses on goodwill, an impairment loss is reversed if the asset or cash-generating unit's recoverable amount exceeds its carrying amount.

2.14 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan and defined contribution plans, and other employee benefits.

The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory, and administered by an investment manager. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method.

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligation to pay further contributions after payment of the fixed contribution.

Termination benefits are payable when employment is terminated by the Group for authorized cause before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in the Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

Short-term employee benefits are monetary and non-monetary benefits provided to current employees, which are expected to be settled 12 months after the end of the reporting period during which the employee services are rendered.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) *Determination of Lease Term of Contracts with Renewal and Termination Options*

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option.

Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated and the renewal of the contract is not subject to mutual agreement of both parties.

For leases of payment centers, the factors that are normally the most relevant are (a) if there are significant penalties should the Group pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Group is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The Group included the renewal period as part of the lease term for leases of some of its payment centers due to the significance of these assets to its operations. These leases have a short, non-cancellable lease period (i.e., one to five years) and there will be a significant negative effect on operations if a replacement is not readily available. However, there are other payment centers wherein the provision in the contract requires mutual agreement of both parties on the terms and agreements of the renewal and termination of the lease contract; hence, renewal options for these leases were not included as part of the lease term.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

(b) *Determination of Timing of Satisfaction of Performance Obligations*

(i) *Rendering of Services*

The Group determines that its revenue from rendering of services shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group provides the services without the need of reperformance of other companies. This demonstrates that the customers simultaneously receive and consume the benefits of the Group's rendering of the services as it performs.

In determining the best method of measuring the progress of the Group's rendering of services, management considers the output method under PFRS 15 because it directly measures the value of the services transferred to the customer.

(ii) *Sale of Goods*

The Group determines that its revenue from sale of goods shall be recognized at a point in time when the control of the goods has passed to the customer (i.e., generally when the customer has acknowledged delivery of the goods).

(iii) *Sale of Real Estate*

The Group exercises critical judgment in determining whether the performance obligation to deliver and transfer the control over the real estate properties (i.e., land and condominium building) to customers is satisfied over time or at a point in time.

In making this judgment, the Group considers the delivery to and acceptance by the buyer of the property as a transfer of control at specific point in time since the Group does not have a significant continuing involvement with the property sold to the buyer and the earning process is virtually complete. Further, the Group's enforceable right for payment becomes due upon transfer of control over the real estate property. The Group's management determines that its revenue from the sale of real estate inventories, which are completed and ready for use, shall be recognized at a point in time when the control has transferred to the customer (see Note 2.11).

(c) Determination of ECL on Trade and Other Receivables, Investment in Bonds and Advances to Related Parties

The Group uses a provision matrix to calculate ECL for trade and other receivables. The provision matrix is based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions).

For loans receivables (presented under Trade and Other Receivables account), the allowance for impairment is based on the ECL associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized.

The Group also uses an external benchmarking approach to calculate ECL for investment in bonds. The provision rates are derived from published credit ratings by external rating agencies. As referenced to these external credit benchmarks, the Group defines the credit ratings based on certain financial ratios and appropriately determines the equivalent internal credit ratings. Referenced probability of default is then derived from the latest annual global corporate default study published by the external rating agency. The Group makes an annual reassessment of the applicability and reliability of the reference rates used.

The Group has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Other portion of the Group's financial asset at amortized cost pertains to advances to related parties. In relation to this, the maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk. In the case of these advances to related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. Management determines possible impairment based on the sufficiency of the related parties' highly liquid assets in order to repay the Group's receivables if demanded at the reporting date taking into consideration the historical defaults of the related parties. If the Group cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of receivables can be collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

The details about the ECL on the Group's trade and other receivables, investment In debt securities and advances to related parties are disclosed in Notes 6, 7.2, 25.4, 28.2(b), 28.2(c) and 28.2(e).

(d) Costing of Merchandise Inventories and Supplies

The Group's inventory costing policies and procedures were based on a careful evaluation of present circumstances and facts affecting production operations. A review of the benchmarks set by management necessary for the determination of inventory costs and allocation is performed regularly. Actual data are compared to the related benchmarks and critical judgment is exercised to assess the reasonableness of the costing policies and procedures which are currently in place and to make the necessary revisions in light of current conditions.

(e) Distinguishing Business Combination and Asset Acquisition

The Group determines whether the acquisition of an entity constitutes a business acquisition or an asset acquisition. The accounting treatment for the acquisition is determined by assessing whether the transaction involved a purchase of a business, as defined in PFRS 3, taking into consideration the substance of the transaction. Failure to make the right judgment will result in misstatement of assets.

On initial recognition, the assets and liabilities of the acquired businesses and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates will affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in profit or loss in the subsequent period.

Management has assessed that the acquisition of ownership in Avid is to be accounted for as a business combination since it does constitute an acquisition of a business. In 2022, the Group recognized a gain on bargain purchase amounting to P14.6 million, which represents the excess of total fair value of Avid's net identified assets over the total considerations transferred (see Note 1.1).

(f) Distinction Between Investment Property, Owner-occupied Properties and Real Estate Inventories

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the properties but also to other assets used in the production or supply process. On the other hand, real estate inventories are properties intended to be sold in the normal course of business.

(g) Distinction Between Operating and Finance Leases for Contracts where the Group is the Lessor

The Group has entered into various lease agreements as either a lessor or lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on the management's judgment, all of the Group's lease agreements were determined to be operating leases.

(h) *Evaluating Principal Versus Agent Consideration*

The Group exercises judgment to determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e., the Group is a principal) or to arrange for the other party to provide those goods or services (i.e., the Group is an agent). Failure to make the right judgment will result in misstatement of revenues and expenses accounts. The Group assessed that it is only acting as an agent for utility transactions of its tenants under operating leases. The amount of utility revenues and utility expenses, which were set-off against each other amounted to P4 million and P14 million in 2024 and 2023, respectively, in the consolidated statements of income.

(i) *Recognition of Provisions and Contingencies*

Provisions are recognized when present obligations will probably lead to an outflow of economic resources, and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. Similarly, possible outflows of economic benefits to the Group that do not meet the recognition criteria of a liability are considered contingent liabilities, hence, are not recognized in the consolidated financial statements.

Judgment is exercised by management to distinguish between provisions and contingencies. Disclosures on relevant provisions and contingencies are presented in Note 27.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) *Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

The Group measures its lease liabilities at the present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate.

In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) *Estimation of Allowance for ECL*

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses).

Specifically for loans receivables, the Group's ECL calculations are outputs of complex modes with a number of underlying assumptions which include: (1) the Group's criteria for assessing if there has been a significant increase in credit risk; and, (2) development of expected credit loss models, including the choice of inputs relating to macroeconomic variables.

Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Notes 6, 7.2, 25.4, 28.2(b), 28.2(c) and 28.2(e).

(c) *Fair Value Measurement for Financial Instruments*

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument.

Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

The carrying values of the Group's financial assets at FVOCI and the amounts of fair value changes recognized on those assets are disclosed in Note 7.

(d) *Determination of Net Realizable Value of Merchandise Inventories and Supplies*

In determining the net realizable value of merchandise inventories and supplies, management takes into account the most reliable evidence available at the time the estimates are made.

The Group's core business is continuously subject to rapid technology changes which may cause inventory obsolescence. Moreover, future realization of the carrying amounts of inventories is affected by price changes in different market segments of electronic devices, modular houses, broadcast equipment and accessories (see Note 8). Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's merchandise inventories and supplies within the next reporting period.

(e) *Determination of Net Realizable Value of Real Estate Inventories*

The Group adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of real estate inventories. The net realizable value for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions.

Net realizable value in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar property at the same stage of completion, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

Management's assessment of net realizable value of properties under development requires the estimates of future cash flows to be derived from these properties. These estimates require judgment as to the anticipated sale prices by reference to recent sales transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions.

The carrying amounts of the real estate inventories are disclosed in Note 9.

(f) Estimation of Useful Lives of Right-of-Use Assets, Property and Equipment and Intangible Assets

The Group estimates the useful lives of right-of-use assets, property and equipment and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical/commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of right-of-use assets, property and equipment and intangible assets are analyzed in Notes 10.1, 11 and 13.1, respectively. Based on management's assessment as of March 31, 2024 and December 31, 2023, there is no change in the estimated useful lives of property and equipment during those years. Actual results, however, may vary due to changes in estimates brought about by changes in the factors mentioned above.

(g) Fair Value Measurement of Investment Property

The Group's investment property, which consists of parcels of land and improvements and buildings and improvements, are carried at fair value at the end of the reporting period. In determining the fair value of these assets, the Group engages the services of professional and independent appraisers applying the relevant valuation methodologies as discussed in Note 30.4.

For investment properties with appraisals conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

A significant change in these elements may affect prices and the value of the assets. The amounts of fair value gains recognized on investment property are disclosed in Note 12.

(h) Determination of Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The carrying value of recognized deferred tax assets, which management assessed may be fully utilized in the coming years, as of March 31, 2024 and December 31, 2023 is disclosed in Note 22.2. Certain deferred tax assets, however, were not recognized since management believes that there is no assurance that the related tax benefits will be realized in the coming years.

(i) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.13). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

(j) *Estimation of Reserve for Warranty Costs*

The Group offers a warranty, for a period ranging from one to two years, for each consumer electronic product sold. Management estimates the related provision for future warranty costs based on a certain percentage of sales, as determined based on historical warranty claim information as well as recent trends that might suggest that past cost information may differ from expectations. Warranty costs also include the actual cost of materials used in repairing the electronic products.

The amounts of provision for warranty claims recognized and the outstanding balance of Reserve for warranty costs, which is presented as part of Trade and Other Payables account in the consolidated statements of financial position, are disclosed in Note 15.

(k) *Valuation of Post-employment Defined Benefit*

The determination of the Group's obligation and cost of post-employment benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 21.2 and include, among others, discount rates and expected rate of salary increases. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit asset and obligation in the next reporting period.

The amounts of the fair value of the retirement benefit asset and present value of retirement benefit obligation and the analysis of the movements in the fair value of the retirement benefit asset and present value of retirement benefit obligation, as well as the significant assumptions used in estimating such asset and obligation are presented in Note 21.2.

4. SEGMENT INFORMATION

4.1 Business Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's BOD, its chief operating decision-maker. The BOD is responsible for allocating resources and assessing the performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and services. The Group's main operating businesses are organized and managed separately according to the nature of services and products provided and the different markets served, with each segment representing a strategic business unit as each of these services requires different technologies and resources as well as marketing approaches.

The Group's different business segments are presented as follows:

(a) Distribution/Retail is involved in the sale of mobile phones and devices, home appliances and other electronic products, professional audio and video equipment, and prefabricated modular houses;

(b) Property and related services are involved in the leasing, development and sale of industrial and other real estate properties and hotel and restaurant operations;

(c) Logistics and technical solutions are presently engaged in the business of warehousing and distribution; and,

(d) Investment and others include investment holding companies, and those included in the business of financing and credit extension.

The measurement policies of the Group used for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements. In addition, corporate resources, which are not directly attributable to the business activities of any operating segment, are not allocated to a segment.

Segment assets are allocated based on their use or direct association with a specific segment and they include all operating assets used by each business segment and consist principally of operating cash, receivables, inventories, investment properties and property and equipment, net of allowances and provisions.

Similar to segment assets, segment liabilities include all operating liabilities used by each segment and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

Segment revenues, expenses and performance include sales and purchases between business segments; such sales and purchases are eliminated in the consolidation.

4.2 *Analysis of Segment Information*

The tables below and in the succeeding page present certain asset and liability information regarding business segments as of March 31, 2024 and December 31, 2023 and the related revenue and profit information for the period ended March 31, 2024 and March 31, 2023 (amounts are in thousands).

	Distribution/ Retail	Property & Related Services	Logistics & Technical Solutions	Investment & Others	Elimination	Total
2024						
SEGMENT RESULTS						
Total revenues	P 303,955	P 92,875	P 153,581	P 39,927	(P 28,711)	P 561,627
Net profit (loss)	460,000	(P 180,000)	P 21,114	P 18,845	(P -)	P 40,239
SEGMENT ASSETS AND LIABILITIES						
Total assets	P 849,330	P 10,763,180	P 823,985	P 9,220,388	(P 7,371,198)	P 14,285,684
Total liabilities	P 163,477	P 1,993,931	P 158,399	P 82,298	(P 518,583)	P 1,879,523

	Distribution/ Retail	Property & Related Services	Logistics & Technical Solutions	Investment & Others	Elimination	Total
2023						
SEGMENT RESULTS						
Total revenues	P 283,599	P 79,397	P 179,679	P 43,204	(P 29,212)	P 556,668
Net profit (loss)	14,650	P 9,049	P 29,507	P 13,281	(P 319)	P 66,169
SEGMENT ASSETS AND LIABILITIES						
Total assets	P 975,004	P 10,677,784	P 822,312	P 9,189,463	(P 7,351,200)	P 14,313,363
Total liabilities	P 289,688	P 1,926,375	P 177,904	P 82,614	(P 516,653)	P 1,959,928

There have been no significant changes from prior periods in the measurement methods used to determine reported segment information.

