

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A, AS AMENDED**

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended December 31, 2019
2. SEC Identification Number: 845
3. BIR Tax Identification No.: 000-508-536-000
4. Exact name of issuer as specified in its charter **SOLID GROUP INC.**
5. Province, Country or other jurisdiction of incorporation or organization: Philippines
6. _____ (SEC Use Only)
Industry Classification Code
7. Address of principal office: Solid House, Postal Code: 1231
2285 Don Chino Roces Avenue
Makati City, Philippines
8. Telephone No: (632) 843-15-11
9. Former name, former address, and former fiscal year, if changed since last report: Not Applicable
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec 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 these securities listed on the Philippine Stock Exchange

Yes [] No []

If yes, state the name of such stock exchange and classes of securities listed therein:

Philippine Stock Exchange Common

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 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 twelve (12) months (or for such shorter period that the registrant was required to file such reports):

Yes [x]

No []

(b) has been subject to such filing requirements for the past 90 days.

Yes [x]

No []

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant:

P370,559,942

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PART I. BUSINESS AND GENERAL INFORMATION

Item 1. Business

(A) Description of 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. This business has grown to become the Company's flagship business in terms of revenues and strong market presence.

The Company has fourteen (14) wholly-owned subsidiaries as of December 31, 2019, 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. In December 2019, amid stiff competition from both foreign and local brands, MySolid, in a bid to optimize operations and improve financial results, opted to change to a business model by licensing the MyPhone tradename, trademarks and other intellectual property rights and assigned the distribution of the related MyPhone mobile phone products to Solid Trading Limited (STL), a Hong Kong based related party under common ownership. In consideration of the foregoing, MySolid shall receive revenues from STL equivalent to percentage of latter's sales of MyPhone products.

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. Effective January 1, 2012, SMC merged with Solid Corporation, also another wholly owned subsidiary of the Company engaged in the same business of leasing real estate properties, with the SMC as the surviving company. SMC merged with Solid Corporation (SC), another wholly owned subsidiary of the Company, effective January 1, 2012, with SMC as the surviving company. 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.

Omni Solid Services Inc. (OSSSI) (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.

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 (MC) was incorporated on October 23, 2014 as a holding company. MC holds 50% ownership of Creative Hothouse Manila, Inc. which is engaged to design and develop mobile applications. In October 2016, MC 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.

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, 2019 are:

(1) sale of mobile phones which generated sales of P1,031 million (for 1,005,215 units) or 82% of sales in 2019, P2,432 million (for 1,903,055 units) or 90% of sales in 2018 and P3,293 million (for 3,172,124 units) or 95% of sales in 2017; and (2) after-sales service for principally SONY

brands of consumer electronic products and My|Phone with its 35 company-owned service centers throughout the Philippines as of end of 2019 which generated service income of P173 million or 17% of service revenues in 2019, P204 million or 29% of service revenues in 2018 and P187 million or 16% of service revenues in 2017; (3) warehousing, distribution and product testing of consumer electronic products with service revenue of P197 million or 20% of service revenues in 2019, P164 million or 23% of service revenues in 2018 and P111 million or 9% of service revenues in 2017; and (4) subcontract or toll manufacturing of color TV sets for other brand owner (i.e. TCL, Haier) which generated tolling fee of P70 million (for 293,866 units) or 7% of service revenues in 2019, P63 million (for 293,866 units) or 9% of service revenues in 2018 and P64 million (for 298,083 units) or 5% of service revenues in 2017.

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 P90 million or 9% of service revenues in 2019, P81 million or 11% of service revenues in 2018 and P73 million or 6% of service revenues in 2017.

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 and service income from royalties for the licensing of MyPhone brand to Solid Trading Limited.

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 P182 million or 14% of sales in 2019, P232 million or 9% of sales in 2018 and P109 million or 3% of sales in 2017; prefabricated modular houses of P9 million or 0.7% of sales in 2019, P15 million or 0.6% of sales in 2018, P13 million or 0.4% of sales in 2017. Real estate sales amounted to P7 million or 0.3% of revenues in 2019, P10 million or 0.3% or revenues in 2018 and P22 million or 0.4% of revenues in 2017. Revenues from hotel operations amounted to P168 million or 17% of revenues in 2019, P157 million or 22% of service revenues in 2018 and P143 million or 12% of service revenues for 2017. Service fee from project integration of P234 million or 23% of service revenues in 2019, P20 million or 3% of service revenues for 2018 and P608 million or 51% of service revenues in 2017. Service income from royalties amounted to P60 million or 6% of service revenues in 2019 (none in 2018 and 2017).

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. The MyPhone brand is distributed by MySolid Technologies and Devices Corporation (MySolid) and Solid Trading Limited (STL), a related party under common ownership, in December 2019 through 3 national distributors. As of December 31, 2019, the national distributors supplied approximately 200 dealer accounts and 1,000 retail outlets.

Status of any-publicly announced new product or service

None.

Competition

The MyPhone brand celphones distributed by MySolid and STL competed with other brands in the Philippine market mainly Samsung, Cherry Mobile, Oppo, Huawei, Vivo, Xiaomi, Realme and other grey market phones.

The broadcast/professional equipment and accessories that the Company sells competes with other brands like Panasonic and Sharp.

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 and Smarthouse.

The Company provides warehousing, and logistics services mostly to electronics companies. It competes with Fast Cargo, Yusen and Agility Logistics among others.

The Company operates a hotel through Casa Bocobo Hotel (CBH) and The Hotel at Green Sun. CBH competes with other budget hotels within the Manila area and Makati area, respectively.

Raw Materials, Parts and Components

The Company through its subsidiaries procures raw materials for manufacture of its products and finished products from a number of sources in the Philippines and foreign suppliers. It has an existing contract through its subsidiary SolidGroup Technologies Corporation, with a foreign supplier, for the supply of prefabricated modular houses (See Agreements).

Dependency of the business upon a single or few customers

The Company is not dependent on any single or few customers. There are no 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, 2019, it has 35 service centers throughout the Philippines and 39 authorized service centers.

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, until the SBC's operation is transferred to Sky.

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 2019, the service fee amounted to P2.68 million. The agreement is effective unless revoked by either parties.

- 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 425 regular employees as at December 31, 2019 as shown in the table below. It estimates to have 450 employees by the end of December 31, 2020. There is no existing union as of December 31, 2019. 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.

	<u>Number of employees</u>
Management	18
Sales and Distribution	80
Operation	100
Service	102
Administration	72
Finance	<u>53</u>
Total	<u>425</u>

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 Executive Committee and the 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	4,506	Condominium tower (for sale)
Osmena Blvd., Cebu City	3,859	Service center & 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	Hotel building under construction
Barrio San Rafael, Iloilo City	1,750	Service Center and Office building for lease
J. Bocobo St., Ermita, Manila	1,724	Office building and Hotel
Brgy. San Roque, San Pablo City	1,714	Service center and office building for lease
Oliveros, Balintawak, Quezon City	1,400	Land (Intended for sale)
Bacoor, Cavite	1,334	Office 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 sale
Brgy. Parian, Prinza and Barandal, Calamba	132,929	Raw Land for development
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 the documentation requirements as of June 2020.

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 until the SBC's clients are transferred to the latter.

Mortgage, lien or encumbrance and limitation on ownership or usage on the properties

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 subsidiaries, Kita Corporation and SolidService Electronics Corporation, has entered into lease contracts with Clark Development Corporation and other lessees.

Location	Annual Rent (In Thousand Pesos)	Expiration Date
Clark, Pampanga	5,135*	March, April and August 2019
Ortigas, Mandaluyong	1,342	April 2020

* With increase after every five years on the lease of land and 10% annual increase on lease of the improvements after the first five years. Kita Corporation is currently negotiating with CDC on a new contract after its expiration in August 2019.

The lease contract 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	2,826	January 31, 2022
Bacoor, Cavite	4,270	July 31, 2023
Cagayan de Oro	1,951	Various up to January 3, 2022
Clark, Pampanga	7,878	Various up to March 31, 2020
Ermita, Manila	46,359	Various up to December 31, 2023
Ermita, Manila	5,485	Various up to March 31, 2023
Halang, Calamba	1,140	October 31, 2020
Iloilo	4,125	Various up to August 31, 2020
La Huerta, Bicutan, Paranaque	13,066	Various up to June 30, 2023
Laguna International Industrial Park, Binan, Laguna	83,871	Various up to June 30, 2022
Laguna International Industrial Park, Binan, Laguna	7,618	December 31, 2019
Magallanes, Makati	19,268	Various up to December 31, 2021
Quezon Ave, Quezon City	3,306	Various up to September 30, 2027
San Antonio, Paranaque City	29,101	Various up to December 31, 2022
Valenzuela, Bulacan	11,684	Various up to May 31, 2022

Properties the Company intends to acquire in the next twelve months

The Company estimates capital expenditures for the year 2020 amounting to P600 million 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.

Item 3. Legal Proceedings

C. Legal Proceedings

MySolid Technologies and Devices Corporation (MySolid) and Solid Video Corporation (SVC) has outstanding tax cases with the Bureau of Internal Revenue (BIR) for various deficiency taxes. These cases are pending with Court of Tax Appeals (CTA). Management believes that MySolid and SVC have enough evidence to support their claims and that the outcome of such tax assessments will not have a material impact on the Company results of operations.

MySolid filed petition for review with the CTA on May 18, 2018 under CTA case no. 9389 of CTA-Third Division for cancellation of deficiency taxes of various internal revenue taxes of P45.7 million for calendar year 2011, which the pre-trial conference was held on November 13, 2018 and presentation of witnesses and presentation of evidence on September 4, 2019. The

CTA admitted all documentary evidence in resolution dated November 21, 2019. On December 13, 2019, MySolid filed a motion for reconsideration which is still pending with the CTA as of February 2020.

MySolid has an outstanding tax case filed with the CTA under CTA No. 8854 of CTA-First Division for deficiency taxes on VAT for calendar year 2012 (1st and 2nd quarters) of P65.9 million. On August 4, 2017, the CTA ordered Commissioner of Internal Revenue (CIR) to cancel MySolid's deficiency VAT assessment. On August 11, 2017, the CIR filed a motion for reconsideration which was denied by the CTA on January 4, 2018 for lack of merit. On February 6, 2018, MySolid received a copy of the CIR's petition for review with the CTA En Banc. On July 27, 2018, MySolid filed its memorandum relating to the matter with the CTA En Banc. The CTA En Banc denied the petition for review due to lack of merit, for which the CIR filed a motion for reconsideration on September 5, 2019. The CTA En Banc denied CIR's motion for reconsideration on February 11, 2020.

MySolid filed petition for review with the Court of Tax Appeals (CTA) on March 19, 2018 under CTA case no. 9786 of CTA-Third Division for cancellation of deficiency taxes of various internal revenue taxes of P10 million for calendar year 2010, which the pre-trial conference and various hearing started on August 23, 2018 up to December 4, 2018 and the presentation of My Solid's 1st and 2nd witnesses started on February 12, 2018 up to March 5, 2019. On September 20, 2019, the CTA Third Division stated the case is deemed submitted for decision. As of February 2020, the case is still pending.

SVC filed petition for review on May 15, 2015 with CTA case no. 9051 to CTA-Third Division for deficiency income tax and VAT for calendar year 2010 of P23 million. Trial ensued and the case was submitted to CTA for decision on November 8, 2017. On October 25, 2018, the CTA decided and cancelled portion of deficiency tax assessments. On November 23, 2018, SVC filed a motion for partial reconsideration, where the CTA further reduced the deficiency assessment on its May 2, 2019 amended decision. On May 24, 2019, SVC filed a motion for partial reconsideration of the amended decision which was denied by CTA resolution dated November 14, 2019. On December 23, 2019, SVC filed petition for review with CTA En Banc to appeal both CTA amended decision on May 2, 2019 and resolution dated November 14, 2019 under CTA EB no. 2195. On January 7, 2019, SVC received BIR's petition for review under CTA EB no. 2207 for reversal of CTA amended decision dated May 2, 2019 and resolution dated November 14, 2019. As of February 2020, both petitions are still pending.