4.3 *Disaggregation of Revenues from Contracts with Customers and Other Counterparties*

When the Group prepares its investor presentations and when the Group management evaluates the financial performance of the operating segments, it disaggregates revenue similar to its segment reporting as presented in Note 4.2. The Group determines that the categories used in the investor presentations and financial reports used by the Group's management can be used to meet the objective of the disaggregation disclosure requirement of PFRS 15, which is to disaggregate revenue from contracts with customers and other counterparties (except for rentals accounted for under PFRS 16 included herein as additional information) into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. A summary of additional disaggregation from the segment revenues and other unallocated income are shown below (amounts in thousands).

	Segment Revenues (Sales to External Customers)				
	Point in time	Over time	Leases	Interest	Total
March 31, 2024					
Distribution/Retail	P 297,313	P 6,642	P -	P -	P 303,955
Logistics and technical solutions	8,464	117,802	26,442	-	152,709
Property and related services	8,125	16,685	45,333	-	70,143
Investments and others	-	16,222	-	18,598	34,820
	P 313,902	**P 157,351**	**P 71,775**	**P 18,598**	**P 561,627**
March 31, 2023					
Distribution/Retail	P 276,020	P 4,142	P 2,538	P -	P 282,700
Logistics and technical solutions	17,561	134,539	26,085	-	178,185
Property and related services	-	23,208	34,456	-	57,664
Investments and others	-	13,364	-	24,755	38,119
	P 293,581	**P 175,253**	**P 63,079**	**P 24,755**	**P 556,668**

The Group's segment revenues (sales to external customers) include rendering of services, sale of goods, rentals and sale of real estate which are presented in the consolidated statements of income.

5. CASH AND CASH EQUIVALENTS AND SHORT-TERM PLACEMENTS

5.1 Cash and Cash Equivalents

Cash and cash equivalents include the following components as of March 31:

	2024	2023
Cash on hand and in banks	**P 307,265,750**	P 379,190,854
Cash equivalent	**2,531,686,617**	2,331,616,008
	P 2,838,952,367	P 2,710,806,862

Cash in banks generally earn interest based on daily bank deposit rates. Cash equivalents pertain to highly liquid short-term investment with maturity periods varying from four to 90 days and one to 90 days and earn annual interests ranging from 0.188% to 6.275% and 0.130% to 6.300% in 2024 and 2023 respectively.

Interest earned from cash in banks and cash equivalents are presented as part of Interest under Revenues and as part of Finance income under Other Income (Charges) – net in the consolidated statements of income (see Note 20.2).

5.2 Short-term Placements

Short-term placements, which is presented separately in the consolidated statements of financial position, pertain to time deposits with maturity periods varying between 91 to 179 days and earns effective interests ranging from 5.50% to 6.275% in 2024 and ranging from 6.00% to 6.25% in 2023. As of March 31, 2024 and December 31, 2023, short-term placements amounting to P531.3 million and P153.7 million, respectively, are presented separately in the consolidated statements of financial position.

Interest earned from short-term placements is presented as part of Interest under Revenues and as part of Finance income under Other Income (Charges) – net in the consolidated statements of income (see Note 20.2). The outstanding balance of such interest is presented as Interest receivable under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Notes	**2024**	2023
Current:			
Trade receivables	6.1 26.1, 26.3	**P 155,993,966**	P 238,535,700
Loans receivables	6.3	**22,555,560**	38,181,893
Advances to:			
Suppliers	6.2(a)	**40,229,900**	28,152,028
Officers and employees	6.2(b), 25.10	**3,689,390**	2,387,919
Rental receivables	6.5	**31,327,290**	17,544,381
Interest receivable	5.2, 7.2	**13,644,025**	11,796,266
Non-trade receivables			
Other receivables	6.6	**7,115,947**	22,134,820
		274,556,078	358,733,007
Allowance for impairment	6.7	**(109,330,078)**	(107,315,016)
		165,226,000	251,417,991
Non-current:			
Trade receivables		**367,769**	
Advances to suppliers	6.2(a)	**105,600,000**	120,000,000
Loans receivables	6.3	**17,313,233**	3,867,284
Cash surrender value of investment in life insurance	6.4	**427,745,240**	960,301,577
		551,026,242	1,084,168,861
		P 716,252,242	P 1,335,586,852

All trade and other receivables are subject to credit risk exposure [see Note 28.2(b)]. The Group does not identify the specific concentration of credit risk with regard to trade and other receivables as the amounts recognized resemble a large number of receivables from various customers.

6.1 Trade Receivables

Aside from the sales of goods and services, trade receivables also include the Group's receivables related to the sold condominium units which are being paid for by the customers in monthly installments. Certain receivables from trade customers are covered by post-dated checks. Trade receivables are measured at amortized cost and have annual effective interest rates ranging from 4.60% to 12.00% in 2023, depending on the payment terms. Trade receivables which are expected to be settled beyond one year after the end of the reporting period are classified as non-current trade and other receivables.

Interest earned from real estate sales is presented as part of Finance Income under Other Income (Charges) – net in the consolidated statements of income (see Note 20.2).

Trade receivables from the sale of goods and services are usually due within 30 to 90 days, generally unsecured and do not bear interest.

6.2 Advances

(a) Suppliers

Generally, advances to suppliers include advance payments made to suppliers for future purchases of mobile phone units and accessories and for the purchases of pro-tapes, video and medical equipment, and spare parts. In 2023, the Group made an advance payment to its third-party supplier for the ongoing construction of investment property in Calamba, Laguna (see Note 12).

Advances to suppliers that will be applied as payment for future purchase of merchandise inventories and supplies are classified and presented under Current Assets account. On the other hand, advances to contractors and/or suppliers that will be applied as payment for future acquisition or construction of items of property and equipment, or acquisition and construction of investment property are classified and presented under the Non-Current Assets account. The classification and presentation are based on the eventual usage or realization of the asset to which it was advanced for.

(b) Officers and Employees

Advances to officers and employees, on the other hand, represent unsecured, noninterest-bearing cash advances for business-related expenditures and are subject to liquidation (see Note 25.10).

6.3 Loans Receivables

Loans receivables pertain to appliances loans, business loans and car loans offered by the Group to its customers. Loans receivables that are expected to be settled beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as part of non-current trade and other receivables.

Interest income recognized on the Group's loans receivables amounted to P3 million, P1.6 million in 2024 and 2023, respectively, and are presented as part of Interest under Revenues in the consolidated statements of income. The effective interest rates on loans receivables ranging from 5.00% to 36.00% in 2024 and 2023. There was no outstanding interest on loans receivable as of March 31, 2024 and December 31, 2023.

6.4 Cash Surrender Value of Investment in Life Insurance

Cash surrender value of investment in life insurance pertains to insurance policies purchased by BRL for certain directors of the Parent Company. The beneficiary of this investment in life insurance is the Parent Company and accounted for under the cash surrender value method. Under this method, the initial cash surrender value of the insurance policies is recognized immediately in the consolidated statements of financial position. Subsequently, any increase in cash surrender value is recognized as part of Finance income under Other Income (Charges) account – net in the consolidated statements of income (see Note 20.2). In 2024 the increase in cash surrender value amounted to P10 million.

6.5 Rental Receivables

Rental receivables represent uncollected monthly receivables from a related party and third-party tenants of the Group. This includes rent receivables arising from the application of PFRS 16, which represent the difference between the cash basis rent income and the straight-line rent income of all outstanding lease contracts as of the end of the reporting periods.

6.6 Other Receivables

Other receivables include the following:

- amounts due from credit card companies for the sale of CCTV, which are collected the following day the receivables are recognized;
- testing fees and utility charges billed by the Group to its lessees;
- unsecured, noninterest-bearing cash advances made to Homeowners' Association for expenses incurred by the unit owners and related outstanding receivables; and,
- retention fees and other claims to government (i.e., Social Security System).

6.7 Allowance for Impairment

All of the Group's trade and other receivables have been assessed for impairment based on the ECL model. The fair value of these short-term financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value. Based on management's assessment of the ECL using the simplified approach, certain trade receivables were found to be impaired; hence, adequate amount of allowance for impairment have been recognized.

7. INVESTMENTS

7.1 Financial Assets at Fair Value Through Other Comprehensive Income

The Group has equity securities pertaining to its 33% equity ownership interest in the common stock of Sony Philippines, Inc. (SPI). This investment is related to the Joint Venture Agreement (JVA) executed in 1997 with Sony Corporation of Japan which has expired on May 8, 2005. On April 11, 2005, the Group received a formal notice of the expiry of the JVA. The Group and Sony Corporation have both agreed to pursue negotiations for an equitable settlement of all matters relating to the JVA and its expiration.

The Group determined that the fair value of this investment is nil as of December 31, 2023.

On the other hand, the fair values of the Group's investments in club shares amounting to P55.4 million, which represent proprietary membership club shares, both as of March 31, 2024 and December 31, 2023, respectively, have been determined based on quoted prices in less active markets due to lack of trading activities among its participants (see Note 30.2).

The recognized fair value gains are presented as items that will not be reclassified subsequently to profit or loss under Other Comprehensive Income in the consolidated statements of comprehensive income.

7.2 Investment in Bonds

In 2021, the Group invested in held-to-collect corporate bonds, classified, and measured at amortized cost, amounting to P20.0 million, which bear fixed interest rate of 4.34% per annum and will mature on October 12, 2027. The amount of investment is presented as Investment in Bonds in the consolidated statements of financial position. There were no additional investments made in 2024 and 2023.

Interest income generated from investment in bonds amounting to P216 thousand in both 2024 and 2023 are presented as part of Interest under Revenues section of the consolidated statements of income. The outstanding balance of such interest amounting to P0.2 million as of March 31, 2024 and December 31, 2023 is presented as part of Interest receivable under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

The Group's investment in bonds, which are subject to credit risk exposure [see Note 28.2(e)], has been reviewed for impairment. Based on such review, the management determines that no impairment loss is needed to be recognized in 2024 and 2023 as the bonds were in good credit standing.

7.3 Investment in an Associate

The Parent Company's investment in an associate pertains to its ownership interest in Fekon. Fekon is a private company incorporated and domiciled in the Philippines. Fekon's primary purpose is to engage in the business of manufacturing, selling, distributing, marketing, trading and assembling of all kinds of goods such as but not limited to motorcycles, e-bicycles, motor parts and products, electronic devices and other electronic merchandise.

Fekon's registered office address and principal place of business is located at Block 7, Lot 8B, San Simon Industries Park, San Isidro, San Simon, Pampanga.

In 2022, the Group made additional deposits in the share of Fekon, totaling P11.5 million in relation to the planned increase in authorized capital stock of the latter. There were no additional deposits made in 2023.

As of December 31, 2023, Fekon is still in the process of completing its documents on its application to increase its authorized capital stock with the Commission. Management believes that upon approval by the Commission, the Group will have significant influence with 44% ownership interest over Fekon. Accordingly, the deposits are recognized as Investment in an Associate in the consolidated statements of financial position. The total equity interest of the Group is at 44% as of December 31, 2023.

Initially, the Group's investment is measured at cost and subsequently, upon approval of the application with the Commission, will be measured using the equity method.

The summarized unaudited financial information for Fekon is shown below.

	2023
Current assets	P 154,760,429
Non-current assets	15,635,082
Total assets	P 170,395,511
Current liabilities	P 54,416,378
Non-current liabilities	11,154,103
Total liabilities	P 65,570,481
Revenue	P 66,049,185
Net loss for the year	(P 29,585,227)

In December 2023, due to the downturn in Fekon business prospects, the Group recognized an impairment loss relative to its investment amounting to P40.0 million which is presented as Impairment Loss on Investments in Associates under Operating Expenses.

8. MERCHANDISE INVENTORIES AND SUPPLIES

Inventories at the end of 2024 and 2023 were stated at lower of cost or NRV. The details of inventories are shown below.

	Note	2024	2023
At cost:			
Merchandise inventories	17.1	P 196,072,555	P 96,411,950
Service parts, supplies and others		33,974,794	33,679,231
		230,047,349	130,091,181
At NRV:			
Merchandise inventories	17.1	201,186,884	222,907,343
Service parts, supplies and others		13,012,708	13,012,734
		214,199,592	235,920,077
Allowance for inventory obsolescence		(28,663,956)	(28,663,956)
		185,535,636	207,256,121
		P 415,582,985	P 337,347,302

The Group's inventories are primarily composed of appliances, handsets, devices, accessories, professional tapes, equipment, spare parts and modular houses.

The movements in the allowance for inventory obsolescence are as follows:

	Note	2024	2023
Balance at beginning of year		**P 28,663,956**	P 26,489,175
Impairment losses			6,591,114
Reversal of allowance for inventory obsolescence		**(-)**	(4,416,333)
		P 28,663,956	P 28,663,956

The Group recognized a net provision for inventory obsolescence amounting to nil in 2024 and a net reversal of provision from previous write-down of inventories upon sale of those inventories amounting to P2.2 million in 2023, respectively. The net provision and reversal are included as an adjustment to Cost of Sales in the consolidated statements of income.

The Group has no outstanding purchase commitment for the acquisition of merchandise inventories and supplies as of March 31, 2024 and December 31, 2023.

An analysis of the cost of merchandise inventories charged to operations is presented in Note 17.1.

9. REAL ESTATE INVENTORIES

This account is composed of:

	2024	2023
Land and land development costs	**P 26,386,874**	P 26,386,874
Property development costs	**398,580,639**	402,543,081
	P 424,967,513	P 428,929,955

9.1 Land and Land Development Costs

In November 2023, the cost of land and land development held by LIIP, which was provided with full allowance for impairment, were included as part of the consideration transferred upon the disposal of the investment in LIIP (see Note 23.5).

In 2022, Starworld sold parcels of land to SMC for P22.6 million. As a result of this transaction, the parcels of land with a total cost of P22.5 million were transferred to investment properties with the purpose of earning rentals and/or long-term capital appreciation. There were no land sales in 2023.

Management believes that the carrying values of these assets are lower than their realizable values considering present market rates; thus, no valuation allowance has been provided in the financial statements.

9.2 Property Development Costs

The Group, through ZTC, has initiated the planning and construction of the Tri Towers condominium building. Construction was started by ZTC in 2005. The construction of Tower 1 and Tower 2 were completed in 2008 and 2012, respectively, and while the construction of Tower 3 has not yet started, it has already incurred expenses for the planning phase as of March 31, 2024.

Property development costs, at the end of each reporting periods, represent condominium units for sale, office tower units, construction in progress of land and Tower 3, office tower and parking units for which Group has been granted permit to sell by the Housing and Land Use Regulatory Board of the Philippines.

Based on management's assessment, the related asset is still recoverable as of the end of the reporting periods (see Note 27.2).

10. LEASES

The Group is a lessee under non-cancellable operating leases covering certain office spaces and store branches. The lease for these office spaces and store branches has a term of one to five years. Generally, termination of lease contracts shall be communicated to the lessee by the lessor prior to the termination or expiration of the lease contract. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the consolidated statements of financial position as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index, or a rate are excluded from the initial measurement of the lease liability and asset.

The Group classifies its right-of-use assets and lease liabilities as separate line items in the consolidated statements of financial position.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublease the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying lease asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. The Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

Refundable security deposits represent the lease deposits made for the lease of the Group's business spaces, both short and long-term lease agreements. Related security deposits for these leases amounted to P36 million and P36.7 million as of March 31, 2024 and December 31, 2023, respectively, and are presented as part of Other Current Assets and Other Non-current Assets account in the consolidated statements of financial position (see Note 13). Refundable security deposits which are expected to be settled beyond one year after the end of the reporting period are classified as non-current assets.

10.1 Right-of-use Assets

The carrying amounts of the Group's right-of-use assets, which pertain to office spaces and store branches, as of March 31, 2024 and December 2023, including the movements during the reporting period are shown below.

	Note	2024	2023
Balance at beginning of year		**P 4,665,980**	P 2,901,782
Additions			8,257,280
Amortization		**(301,081)**	(6,493,082)
Impact of the acquisition	1.1	**-**	
Balance at end of year		**P 4,364,899**	P 4,665,980

10.2 Lease Liabilities

Lease liabilities are presented in the consolidated statements of financial position as of March 31, 2024 and December 31, 2023 as follows:

	2024	2023
Current	**P 4,783,069**	P 5,120,889
Non-current	**-**	
	P 4,783,069	P 5,120,889

The movements in the lease liabilities recognized in the consolidated statements of financial position as of December 31 are as follows:

	Notes	2024	2023
Balance at beginning of year		**P 5,120,889**	P 3,539,747
Additional lease liabilities			8,257,280
Repayments of lease liabilities	10.4	**(337,820)**	(7,201,585)
Interest accretion	10.4		525,447
		P 4,783,069	P 5,120,889

The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's regional markets strategy and the economic benefits of exercising the option exceed the expected overall cost.

The table below and in the succeeding page describes the nature of the Group's leasing activities by type of right-of-use asset recognized in the consolidated statements of financial position as of March 31, 2024 and December 31, 2023

	Number of right-of-use assets leased	Range of remaining term	Average remaining lease term	Number of leases with extension options	Number of leases with termination options
Office space and store branches	**7**	**3 months to 1 year**	**1 year**	**1**	**2**

10.3 Lease Payments Not Recognized as Liabilities

The Group has elected not to recognize lease liabilities for short-term leases or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

The amount of expense relating to short-term leases for the year ended March 31, 2024 and 2023 is allocated in the consolidated statements of income as follows:

	Notes	**2024**	2023
Cost of services	17.2	**P 3,223,886**	P 2,385,779
Cost of rental	17.3	**54,600**	54,000
General and administrative expenses		**10,513,845**	8,653,098
	18	**P 13,792,331**	P 11,092,877

10.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases, including interest, amounted to P346 thousand, P1 million in 2024 and 2023, respectively. Interest expense in relation to lease liabilities is presented as part of Finance costs under Other Income (Charges) – net in the consolidated statements of income (see Note 20.1).

11. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation, amortization and impairment losses of property and equipment at the beginning and end of 2024 are shown below.

	Land	Buildings and Improvements	Machinery and Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Test, Communication and Other Equipment	Computer System	Leasehold Improvements	Tools and Equipment	Construction in Progress	Total
March 31, 2024											
Cost	P 1,288,354,682	P 396,001,506	P 199,832,129	P 283,878,665	P 252,882,002	P 39,025,664	P 86,476,608	P 132,648,549	P 106,638,947	P 29,301,449	P 2,815,040,201
Accumulated depreciation and amortization	-	(209,927,602)	(180,511,383)	(265,350,685)	(210,221,304)	(33,954,993)	(77,830,350)	(127,815,408)	(90,435,184)	14,346,250	(1,181,700,658)
Accumulated impairment losses	-	(35,000,000)	-	-	-	-	-	-	-	(14,346,250)	(49,346,250)
Net carrying amount	**P 1,288,354,682**	**P 151,073,904**	**P 19,320,746**	**P 18,527,980**	**P 42,660,698**	**P 5,070,671**	**P 8,646,258**	**P 4,833,141**	**P 16,203,763**	**P 29,301,449**	**P 1,583,993,293**
December 31, 2023											
Cost	P 1,288,354,682	P 379,659,325	P 195,106,677	P 312,676,797	P 282,703,618	P 25,425,998	P 86,669,310	P 117,262,423	P 109,669,602	P 27,137,678	P 2,824,666,110
Accumulated depreciation and amortization	-	(186,753,104)	(176,143,668)	(291,898,485)	(237,514,731)	(21,050,804)	(77,559,323)	(112,499,158)	(91,520,905)	14,346,250	(1,180,593,928)
Accumulated impairment losses	-	(35,000,000)	-	-	-	-	-	-	-	(14,346,250)	(49,346,250)
Net carrying amount	**P 1,288,354,682**	**P 157,906,221**	**P 18,963,009**	**P 20,778,312**	**P 45,188,887**	**P 4,375,194**	**P 9,109,987**	**P 4,763,265**	**P 18,148,697**	**P 27,137,678**	**P 1,594,725,932**

Construction in progress pertains to accumulated costs incurred on building improvements being constructed in various properties of the Group. Completed constructions were reclassified to specific items of property and equipment. In 2024 and 2023, no borrowing costs were capitalized.

The amount of depreciation and amortization computed on property and equipment is presented as part of the following accounts:

	Notes	**2024**	2023
Cost of services	17.2	**P 10,551,943**	P 11,602,683
Cost of rentals	17.3	**3,465,777**	3,750,624
S&D cost		**845,253**	468,826
General and administrative expenses		**4,462,291**	3,388,952
	18	**P 19,325,264**	P 19,211,085

As of March 31, 2024 and December 31, 2023, none of the Group's property and equipment were held as collateral for loans. Further, no impairment losses were recognized in 2024 and 2023 as the management believes that the carrying amount of property and equipment is recoverable in full.

There were no restrictions on titles and items of property and equipment as of March 31, 2024 and December 31.

12. INVESTMENT PROPERTIES

The Group's investment properties, accounted for under the fair value method, consist mainly of land and improvements, and buildings and improvements that are held under operating lease agreements. These properties earn rental income amounting to P71 million and P63 million in 2024 and 2023, respectively, and are presented as Rentals under Revenues in the consolidated statements of income. The Group also incurred direct costs such as real property taxes, repairs and maintenance and utilities, which are presented as part of Cost of Rentals in the consolidated statements of income (see Note 17.3).

The fair values of the Group's investment properties as of December 31, 2023 were determined based on appraisal report dated December 12, 2023. Management obtains annual appraisal reports on its investment properties from independent appraisers (see Note 30.4).

The changes in the carrying amounts of investment property as presented in the consolidated statements of financial position are summarized as follows:

	Land and Improvements	**Building and Improvements**	**Construction in Progress**	**Total**
2024:				
Balance at beginning of year	**P 5,120,560,888**	**P 769,699,957**	**P 1,076,906,086**	**P 6,967,166,931**
Additions		**1,800,236**	**97,123,484**	**98,923,720**
Reclassification	**107,000**	**1,995,777**	**(2,102,777)**	**-**
Disposals	**(61,900,929)**	**(21,808,285)**	**-**	**(83,709,214)**
Balance at end of year	**P 5,058,766,958**	**P 751,687,685**	**P 1,171,926,793**	**P 6,982,381,436**

	Land and Improvements	Building and Improvements	Construction in Progress	Total
2023:				
Balance at beginning of year	P 4,810,678,828	P 782,639,879	P 15,273,617	P 5,608,592,324
Additions	120,000	3,909,390	1,066,197,651	1,070,227,041
Fair value gains (losses) – net (see Note 19)	318,111,060	(21,414,494)	-	296,696,566
Reclassification	-	4,565,182	(4,565,182)	-
Disposals	(8,349,000)	-	-	(8,349,000)
Balance at end of year	P 5,120,560,888	P 769,699,957	P 1,076,906,086	P 6,967,166,931

The Group is continuously incurring expenses for the construction of a certain warehouse intended for leasing purposes. These expenses are capitalized and recorded as part of construction in progress. There were no capitalized borrowing costs in 2024 and 2023.

In 2022, the Group paid cash bond amounting to P15.0 million for its application for conversion of land and is presented as part of Cash bond under Other Non-current Assets account in the consolidated statement of financial position (see Note 13.2).

In 2024 and 2023, the Group received payment from an association managing an industrial park as compensation for damages to Group's property amounting to both P1.3 million, which is presented under Other Operating Income in the consolidated statements of income (see Note 19).

The Group sold certain land and improvements with a total appraised value of P83 million in 2024. The related gain on this sale is presented under Other Gains - net under Other Income (Charges) – net in the consolidated statements of income (see Note 20.3).

Certain investment property is used as collateral on loan payable as of March 31, 2024 (see Note 14).

13. OTHER ASSETS

The composition of these accounts is shown below.

	Notes	**2024**	2023
Current:			
Input VAT – net	13.3	**P 270,557,013**	P 252,416,753
Creditable withholding taxes		**138,817,919**	139,000,438
Prepayments	13.3	**35,595,296**	37,020,692
Refundable deposits	10	**32,279,161**	32,165,777
Deferred input VAT		**5,734,416**	15,590,124
Deferred cost	13.3	**187,871**	692,786
Others	13.3	**3,272,458**	3,691,477
		486,444,134	480,578,047

Non-current:			
Cash bond	13.2	**15,635,346**	15,635,346
Intangible assets – net	13.1	**13,250,310**	13,099,425
Refundable deposits	10	**3,749,786**	4,529,457
Others	13.3	**7,966,347**	5,668,951
		40,601,789	38,933,179
		P 527,045,923	P 519,511,226

13.1 Intangible Assets

Intangible assets include non-proprietary club shares and computer software licenses, which are accounted for under the cost model.