As discussed above and in Item 2 (See Properties) , certain subsidiaries of the Company are involved in litigation or other proceedings affecting their respective titles to real estate property and certain other litigation in relation to property and tax cases, 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.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

A. Market Price of and Dividends on Registrant's Common Equity and Related Stockholders Matters

(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 (₱)
2019		
First quarter	1.48	1.29
Second quarter	1.39	1.32
Third quarter	1.44	1.27
Fourth quarter	1.39	1.22
2018		
First quarter	1.92	1.55
Second quarter	1.81	1.56
Third quarter	1.63	1.33
Fourth quarter	1.43	1.25

(ii) Not applicable. The principal market is the Philippine Stock Exchange.

(b) The Company share was trading at P0.94 as of June 24, 2020 (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 December 31, 2019 was 4,234. Common shares outstanding as of December 31, 2019 were 1,821,542,000 shares. Total issued shares as of December 31, 2019 were 2,030,975,000.

Top 20 stockholders of the Company's common stock as of December 31, 2019:

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)	354,833,524	19.48
4. Lim, David S.	179,488,591	9.85
5. Lim, Vincent S.	71,887,187	3.95
6. Lim, Jason S.	65,176,160	3.58
7. PCD Nominee Corporation (NF)	13,151,301	0.72

8.	Philippines International Life Insurance Co., Inc	10,000,000	0.55
9.	Chua, Willington Chua &/or Constantino	8,770,000	0.48
10.	Tzu Chern Chia	2,872,000	0.16
11.	Chua, Constantino &/or Willington &/or George	1,750,000	0.10
12.	Hottick Development Corporation	1,408,000	0.08
13.	Paz, Venson	1,065,000	0.06
14.	Columbian Motors Corporation	1,000,000	0.05
	Lucio W. Yan &/or Clara Yan	1,000,000	0.05
15.	Juan Go Yu &/or Grace Chu Yu	940,000	0.05
16.	Juan G. Yu &/or John Philip Yu	785,000	0.04
17.	Ong, Victoria	632,000	0.03
18.	Lim, Julia	590,000	0.03
19.	Castillo Laman Tan Pantaleon & San Jose Law Offices	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

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 2019, cash dividend of P0.06 per share to stockholders of record as of August 30, 2019 and payable on September 24, 2019. In 2018, cash dividend of P0.06 per share to stockholders of record as of August 31, 2018 and payable on September 24, 2018.

b. The Company's retained earnings as of December 31, 2019 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, 2019.

(4) Recent Sales of Unregistered or Exempt Securities

There was no sale of unregistered or exempt securities in 2017 to 2019.

a. Securities Sold.

No securities were sold by the Company from 2017 to 2019.

b. Underwriters and Other Purchases

Not applicable. There were no securities were sold by the Company from 2017 to 2019.

c. Consideration

Not applicable. There were no securities were sold by the Company from 2017 to 2019.

d. Exemption from Registration Claimed

Not applicable. There were no securities were sold by the Company from 2017 to 2019.

Item 6. Management's Discussion and Analysis or Plan of Operation

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

Key Performance Indicators

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 2019, 2018 and 2017 are as follows:

	December 31, 2019	December 31, 2018	December 31, 2017
Revenue growth (decline)	(29%)	(24%)	(22%)
Asset turnover	22%	32%	43%
Operating expense ratio	21%	21%	14%
EBITDA	P626 million	P432 million	P650 million
Earnings (loss) / share	P0.12	P0.14	P0.22
Current ratio	10.56 : 1	9.82 : 1	8.40 : 1
Debt to equity ratio	0.14 : 1	0.13 : 1	0.14 : 1

2019

Revenues posted P2,665 in 2019, lower by 29% from P3,755 million in 2018 principally due to significant revenue decline of the digital mobile segment.

Asset turnover stood lower at 22% in 2019 versus 32% in 2018 mainly from lower revenues of the digital mobile segment.

Operating expense ratio was to 21% in both 2019 and 2018. There was no change for this ratio. EBITDA improved to P626 million in 2019, up by 45% from P432 million in 2018 mostly driven by higher operating profit of the technical support and solution and property and building services segments.

Earnings was lower at P0.12 in 2019 compared with P0.14 in 2018. Although EBITDA was higher in 2019, net income was greatly reduced by higher tax expense of the digital mobile segment as it derecognized deferred tax assets of previous years.

Current ratio went up to 10.56:1 as of December 31, 2019 from 9.82:1 as of December 31, 2018. The increase was driven by lower working capital requirements of the digital mobile segment when it shifted to the new distribution model.

Debt to equity ratio was slightly higher at 0.14:1 as of December 31, 2019 versus 0.13:1 as of December 31, 2018. There is no significant change for this account.

2018

Revenues of P3,755 million weakened by 24% in 2018 from P4,942 million in 2017 from lower revenues of the digital mobile and technical support and solutions segments.

Asset turnover stood lower at 32% in 2018 from 43% in 2017 driven by lower revenues of the digital mobile segment.

Operating expense ratio was higher at 21% in 2018 from 14% in 2017 principally due to lower revenues of the digital mobile segment.

EBITDA was P432 million in 2018 against P650 million in 2017 attributed to net loss of the digital mobile segment and lower net income of technical support and solutions segments.

Earnings per share was P0.14 in 2018 from P0.22 in 2017 from lower net income in 2018.

Current ratio improved to 9.82:1 as of December 31, 2018 and 8.40:1 as of December 31, 2017 primarily due to decrease in current liabilities of the property & building services and technical support and solutions segments.

Debt to equity ratio was 0.13:1 as of December 31, 2018 from 0.14: 1 as of December 31, 2017 primarily due to lower liabilities.

2017

Revenues of P4,942 million declined by 22% in 2017 from P6,365 million in 2016 principally from lower revenues of the digital mobile devices segment, offset by improved revenues of the property and related services and technical support and solutions segments.

Asset turnover was lower at 43% in 2017 from 54% in 2016 mainly as a result of lower revenues of the digital mobile devices segment on the digital product sales.

Despite lower operating expense in 2017, operating expense ratio stood higher at 14% in 2017 from 12% in 2016 principally due to lower revenues of the digital mobile devices segment.

EBITDA amounted to P650 million in 2017 compared with P558 million in 2016 mainly due to higher profit from the property and related services and technical support solutions segments.

Earnings per share stood at P0.22 in 2017 versus P0.19 in 2016 principally from higher net income in 2017.

Current ratio was at 8:40:1 as of December 31, 2017 and 9.05:1 as of December 31, 2016 primarily due to increase in current liabilities of the property and building services segment

Debt to equity ratio stood at 0.14:1 as of December 31, 2017 from 0.13: 1 as of December 31, 2016 primarily due to higher liabilities.

Results of Operations 2019

Revenues posted P2,665 million in 2019, lower by 29% from P3,755 million in 2018 primarily as a result of significant revenue drop of the digital mobile segment.

Sale of goods declined 54% to P1,260 million in 2019 from P2,715 million in 2018. The digital mobile segment sales was greatly affected by the strong presence of global and local mobile phone brands which led to significant reduction in volume. Moreover, MySolid Technologies & Devices Corporation (MySolid), a wholly owned subsidiary of the Company, in a bid to optimize operations and improve financial results, pursued another distribution model in December 2019 and licensed MyPhone brand and assigned the distribution of MyPhone mobile phone products to Solid Trading Limited (STL), a related party under common ownership. Subsequently, MySolid received royalty from STL equivalent to percentage of latter's sales of MyPhone products. This distribution model also thereby reduced sales effective December 2019.

Rendering of services improved by 41% to P1,002 million in 2019 against P712 million in 2018 driven by better performance of the technical support and solution segment from stronger

logistics and warehouse rental services and participation in integration services for SEA Games 2019.

Rental income reported growth of 5% to P250 million in 2019 from P239 million in 2018 mostly from higher occupancy of the property and building services segment .

Interest income stood higher at P143 million, an increase of 82 % compared with P78 million in 2018 attributable to higher interest rates in the first half of the year and reported higher placements.

Sale of real estate decreased by 29% to P7 million in 2019 versus P10 million in 2018 mainly from smaller condominium units sold during the year.

Cost of sales, services, real estate sold and rental amounted to P1,997 million in 2019 from P3,056 million in 2018 mainly from lower cost of digital mobile segment lower sales.

Cost of sales also went down by 51% to P1,177 million in 2019 compared with P2,399 million in 2018. The decrease was primarily contributed by the above weak volume of sales of the digital mobile segment.

Cost of services reached P717 million, up by 30% in 2019 from P553 million in 2018. The higher cost was mostly related to support the strong service revenue of the technical support and solution segment.

Cost of rental amounted to P97 million in 2019 against P96 million in 2018 mainly from higher depreciation of the property and related services segment.

Cost of real estate sold stood at P3.7 million, down by 43% in 2019 versus P6.6 million in 2018 associated to weaker sales of condominium units of the property and building services segment.

Gross profit was brought down to P667 million, lower by 5% in 2019 from P699 million in 2018. As mentioned above, the digital mobile segment faced tough competition from both global and local mobile phone brands and reported weak sales for 2019. It also implemented a series of price reductions to move out slow-moving stocks. As MySolid transitioned to its present distribution model, it also sold its remaining inventories to distributors at reduced prices. On the positive side, the lower gross profit of digital mobile segment was offset by higher margins of the technical support and solution and property and related services segments.

Other operating expenses (income) amounted to P233 million in 2019 compared with P433 million in 2018. The decline was mainly due to lower operating expenses from general and administrative, selling and distribution cost of the digital mobile segment.

Selling and distribution costs also posted lower by 44% to P172 million in 2019 versus P310 million in 2018. The decrease was mainly due to lower commissions, warranty, professional fees and delivery expenses related to lower sales and shift to new distribution model of the digital mobile segment.

General and administrative expenses declined to P394 million in 2019, lower by 15% from P461 million in 2018. In 2018, the digital mobile segment incurred loss from unrecoverable advances related to Brown mobile phones (minimal amount in 2019). It also incurred lower taxes and

licenses, manpower and outside services during the year in connection to lower sales and shift to new distribution model of the digital mobile segment.

Other operating income-net amounted to P333 million in 2019 compared with P339 million in 2018. There is no material change for this account.

Operating profit amounted to P434 million in 2019 from P266 million in 2018. The higher operating profit was mainly contributed by lower operating expenses as explained above.

Finance income rose by 9% to P95 million in 2019 against P88 million in 2018 primarily due to higher interest income from cash and cash equivalents and short-term placements and interest income from deposits for acquisition of land and higher increase in cash surrender value of life insurance policy.

Finance cost amounted to P30 million in 2019 versus P10 million in 2018 mostly as a result of greater foreign currency losses on dollar denominated financial assets. Other gains-net amounted to P13 million in 2019 compared with P6 million in 2018 mainly due to net interest income on retirement benefit asset.

Profit before tax improved by 46% to P512 million in 2019 from P350 million in 2018 principally due to higher operating profit for the year.

Tax expense stood at P286 million in 2019 from P95 million in 2018. The increase was a result of derecognition of deferred tax assets of the digital mobile segment and provision for income taxes of certain subsidiaries.

Despite higher profit before tax, net income went down to P226 million in 2019 from P254 million in 2018 caused by higher tax expense as explained above.

Net loss attributable to equity holders of the parent amounted to P216 million in 2019 compared P247 million 2018 as discussed above.