Intangible assets are subject to annual impairment testing whenever there is an indication of impairment. Certain non-proprietary club shares were assessed to be impaired as determined by the management; hence, an adequate amount of allowance for impairment has been recognized in prior years. There were no impairment losses recognized in 2024 and 2023 as the recoverable amount of intangible assets determined by management is higher than the carrying value.

There are no intangible assets that have been pledged as security for any liabilities. Further, there were no other contractual commitments entered into in 2023 related particularly for intangible assets.

13.2 Cash Bond

Cash bond represents primarily the payments made by the Group for its application for conversion of land (see Note 12). It also includes deposit made with the Bureau of Customs for taxes and duties related to its importations.

As of March 31, 2024 and December 31, 2023, the total amount is currently demandable; however, the Group does not expect to refund the cash bond within 12 months from the end of the reporting period.

13.3 Others

There was no allowance for impairment of input VAT in 2024 and 2023.

Prepayments pertain to prepaid insurance, prepaid rent, and prepayments for professional fees, import charges and others.

Deferred costs represent the cost of inventories which have not been charged to cost of sales pending the completion of the Group's certain projects. In 2024 and 2023, upon the continuation of all projects deferred in previous years, a significant amount of deferred cost has been charged to cost of sales and services.

Deposits to suppliers represent the refundable amount paid by the Group to its suppliers for the distribution utilities provided to the Group.

Other current assets include deferred installation costs which pertain to the costs paid by the Group to its contractors for the installation of modular houses. Upon completion of installation, the cost is transferred to cost of sales. On the other hand, other non-current assets mostly pertain to land properties held by SMC which are subject to transfer to certain individuals under R.A. No. 6657, *Comprehensive Agrarian Reform Law of 1988*.

14. INTEREST-BEARING LOAN

As of March 31, 2024, the Group received proceeds from the drawdowns of long-term loan from a local bank amounting to P190 million to partially finance the construction of warehouse facility in Calamba, Laguna. The outstanding loan has a term of ten years with a two-year grace period. The loan bears interest ranging from 6.75% to 6.85% per annum. The related debt issuance costs of P0.6 million and P0.8 million for the documentary stamp tax is presented as part shown as part of Taxes and licenses under General and Administrative Expenses in the consolidated statement of income (see Note 18).

The loan is secured by a real estate mortgage for a total amount of P1.2 billion on real estate property recorded as part of Investment Properties in the consolidated statement of financial position (see Note 12) and a suretyship agreement with one subsidiary.

15. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	2024	2023
Trade payables		**P 263,693,809**	P 364,062,277
Non-trade payables		**18,619,067**	46,409,082
Accrued expenses		**23,109,889**	43,602,144
Refundable deposits	16, 25.2	**35,416,748**	35,890,057
Deferred output VAT		**14,751,762**	20,430,061
Output VAT		**20,164,876**	13,617,604
Unearned rental		**14,040,528**	12,673,977
Withholding taxes payable		**5,163,951**	10,230,077
Advances from customers		**10,212,772**	9,538,653
Rentals payable		**4,278,523**	4,278,523
Reserve for warranty costs		**2,510,889**	2,514,215
Retention payable		**1,504,491**	1,564,727
Other payables		**4,411,732**	21,500,685
		P 417,879,037	P 586,312,082

Trade payables mainly represent obligations to various suppliers for the acquisition of goods, materials and supplies necessary for the Group's operations and productions.

Nontrade payables are the obligations arising from transactions that are not within the ordinary course of business which includes lessees' deposits for electricity, communication costs, gasoline expenses, professional fees and others.

Accrued expenses include amounts charged for rentals, outside services, salaries and other incidental operating expenses of the Group which are expected to be settled within the next reporting period.

The Group receives refundable deposits from various lessees. The long-term portion of the refundable deposits from various tenants is shown as a separate line item in the consolidated statements of financial position (see Note 16). Refundable deposits are remeasured at amortized cost using effective interest rates ranging from 5.45% to 9.63% in 2023 at the inception of the lease term. Interest expense recognized from the amortization of refundable deposits are presented as part of Finance costs under Other Income (Charges) account in the consolidated statements of income.

Unearned rentals represent advance payments received from lessees.

Advances from customers pertain to the integration services in progress and customer deposit on sale of goods paid in advance to the Group.

Management considers the carrying amounts of trade and other payables recognized in the consolidated statements of financial position to be reasonable approximation of their fair values.

16. REFUNDABLE DEPOSITS

The Group has long-term refundable deposits from various tenants. These refundable deposits are remeasured at amortized cost using the effective interest ranging from 3.48% to 5.50% at the inception of the lease terms.

In 2022, the Group entered into Built to Specification Agreement (BTSA) with a third-party lessee. The lessee will lease a warehouse for 15 years with an option to renew for another five years. The warehouse will be built to the specifications included in BTSA. The lease will commence once the certificate of completion has been obtained. The Group received a security deposit amounting to P172.4 million which serves as protection in the event the lessee refuses to pay the Group when the conditions have been met. The accumulated costs for the construction of the warehouse are presented as part of Construction-in-progress under Investment Properties in the statements of financial position (see Note 12).

As of March 31, 2024 and December 31, 2023, the outstanding balance of these refundable deposits amounted to both P192.7 million. The current portion of the refundable deposits are presented as part of Trade and Other Payables account in the consolidated statements of financial position (see Note 15). On the other hand, non-current portion is presented separately under Non-current Liabilities section of the consolidated statements of financial position.

17. COSTS OF SALES, SERVICES, RENTALS AND REAL ESTATE SALES

17.1 Cost of Sales

The details of this account are shown below.

	Notes	2024	2023
Merchandise inventories at beginning of year	8	**P 319,319,293**	P 307,125,965
Net purchases of merchandise inventories during the year	18, 25.1	**322,530,090**	184,091,885
Goods available for sale		**641,849,383**	491,217,850
Merchandise inventories at end of year	8	**(397,259,439)**	(275,121,480)
Net provision of allowance for inventory obsolescence	8		335,500
	18	**P 244,589,944**	P 216,431,870

17.2 Cost of Services

The following are the breakdown of direct costs and expenses from rendering of services:

	Notes	2024	2023
Subcontracting services		**P 26,414,512**	P 23,034,202
Materials, supplies and other consumables		**17,498,138**	24,885,480
Service fees		**16,719,268**	13,951,824
Salaries and employee benefits	21.1	**13,637,848**	13,406,366
Transportation and travel		**8,631,595**	10,567,336
Depreciation and amortization	10.1, 11	**10,853,024**	12,144,182
Outside services		**6,867,402**	5,795,872
Rentals	10.3	**3,223,886**	2,385,779
Repairs and maintenance		**994,339**	2,434,366
Communication, light and water		**1,968,172**	5,101,851
Taxes and licenses		**1,129,165**	1,382,136
Food and beverage		**1,068,242**	1,660,744
Insurance		**1,025,215**	1,002,990
Integration		**1,234,713**	1,979,707
Others		**2,649,203**	4,365,630
	18	**P 113,914,722**	P 124,098,465

17.3 Cost of Rentals

The details of this account are as follows:

	Notes	2024	2023
Taxes and licenses		**P 27,563,846**	P 25,234,211
Depreciation and amortization	11	**3,465,777**	3,750,624
Repairs and maintenance		**1,641,228**	1,432,189
Outside services		**3,176,909**	2,254,404
Salaries and employee benefits	21.1	**279,740**	253,740
Common usage service area		**1,713,077**	2,239,793
Rentals	10.3	**54,600**	54,000
Others		**2,444,094**	2,383,245
	12, 18	**P 40,339,271**	P 37,602,206

Others primarily consist of franchise fees and insurance expenses.

17.4 Cost of Real Estate Sales

This account pertains to the Group's cost of condominium units and parking lots sold amounting to P3.9 million in 2024 (see Note 18). There was no sale of real estate inventories occurred in 2023.

18. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

	Notes	2024	2023
Net purchases of merchandise inventories	17.1, 25.1	**P 322,530,091**	P 184,091,885
Salaries and employee benefits	21.1, 21.2, 25.8	**66,080,231**	63,434,629
Subcontracting services		**32,394,852**	31,861,589
Materials, supplies and other consumables		**18,568,479**	35,186,048
Taxes and licenses	1.1	**49,864,088**	45,011,966
Depreciation and amortization	10.1, 11, 13.1	**19,626,345**	20,220,073
Service fees		**16,719,268**	13,951,824
Utilities and communication		**18,744,142**	21,326,982
Transportation and travel		**12,806,491**	5,457,753
Outside services	1.1	**16,035,520**	15,200,225
Rentals	10.3	**13,792,331**	11,092,876
Repairs and maintenance		**6,468,919**	8,270,532
Selling and bank charges		**4,613,728**	
Representation and entertainment		**2,092,323**	3,490,775
Food and beverage		**1,068,242**	1,660,744
Advertising and promotions		**1,542,081**	3,526,620
Installation cost		**779,737**	
Warranty claims		**13,500**	15,492
Provision of allowance for inventory obsolescence – net	8	-	335,500
Excess on actual over standard input VAT			30,731
Insurance		**3,917,765**	3,191,342
Integration		**1,234,713**	1,979,707
Cost of condominium units and parking lots	17.4	**3,962,442**	-
Changes in merchandise, work-in-process inventories	17.1	**(77,940,146)**	32,004,485
Miscellaneous		**9,096,420**	11,610,744
		P 544,011,562	P 512,952,522

These expenses are classified in the consolidated statements of income as follows:

	Notes	2024	2023
Cost of sales	17.1	**P 244,589,944**	P 216,431,870
Cost of services	17.2	**113,914,722**	124,098,465
General and administrative expenses		**105,679,381**	126,768,938
Selling and distribution costs		**35,525,802**	8,051,043
Cost of rentals	17.3	**40,339,271**	37,602,206
Cost of real estate sales	17.4	**3,962,442**	-
		P 544,011,562	P 512,952,522

19. OTHER OPERATING INCOME

The breakdown of this account is as follows:

	Notes	2024	2023
Income from utilities charged to tenants		**P 4,064,148**	P 14,282,134
Common usage service area	25.7	**2,535,544**	3,843,781
Compensation for damages	12	**1,339,285**	1,339,286
Forfeited customer deposit		**423,793**	
Miscellaneous – net		**5,613,469**	2,185,787
		P 13,976,239	P 21,650,988

20. OTHER INCOME (CHARGES)

20.1 Finance Costs

This account consists of the following:

	Notes	2024	2023
Foreign currency exchange losses		**P 222,667**	P 3,419,764
Interest expense on:			
Lease liabilities	10.4	**8,716**	50,298
Interest-bearing loans		**2,285,147**	
Impairment losses on trade & other receivable			1,337,209
Miscellaneous		**76,739**	157,359
		P 2,593,269	P 4,964,630

20.2 Finance Income

This account consists of the following:

	Notes	2024	2023
Interest income from:			
Cash and cash equivalents and short-term placements	5	**P 22,227,133**	P 27,047,024
Real estate sale	6.1	**2,752**	262,433
Increase in cash surrender value of investment in life insurance	6.4	**10,810,642**	
Foreign currency exchange gain		**114,296**	1,326,853
		P 33,154,823	P 28,636,310

20.3 Other Gains

The breakdown of this account is as follows:

	Notes	2024	2023
Gain on sale of property and equipment	11	**P 46,429**	P 1,034,100
Gain on sale of scrap			32,504
Proceeds from old savings acct.			1,963,314
Gain on sale of investment property	12	**6,290,786**	
Miscellaneous		**493,856**	498,261
		P 6,831,071	P 3,528,179

21. EMPLOYEE BENEFITS

21.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are summarized below.

	Notes	2024	2023
Short-term benefits		**P 66,080,231**	P 63,434,629
	18	**P 66,080,231**	P 63,434,629

These expenses are classified in the consolidated statements of income as follows:

	Notes	2024	2023
General and administrative expenses		**P 43,398,635**	P 48,193,097
Cost of services	17.2	**13,637,848**	13,406,366
Selling and distribution costs		**8,764,008**	1,581,426
Cost of rentals	17.3	**279,740**	253,740
	18	**P 66,080,231**	P 63,434,629

21.2 Post-employment Benefits

(a) Characteristics of the Defined Benefit Plan

The Group maintains a funded, tax-qualified, non-contributory post-employment benefit plan that is being administered by an investment manager that is legally separated from the Group. The investment manager manages the fund in coordination with the Group's management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The Group's post-employment benefit plan provides retirement benefits ranging from 100% to 115% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) *Explanation of Amounts Presented in the Consolidated Financial Statements*

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2023.

The amounts of retirement benefit asset recognized in the consolidated statements of financial position are determined as follows:

	2023
Fair value of plan assets	P 256,663,816
Present value of obligation	(132,710,229)
	P 123,953,587

On the other hand, the retirement benefit obligation recognized by certain subsidiaries, which does not have an established post-employment benefit plan, amounted to P20.2 million as of December 31, 2023.

The movements in the fair value of plan assets of the Group are presented below.

	2023
Balance at beginning of year	P 252,778,811
Interest income	18,174,971
Benefits paid	(13,262,276)
Loss on plan assets (excluding amounts included in net interest)	(1,027,690)
Balance at end of year	P 256,663,816

The movements in the present value of the retirement benefit obligation recognized in the books are as follows:

	2023
Balance at beginning of year	P 116,413,058
Benefits paid	(13,262,276)
Current service costs	9,034,932
Interest costs	8,312,357
Remeasurements –	
Actuarial gains arising from:	
Changes in financial assumptions	25,676,853
Experience adjustments	12,312,686
Changes in demographic assumptions	46,415
Benefits paid from book reserve	(5,623,077)
Balance at end of year	P 152,910,948

The significant actuarial gains in 2023 arising from the financial assumptions pertains to the effects of differences between the discount rates and salary projection rates used while the actuarial gains arising from experience adjustments pertains to the effects of differences between the previous actuarial assumptions and what has actually occurred, including the changes in those actuarial assumptions during the applicable reporting periods.

The plan assets consist of the following as of December 31 (see Note 25.6):

	2023
Debt securities:	
Philippines government bonds	P 233,627,163
UITF	17,348,796
Corporate bonds	2,905,252
Others	2,782,605
	P 256,663,816

The fair values of the debt securities are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy). UITF is classified as Level 2 while other assets are classified as Level 3 in the fair value hierarchy.

The plan assets earned a net return of P17.1 million in 2023.
Plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

The components of amounts of post-employment benefit expense recognized in the consolidated statements of income and consolidated statements of comprehensive income in respect of the post-employment defined benefit plan are presented below.

Current service cost and past service cost are presented as part of Salaries and employee benefit account under General and Administrative Expenses in the consolidated statements of income.

The net interest income is included in Other Gains – net in the consolidated statements of income. Amounts recognized in other comprehensive income, net of tax, were classified within items that will not be reclassified subsequently to profit or loss in the consolidated statements of comprehensive income.

For determination of the post-employment benefit obligation, the following actuarial assumptions were used:

	2023
Discount rates	5.94% - 6.12%
Salary increase rate	8.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working lives of employees before retirement at the age of 60 ranges from 6.0 to 25.0 years for males and 2.0 to 32.0 years for females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero-coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) *Investment and Interest Risks*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan is generally concentrated on investment in debt securities, although the Group also invests in UITF.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(iii) *Inflation Risk*

A significant proportion of the defined benefit obligation is linked to inflation. The increase in inflation will increase the Group's liability. A portion of the plan assets are inflation-linked debt securities which will mitigate some of the effects of inflation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described in the succeeding pages.

(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit asset as of December 31, 2023:

	Impact on Post-employment Benefit Asset/Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
December 31, 2023			
Discount rate	**+/- 0.5%**	**(P 8,321,225)**	**P 9,411,097**
Salary increase rate	**+/- 1.0%**	**19,426,351**	**(15,098,506)**

The sensitivity analysis in the preceding page is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Group through its Management Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve those long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency.

The Group actively monitors how the duration, and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolios, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of the plan assets as of December 31, 2023 are generally concentrated in government debt securities, although the Group also invests in UITF for liquidity purposes.

(iii) Funding Arrangements and Expected Contributions

The plan is currently overfunded by P144.2 million based on the latest actuarial valuation. On the other hand, the Group is yet to determine how much and when to fund its retirement benefit obligation as of December 31, 2023.

The Group does not expect to make any contribution to the plan during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan follows:

	2023
Within one year	P 16,693,335
More than one year to 5 years	25,230,402
More than 5 years to 10 years	100,433,980
More than 10 years to 15 years	137,561,319
More than 15 years to 20 years	238,349,183
More than 20 years	1,828,849,849
	P2,347,118,068

The weighted average duration of the defined benefit obligation at the end of the reporting period is 19 years.

22. TAXES

22.1 Registration with Philippine Economic Zone Authority (PEZA)

SMC is registered with the PEZA as an Ecozone Facilities Enterprise at the Laguna International Industrial Park – Special Economic Zone (LIIP – SEZ). As an Ecozone Facilities Enterprise, SMC shall lease its building in LIIP – SEZ to PEZA-registered export enterprises located therein. SMC is subject to 5% tax on gross income earned on such facilities in lieu of all national and local taxes.

On July 1, 1998, the PEZA approved Starworld's registration as an Ecozone developer and operator of the CPIP – Special Economic Zone located at Bo. Parian, Calamba City. Under the terms of the registration and subject to certain requirements, Starworld shall be exempt from all national and local taxes and instead will be subject to the 5% preferential tax rate on gross income after allowable deductions.

22.2 Current and Deferred Taxes

The components of tax expense reported in the consolidated statements of income and consolidated statements of comprehensive income are as follows:

	2024	2023
Reported in consolidated statements of income:		
Current tax expense:		
RCIT at 25% / 20%	**P 20,694,730**	P 15,686,613
Final tax at 20% / 15%	**7,561,696**	9,970,094
MCIT at 2% in 2024, 1% in 1Q 2023	**488,398**	697,173
	28,744,824	26,353,880
Deferred tax expense (income) arising from:		
Origination and reversal of temporary differences	**-**	42,762
	P 28,744,824	P 26,396,642

The net deferred tax assets of certain subsidiaries relate to the following:

	2024		2023	
Deferred tax assets:				
Allowance for inventory obsolescence	P	4,708,858	P	4,708,858
Allowance for impairment on trade and other receivables		3,343,463		3,343,463
Fair value loss on investment property		2,265,698		2,265,698
Retirement benefit obligation		2,259,958		2,259,958
Provision for warranty claims		628,554		628,554
Accrued expenses		585,352		585,352
PFRS 16 adoption	(	150,658)	(	150,658)
MCIT		76,435		76,435
Deferred rental income		44,724		44,724
		13,762,384		13,762,384
Deferred tax liabilities:				
Unrealized foreign currency loss	(	1,672,838)	(	1,672,838)
Accumulated depreciation on investment property	(	1,044,869)	(	1,044,869)
	(	2,717,707)	(	2,717,707)
Deferred tax assets - net	P	11,044,677	P	11,044,677

The net deferred tax liabilities of certain subsidiaries relate to the following:

	2024		2023	
Deferred tax assets:				
Accumulated amortization on right-of-use asset	P	10,903,452	P	10,903,452
Allowance for impairment on trade and other receivables		5,446,168		5,446,168
Impairment losses on property and equipment		3,586,563		3,586,563
Allowance for inventory obsolescence		3,265,156		3,265,156
Retirement benefit obligation				
Unearned rent income		2,947,303		2,947,303
Impairment losses on trade and other receivables		1,412,121		1,412,121
MCIT		1,358,889		1,358,889
NOLCO	(	389,188)	(	389,188)
Deferred rent income		251,972		251,972
Inventory losses due to obsolescence		238,418		238,418
Impairment losses on input VAT		200,981		200,981
Amortization of ROU assets				
Unamortized past service costs		127,835		127,835
Unrealized forex loss – DTL net		159		159
		29,349,829		29,349,829

Deferred tax liabilities:		
Fair value gains on investment property – net	(851,066,215)	(851,066,215)
Accumulated depreciation on investment property	(148,807,789)	(148,807,789)
Retirement benefit asset	(30,050,639)	(30,050,639)
Excess of FV over cost of property	(12,211,529)	(12,211,529)
Amortization of lease liabilities	(10,828,319)	(10,828,319)
Accrued rent income	(4,216,982)	(4,216,982)
Unrealized foreign currency gains	(3,163,842)	(3,163,842)
PFRS 16	(60,916)	(60,916)
	(1,060,406,231)	(1,060,406,231)
Deferred tax liabilities – net	(P 1,031,056,402)	(P 1,031,056,402)

Presented below are the details of NOLCO, which can be claimed as deductions from future taxable profit within three to five years from the year the tax loss was incurred. Specifically, NOLCO incurred in 2021 and 2020 can be claimed as a deduction from the gross income until 2026 and 2025, respectively, in accordance with R.A. No. 11494, *Bayanihan to Recover as One Act*. In 2022, the NOLCO carry-over period is reverted to three years from the year the tax loss was incurred.

Year Incurred	Amount	Applied Amount	Expired Amount	Remaining Balance	Valid Until
2023	P 58,202,069	P -	P -	P 58,202,069	2026
2022	30,654,231	-	-	30,654,231	2025
2021	138,523,393	-	-	138,523,393	2026
2020	166,054,076	(13,088,254)	-	152,965,822	2025
	P 393,433,769	**(P 13,088,254)**	**P -**	**P 380,345,515**	

The Group is subject to MCIT which is computed at 2% in 2024 and 1.5% in 2023 of gross income, as defined under the tax regulations or RCIT, whichever is higher. The details of the Group's MCIT are as follows:

Year Incurred	Amount	Applied Amount	Expired Amount	Remaining Balance	Valid Until
2023	P 1,500,636	P -	P -	P 1,500,636	2026
2022	612,193	-	-	612,193	2025
2021	686,785	-	-	686,785	2024
2020	1,360,982	(458,706)	(902,276)	-	
	P 4,160,596	**(P 458,706)**	**(P 902,276)**	**P 2,799,614**	

The Group did not recognize the deferred tax assets on NOLCO, MCIT and other deductible temporary differences of certain subsidiaries as management has assessed that those subsidiaries may not be able to realize their related tax benefits within the prescribed availment period. The NOLCO, MCIT and other deductible temporary differences as of December 31 for which the related deferred tax assets have not been recognized by certain entities in the Group are shown below.

	2023	
	Amount	**Tax Effect**
NOLCO	**P 116,633,288**	**P 29,730,789**
Allowance for inventory obsolescence	**5,640,616**	**1,410,154**
Unamortized past service cost	**1,614,359**	**403,590**
Allowance for impairment of trade receivables	**1,509,192**	**377,298**
Retirement benefit obligation	**1,204,196**	**301,049**
Allowance for impairment of intangible assets	**272,127**	**68,032**
MCIT	**117,104**	**117,104**
Unrealized foreign currency gains – net	**(51,968)**	**(12,992)**
Reserve for commission	**-**	**-**
	P 126,938,914	**P 32,395,024**

In 2024 and 2023, the Group opted to use itemized deduction in computing for its income tax due, except for certain subsidiaries which still opted to claim OSD in the current year.

23. EQUITY

23.1 Capital Stock

The Parent Company has a total authorized capital stock of P5.0 billion divided into 5,000,000,000 shares with P1 par value.

On June 18, 1996, the Commission issued an Order approving the Registration Statement covering the securities which comprised the Parent Company's entire authorized capital stock. On September 4, 1996, the Parent Company's shares were listed in the PSE and the trading of offer shares commenced.

The Parent Company offered to the public 665,000,000 shares at an offer price of P5.85 per share. The offer shares consist of 524,475,000 primary shares (new shares) and 140,525,000 secondary shares (existing shares).

As of December 31, 2023, the Parent Company has issued shares of 2,030,975,000 (with P1 par value), of which, 468,787,704 shares are held by the public in 2023. There are 4,209 of the listed shares which closed at P0.94 per share on December 31, 2023.

23.2 Retained Earnings

The BOD approved the declaration of cash dividends in 2023 and 2022 as follows:

Date of Declaration	Stockholders of Record as of	No. of Shares Outstanding	Amount per Share	Total
August 3, 2023	**August 18, 2023**	**1,821,542,000**	**P 0.06**	**P109,292,520**

The dividends were paid within the year of declaration and approval. Retained earnings is restricted in the amount of P115.6 million as of March 31, 2024 and December 31, 2023, equivalent to the cost of 209,433,000 shares held in treasury.

23.3 Revaluation Reserves

The components of this account and its movements are as follows:

	Notes	2024	2023
Balance at beginning of year		**128,781,811**	149,200,491
Currency exchange differences on translating financial statements of foreign operations		**12,487,153**	(28,385,496)
Balance at end of year		**141,268,964**	120,814,955

23.4 Subsidiary with Material Non-controlling Interest

Noncontrolling interests (NCI) pertain to the 25.0% and 50.0% equity ownership of minority stockholders in Skyworld and Starworld, respectively. In fourth quarter of 2023, the Group sold its shares of stock in Interstar and LIIP (see Notes 1.1). The details of deconsolidation are presented in Note 23.5.

The selected financial information (before inter-company eliminations) of Starworld and LIIP, which are considered the material NCI are shown below.