Net profit attributable to non-controlling interest (NCI) amounted to P10 million in 2019 against P7 million in 2018 due to higher income of Starworld and minority share in net income for the period.

Financial Position 2019

Cash and cash equivalents reached P3,491 million in 2019, improving by 42% from P2,455 million in 2018. Cash was primarily provided from operations from decrease in merchandise inventories and supplies, trade and other receivables and other non-current assets.

Trade and other receivables net amounted to P611 million in 2019, down 31% from P891 million in 2018, mainly from collection of receivables of the digital mobile 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 stood at P9 million in 2019 from P9.4 million in 2018 from collection of advances. There was no material change for this account.

Merchandise and supplies net was lower by 79% at P159 million in 2019 from P764 million in 2018 as a result of the change in distribution model of the digital mobile segment.

Real estate inventories was P437 million in 2019 compared with P436 million in 2018. There was no significant change for this account.

Other current assets stood lower by 8% at P974 million in 2019 versus P1,057 million in 2018 mainly from the maturities of short-term placements and lower input taxes.

Total current assets declined to P5,682 million in 2019 from P5,615 million in 2018.

Non-current trade and other receivables amounted to P751 million compared with P739 million in 2018. There was no material change during the year.

Financial assets at fair value through other comprehensive income stood at P26.1 million in 2019 from P27.1 million in 2018. There was no significant change for this account.

Property and equipment net stood lower at P1,694 million in 2019 from P1,762 million in 2018. There was no material change for this account.

Investment properties rose to P3,740 million in 2019 compared with P3,406 million in 2018 from construction of improvements and reported fair value gains of the property and building services segment.

Right of use asset was P14 million in 2019, none in 2018. Effective January 2019, the Company adopted PFRS 16 Leases as a lessee, where the Company recognize right of use asset from contract of lease.

Post-employment benefit asset went down to P121 million in 2019 versus P126 million in 2018. There was no significant change for this account.

Deferred tax assets amounted to P66 million in 2019 against P156 million in 2018 principally from the derecognition of tax benefit related to net operating loss carryover (NOLCO) and minimum corporate income tax (MCIT) of the digital mobile segment.

Non-current other assets posted lower at P23 million in 2019 from P124 million in 2018 mainly as a result of the return of deposits on purchase of land of the property and building services segment since the asset purchase did not materialize due to the exercise of right of redemption of the previous owner.

Total assets reached P12,120 million in 2019 from P11,958 million in 2018.

Interest bearing loans decreased by 45% to P67 million in 2019 from P123 million in 2018 mostly due to payment of loan.

Trade and other payables amounted to P438 million in 2019 compared with P422 million in 2018 mainly from higher trade and non-trade payables of the technical support and solutions segment.

Customers' deposits stood at P12 million in 2019 from P15 million in 2018 primarily from application of deposits to sales.

Current lease liability amounted to P4.88 million in 2019, none in 2018. Effective January 2019, the Company adopted PFRS 16 Leases as a lessee, where it requires the Company to recognize right of use asset and the corresponding lease liability from contract of lease.

Advances from related parties was P1.88 million in 2019 and 2018.

Income tax payable reached P11 million from P8 million in 2018 from higher tax expense of certain subsidiaries.

Total current liabilities amounted to P538 million compared with P571 million in 2018 from lower interest-bearing loans.

Refundable deposits amounted to P23 million in 2019 against P29 million in 2018 from transfer of deposits to current liabilities of the property and related services segment.

Non-current lease liabilities reached P10 million in 2019, none in 2018. Effective January 2019, the Company adopted PFRS 16 Leases as a lessee, where it requires the Company to recognize right of use asset and the corresponding lease liability from contract of lease.

Post-employment benefit obligation grew to P33 million in 2019 from P26 million in 2018 principally from lower discount rates in the actuarial valuation study for PAS 19 reporting.

Deferred tax liabilities stood P873 million in 2019 versus P783 million in 2018 mainly from additional fair value gains on investment property for the year.

Total non-current liabilities went up by 12% to P941 million in 2019 from P839 in 2018 mainly from non-current lease liability and higher deferred tax liabilities.

Total liabilities amounted to P1,479 million in 2019 from P1,411 million in 2018 from higher deferred tax liabilities.

Capital stock stood the same at P2,030 million for both years.

Additional paid-in capital remained the same at P4,641 million for both years.

Treasury shares amounted to P115 million in both years.

Revaluation reserves declined to P18 million in 2019 from P42 million in 2018. The decrease was due to loss on currency exchange differences on translating financial statements of foreign operations and actuarial losses on post-employment defined benefit plan.

Retained earnings rose to P3,701 million in 2019 versus P3,594 million in 2018 due to net income for the year less dividends declared.

Total equity attributable to parent company's stockholders was P10,277 million in 2019 against P10,193 million in 2018 mostly from higher retained earnings.

Non-controlling interest posted P363 million in 2019 from P353 million in 2018 as a result of minority interest for the year.

Total equity rose to P10,640 million in 2019 from P10,547 million in 2018 from higher retained earnings.

Results of Operations 2018

The Company posted revenues of P3,755 million, a drop of 24% in 2018 against P4,942 million in 2017 due to weaker revenues of the digital mobile and technical support and solutions segments.

Sale of goods only reached P2,715 million in 2018, a decline of 21% from P3,450 million in 2017 mainly due to lower sales volume of sales of digital products of the digital mobile segment.

Rendering of services also dropped by 40% to P712 million in 2018 from P1,192 million in 2017 mainly due to decline in revenues of the technical support and solutions segment. The record sales performance in 2017 of the technical support and solutions segment was delivered from the integration activities in the three ASEAN events (none in 2018).

Rental income improved to P239 million in 2018, higher by 3% from P233 million in 2017 due to higher occupancy of the property and building services segment.

Interest income grew by 76% to P78 million in 2018 from P44 million in 2017 mainly from higher interest rates and investible funds of the investments and other segment.

Sale of real estate amounted to P10 million in 2018, down by 53% from P22 million in 2017 due to lower sale of condominium units.

Cost of sales, services, real estate sold and rentals amounted to P3,056 million in 2018, or a decrease of 23% from P3,977 million in 2017 as discussed below.

Cost of sales amounted to P2,399 million in 2017, down by 19% from P2,970 million in 2017 in relation to decrease in sales of digital mobile segment.

Cost of services amounted to P553 million in 2017 from P915 million for the same period of 2017, lower by 40% mainly due to lower service revenue.

Cost of rentals amounted to P96 million in 2018, an increase of 25% from P77 million in 2017 mainly in relation to higher rental income.

Cost of real estate sold amounted to P6 million in 2018 compared with P14 million in 2017 corresponding to the cost of units sold.

Gross profit declined by 28% to P699 million in 2018 from P965 million in 2017 due to lower revenues. The Company also decided to address its slow-moving inventories and sold Brown mobile phones of digital mobile segment at a loss in the fourth quarter of 2018 when it moved the distribution of the units to its traditional dealership channel.

Other operating expenses (income) amounted to P433 million in 2018 from P474 million in 2017 as explained below.

Selling and distribution costs amounted to P310 million in 2018, or lower by 6% from P330 million in 2017 mainly due to lower commissions of the digital mobile segment.

General and administrative expenses amounted to P461 million in 2018, up by 26% from P367 million in 2017, principally from loss on unrecoverable advances for the Brown mobile phones of the digital mobile segment.

Other operating income - net went up to P339 million in 2018 from P224 million income in 2017, up by 51% mainly from fair value gains on investment property.

Operating profit amounted to P266 million in 2018 from P491 million in 2017, a decrease of 46% mainly from operating loss of the digital mobile segment as discussed above and lower operating profit of the technical support & solutions segments.

Other income (charges) – net amounted to P84 million income in 2018 against P70 million income in 2017 mainly from the following:

Finance income stood higher at P88 million in 2018 compared with P65 million in 2017 principally due to higher foreign currency exchange gains and interest earnings.

Finance costs was favorable at P10 million in 2018 from P12 million in 2017 primarily due to lower foreign currency exchange losses offset by higher interest expense and impairment losses in receivables.

Other gains – net amounted to P6 million in 2018 compared with P17 million in 2017, lower by 62% primarily from refund of deposits of electricity of the property and building services segment in 2017 (none in 2018).

Profit before tax was P350 million in 2018, down by 38% from P561 million in 2017 mainly due to net loss of the digital mobile segment and lower profit of the technical support and solutions segment.

Tax expense of P95 million in 2018 was lower from P157 million in 2017 due to lower pre-tax income.

Net profit of P254 million in 2018 was down by 37% from P403 million in 2017 due to factors as discussed above.

Net profit attributable to equity holders of the parent amounted to P247 million in 2018 versus P397 million in 2017 as discussed above.

Net profit attributable to non-controlling interest amounted to P7.4 million in 2018 compared with P6.5 million in 2017 primarily due to reported income from Starworld.

Financial Position 2018

Cash and cash equivalents posted lower by 30% at P2,455 million as of December 31, 2018 from P3,490 million as of December 31, 2017. Cash was mainly used for operating activities from increase in inventories of the digital mobile segment and increase in other current assets as certain time deposits more than three months were classified under other current assets.

Trade and other receivables amounted to P891 million as of December 31, 2018 from P1,214 million as of December 31, 2017, lower by 27% mainly from decrease in advances to suppliers of the digital mobile 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 amounted to P9.4 million as of December 31, 2018 and P9.2 million as of December 31, 2017. There was no material change for this account.

Merchandise inventories and supplies - net amounted to P764 million as of December 31, 2018 versus P538 million as of December 31, 2017 contributed by higher merchandise inventory for digital products of the digital mobile segment.

Real estate inventories amounted to P436 million as of December 31, 2018 and P440 million as of December 31, 2017. There was no material change for this account.

Other current assets grew to P1,057 million as of December 31, 2018 compared with P301 million as of December 31, 2017, an increase of 250% mainly from higher short term-placements with maturity of more than three months but less than one year.

Total current assets amounted to P5,615 million as of December 31, 2018 from P5,995 million as of December 31, 2017 mainly from lower cash and cash equivalents and receivables as discussed above.

Non-current trade and other receivables reached to P739 million as of December 31, 2018 from P692 million as of December 31, 2017 mainly from increase in cash surrender value of investment in life insurance.

Financial assets at fair value through other comprehensive income amounted to P27.1 million, mainly from the investment in proprietary membership club shares. This account was reclassified from AFS Financial Assets due to adoption of PFRS 9, Financial instruments in 2018.

Property and equipment – net amounted to P1,762 million as of December 31, 2018 from P1,909 million as of December 31, 2017 primarily due to transfer of certain construction in progress to investment property of property & building services segment.

Investment property - net amounted to P3,406 million as of December 31, 2018 from P2,903 million as of December 31, 2017 mainly due to fair value gains and transfer of certain construction in progress from property and equipment to investment property of the property and building services segment.

Post-employment benefit assets stood at P126 million as of December 31, 2018, an increase of 20% from P105 million as of December 31, 2017 primarily a result of lower present value of retirement obligation.

Deferred tax assets (DTA) - net amounted to P156 million as of December 31, 2018 and P110 million as of December 31, 2017, up by 41% principally due to recognition of DTA from NOLCO of digital mobile segment.

Non-current available-for-sale financial assets – net was P20 million as of December 31, 2017, nil in 2018 arising from its reclassification to Financial assets at FVOCI due to adoption of PFRS 9, Financial instruments in 2018.

Other non-current assets amounted to P124 million as of December 31, 2018 or higher by 432% from P23 million as of December 31, 2017 primarily due to deposits on acquisition of land of the property and building services segment.

Total non-current assets amounted to P6,343 million as of December 31, 2018 from P5,766 million as of December 31, 2017 as discussed above.

Total assets reached P11,958 million as of December 31, 2018 from P11,761 million as of December 31, 2017 as discussed above.

Interest-bearing loans amounted to P123 million as of December 31, 2018, or an increase of 7% from P115 million as of December 31, 2017 primarily due to application of unpaid interest expense to principal loan balances and translation adjustment from devaluation of Philippine peso.

Trade and other payables amounted to P422 million as of December 31, 2018 against P475 million as of December 31, 2017, a decrease of 11% principally due to lower trade payables of the technical support & solutions segment.

Customers' deposits amounted to P15 million as of December 31, 2018 compared with P16 million as of December 31, 2017. The decrease was due to refund of deposits.

Advances from related parties amounted to P1.8 million as of December 31, 2018, lower by 50% from P3.7 million as of December 31, 2017 from payment of advances.

Estimated liability for land and land development costs stood at P 68 million as of December 31, 2017, nil in 2018 due to adoption of PFRS 15 effective 2018 that resulted in the derecognition of liability.

Income tax payable of P8 million as of December 31, 2018 versus P33 million as of December 31, 2017 was lower by 75% principally due to lower tax expense.

Total current liabilities stood at P571 million as of December 31, 2018 from P713 million as of December 31, 2017 as a result of derecognition of estimated liability for land and land development.

Non-current refundable deposits amounted to P29 million as of December 31, 2018 from P27 million as of December 31, 2017 from additional customers' deposits.

Postemployment benefit obligation was lower at P26 million as of December 31, 2018 from P37 million as of December 31, 2017 due to lower present value of retirement benefit obligation.

Deferred tax liabilities -net amounted to P783 million as of December 31, 2018 and P697 million as of December 31, 2017. The increase of 12% was mainly attributable to additional fair value gain on investment property for the year.

Total non-current liabilities amounted to P839 million as of December 31, 2018 and P762 million as of December 31, 2017.

Total liabilities amounted to P1,411 million as of December 31, 2018 from P1,475 million as of December 31, 2017.

Capital stock stood at P2,030 million as of December 31, 2018 and December 31, 2017.

Additional paid-in capital amounted to P4,641 million as of December 31, 2018 and December 31, 2017.

Treasury shares amounted to P115 million as of December 31, 2018 and December 31, 2017.

Revaluation reserves amounted to P42 million gain as of December 31, 2018 from P15 million loss as of December 31, 2017 mainly from actuarial gains from remeasurement of post-employment benefit plan, and currency exchange differences on translation of financial statements of foreign operation.

Retained earnings amounted to P3,594 million as of December 31, 2018 from P3,398 million as of December 31, 2017 due to net income for the year offset by dividends declared.

Total equity attributable to Equity holders of Parent amounted to P10,193 million as of December 31, 2018 from P9,939 million as of December 31, 2017 primarily due to higher retained earnings.

Non-controlling interests went up to P353 million as of December 31, 2018 from P345 million as of December 31, 2015. There was no material change for this account.

Total equity amounted to P10,547 million as of December 31, 2018 from P10,285 million as of December 31, 2017.

Results of Operations 2017

Revenues stood at P4,942 million, down by 22% in 2017 compared with P6,365 million in 2016 principally from lower revenues of the digital mobile devices segment, offset by improved revenues of the property and related services and technical support and solutions segments.

Sale of goods reached P3,450 million in 2017, down by 36% from P5,393 million in 2016 mainly due to lower sales volume of sales of digital products of the digital mobile devices segment.

Rendering of services went up to P1,192 million in 2017, increasing by 62% from P736 million in 2016 mainly due to higher revenues of the technical support and solutions segment.

Rental income amounted to P233 million in 2017, higher by 26% from P184 million in 2016 due to higher occupancy of the property and building services segment.

Interest income amounted to P44 million in 2017, an increase of 18% from P38 million in 2016 mainly from higher investible funds of the investments and other segment.

Sale of real estate amounted to P22 million in 2017, up by 83% from P12 million in 2016 due to sale of condominium units.

Cost of sales, services, real estate sold and rentals amounted to P3,977 million in 2017, or a decrease of 26% from P5,361 million in 2016 as discussed below.

Cost of sales amounted to P2,970 million in 2016, down by 37% from P4,706 million in 2016 in relation to decrease in sales.

Cost of services amounted to P915 million in 2016 from P595 million for the same period of 2016, up by 54% mainly in support to higher service revenue.

Cost of rentals amounted to P77 million in 2017, an increase of 48% from P52 million in 2016 mainly in relation to higher rental income.

Cost of real estate sold amounted to P14 million in 2017 compared with P8 million in 2016 corresponding to the cost of units sold.

Gross profit amounted to P965 million in 2017 from P1,003 million in 2016, down by 4% due to lower revenues.

Other operating expenses amounted to P474 million in 2017 from P742 million in 2016 as explained below.

Selling and distribution costs amounted to P330 million in 2017, or lower by 12% from P376 million in 2016 mainly due to the decrease in warranty charges, commissions and delivery expenses of the digital mobile devices segment.

General and administrative expenses amounted to P367 million in 2017, up by 3% from P358 million in 2016. There was no material variance for this account.

Other operating income - net went up to P224 million in 2017 from P2.6 million expense in 2016 mainly from fair value gains on investment property.

Operating profit amounted to P491 million in 2017 from P261 million in 2016, an increase of 84% from higher other operating income of the property and related services and profits of technical support and solutions segments from ASEAN projects.

Other income (charges) – net amounted to P70 million income in 2017 against P199 million income in 2016 mainly from the following:

Finance income stood lower at P65 million in 2017 compared with P81 million in 2016 principally due to lower foreign currency exchange gains.

Finance costs was favorable at P12 million in 2017 from P17 million in 2016 primarily due to decrease in interest expense from lower bank loans as a result of the sale of its investment in PNCI in 2016 where the Company transferred the bank loans of this subsidiary as part of the sale.

Gain on sale of subsidiary amounted to P127 million in 2016 (nil in 2017). This was a consequence of the sale of investment in PNCI in 2016.

Other gains – net amounted to P17 million in 2017 compared with P7 million in 2016, higher by 142% primarily from refund of deposits of electricity of the property and related services segment.

Profit before tax was P561 million in 2017, up by 21% from P465 million in 2016 mainly due to higher operating profit of the property and related services and technical support and solutions segments.

Tax expense of P157 million in 2017 was higher from P124 million in 2016 due to higher pre-tax income.

Net profit of P403 million in 2017 improved by 19% from P340 million in 2016 mainly due to higher operating profit of the property and related services and technical and support solutions segments.

Net profit attributable to equity holders of the parent amounted to P397 million in 2017 versus P343 million in 2016 as discussed above.

Net profit attributable to non-controlling interest amounted to P6 million in 2017 compared with P2.7 million loss in 2016 primarily due to reported income from Starworld.

Financial Position 2017

Cash and cash equivalents amounted to P3,490 million as of December 31, 2017 higher by 54 % from P2,259 million as of December 31, 2016. Cash was mainly provided from operating activities from decrease in merchandise inventories and supplies and from investing activities due to redemption of financial assets at FVTPL.

Financial assets at fair value through profit or loss amounted to nil as of December 31, 2017 from P741 million as of December 31, 2016 from redemption of unit investments in trust fund.

Trade and other receivables reached P1,214 million as of December 31, 2017 against P1,380 million as of December 31, 2016, or a decrease of 12% mainly from collection of receivables of the digital mobile devices 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 amounted to P9.2 million as of December 31, 2017 and P9.1 million as of December 31, 2016. There was no material change for this account.

Merchandise inventories and supplies - net amounted to P538 million as of December 31, 2017, compared with P802 million as of December 31, 2016 mainly from lower merchandise inventory for digital products of the digital mobile devices segment.

Real estate inventories amounted to P440 million as of December 31, 2017 and P451 million as of December 31, 2016. There was no material change for this account.

Other current assets amounted to P301 million as of December 31, 2017 compared with P215 million as of December 31, 2016, an increase of 40% mainly from higher deferred costs and short term-placements with maturity of more than 180 days but less than one year.

Total current assets reached P5,995 million as of December 31, 2017 from P5,860 million as of December 31, 2016 mainly from higher cash and cash equivalents and other current assets as discussed above.

Non-current trade and other receivables reached to P692 million as of December 31, 2017 from P663 million as of December 31, 2016 mainly from increase in cash surrender value of investment in life insurance.

Non-current available-for-sale financial assets went up to P20 million as of December 31, 2017 from P18 million as December 31, 2016 from fair value gains in club shares.

Property and equipment amounted to P1,909 million as of December 31, 2017 from P1,874 million as of December 31, 2016 primarily from additions during the year.

Investment property amounted to P2,903 million as of December 31, 2017 from P2,678 million as of December 31, 2016 mainly due to fair value gains and additions in the property and building services segment.

Post-employment benefit assets stood at P 105 million as of December 31, 2017 and P102 million as of December 31, 2016 as a result of lower present value of obligation.

Deferred tax assets - net amounted to P110 million as of December 31, 2017 and P119 million as of December 31, 2016, down by 7% due to application of MCIT of certain subsidiaries.

Other non-current assets amounted to P23 million as of December 31, 2017 or higher by 17% from P20 million as of December 31, 2016 primarily due to higher other investment and non-current assets

Total non-current assets amounted to P5,766 million as of December 31, 2017 from P5,475 million as of December 31, 2016 as discussed above.

Total assets reached P11,761 million as of December 31, 2017 from P11,336 million as of December 31, 2016 as discussed above.

Interest-bearing loans amounted to P115 million as of December 31, 2017, or an increase of 3% from P112 million as of December 31, 2016. There was no material change for this account.

Trade and other payables amounted to P475 million as of December 31, 2017 against P438 million as of December 31, 2016, an increase of 8% principally due to higher trade and other payables.

Customers' deposits amounted to P16 million as of December 31, 2017 compared with P10 million as of December 31, 2016. The increase was due to additional deposits.

Advances from related parties amounted to P3.7 million as of December 31, 2017, an increase of 102% from P1.8 million as of December 31, 2016 due to additional advances.

Estimated liability for land and land development costs stood at P 68 million as of December 31, 2017 and December 31, 2016.

Income tax payable of P33 million as of December 31, 2017 versus P15 million as of December 31, 2016 was higher by 120% principally due to higher tax expense for the year.

Total current liabilities stood at P713 million as of December 31, 2017 from P647 million as of December 31, 2016 as a result of higher trade and other payables.

Non-current refundable deposits amounted to P27 million as of December 31, 2017 from P21 million as of December 31, 2016 from additional customers' deposits.

Postemployment benefit obligation stood at P37 million as of December 31, 2017 and P33 million as of December 31, 2016 due to additional unfunded retirement obligation of certain subsidiaries.

Deferred tax liabilities -net amounted to P697 million as of December 31, 2017 and P636 million as of December 31, 2016. The increase was attributable to fair value gain on investment property for the year.

Total non-current liabilities amounted to P762 million as of December 31, 2017 and P691 million as of December 31, 2016.

Total liabilities amounted to P1,475 million as of December 31, 2017 from P1,338 million as of December 31, 2016.

Capital stock stood at P2,030 million as of December 31, 2017 and December 31, 2016.

Additional paid-in capital amounted to P4,641 million as of December 31, 2017 and December 31, 2016.

Treasury shares amounted to P115 million as of December 31, 2017 and December 31, 2016.

Revaluation reserves amounted to P15 million loss as of December 31, 2017 from P27 million loss as of December 31, 2016 mainly from other comprehensive income for the period from remeasurement of post-employment benefit plan.

Retained earnings amounted to P3,398 million as of December 31, 2017 from P3,129 million as of December 31, 2016 due to net income for the year offset by dividends declared.

Total equity attributable to Equity holders of Parent amounted to P9,939 million as of December 31, 2017 from P9,658 million as of December 31, 2016 primarily due to higher retained earnings.