	Starworld 2023
Current assets	**P 576,695,016**
Non-current assets	**1,656,883**
Total assets	**P 578,351,899**
Current liabilities	**P 365,911**
Non-current liabilities	**2,093,711**
Total liabilities	**P 2,459,622**
Equity (capital deficiency) attributable to owners of the parent	**P 287,946,139**
NCI	**P 287,946,139**
Revenue	**P 38,404,858**
Profit (loss) for the year attributable to owners of the parent	**P 12,120,868**
Profit (loss) for the year attributable to NCI	**12,120,868**
Profit (loss) for the year	**24,241,736**
Other comprehensive loss for the year (all attributable to owners of the parent)	**(76,949)**
Total comprehensive income (loss) for the year attributable to owners of the parent	**12,043,919**
Total comprehensive income (loss) for the year attributable to NCI	**12,120,868**
Total comprehensive income (loss) for the year	**P 24,164,787**
Net cash used in operating activities	**(P 13,572,748)**
Net cash from investing activities	**29,189,428**
Net cash used in financing activities	**(100,000,000)**
	(84,383,320)
Effect of exchange rate on cash and cash equivalent	**(693)**
Net cash inflow (outflow)	**(P 84,384,013)**

The corporate information of Starworld and LIIP, as well as the Parent Company's stockholding thereto, is provided in Note 1.2.

In the second half of 2023, cash dividend amounting to P51.3 million was declared to NCI which was paid within the year of declaration and approval.

Management determined that the difference between the respective equity ownership of minority stockholders over the equity of the aforementioned subsidiaries and the amount of NCI recognized in the consolidated statements of financial position is not material to the consolidated financial statements.

23.5 Loss of Control Over Subsidiaries

As discussed in Notes 1 and 23.4, the Group sold its shares of stock in Interstar and LIIP in the fourth quarter of 2023. At the date of disposal, the net carrying amount of these entities and the determination of the gain or loss on deconsolidation are as follows:

	LIIP	Interstar	Total
Cash & cash equivalents	P 87,791	P 35,824	P 123,615
Real estate inventories – land	248,000	-	248,000
Real estate inventories – land development	2,419,600	-	2,419,600
Real estate inventories – allowance	(2,667,600)	-	(2,667,600)
Total current assets	87,791	35,824	123,615
Trade and other payables	-	38,987	38,987
Advances from related parties	8,039,271	5,083,105	13,122,376
LIIP advances from Interstar	(4,003,358)	-	(4,003,358)
Total current liabilities	(4,035,913)	(5,122,092)	(9,158,005)
Net assets	(3,948,122)	(5,086,268)	(9,034,390)
Net assets - NCI	(4,316,539)	(1,373,292)	(5,689,831)
Share of the Parent Company in net assets of Interstar and LIIP	368,417	(3,712,976)	(3,344,559)
Consideration received	(100)	(100)	(200)
Gain (loss) in deconsolidation	**(P 368,317)**	**P 3,713,076**	**P 3,344,759**

The net gain on deconsolidation amounting to P3.4 million is presented as part of other gains under Other Income (Charges) – net section of the 2023 audited consolidated statement of income.

24. EARNINGS PER SHARE

Basic earnings per share (EPS) is computed by dividing net profit attributable to the Parent Company's stockholders by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividends declared, stock split and reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potential dilutive shares. Currently, the Group does not have potentially dilutive shares outstanding; hence, the diluted earnings per share is equal to the basic earnings per share.

Basic and diluted earnings for profit attributable to the Parent Company's stockholders are computed as follows:

	2024	2023
Net profit for the year attributable to the Parent Company's stockholders	**P 35,696,491**	P 61,733,443
Divided by weighted average shares outstanding:		
Number of shares issued	**2,030,975,000**	2,030,975,000
Treasury shares	**(209,433,000)**	(209,433,000)
	1,821,542,000	1,821,542,000
Earnings per share – basic and diluted	**P 0.020**	P 0.034

There were no outstanding convertible preferred shares and bonds or other stock equivalents as of March 31, 2024 and December 31, 2023; hence, diluted earnings per share is equal to the basic earnings per share.

25. RELATED PARTY TRANSACTIONS

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form. Based on the requirement of the SEC Memorandum Circular 2019-10, *Rules on Material Related Party Transactions for Publicly Listed Companies*, transactions amounting to 10% or more of the total assets based on the latest audited financial statements that were entered into with related parties are considered material. All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent director's vote is not secured; the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a one-year period that breaches the 10% materiality threshold, the same board approval would be required for the transaction(s) that meets and exceeds the materiality threshold covering the same related party.

The Group's related parties include other companies owned by the Parent Company's majority stockholders and the Group's key management personnel as described below. The summary of the Group's significant transactions in 2024 and 2023 with its related parties and the outstanding balances as of December 31, 2023 are as follows:

	Amounts of Transaction		Outstanding Receivable (Payable)	
Related Party Category	Notes	**2023**	**2023**	2023
Related Parties Under Common Ownership:				
Purchase of mobile phones		**P -**	**P -**	P -
Purchase of supplies and services		**-**	**-**	-
Purchase of spare parts		**-**	**-**	-
Advances to suppliers		**-**	**-**	-
Lease of real property	25.1	**5,858,891**	**-**	-
Refundable deposits		**-**	**(891,305)**	(891,305)
Collection of business loans		**-**	**-**	-
Interest income		**-**	**-**	-
Cash advances granted – net of allowance	25.3	**33,578**	**2,420,429**	2,386,851

Related Parties Under Common Ownership:				
Cash advances obtained	25.4	**-**	**-**	(1,881,570)
Commissions	25.5	**-**	**-**	-
Sale of goods	25.6	**-**	**-**	-
Rendering of services	25.4	**853,334**	**-**	-
Key Management Personnel:				
Compensation	25.	**52,838,952**	**-**	-

None of the companies under the Group is a joint venture. The Parent Company is not subject to joint control. Related parties that exercise significant influence over the Parent Company are AA Commercial, Inc. and AV Value Holdings Corporation.

Further, transactions with Avid, as disclosed on the succeeding pages, transpired before the acquisition of ownership of the Parent Company over Avid in 2022. Transactions after the acquisition between related parties were eliminated at consolidated financial statements.

Unless otherwise stated, the Group's outstanding receivables from and payables to related parties arising from advances, sale and purchase of goods, management services and other services, are unsecured, noninterest-bearing and generally settled in cash within 12 months from the end of the reporting period.

Based on the management assessment, certain receivables were found to be impaired using the provision matrix; hence, adequate amount of allowance for impairment have been recognized as of December 31, 2023.

25.1 Lease of Real Property

The Group leases its office space to TCL Sun Inc. (TCL), a related party under common ownership, with a lease term of five years with escalation rates. Likewise, prior to the acquisition, certain subsidiaries leased out land, buildings and office spaces to Avid. Revenues arising from these transactions are presented as part of Rentals under the Revenues of the consolidated statements of income.

Deposits received from the related parties for these lease agreements are refundable at the end of the lease term. There were no additional deposits received in 2023. The outstanding balance of refundable deposits are presented under Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

25.2 Granting of Loans

Prior to the acquisition, the Group granted an unsecured business loan to Avid with the original principal loan amounting to P80.0 million which bears an annual interest rate of 8.0%. The loan will mature in 2025.

25.3 Advances to and from Related Parties

In the normal course of business, certain subsidiaries of the Group grant and obtain unsecured, noninterest-bearing cash advances to and from related parties under common ownership for working capital requirements and other purposes. As of March 31, 2024 and 2023, outstanding balances of these advances are presented as Advances to and from Related Parties account in the consolidated statements of financial position.

In 2023, the Group granted insignificant amount of additional advances to its related party, which remains uncollected as of March 31, 2024, is presented under Advances to Related Parties account in the 2023 consolidated statement of financial position.

The outstanding balances related to advances obtained from related parties as of December 31, 2022 was fully settled in 2023.

There were no impairment losses recognized in 2023

25.4 Rendering of Services

In 2023, a certain subsidiary bills TCL service charges for common usage and service area and consumption of utilities. Charges arising from these transactions are presented as part of Common usage and service area and utilities charges under Other Operating Income section of the consolidated statements of comprehensive income (see Note 19).

As of March 31, 2024 and December 31, 2023, there are no outstanding receivables arising from these transactions.

25.5 Key Management Personnel Compensation

The compensation of key management personnel are shown as part of Salaries and employee benefits under General and Administrative Expenses in the consolidated statements of income.

25.6 Transactions with the Retirement Fund

The Group has established a formal multi-employer retirement plan which is administered by an investment manager, except for certain subsidiaries whose retirement fund remained unfunded as of March 31, 2024 and December 31, 2023.

The retirement fund consists of corporate bonds, government securities and UITF with fair values totaling P256.7 million as of March 31, 2024 and December 31, 2023, respectively. The retirement fund neither provides any guarantee nor surety for any obligation of the Group.

The details of the contributions of the Group and benefits paid out by the plan to employees are presented in Note 21.2.

25.7 Advances to Officers

In the ordinary course of business, the Group provided unsecured, noninterest-bearing advances to its officers subject to liquidation. The outstanding receivable arising from these transactions are presented as part of Advances to officers and employees under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.2).

26. SIGNIFICANT CONTRACTS AND AGREEMENTS

26.1 Memorandum of Understanding with SPI

On July 1, 2003, the Group entered into a Memorandum of Understanding (MOU) with Sony for network support for Sony. Under the MOU, Sony authorized the Group to perform in-warranty and out-of-warranty services to customers in the Philippines for a fee calculated as a percentage of Sony's annual sales.

In-warranty services shall be rendered free of charge to customers. The actual cost of replacement parts related to in-warranty services shall be shouldered by Sony. Network support fees are billed at a fixed rate per month. The agreement is effective unless revoked by any of the parties.

Network support fees and in-warranty service fees relating to Sony products are presented as part of Rendering of Services in the consolidated statements of income.

The outstanding balances arising from these transactions are included as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.1).

26.2 Distributorship Agreement with Sony Corporation of Hong Kong Limited (Sony HK)

The Group has a non-exclusive Distributorship Agreement (the Agreement) with Sony HK, a corporation organized and existing under and by virtue of the laws of Hong Kong. Under the Agreement, the Group was designated by Sony HK as its non-exclusive distributor of Sony products in the Philippines. In addition, the Group shall provide the customers in the Philippines with repair and parts replacement services, including but not limited to repair and parts replacement services rendered by the Group which are covered under the 12 month-warranty period at its own costs and expenses. The Agreement was effective until March 31, 2022.

26.3 Management Agreement with Sky Cable Corporation

For continuity of services to subscribers, the Group and SkyCable Corportion (SkyCable) undertook to cooperate with each other and to execute further actions as may be necessary to carry out the purposes of the agreement on sale of assets pending the approval of the National Telecommunications Commission (NTC). The Management Agreement shall be automatically terminated on the date of the NTC's approval of the transfer of the assets in favor of SkyCable. As of December 31, 2023, the NTC approval has not yet been obtained.

The Group was given the overall power and responsibility to handle all aspects necessary to carry out the administration and operations of SkyCable and to accord the necessary additional authorizations, should the need arise.

Revenues arising from these transactions is presented as part of Rendering of services under Revenues in the consolidated statements of income. The outstanding receivable is included as part of Trade receivables under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.1).

27. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

27.1 Operating Lease Commitments – Group as Lessor

Certain subsidiaries are lessors under various non-cancellable operating lease agreements covering certain real estate properties. These leases have terms ranging from one to 10 years, with renewal options, and include annual escalation rates ranging from 5% to 10%. These subsidiaries receive fixed monthly payments.

The Group is subject to risks associated with the rights it retains in the properties it leases, such as alterations made by the lessee that may impair the value of the leased properties. To manage the exposure on such risks, the Group exercises strict control over the fit-out process and no alterations are allowed to be made without prior approval of the Group. The Group also requires security deposits and advance rentals equivalent to at least three months of rent. Moreover, the Group retains its right to inspect the leased properties during the lease term. In case of expiration of lease term or early termination due to the default of the lessee, the Group is entitled to the improvements installed on the leased properties without an obligation to reimburse the lessee for the costs of improvements.

The future minimum lease receivables under these non-cancellable operating leases as of December 31 are presented below.

	2023
Within one year	P 139,786,685
After one year but not more than two years	109,479,747
After two year but not more than three years	91,681,740
After three year but not more than four years	84,909,324
After four year but not more than five years	20,014,941
More than five years	48,713,683
	P 494,586,120

The total rent income recognized from these transactions, including rent income resulting from the application of the straight-line basis of revenue recognition for the reporting periods, are presented as Rentals under Revenues section of the consolidated statements of income. There was no contingent rent (i.e., variable rent considerations) related to these operating leases.