Non-controlling interests went up to P345 million as of December 31, 2017 from P339 million as of December 31, 2015. There was no material change for this account.

Total equity amounted to P10,285 million as of December 31, 2017 from P9,998 million as of December 31, 2016.

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

After strong global economic growth in 2017 and early 2018, global economic activity slowed notably in 2019 at 3.3 percent which was at its slowest since the Global Financial Crisis between mid- 2007 and early 2009, reflecting a convergence of factors affecting major economies. Developing countries in Asia, however, still recorded robust growth even as trade tensions dampened outlook for the Asia Pacific region.

The Philippines 2019 GDP growth hit 5.9 percent, marked to be the lowest growth in eight years, tempered by weakness in agriculture and impact of delay in budget approval. Respective contributions to GDP of economy's key sectors, the supply side: agriculture, industry, and services showed that for every P100 of national output, P58.4 came from services, P33.8 from industry, and a mere P7.8 from agriculture. Services grew the fastest at 7.1%, followed by industrial at 4.9% then agriculture at 1.5%, factors which contributed to the slowest growth of the economy. In the past decade, services had always been strong, and agriculture had always been weak. Surprising though was the sudden weakness of industry as its contribution to growth fell to its lowest level since 2011 which came after years of robust, sizable industrial growth.

Overall, the Philippine economy remained strong amidst rapid deceleration in investment growth due to contraction in public spending and weaker global economy as it continued to be bolstered by solid domestic consumption, driven by stable inflation, higher remittances, and record-low unemployment which sustained progress in poverty reduction.

The Company reported consolidated revenues of P2,665 million in 2019, a decline by 29% from P3,755 million in 2018 and P4,942 million in 2017 mostly attributable to downward revenue trend of the digital mobile segment. The Company's underperformance during the year was brought about by weaker mobile phone handset sales of P1,091 million in 2019 from P2,431 million in 2018 and P3,293 million in 2017 due to increasing vulnerability to competitive forces. However, stronger revenues of property and building services segment of P413 million and technical support solutions segment of P972 million tapered the revenue fall.

Consolidated net income of P226 million dropped by 11% from P254 million in 2018 and P403 million in 2017. It was driven by the impact of lower revenues which resulted to losses of the digital mobile segment partially offset by higher reported income of the property and building services and technical support and solutions segments. This translated to earnings per share of P0.12 in 2019, P0.14 in 2018 and P0.22 in 2017.

While the Company experienced a downward trend in this year's performance, it was still able to pay P109 million in cash dividends to its shareholders consistent in its pursuit of creating value for the last eight years.

The Company maintained its liquidity with its total assets of P12.1 billion in 2019, P11.9 billion in 2018 and P11.7 billion in 2017. It has sustained a low debt to equity ratio of 0.14:1 in 2019, 0.13:1 in 2018 and 0.14:1 in 2017 and even a lower gearing percentage (computed as financial debt divided by total equity of 1% for the last three years as a result of low financial borrowings thereby reducing its credit risk (the risk of default in payment of loans) to minimal level. The Company continued its liquidity such that its current ratio had always exceeded the conservative rule of thumb of 2:1 by achieving a current ratio of 10.56:1 in 2019, 9.82:1 in 2018 and 8.40:1 in 2017.

Myphone business of the digital mobile segment operating under MySolid Technologies and Devices Corporation (MySolid) registered a plunge in revenue by 55 % to P1.09 billion in 2019 from P 2.4 billion in 2018 and P3.2 billion in 2017. It recorded net loss of P270 million in 2019 from P161 million net loss in 2018 and P26.9 million net income in 2017. This year's sales performed poorly as handsets were succumbing to numerous challenges, including lengthening replacement cycles for mobile phones and changing consumer behavior brought about by

market's evolving feature-rich preferences. A year-on-year decline in sales volume of 47% in 2019 from 55% in 2018 and 38% in 2017 was reported.

In December 2019, in a bid to optimize operations and improve financial results, MySolid opted to change to a business model by licensing its myphone trade name and trademarks and other intellectual property rights, and assigning the distribution of myphone mobile phones products to a Hong Kong based related party under common ownership. In consideration of the foregoing, MySolid shall receive royalty equivalent to a certain percentage of latter's sales of the myphone products. With this scheme, myphone expects to generate sales of about P650 million and recognize royalty revenue of around P70 million in 2020 with break-even results.

Property & Related Services segment continues to be the main driver for growth of the Company as the real estate market remained strong where the supply-to-demand remains at healthy levels. This business segment contributed P413 million in revenue from P378 million and P365 million in 2018 and 2017, respectively. Net income increased by 3% to P313 million from P302 million in 2018, 39% higher from P218 million in 2017. Even with the implementation of Enhanced Community Quarantine (ECQ) to halt the spread of coronavirus disease (COVID-19), it is expected to remain resilient as traditional demand drivers are keeping the business afloat amid slower economic growth targeting to contribute in 2020 about P450 million and P120 million in revenue and net income, respectively.

Solid Manila Corporation has a full pipeline of projects scheduled to be built in the next two years. A 5-story hotel in Dagupan is currently in the construction stage while a commercial strip in San Pablo, Laguna and a mixed-use project in Manila are in the planning stage. A five-building modular residential complex in Quezon City operated as dormitory was offered for the war against COVID-19 with frontliners taking residence in 4 buildings for free.

Zen Towers Corporation is in the construction planning and design of 14-storey condominium Tower 3 based on approved architectural plan. This is intended for commercial and office lease for end users with an estimated investment cost of P500 million.

In 2019, tourism industry in the Philippines continued to flourish with a 14.37 percent increase in visitor arrivals compared to 2018. Hotel and events operations in 2019 contributed P168 million in revenue, 6% higher than P159 million in 2018 from the combined revenues of Green Sun, a business hotel and event center in Makati and Casa Bocobo, a boutique hotel in Manila. Green Sun Hotel on its sixth year of operation generated P121 million in revenues surpassing its 2018 revenues of P114 million on account of higher guest room sales and food and beverage sales.

Tourism industry in the Philippines which accounts for more than a fifth of GDP is anticipated to be the worst casualty of this global pandemic. COVID-19 cripples tourism sector as mass cancellations of travel bookings including air and hotel accommodations were seen after the World Health Organization declared COVID-19 a pandemic. Hotel operations of Green Sun and Casa Bocobo at standstill is forecasted to incur losses in 2020. While mitigating factors are to be adopted once the outbreak is over, it could take up to 10 months for the tourism sector to return to normal levels and recover.

MyHouse gross revenue recorded 23% increase to P19 million from P15 million in previous year which also resulted to net income of P6 million compared to P6 million loss in 2018. MyHouse is projecting P80 million in revenues with prospective customers and bigger projects as the

modular or prefab home industry is now capturing the attention of the public as an affordable and reliable dwelling.

Technical Support and Solutions segment consistently remain to be a top contributor in creating value through combination of profitability and capital investment. It generated P972 million in revenues compared to P807 million in 2018 and P1.1 billion in 2017. Net income rose to P92 million, from P65 million in 2017 and P153 million in 2017.

Solid Video Corporation (SVC) achieved revenues of P423 million, improving by 55% from P273 million in 2018. Business prospect, however, is not as bright in 2020. It is still uncertain if the national event integration project for the Paralympic games hosted by the Philippines scheduled in 2020 will push through. It has been rescheduled for the second time in the 4th quarter of 2020 because of ECQ to avert the threat of COVID-19. For distribution and sales of equipment, there is likelihood that key purchases from networks might be set aside as these networks will prioritize spending over CAPEX for upgrade of equipment. As a revenue generating initiative relevant to the present situation, SVC plans to offer customers with its capability to provide solutions for work or broadcast from home set-ups, communication equipment for hospitals and e-learning platform. SVC is projecting to attain a break-even operation in 2020 targeting revenue of P250 million.

Omni Solid Services Inc. (OSSSI) grew by 14% to P375 million in revenue compared to P329 million in 2018 mainly from higher logistics revenues and resulted to 11% increase in net income to P64 million from P57 million in 2018. As logistics business is expected to resume its business fully upon reopening of operations in NCR (under Category 1 in General Community Quarantine (GCQ)), OSSSI is expected to generate revenue of P280 million.

Consumer electronic products, mobile phone and digital boxes after sales service repairs will still be the main line of business of SolidService Electronics Corporation (SolidService) strengthened by its new line of business specifically aircon installations and repairs including preventive maintenance services. Currently, SolidService is an accredited service installer for the brands Gree and Haier aircon units (consumer category) but it will start performing industrial type of installations by latter part of 2020. Within the year it will pursue accreditation of one to two more brands to expand the business. In 2020, as an official aircon service installer and repair company, annual projection is to generate about P5 million sales from aircon business. While its revenue declined by 15% to P173 million in 2019 from P204 million in 2018, net income soared by 297% to P2.3 million in 2019 from P0.60 million from last year. By the end of the year, it hoped to set-up a North and South hub (NCR) for its installations and repair services to cater more customers targeting P105 million in revenues and P4 million net income.

This segment will contribute to help move the economy through delivery of essential customer services as it remains confident about the growth forecasts amid competition and COVID-19 threat while improving on cost efficiency and growing market share in its areas of operation. In 2020, it aimed to attain a combined revenue of P650 million and net income of P60 million.

Investment and other segment posted revenue at P187 million, slightly lower than P137 million in 2018 and stronger net income of P80 million compared to P27 million in 2018 principally as a result of higher interest yield from time deposits. It is expected to realize revenue at P75 million and net income of P30 million in 2020.

The business and economic threats from the coronavirus outbreak continue. The unfortunate occurrences that transpired in our country and the rest of the world at the beginning of 2020 have resulted to radical business transformation. The Company was not spared by the pandemic which adversely affected many economies, markets, and businesses in the national and global scale.

Amidst the bleak outlook for the business environment, the Company has built a healthy balance sheet at the holding company and across the group that gives us a buffer to absorb the current global health crisis, considered as one of its strongest attributes, having survived and thrived under multiple crunches. It will continue to strengthen its portfolio of existing businesses which has started to become a significant component of the Company's earnings and value creation. In addition, it will maintain scale and explore growth areas in industrial technologies and real estate. The company faces risks for even more severe outcomes in 2020 from economic uncertainty surrounding the globe brought by COVID-19, but the Company is confident that it will overcome the effects of the pandemic, achieve and maintain its financial stability through its well-placed strategies to realize its goal and opportunities ahead when economic activity normalizes.

- 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 2020 to amount to P600 million 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.

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

Kita Corporation (Kita), a wholly owned subsidiary of the Company, is a lessee under 25 years contract of lease covering parcels of land with Clark Development Corporation (CDC), which expired in August 2019. The Company is currently negotiating with CDC on a new contract. In the meantime, Kita had surrendered certain buildings to Clark International Airport Corporation since these locations are part of the site for the second Clark Airport runway. As a result, the Company expects rental revenues to decline by about 10%.

In December 2019, amid stiff competition from both foreign and local brands, MySolid Technologies and Devices Corp. (MySolid), a wholly owned subsidiary of the Company, in a bid to optimize operations and improve financial results, opted to change to a business model by licensing MyPhone brand and assigned the distribution of MyPhone mobile phone products to Solid Trading Limited (STL), a related party under common ownership. Subsequently, MySolid received revenues from STL equivalent to a percentage of latter's sales of MyPhone products. The Company expects this distribution model to significantly reduce MySolid's revenues by about 80% and deliver positive results.

The World Health Organization (WHO) declared the coronavirus disease (COVID-19) outbreak a public health emergency of international concern on January 20, 2020 and a pandemic on March 11, 2020. President Duterte declared the country in a state of public health emergency on March 9, 2020 and Metro Manila and entire Luzon area under Enhanced Community Quarantine on March 16, 2020, which was followed by other cities and provinces in the country thereby imposing restricted movement, temporary closure of non-essential establishments and social distancing measures. Consequently, the Company foresees significant drop in consumer demand in its business. This will affect mobile phone sales of digital mobile segment, hotel and events revenues of the real estate segment and operations of most of its business segments. The disruption of supply chains will also impact the subcontract manufacturing of the technical support and solutions segment. At present, the Company expects the temporary suspension of business to negatively impact the Company's financial condition and results of operations.

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

Based on the appraisal reports obtained in 2019, 2018 and 2017, the Company reported fair value gains on investment property of P277 million, P276 million and P136 for 2019, 2018 and 2017, respectively.

As explained above, MySolid Technologies and Devices Corporation (MySolid) pursued another distribution model and licensed MyPhone brand and assigned the distribution of MyPhone mobile phone products to Solid Trading Limited. Accordingly, the Company anticipates MySolid's revenues to significantly drop. As a result, the Company derecognized MySolid's deferred tax assets from prior years and realize tax losses of P96 million in 2019.

Moreover, deferred tax assets on NOLCO and MCIT of P78 million for the year was no longer recognized.

2019

Balance Sheet Items (2019 vs 2018)

(Increase or decrease of 5% or more in the financial statements)

Cash and cash equivalents – 42% increase to P3,491 million from P2,455 million

Primarily provided from operations from decrease in merchandise inventories and supplies, trade and other receivables and other non-current assets. This account stood at 29% and 21% as a percentage of total assets for 2019 and 2018.

Trade and other receivables – 31% decrease to P611 million from P891 million

Mainly from collection of receivables of the digital mobile segment. This account stood at 5% and 7% as a percentage of total assets in 2019 and 2018, respectively.

Advances to related parties – 4% decrease to P9 million from P9.4 million

There was no material change for this account. This account stood at 0.07% and 0.08% as a percentage of total assets in 2019 and 2018.

Merchandise inventories and supplies – 79% decrease to P159 million from P764 million

Mostly as a result of the change in distribution model of the digital mobile segment. This account represented 1% and 6% as a percentage of total assets for years 2019 and 2018, respectively.

Real estate inventories – P436.97 million from P436.38 million

There was no material change for this account. This account stood at 4% as a percentage of total assets in both years.

Other current assets – 8% decrease to P974 million from P1,057 million

Mainly from the maturities of short-term placements and lower input taxes. This account stood at 8% and 9% as a percentage of total assets in 2019 and 2018, respectively.

Non-current trade and other receivables – 2% increase to P751 million from P739 million

There was no material change during the year. This account stood at 6% as a percentage of the total assets in both years.

Financial assets at fair value through other comprehensive income – 4% decrease to P26 million from P27 million

There was no significant change for this account. This account stood at 0.22% and 0.23% as a percentage of total assets for 2019 and 2018, respectively.

Property, plant and equipment – 4% decrease to P1,694 million from P1,762 million

There was no material change for this account. This represented 14% and 15% as a percentage of total assets in 2019 and 2018, respectively.

Investment property – 10% increase to P3,740 million from P3,406 million

Increase was mainly due to construction of improvements and reported fair value gains of the property and building services segment. This account stood at 31% and 28% as a percentage of total assets in 2019 and 2018, respectively.

Right of Use assets – P14 million in 2019

Due to the adoption of PFRS 16 Leases as a lessee, where the Company recognized right of use asset from contract of lease effective January 2019.

Post-employment benefit asset – 4% decrease to P121 million from P126 million

There was no significant change for this account. This represented 1% of total assets in both years.

Deferred tax assets – 58% decrease to P66 million from P156 million

Principally from the derecognition of tax benefit related to net operating loss carryover (NOLCO) and minimum corporate income tax (MCIT) of the digital mobile segment. This account stood at 0.55% and 1.3% of total assets in 2019 and 2018, respectively.

Other non-current assets – 81% decrease to P23 million from P124 million

Mainly as a result of the return of deposits on purchase of land of the property and building services segment since the asset purchase did not materialize due to the exercise of right of redemption of the previous owner. This represented 0.19% and 1% as percentage to total assets in 2019 and 2018 respectively.

Interest-bearing loans – 45% decrease to P67 million from P123 million

Mostly due to payment of loan. This account stood at 0.56% and 1% as a percentage of total liabilities and equity in 2019 and 2018, respectively.

Trade and other payables – 4% increase to P438 million from P422 million

Mainly from higher trade and non-trade payables of the technical support and solutions segment. This account stood at 4% as a percentage of total liabilities and equity in both years.

Customers' deposits –18% decrease to P12 million from P15 million

Primarily from application of deposits to sales. This account represented 0.11% and 0.13% as a percentage of total liabilities and equity in 2019 and 2018, respectively.

Current Lease Liability – P4.88 million in 2019 (nil in 2018)

Due to the adoption of PFRS 16 Leases as a lessee effective January 2019, where the Company recognized lease liability. This account represented 0.04% as a percentage of total liabilities and equity in 2019.

Advances from related parties – P1.88 million in 2019 and 2018

No movement for this account. This account stood at 0.02% as a percentage of total liabilities and equity in both years.

Income tax payable –40% increase to P11.9 million from P8 million

Principally from higher tax expense of certain subsidiaries. This account was pegged at 0.10% and 0.07% of the total liabilities and equity in 2019 and 2018, respectively.

Non-current refundable deposits – 20% decrease to P23 million from P29 million

Mainly from transfer of deposits to current liabilities of the property and related services segment. This represented 0.19% and 0.25% of the total liabilities and equity in 2019 and 2018, respectively.

Non Current Lease Liability – P10 million in 2019 (nil in 2018)

Due to the adoption of PFRS 16 Leases as a lessee effective January 2019, where the Company recognized lease liability. This account represented 0.09% as a percentage of total liabilities and equity in 2019.

Post-employment benefit obligation – 26% increase to P33 million from P26 million

Principally from lower discount rates in the actuarial valuation study for PAS 19 reporting. This account stood at 0.28% and 0.22% of the total liabilities and equity in 2019 and 2018, respectively.

Deferred tax liabilities – 12% increase to P873 million from P783 million

Mainly from additional fair value gains on investment property for the year. This account stood at 7% as a percentage of total liabilities and equity in both years.

Capital stock – no change

This account stood at 17% of total liabilities and equity for both years.

Additional Paid-In-Capital – no change

This account represented 38% and 39% of total liabilities and equity for 2019 and 2018.

Treasury Shares – no change

This account represented 0.95% and 0.97% of total liabilities and equity for 2019 and 2018, respectively.

Revaluation reserves – 56% decrease to P18 million from P42 million

The decrease was due to loss on currency exchange differences on translating financial statements of foreign operations and actuarial losses on post-employment defined benefit plan. It stood at 0.15% and 0.35% of total liabilities and equity in 2019 and 2018.

Retained earnings – 3% increase to P3,701 million from P3,594 million

Increase was a result of net income for the year offset by dividends declared. This account stood at 31% and 30% of total liabilities and equity in 2019 and 2018, respectively.

Income Statement Items (2019 vs. 2018)

(Increase or decrease of 5% or more in the financial statements)

Sale of goods – 54% decrease to P1,260 million from P2,715 million

Principally due to significant reduction in volume of digital mobile segment. Sales was greatly affected by the strong presence of global and local mobile phone brands. Moreover, MySolid pursued another distribution model and licensed MyPhone brand and assigned the distribution of MyPhone mobile phone products to Solid Trading Limited (STL) in December 2019, and subsequently reducing sales thereafter.

As a percentage of total revenues, this account represented 47% and 72% in 2019 and 2018, respectively.

Service revenue – 41% increase to P1,002 from P712 million

Driven by better performance of the technical support and solution segment from stronger logistics and warehouse rental services and participation of integration services for SEA Games 2019. As a percentage of total revenues, this account represented 38% and 19% in 2019 and 2018, respectively.

Rental income – 5% increase to P250 million from P239 million

Mostly from higher occupancy of the property and building services segment. As a percentage of total revenues, this account represented 9% and 6% for years 2019 and 2018, respectively.

Interest income – 82% increase to P143 million from P78 million

Attributable to higher interest rates in the first half of the year and reported higher placements. As a percentage of total revenues, this account represented 5% and 2% in 2019 and 2018, respectively.

Sale of real estate – 29% decrease to P7 million from P10 million

Mainly from smaller condominium units sold during the year. As a percentage of total revenues, this account stood at 0.28% in both years.

Cost of sales - 51% decrease to P1,177 from P2,399 million

Primarily contributed by the above weak volume of sales of the digital mobile segment. As a percentage of total revenues, this account represented 44% and 64% in 2019 and 2018, respectively.

Cost of services – 30% increase to P717 million from P553 million

Mostly related to support the strong service revenue of the technical support and solution segment. This account stood at 27% and 15% in 2019 and 2018 as a percentage of total revenues.

Cost of rentals – 1% increase to P97 million from P96 million

Mainly from higher depreciation of the property and building services segment. This account represented 4% and 3% in 2019 and 2018 as a percentage of total revenues.

Cost of real estate sales – 43% decrease to P3.8 million from P6.6 million

Associated to weaker sales of condominium units of the property and building services segment. As a percentage of total revenues, this account represented 0.14% and 0.18% in 2019 and 2018.

Gross profit – 5% decrease to P667 million from P699 million

Principally from reported weak sales and gross profit margins of the digital mobile segment for 2019. On the positive side, the lower gross profit of digital mobile segment was offset by higher margins of the technical support and solution and property and related services segments. As a percentage of total revenues, this account stood at 25% and 19% in 2019 and 2018.

Selling and distribution costs –44% decrease to P172 million from P310 million

Mainly due to lower commissions, warranty, professional fees and delivery expenses related to lower sales and shift to new distribution model of the digital mobile segment. This account represented 6% and 8% of total revenues for 2019 and 2018.

General and administrative expenses – 15% decrease to P394 million from P461 million

Mostly from lower taxes and licenses, manpower and outside services during the year in connection to lower sales and shift to new distribution model of the digital mobile segment. Moreover, the digital mobile segment incurred loss from unrecoverable advances related to Brown mobile phones in 2018 (minimal amount in 2019). As a percentage of total revenues, this account stood at 15% and 12% in 2019 and 2018, respectively.

Other operating income –net - 2% decrease to P333 million P339 million

There is no material change for this account. As a percentage to total revenues, this account represented 13% in 2019 and 9% in 2018.

Operating profit - 63% increase to P434 million from P266 million

Mostly driven by higher operating profit of the technical support and solution and property and building services segments. This account represented 16% and 7% as a percentage of total revenues for 2019 and 2018, respectively.

Finance income – 9% increase to P96 million from P88 million

Primarily due to higher interest income from cash and cash equivalents and short-term placements and interest income from deposits for acquisition of land and higher increase in cash surrender value of life insurance policy. This account represented 4% and 2% as a percentage of total revenues for 2019 and 2018, respectively.

Finance costs - 182% increase to P30 million from P10 million

Mostly as a result of greater foreign currency losses on dollar denominated financial assets. This account represented 0.14% and 0.29% as a percentage of total revenues in 2019 and 2018.

Other gains - net – 92% increase to P13 million from P6 million

Mainly due to net interest income on retirement benefit asset. This account stood at 0.49% in 2019 and 0.18% in 2018 as a percentage of total revenues.

Profit before tax – 46% increase to P512 million from P350 million

Principally due to higher operating profit for the year of the technical support and solution and property and building services segments. This account stood at 19% in 2019 and 9% in 2018 as a percentage of total revenues.

Tax expense – 198% increase to P286 million from P95 million

Resulting from derecognition of deferred tax assets of the digital mobile segment and provision for income taxes of certain subsidiaries. This account stood at 11% in 2019 and 3% in 2018 as a percentage of total revenues.