27.2 Purchase Commitments

In 2007, the Group has entered into several construction contracts with various subcontractors for the construction of Tri-Towers condominium building. The construction of Tower 1 and Tower 2 were completed in 2008 and 2012, respectively, while the construction of Tower 3 has not yet started, yet it has incurred expenses for the planning phase as of March 31, 2024 and December 31, 2023 (see Note 9.2).

27.3 Deficiency Tax Assessments

Certain subsidiaries have outstanding deficiency tax assessments with the BIR and outstanding tax cases filed with the Court of Tax Appeals (CTA) covering the taxable years 2011, 2012, 2015, 2016 and 2017 to which the BIR and CTA have sought to investigate, and consequently, examine certain books, records and accounts that relate to transactions in the ordinary course of business. Pursuant to the Group's policy of addressing such actions in line with prudent business practice, the Group has engaged tax counsel and advisors in relation to these matters.

As of March 31, 2024, the majority of these deficiency tax assessments and tax cases are still under protest or reconsideration. Management believes that the Group has enough legal basis under the law to support their claims, and that the outcome of such tax assessments will not have a material impact in the Group's consolidated financial statements; hence, no provision was recognized as of March 31, 2024.

27.4 Purchase Agreement

In previous year, the Group entered into a purchase agreement with Asia Travel Philippines Inc. (ATPI). As of December 31, 2023, the unearned portion with ATPI is presented as part of Other Payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

27.5 Others

The Group has unused credit facilities amounting to P1.1 billion both in 2024 and 2023.

There are other commitments, guarantees, litigations and contingent liabilities that arise in the normal course of the Group's operations which are not reflected in the consolidated financial statements. As of December 31, 2023, management is of the opinion that losses, if any, that may arise from these commitments and contingencies will not have a material effect on the Group's consolidated financial statements.

28. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarized in Note 29. The main types of risks are market risk, credit risk, liquidity risk and operational risk.

The Group's risk management is coordinated with its BOD and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate continuous returns.

The Group does not engage in the trading of financial assets for speculative purposes, nor does it write options. The most significant financial risks to which the Group is exposed are described below and in the succeeding pages.

28.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Group's foreign currency denominated trade and other receivables and trade and other payables, which are primarily denominated in USD and HKD. The Group also holds USD-denominated and HKD-denominated cash and cash equivalents.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency-denominated financial assets and financial liabilities, translated into Philippine pesos at the closing rate are as follows:

	2024		2023	
	USD	**HKD**	USD	HKD
Financial assets	**P 567,922,869**	**P 13,933,235**	P 2,409,551	P 13,774,612
Financial liabilities	**(1,144,779)**	**-**	(1,115,666)	-
Short-term exposure	**P 566,778,090**	**P 13,933,235**	P 1,293,885	P 13,774,612

The following table illustrates the sensitivity of the Group's profit before tax in 2024 and 2023 with respect to changes in the exchange rates of Philippine peso against foreign currencies. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months prior to the end of the reporting period at a 99% confidence level.

	2024		2023	
	Reasonably Possible Change in Rate	**Effect in Profit Before Tax**	Reasonably Possible Change in Rate	Effect in Profit Before Tax
PHP – USD	**6.34%**	**P 35,945,146**	16.02%	P 207,280
PHP – HKD	**6.32%**	**880,075**	17.38%	2,394,028
		P 36,825,221		P 2,601,308

If the Philippine peso had strengthened against the USD and HKD, with all other variables held constant, the Group's profit before tax would have been lower by P36.8 million and P2.6 million in 2024 and 2023, respectively. Conversely, if the Philippine peso had weakened against the USD and HKD by the same percentage, with all variables held constant, profit before tax and equity would have been higher in 2024 and 2023 by the same amount.

Exposures to foreign exchange rates vary during the period depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis above is considered to be a reasonable estimation of the Group's currency risk.

(b) *Interest Rate Risk*

As of March 31, 2024 and 2023, the Group is exposed to changes in market interest rates through its cash and cash equivalents, short-term placements, loans receivables and interest-bearing loans which are subject to variable interest rates. All other financial assets and financial liabilities have fixed rates or are noninterest-bearing.

The sensitivity of profit or loss before tax are based on a reasonably possible change in interest rates of +/-1.39% in 2024 and +/-3.00% in 2023 for Philippine peso. On the other hand, the Group's exposure to foreign currency interest rates is insignificant. These changes in rates have been determined based on the average market volatility in interest rates, using standard deviation, in the previous 12 months, estimated at 99% level of confidence. The sensitivity analysis is based on the Group's financial instruments held at each reporting date, with the effect estimated from the beginning of the year. All other variables are held constant.

The changes in percentages would affect profit or loss before tax by +/-P49.5 million and +/-P90.9 million in 2024 and 2023, respectively.

(c) *Other Price Risk*

The Group's market price risk arises from its investments carried at fair value (i.e., financial assets measured at FVOCI). The Group manages exposure to price risk by monitoring the changes in the market price of the investments and at some extent, diversifying the investment portfolio in accordance with the limit set by management.

28.2 Credit Risk

Credit risk is the risk that the counterparties may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from granting loans and selling goods and services to customers including related parties, placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of real estate sales, advance payments are received to mitigate credit risk.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position and in the detailed analysis provided in the notes to the consolidated financial statements, as summarized below.

	Notes	**2024**	2023
Cash and cash equivalents	5.1	**P 2,838,952,367**	P 2,710,806,862
Short-term placements	5.2	**531,302,197**	153,780,405
Trade and other receivables – net*	6	**672,332,952**	1,305,046,905
Investment in bonds	7.2	**20,000,000**	20,000,000
Refundable deposits**	13	**36,028,947**	36,695,234
Advances to related parties	25.4	**2,420,429**	2,420,429
Cash bond**	13	**15,635,346**	15,635,346
		P 4,116,672,238	P 4,244,385,181

** Except for Advances to suppliers, officers and employees*
*** Presented as part of Other Assets*

The Group's management considers that all the above financial assets that are not impaired or past due at the end of each reporting period are of good credit quality.

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents and short-term placements as described below and in the succeeding pages.

(a) Cash and Cash Equivalents and Short-term Placements

The credit risk for cash and cash equivalents and short-term placements in the consolidated statements of financial position is considered negligible since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and cash equivalent with maturities of less than three months, and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) Trade and Other Receivables

The Group applies the simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other receivables.

With respect to other receivables from third parties, management assessed that these financial assets have a low probability of default since the Group can apply the related payables to these counterparties in case it defaults.

For loans receivable, the Group is not exposed to significant credit risk to any single counterparty or any group of counterparties having similar characteristics. Based on historical information about borrower default rates, management considers the credit quality of loans receivables that are not past due or impaired in assessing the credit risk. Further, the Group holds collateral against loans and other receivables in the form of personal guaranty, chattel mortgage and other forms of security. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are generally updated annually.

To measure the ECL, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The Group also concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other receivables as it shares the same credit risk characteristics.

The calculation of ECL incorporates forward-looking information. The Group has performed historical analysis and identified the key economic value factors, which includes gross domestic product, inflation and consumer price index, affecting credit risk and ECL for the loan portfolio.

On that basis, the loss allowance as of December 31, 2023 was determined based on months past due, for trade and other receivables (except advances to suppliers and officers and employees, interest receivables and cash surrender value of investment in life insurance) are as follows:

	Not more than 60 days	More than 60 days but not more than 90 days	More than 90 days but not more than 120 days	More than 120 days	Total
December 31, 2023					
Expected loss rate	**0.54%**	**9.99%**	**20.12%**	**85.51%**	
Gross carrying amount	**P 151,016,795**	**P 19,747,672**	**P 35,657,441**	**P 113,842,170**	**P 320,264,078**
Loss allowance	**820,280**	**1,971,956**	**7,174,927**	**97,347,853**	**107,315,016**

(c) *Advances to Related Parties*

For intercompany receivables that are repayable on demand, the ECL is based on the assumption that repayment of the receivables is demanded at the reporting date. The management determines the probability of collection upon demand. If a related party is unable to make repayment, the management considers the manner of recovery (i.e., sustained operations, availability of liquid and illiquid asset, etc.) to measure the ECL.

(d) *Refundable and Other Deposits*

With respect to refundable and other deposits, management assessed that these financial assets have a low probability of default since these relate to reputable power and water distribution companies (i.e., with high quality external credit rating). Moreover, the Group has operating lease contracts as lessee with the counterparty lessors, wherein the Group can refund by the end of the term or can apply to future lease payments in case of defaults.

(e) *Investment in Bonds*

Investment in bonds measured at amortized cost are considered to have low credit risk, and therefore, the loss allowance during the period is determined to be equivalent to 12 months ECL. Management considers "low credit risk" for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default, and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

No impairment loss on investment in bonds has been recognized in 2024 and 2023 since the bonds are in good credit standing as of March 31, 2024 and December 31, 2023.

(f) Cash Bond

With respect to cash bond, management assessed that this financial asset has low probability of default since this relates to refundable deposits made with Bureau of Customs for taxes and duties relative to importations.

28.3 Liquidity Risk

Liquidity risk is the risk that cash may not be available to meet operating requirements and to pay obligations when due at a reasonable cost. Prudent liquidity risk management requires maintaining sufficient cash and credit facilities at reasonable cost to satisfy current requirements whenever the need arises. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-month and one-year period are identified monthly.
The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in short-term placements. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.
As of March 31, 2024 and December 31, 2023, the Group's financial liabilities [except for lease liabilities (see Note 10.2)] have contractual maturities, which are presented below.

	Current		Non-current
	Within 6 Months	6 to 12 Months	1 to 5 Years
2024			
Trade and other payables	**P 346,622,527**	**P -**	**P -**
Advances from related parties		**-**	**-**
Interest-bearing loans			**190,000,000**
Refundable deposits		**-**	**192,693,811**
	P 346,622,527	**P -**	P 382,693,811
2023			
Trade and other payables	P 495,806,810	P -	P -
Advances from related parties		-	-
Interest-bearing loans			105,000,000
Refundable deposits	-	-	192,693,811
	P 495,806,810	P -	P 297,693,811

The contractual maturities reflect the gross cash flows, which may differ with the carrying values of the financial liabilities at the end of the reporting period.

28.4 Operational Risk

The Group's exposure to significant operational risk relates to SMFI's secondary license to operate as a financing company under R.A. No. 8556 (see Note 1.2). Also, SMFI is under the regulation of the Commission. Management is aware that the Group will always have operational risk but seeks to minimize the probability and impact of such in its operations and consolidated financial statements.

The Group manages this risk through applicable controls, process and procedures, including effective organization structure. Internal controls ensure compliance with laws and regulations, including R.A. No. 8556 and SEC regulations, and the overall protection of SMFI's resources.

SMFI, as a financing company, is subject to, but not limited to, the following regulatory requirements under the implementing rules and regulations of the provisions of R.A. No. 8556:

(a) Total investment in real estate and in shares of stock in a real estate development corporation shall not exceed 25% of its net worth;

(b) More than 50% of the funds are invested in financing company activities;

(c) Total credit extended to its directors, officers, and stockholders shall not exceed 15% of its net worth; and,

(d) Total credit extended to any person, company, corporation or firm shall not exceed 30% of its net worth.

As of March 31, 2024 and December 31, 2023, the Group is compliant with the foregoing requirements.

29. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

29.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

		2024		2023	
	Notes	**Carrying Amounts**	**Fair Values**	Carrying Amounts	Fair Values
Financial assets					
At amortized cost:					
Cash and cash equivalents	5.1	**P 2,838,952,367**	**P 2,838,952,367**	P 2,710,806,862	P 2,710,806,862
Short-term placements	5.2	**531,302,197**	**531,302,197**	153,780,405	153,780,405
Trade and other receivables – net	6	**566,732,952**	**566,732,952**	1,185,046,906	1,185,046,906
Investment in bonds	7.2	**20,000,000**	**20,000,000**	20,000,000	18,198,220
Refundable deposits	13	**36,028,947**	**36,028,947**	36,695,234	36,695,234
Advances to related parties	25.4	**2,420,429**	**2,420,429**	2,420,429	2,420,429
Cash bond	13	**15,635,346**	**15,635,346**	15,635,346	15,635,346
		4,011,072,238	**4,011,072,238**	4,124,385,182	4,122,583,402
Financial assets at FVOCI	7.1	**55,400,000**	**55,400,000**	55,400,000	55,400,000
		P 4,066,472,238	**P 4,066,472,238**	P 4,179,785,182	P 4,177,983,402

Financial liabilities					
At amortized cost:					
Interest-bearing loans		**P 190,000,000**	**P 190,000,000**	P 105,000,000	P 94,891,203
Trade and other payables	15	**346,622,527**	**346,622,527**	495,806,810	P 495,806,810
Refundable deposits	16	**192,723,811**	**192,723,811**	192,693,811	192,693,811
Lease liabilities	10.2	**4,783,069**	**4,783,069**	5,120,889	5,120,889
		P 734,129,407	**P 734,129,407**	P 798,621,510	P 788,512,713

A description of the Group's risk management objectives and policies for financial instruments is provided in Note 28.