Net profit – 11% decrease to P226 million from P254 million

Despite higher profit before tax, net profit declined caused by higher tax expense. This account stood at 8.5% in 2019 and 7% in 2018.

2018***Balance Sheet Items (2018 vs 2017)***

(Increase or decrease of 5% or more in the financial statements)

Cash and cash equivalents – 30% decrease to P2,455 million from P3,490 million

Cash was mainly used for operating activities from increase in inventories of the digital mobile segment and increase in other current assets as certain time deposits more than three months were

classified under other current assets. This account stood at 21% and 30% as a percentage of total assets for 2018 and 2017.

Trade and other receivables – 27 % decrease to P891 million from P1,214 million

Primarily from decrease in advances to suppliers of the digital mobile segment. This account stood at 7% and 10% as a percentage of total assets in 2018 and 2017, respectively.

Advances to related parties – 2% increase to P9.4 million from P9.2 million

There was no material change for this account. This account stood at 0.08% as a percentage of total assets in 2018 and 2017.

Merchandise inventories and supplies – 42 % increase to P764 million from P538 million

Mainly from higher merchandise inventory for digital products of the digital mobile segment. This account represented 6% and 5% as a percentage of total assets for years 2018 and 2017, respectively.

Real estate inventories – 1% decrease to P436 million from P440 million

There was no material change for this account. This account stood at 4% as a percentage of total assets in 2018 and 2017.

Other current assets – 250% increase to P1,057 million from P301 million

Mainly from higher short-term placements with maturity of more than three months but less than one year. This account stood at 9% and 3% as a percentage of total assets in 2018 and 2017, respectively.

Non-current trade and other receivables – 7% increase to P739 million from P692 million

Mainly from increase in 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 –P27 million in 2018

Mainly from the investment in proprietary membership club shares. This account was reclassified from AFS Financial Assets due to adoption of PFRS 9, Financial instruments effective 2018. This account stood at 0.23% as a percentage of total assets for 2018.

Property, plant and equipment – 8% decrease to P1,762 million from P1,909 million

Primarily due to transfer of certain construction in progress to investment property of property & building services segment. This represented 15 % and 16% as a percentage of total assets in 2018 and 2017, respectively.

Investment property – 17% increase to P3,406 million from P2,903 million

Mainly due to fair value gains and transfer of certain construction in progress from property and equipment to investment property of the property & building services segment. This account stood at 28% and 25% as a percentage of total assets in 2018 and 2017, respectively.

Post-employment benefit asset – 20 % increase to P126 million from P105 million

Primarily as a result of lower present value of retirement obligation. This represented 1% and 0.90% of total assets in 2018 and 2017, respectively.

Deferred tax assets – 41% increase to P156 million from P110 million

Principally due to recognition of DTA from NOLCO of digital mobile segment. This account stood at 1.3% and 0.94% of total assets in 2018 and 2017, respectively.

Available-for-sale financial assets – nil in 2018, P20 million in 2017

Arising from its reclassification to Financial assets at FVOCI in 2018 due to adoption of PFRS 9, Financial instruments effective 2018. This represented nil in 2018 and 0.18% as a percentage to total assets in 2017.

Other non-current assets – 432% increase to P124 million from P23 million

Primarily due to deposits on acquisition of land of the property & building services segment. This represented 1% and 0.20% as percentage to total assets in 2018 and 2017 respectively.

Interest-bearing loans – 7% increase to P123 million from P115 million

Primarily due to application of unpaid interest expense to principal loan balances and translation adjustment from devaluation of Philippine peso. This account stood at 1% as a percentage of total liabilities and equity in both years.

Trade and other payables – 11% decrease to P422 million from P475 million

Principally due to lower trade payables of the technical support & solutions segment. This account stood at 4% as a percentage of total liabilities and equity in 2018 and 2017.

Customers' deposits – 7% decrease to P15 million from P16 million

The decrease was due to refund of deposits. This account represented 0.13% in 2018 and 0.14% as a percentage of total liabilities and equity in 2018 and 2017, respectively.

Advances from related parties – 50% decrease to P1.8 million from P3.7 million

The decrease was due to payment of advances during the year. This account stood at 0.02% in 2018 and 0.03% in 2017 as a percentage of total liabilities and equity.

Estimated liability for land and land development cost – nil in 2018, P68 million in 2017

This is due to adoption of PFRS 15 effective 2018 that resulted in the derecognition of liability. This account represented nil in 2018 and 1% as a percentage of total liabilities and equity in 2017.

Income tax payable – 75% decrease to P8 million from P33 million

Principally due to lower tax expense. This account was pegged at 0.07% and 0.28% of the total liabilities and equity in 2018 and 2017, respectively.

Non-current refundable deposits – 8% increase to P29 million from P27 million

Mainly from additional customers' deposits during the year. This represented 0.25% and 0.23% of the total liabilities and equity in 2018 and 2017, respectively.

Post-employment benefit obligation – 29% decrease to P26 million from P37 million

The decrease was mainly due to lower present value of retirement benefit obligation. This account stood at 0.22% and 0.32% of the total liabilities and equity in 2018 and 2017, respectively.

Deferred tax liabilities – 12% increase to P783 million from P697 million

The increase was mainly attributable to additional fair value gain on investment property for the year. This account stood at 7% and 6% as a percentage of total liabilities and equity in 2018 and 2017 respectively.

Capital stock – no change

This account stood at 17% of total liabilities and equity for 2018 and 2017.

Additional Paid-In-Capital – no change

This account represented 39% of total liabilities and equity for 2018 and 2017.

Treasury Shares – no change

This account represented 0.97% and 0.98% of total liabilities and equity for 2018 and 2017, respectively.

Revaluation reserves – 368% increase to P42 million gain from P15 million loss

Mainly from actuarial gains from remeasurement of post-employment benefit plan, and currency exchange differences on translation of financial statements of foreign operation. It stood at 0.35% and 0.13% total liabilities and equity in 2018 and 2017, respectively.

Retained earnings – 6% increase to P3,594 million from P3,398 million

Increase was a result of net income for the year offset by dividends declared. This account stood at 30% and 29% of total liabilities and equity in 2018 and 2017, respectively.

Income Statement Items (2018 vs. 2017)

(Increase or decrease of 5% or more in the financial statements)

Sale of goods – 21% decrease to P2,715 million from P3,450 million

Principally from lower sales volume of digital products of the digital mobile segment. As a percentage of total revenues, this account represents 72% and 70% in 2018 and 2017, respectively.

Service revenue – 40% decrease to P712 million from P1,192 million

Principally due to decline in revenues of the technical support & solutions segment. The record sales performance in 2017 of the technical support and solutions segment was delivered from the integration activities in the three ASEAN events (none in 2018). As a percentage of total revenues, this account represents 19% and 24% in 2018 and 2017, respectively.

Rental income – 3% increase to P239 million from P233 million

The increase was due to higher occupancy of the property & building services segment. As a percentage of total revenues, this account represents 6% and 5% for years 2018 and 2017, respectively.

Interest income – 76% increase to P78 million from P44 million

Mainly from higher interest rates and investible funds of the investment & other segment. As a percentage of total revenues, this account represents 2% in 2018 and 0.91% in 2017.

Sale of real estate – 53% decrease to P10 million from P22 million

The decrease was principally due to lower sale of condominium units. As a percentage of total revenues, this account stood at 0.28% in 2018 and 0.45% in 2017.

Cost of sales - 19% decrease to P2,399 million from P2,970 million

Mainly in relation to decrease in sales of digital mobile segment. As a percentage of total revenues, this account represented 64% and 60% in 2018 and 2017 respectively.

Cost of services – 40% decrease to P553 million from P915 million

Mainly due to lower service revenue. This account stood at 15% in 2018 and 19% in 2017 as a percentage of total revenues.

Cost of rentals – 25% increase to P96 million from P77 million

The increase was mainly in relation to higher rental income. This account represents 3% in 2018 and 2% in 2017 as a percentage of total revenues.

Cost of real estate sales – 53% decrease to P6 million from P14 million

This corresponded to cost of units sold of the property & building services segment. As a percentage of total revenues, this account represents 0.18% in 2018 and 0.29% in 2017.

Gross profit – 28% decrease to P699 million from P965 million

Primarily due to lower revenues and gross profit margins. The Company also decided to address its slow-moving inventories and sold Brown mobile phones of digital mobile segment at a loss in

the fourth quarter of 2018 when it moved the distribution of the units to its traditional dealership channel. As a percentage of total revenues, this account stood at 19% in 2018 and 20% in 2017.

Selling and distribution costs – 6% decrease to P310 million from P330 million

Mainly due lower commissions of the digital mobile segment. This account represents 8% of total revenues for 2018 and 7% in 2017.

General and administrative expenses – 26% increase to P461 million from P367 million

Principally from loss on unrecoverable advances for the Brown mobile phones of the digital mobile segment. As a percentage of total revenues, this account stood at 12% in 2018 and 7% in 2017.

Other operating income –net - 51% increase to P339 million from P224 million

Mainly from fair value gains on investment property. As a percentage to total revenues, this account represents 9% in 2018 and 5% in 2017.

Operating profit - 46% decrease to P266 million from P491 million

Mainly from operating loss of the digital mobile segment as discussed above and lower operating profit of the technical support & solutions segments. This account represents 7% and 10% as a percentage of total revenues for 2018 and 2017, respectively.

Finance income – 35% increase to P88 million from P65 million

It went up principally due to higher foreign currency exchange gains and interest earnings. This account represents 2% and 1% as a percentage of total revenues for 2018 and 2017, respectively.

Finance costs - 16% decrease to P10 million from P12 million

Primarily due to lower foreign currency exchange losses offset by higher interest expense and impairment losses in receivables. This account represents 0.29% as a percentage of total revenues in 2018 from 0.26% in 2017.

Other gains - net – 62% decrease to P6 million from P17 million

Primarily from refund of deposits of electricity of the property & related services segment in 2017 (none in 2018). This account stood at 0.18% in 2018 from 0.36% in 2017 as a percentage of total revenues.

Profit before tax – 38% decrease to P350 million from P561 million in 2017

Mainly due to net loss of digital mobile segment and lower profit of the technical support & solutions segment. This account stood at 9% in 2018 from 11% in 2017 as a percentage of total revenues.

Tax expense – 39% decrease to P95 million from P157 million

Due to lower pre-tax income. This account stood at 3% in 2018 and 2017 as a percentage of total revenues.

2017***Balance Sheet Items (2017 vs 2016)***

(Increase or decrease of 5% or more in the financial statements)

Cash and cash equivalents –54% increase to P3,490 million from P2,259 million

Cash was used was mainly provided from operating activities from decrease in merchandise inventories and supplies and from operating activities due to redemption of financial assets at FVTPL. This account stood at 30% and 20% as a percentage of total assets for 2017 and 2016.

Financial assets at fair value through profit or loss – nil in 2017 from P741 million

Mainly from redemption of unit investments in trust fund. This account was nil in 2017 and 7% as a percentage of total assets for years 2017 and 2016.

Trade and other receivables – 12 % decrease to P1,214 million from P1,380 million

The decrease was mainly from collection of receivables of the digital mobile devices segment. This account stood at 10% and 12% as a percentage of total assets in 2017 and 2016, respectively.

Advances to related parties –1% increase to P9.2 million from P9.1 million

There was no material change for this account. This account stood at 0.08% as a percentage of total assets in 2017 and 2016.

Merchandise inventories and supplies –33 % decrease to P538 million from P802 million

Mainly from lower merchandise inventory for digital products of the digital mobile devices segment. This account represented 5% and 7% as a percentage of total assets for years 2017 and 2016, respectively.