29.2 Offsetting of Financial Instruments

The Group has not set off financial instruments as of March 31, 2024 and December 31, 2023 and it does not have relevant offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) may have the option to settle all such amounts on a net basis in the event of default of the other party through approval by the respective BODs and stockholders of both parties.

The financial assets presented as part of Advances to Related Parties account can be offset by the amount of outstanding Advances from Related Parties account in the consolidated statements of financial position (see Note 25.4).

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements above, certain agreements between the Group and counterparties allows for net settlement of the relevant financial assets and financial liabilities when both parties elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

30. FAIR VALUE MEASUREMENTS AND DISCLOSURES

30.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities, and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the financial asset or financial liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the financial asset or financial liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or financial liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

30.2 Financial Instruments Measured at Fair Value

The Group's financial assets at FVOCI include proprietary golf club shares which are categorized within Level 2 as their prices are not derived from market considered due to lack of trading activities among market participants at the end or close to the end of the reporting period. As of March 31, 2024 and December 31, 2023, the Group's financial assets at FVOCI measured at fair value amounted to both P55.4 million, respectively (see Note 7.1).

The Group has no financial liabilities measured at fair value. Also, there were neither transfers between Levels 1 and 3 nor changes in the carrying amount of Level 2 instruments in both years.

30.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The tables below summarize the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed.

	Notes	Level 1	Level 3	Total
2024				
Financial Assets				
At amortized cost:				
Cash and cash equivalents	5	P 2,838,952,367	P -	P 2,838,952,367
Trade and other receivables – net	6	-	566,732,952	566,732,952
Short term placements		531,302,197		531,302,197
Advances to related parties	25.4	-	2,420,429	2,420,429
Investment in bonds	7.2	20,000,000	-	20,000,000
Refundable deposits	13	-	36,028,947	36,028,947
Cash bond	13	-	15,635,346	15,635,346
		P 3,390,254,564	P 620,817,674	P 4,011,072,238

	Notes	Level 1	Level 3	Total
Financial Liabilities				
At amortized cost:				
Trade and other payables	15	**P -**	**P 346,622,527**	**P 346,622,527**
Interest – bearing loans			**190,000,000**	**190,000,000**
Refundable deposits	16	**-**	**192,723,811**	**192,723,811**
Lease liabilities	10.2	**-**	**4,783,069**	**4,783,069**
		P -	**P 734,129,407**	**P 734,129,407**
2023				
Financial Assets				
At amortized cost:				
Cash and cash equivalents	5.1	P 2,710,806,862	P -	P 2,710,806,862
Short-term placements	5.2	153,780,405	-	153,780,405
Trade and other receivables – net	6	-	1,185,046,906	1,185,046,906
Advances to related parties	25.4	-	2,420,429	2,420,429
Investment in bonds	7.2	18,198,220	-	18,198,220
Refundable deposits	13	-	36,695,234	36,695,234
Cash bond	13	-	15,635,346	15,635,346
		P 2,882,785,487	P 1,239,797,915	P 4,122,583,402
Financial Liabilities				
At amortized cost:				
Interest-bearing loans	14	P -	P 94,891,203	P 94,891,203
Trade and other payables	15	-	495,806,810	495,806,810
Refundable deposits	16	-	192,693,811	192,693,811
Lease liabilities	10.2	-	5,120,889	5,120,889
		P -	P 788,512,713	P 788,512,713

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short duration.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability based on the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data. Further, management considers that the carrying amounts of these financial instruments approximate their fair values as the effect of discounting is insignificant.

30.4 Fair Value Measurements of Non-financial Assets

The fair value of the Group's investment properties is determined on the basis of the appraisals performed by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraisers in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's non-financial assets indicated above is their current use.

The fair value of these non-financial assets was determined based on the following approaches (see Note 12):

(a) Fair Value Measurement for Land and Improvements

The Level 3 fair value of land and improvements amounted to P5,120.6 million as of December 31, 2023, and was derived through appraisals by independent valuation specialists using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property.

(b) Fair Value Measurement for Building and Building Improvements

The Level 3 fair value of the buildings and improvements amounted to P769.7 million as of December 31, 2023, and was derived through appraisals by independent valuation specialists using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property.

(c) Fair Value Measurement for Construction in Progress

The Level 3 fair value of the construction in progress amounted to P1,076.9 million as of December 31, 2023. These fair values were determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees.
These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

The discount rates and terminal capitalization rates were determined with reference to published risk free rates and risk premium rates at the date of valuation.

There has been no change to the valuation techniques used by the Group during the year for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2024 and 2023.

31. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and total liabilities, excluding amounts advances from related parties. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. The Group's goal in capital management is to maintain a debt-to-equity structure ratio of not higher than 1:1 on a monthly basis.

The computation of the Group's debt-to-equity ratio is presented below.

	2024	2023
Total liabilities (excluding advances from related parties)	**P 1,879,523,501**	P 1,959,928,487
Total equity	**12,406,160,761**	12,353,434,365
	0.15 : 1.00	0.16 : 1.00

As of March 31, 2024 and 2023, the Group is not subject to any externally imposed capital requirements, except for SMFI. Under Section 6 of R.A. No. 8556, SMFI is subject to an externally imposed capital requirement of a minimum of P10.0 million paid-up capital. SMFI is in compliance with the minimum paid-up capital requirement as of March 31, 2024 and December 31, 2023.

32. EVENTS AFTER THE END OF THE REPORTING PERIOD

On April 11, 2024, the Parent Company's Board of Directors approved the Group's plan to sell certain investment properties to a related party under common ownership, AV Value Holdings Corporation. The sale transaction is expected to be completed within 2024.

Solid Group Inc. and Subsidiaries
Schedule of Financial Soundness Indicators

RATIO	FORMULA	Unaudited as of March 31, 2024		Audited as of December 31, 2023	
Current ratio	Current Assets / Current Liabilities	4,864,895,625 / 445,542,569	**10.92**	4,365,280,991 / 610,977,555	**7.14**
Acid Test ratio	Quick Assets (Cash & Cash Equivalents + Short term Placements + Trade Receivables) / Current Liabilities	3,535,480,564 / 445,542,569	**7.94**	3,116,005,258 / 610,977,555	**5.10**
Solvency ratio	Total Liabilities / Total Assets	1,879,523,501 / 14,285,684,262	**0.13**	1,959,928,487 / 14,313,362,852	**0.14**
Debt to Equity ratio	Total Liabilities (excluding advances from related parties) / Total Equity	1,879,523,501 / 12,406,160,761	**0.15**	1,959,928,487 / 12,353,434,365	**0.16**
Gearing ratio	Financial Debt / Total Equity	190,000,000 / 12,406,160,761	**0.02**	105,000,000 / 12,353,434,365	**0.01**
Asset to Equity ratio	Total Assets / Total Equity	14,285,684,262 / 12,406,160,761	**1.15**	14,313,362,852 / 12,353,434,365	**1.16**

RATIO	FORMULA	Unaudited for the period ended March 31, 2024		Unaudited for the period ended March 31, 2023	
Interest Coverage ratio	EBIT (Earnings before interest and tax) / Interest Expense	71,277,930 / 2,293,863	**31.07**	92,616,367 / 50,298	**1,841.36**
Operating Margin	Operating Profit (Loss) / Total Revenues	31,591,442 / 561,626,765	**5.62%**	65,366,210 / 556,667,744	**11.74%**
Net Profit Margin	Net Profit (Loss) after Tax / Total Revenues	40,239,243 / 561,626,765	**7.16%**	66,169,427 / 556,667,744	**11.89%**
Return on Total Assets	Net Profit (Loss) after Tax (annualized) / Average Total Assets	160,956,972 / 14,299,523,557	**1.13%**	264,677,708 / 13,669,877,620	**1.94%**
Return on Equity	Net Profit (Loss) after Tax (annualized) / Total Equity	160,956,972 / 12,406,160,761	**1.30%**	264,677,708 / 11,978,798,796	**2.21%**

Exhibit 3

Disclosure Requirements under
Section 49 of the Revised Corporation Code

a. **A description of the voting and vote tabulation procedures used in the previous meeting.**

See attached Minutes of the Annual Stockholders' Meeting held on June 22, 2023

b**. A description of the opportunity given to stockholders or members to ask questions and a record of the questions asked and answers given;**

See attached Minutes of the Annual Stockholders' Meeting held on June 22, 2023

c. The matters discussed and resolutions reached

See attached Minutes of the Annual Stockholders' Meeting held on June 22, 2023

d. A record of the voting results for each agenda item

See attached Minutes of the Annual Stockholders' Meeting held on June 22, 2023

e. A list of the directors or trustees, officers and stockholders or members who attended the meeting

Chairman of the Board	- Jason S. Lim
Director, President and Chief Executive Officer	- Susan L. Tan
Director/Executive Vice President & Chief Strategy Officer	- David S. Lim
Director/Senior Vice Pres./ Chief Financial Officer/Chief Risk Officer	- Vincent S. Lim
Independent Director	- Rafael F. Simpao, Jr.
Independent Director	- Siegfred B. Mison
Director/Senior Vice Pres. For Business Development and Investor Relations	- Beda T. Mañalac
Director/Vice Pres. For Property Business/Data Protection Officer	- Jonathan Joseph C.C. Lim

Director/Vice Pres. For Distribution and Digital Mobile Business	- Kevin Michael L. Tan
Senior Vice Pres./Treasurer	- Lita Joaquin
Vice Pres. for Business Development and New Investments	- Christopher James L. Tan
Vice Pres./Chief Information Officer	Josephine T. Santiago
Vice Pres./Chief Audit Executive	Ericson B. Salvador
Assistant Vice Pres. for Accounting	Annabella S. Orbe
Corporate Secretary	Roberto V. San Jose
Assistant Corporate Secretary	Ana Maria Katigbak-Lim

f. Material information on the current stockholders and their voting rights

As of record date May 31, 2024, there are 1,821,542,000 outstanding common shares (excluding treasury) entitled to notice and to vote during the meeting. Each common share is entitled to one vote, except with respect to the election of directors where the stockholders are entitled to cumulate their votes. There is no classification of voting securities. (See page 2 of the Definitive Information Statement)

g. Appraisals and performance report for the Board and the criteria and procedure for assessment

Copied below is the Board Self-Assessment in the 2023 I-ACGR wherein the Board of Directors conducted an annual self-assessment of its performance as a whole. As part of the appraisal review, the Board accomplished the self-assessment questionnaire of responsibilities, duties and function in the amended manual of corporate governance as either complied or not complied.

SOLID GROUP INC.
Board Self-Assessment

Period Covered: June 2023-May 2024

	Complied	Not Complied
The Board's Governance Responsibilities		
1. The company should be headed by a competent, working board to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders.	✓	
2. The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles and by- laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders.	✓	
3. Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly-available Committee Charter.	✓	
4. To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.	✓	
5. The Board should endeavor to exercise objective and independent judgment on all corporate affairs.	✓	
6. The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.	✓	
7. Members of the Board are duty-bound to apply high ethical standards, taking into account the interests of all stakeholders.	✓	
Disclosure and Transparency		

8. The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.	✓	
9. The company should establish standards for the appropriate selection of an external auditor, and exercise oversight of the same to strengthen the external auditor's independence and enhance audit quality.	✓	
10. The company should ensure that material and reportable non-financial sustainability issues are disclosed.	✓	
11. The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision making by investors, stakeholders and other interested users.	✓	
Internal Control System and Risk Management Framework		
12. To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company should have a strong and effective internal control system and enterprise risk management framework.	✓	
Cultivating a Synergic Relationship with Shareholders		
13. The company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.	✓	
Duties to Stakeholders		
14. The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.	✓	
15. A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.	✓	
16. The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and	✓	

stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.		

h. Directors disclosures on self-dealing and related party transactions.

Directors' disclosures on self-dealing are disclosed to the SEC by the submission of SEC Form 23-A Initial Statement of Beneficial Ownership of Securities and SEC Form 23-B Statement of Changes in Beneficial Ownership of Securities. The beneficial ownership of directors was included in the security ownership of management section of the Definitive Information Statement.

Related party transactions can be found in the certain relationships and related transactions section of the Definitive Information Statement and Note 25 of the Audited Consolidated Financial Statements.