Real estate inventories – 3% decrease to P440 million from P451 million

There was no material change for this account. This account stood at 4% as a percentage of total assets in 2017 and 2016.

Other current assets – 40% increase to P301 million from P215 million

Mainly from higher deferred costs and short-term placements with maturity of more than 80 days but less than one year. This account stood at 3% and 2% as a percentage of total assets in 2017 and 2016, respectively.

Non-current trade and other receivables –4% increase to P692 million from P663 million

Mainly 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.

Non-current available-for-sale financial assets – 16% increase in 2017 to P20 million from P18 million in 2016

The increase was from fair value gains in club shares. This account stood at 0.17% and 0.16% as a percentage of total assets for 2017 and 2016.

Property, plant and equipment – 2% increase to P1,909 million from P1,874 million

Primarily from additions during the year. This represented 16 % and 17% as a percentage of total assets in 2017 and 2016, respectively.

Investment property – 8% increase to P2,903 million from P2,678 million

Mainly due to fair value gains and additions in the property and building services segment. This account stood at 25% and 24% as a percentage of total assets in 2017 and 2016, respectively.

Post-employment benefit asset – amounted to P105 million from P102 million

Primarily as a result of lower present value of obligation. This represented 0.90% and 0.91% of total assets in 2017 and 2016, respectively.

Deferred tax assets – net - 7% decrease to P110 million from P119 million

Principally due to application of MCIT of certain subsidiaries. This account stood at 0.94% and 1.05% of total assets in 2017 and 2016, respectively.

Other non-current assets – 17% increase to P23 million from P20 million

Mainly due to higher other investment and non-current assets. This represented 0.20% and 0.18% as percentage to total assets in 2017 and 2016 respectively.

Interest-bearing loans – 3% increase to P115 million from P112 million

There was no material change for this account. This account stood at 1% as a percentage of total liabilities and equity in both years.

Trade and other payables – 8% increase to P475 million from P438 million

Principally due to higher trade and other payables. This account stood at 4% as a percentage of total liabilities and equity in 2017 and 2016.

Customers' deposits – 55% increase to P16 million from P10 million

The increase was due to additional deposits. This account represented 0.14% in 2017 and .10% as a percentage of total liabilities and equity in 2017 and 2016, respectively.

Advances from related parties – 102% increase to P3.7 million from P1.8 million

The increase was due to additional advances during the year. This account stood at 0.03% in 2017 and 0.02% in 2016 as a percentage of total liabilities and equity.

Estimated liability for land and land development cost – no change

There was no movement during the period. This account represented 0.58% and .60% as a percentage of total liabilities and equity in 2017 and 2016, respectively.

Income tax payable –120% increase to P33 million from P15 million

Mainly due to higher tax income for the year. This account was pegged at 0.28% and 0.13% of the total liabilities and equity in 2017 and 2016, respectively.

Non-current refundable deposits – 27% increase to P27 million from P21 million

Principally from additional customers' deposits during the year. This represented 0.23% and 0.19% of the total liabilities and equity in 2017 and 2016, respectively.

Post-employment benefit obligation – 15% increase to P37 million from P33 million

The increase was mainly due to additional unfunded retirement obligation of certain subsidiaries. This account stood at 0.32% and 0.29% of the total liabilities and equity in 2017 and 2016, respectively.

Deferred tax liabilities –9% increase to P697 million from P636 million

The increase was attributable to fair gain on investment property for the year. This account stood at 6% as a percentage of total liabilities and equity in both years.

Capital stock – no change

This account stood at 17% and 18% of total liabilities and equity for 2017 and 2016, respectively.

Additional Paid-In-Capital – no change

This account represented 39 % and 41% of total liabilities and equity for 2017 and 2016, respectively.

Treasury Shares – no change

This account represented 0.98% and 1% of total liabilities and equity for 2017 and 2016, respectively.

Revaluation reserves – 43% decrease to P15 million loss from P27 million loss

Principally due to other comprehensive income for the period from remeasurement of post-employment benefit plan. It stood at 0.13% and 0.24% total liabilities and equity in 2017 and 2016, respectively.

Retained earnings – 9% increase to P3,398 million from P3,129 million

Increase was a result of net income for the year offset by dividends declared. This account stood at 29% and 28% of total liabilities and equity in 2017 and 2016, respectively.

Income Statement Items (2017 vs. 2016)

(Increase or decrease of 5% or more in the financial statements)

Sale of goods – 36% increase to P3,450 million from P5,393 million

Mainly due to lower volume of sales of the digital products of the digital mobile devices segment. As a percentage of total revenues, this account represents 70% and 85% in 2017 and 2016, respectively.

Service revenue – 62% increase to P1,192 million from P736 million

Principally due to higher revenues of the technical support and solutions segment. As a percentage of total revenues, this account represents 24% and 12% in 2017 and 2016, respectively.

Rental income – 26% increase to P233 million from P184 million

The increase was due to higher occupancy as the property and building services. As a percentage of total revenues, this account represents 5% and 3% for years 2017 and 2016, respectively.

Interest income – 18% increase to P44 million from P38 million

Mainly from higher investible funds. As a percentage of total revenues, this account represents 0.91% in 2017 and 0.60% in 2016.

Sale of real estate – 83% increase to P22 million from P12 million

The increase was principally due to sale of condominium units. As a percentage of total revenues, this account stood at 0.45% in 2017 and 19% in 2016.

Cost of sales - 37% decrease to P2,970 million from P4,706 million

Mainly in relation to decrease in sales. As a percentage of total sales, this account represented 60% and 74% in 2017 and 2016 respectively.

Cost of services - 54% increase to P915 million from P595 million

Mainly in support to higher service revenue. This account stood at 19% in 2017 and 9% in 2016 as a percentage of total revenues.

Cost of rentals – 48% increase to P77 million from P52 million

The increase was mainly due to higher rental income of the property and related services segment. This account represents 2% in 2017 and 1% in 2016 as a percentage of total revenues.

Cost of real estate sales – 72% increase to P14 million from P8 million

The increase was due to the cost of units sold of the property and building services segment. As a percentage of total revenues, this account represents 0.29% in 2017 and .13% in 2016.

Gross profit – 4% decrease to P965 million from P1,003 million

There was no material change for this account. As a percentage of total revenues, this account stood at 20% in 2017 and 16% in 2016.

Selling and distribution costs – 12% decrease to P330 million from P376 million

Mainly due lower warranty charges, commissions and manpower delivery. This account represents 7% of total revenues for 2017 and 6% in 2016.

General and administrative expenses – 3% increase to P367 million from P358 million

There was no material change for this account. As a percentage of total revenues, this account stood at 7% in 2017 and 6% in 2016.

Other operating income –net - 8839% increase to P224 million from P2.6 million

Principally from fair value gains on investment property. As a percentage to total revenues, this account represents 5% in 2017 and 0.04% in 2016.

Operating profit - 84% increase to P491 million from P266 million

Increase was primarily from higher other operating income. This account represented 10% and 4% of total revenues for 2017 and 2016, respectively.

Finance income – 20% decrease to P65 million from P81 million

It went down principally due to lower foreign currency exchange gains. This account represents 1.3% of total revenues for 2017 and 2016.

Finance costs - 27% decrease to P12 million from P17 million

Primarily due to decrease in interest expense from lower bank loans as a result of the sale of its investment in PNCI in 2016 where the Company transferred the bank loans of this subsidiary as part of the sale. This account represents 0.26% of total revenues in 2017 from 0.28% in 2016.

Gain on sale of subsidiary –nil in 2017, P127 million in 2016

This was a consequence of the sale of investment in PNCI in 2016.

Other gains - net – 142% increase to P17 million from P7 million

Primarily from refund of deposits of electricity of the property and related services segment. This account stood at 0.35% in 2017 from 0.12% in 2016 as a percentage of total revenues.

Profit before tax – 21% increase to P561 million from P465 million in 2016

Mainly due to higher operating profit of the property and related services and technical support and solutions segments. This account stood at 11% in 2017 from 7% in 2016 as a percentage of total revenues.

Tax expense – 26% increase to P157 million from P124 million

Due to higher pre-tax income. This account stood at 3% in 2017 from 2% in 2016 as a percentage of total revenues.

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

There are 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 this 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, 2019 and 2018 amounted to P6.49 million and P6.35 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 2019 and 2018.

(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, 2019 and 2018 amounted to P240 thousand for both years. The professional fees for services relative to the assistance in the preparation transfer pricing documentation in accordance with the arm's length principle of the Company and Solid Manila Corporation, a wholly owned subsidiary of the Company amounted to P990 thousand.

(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 2019 and 2018.

(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 27, 2019, the Company reappointed Punongbayan and Araullo (P&A) as its external auditors for the year 2019.

There was no change in our existing accountant for the years 2019 and 2018.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

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	90	Filipino
Chairman of the Board	Jason S. Lim	63	Filipino
Director, President and Chief Executive Officer	Susan L. Tan	65	Filipino
Senior Vice President	David S. Lim	64	Filipino
Director, Sr. VP and Chief Financial Officer and Chief Risk Officer	Vincent S. Lim	61	Filipino
Independent Director	Quintin Chua	60	Australian
Independent Director	Maria G. Goolsby	80	Filipino

Director	Joseph Lim	93	Filipino
Director and VP for Business Development	Beda T. Manalac	59	Filipino
Director	Jonathan Joseph C.C. Lim	34	Filipino
Director	Kevin Michael L. Tan	37	Filipino
VP and Treasurer	Lita Joaquin	59	Filipino
Corporate Secretary	Roberto V. San Jose	77	Filipino
Assistant Corporate Secretary	Ana Maria Katigbak-Lim	51	Filipino
SVP and Chief Accounting Officer	Mellina T. Corpuz	53	Filipino
Chief Information Officer	Josephine T. Santiago	52	Filipino
Chief Audit Executive	Ericson B. Salvador	48	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 is a Director since 1996. Ms. Lim is married to Joseph Lim.

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 May 1998. He is Chairman of MySolid Technologies and Devices Corporation, Solid Manila Corporation, SolidGroup Technologies Corporation, Zen Towers Corporation, Interstar Holdings Company., Inc., Laguna International Industrial Park, Inc., 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 a 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 Senior Vice President since June 2016. He was President and Chief Executive Officer in May 2001 to 2016. He is also Director since 1996. 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, Interstar Holdings Company, Inc., Laguna International Industrial Park, Inc., Skyworld Corporation and Starworld Corporation. Mr. Lim is the son of Joseph and Elena Lim.

Mr. Vincent S. Lim is Sr. Vice President and Chief Financial Officer in September 2010 and was Sr. Vice President for Finance and Investments since June 2006 up to September 2010. He was Sr. VP and Chief Financial Officer from May 2002 up to June 2006. He is a director since 1996 and was VP/ Chief Financial Officer from 1996 up to May 2002. 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, Interstar Holdings Company, Inc., Laguna International Industrial Park, Inc., 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. Quintin Chua is the Independent Director since March 25, 2003. He is the Chairman and Managing Director of QC Investments Pty. Ltd, Chairman and President of Nature's Harvest Corp. and Director of Hexagon Financing Corp.

Ms. Maria G. Goolsby is the Independent Director since June 25, 2015. She served as Executive Director for Corporate Philanthropy and Social Responsibility of Union Bank of the Philippines during the last five (5) years and since year 2003. She used to hold the position of Senior Vice President of Union Bank of the Philippines, Philippine Banking Corporation and Boston Bank of the Philippines.

Mr. Joseph Lim 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 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 Chairman Ms. Susan L. Tan and Directors Mr. David S. Lim, Mr. Jason S. Lim and Mr. Vincent S. Lim. Mr. Lim assumed position as Director in June 2010.

Mr. Beda T. Mañalac is Director and Vice President for Business Development since September 30, 2010. He is President of Solid Manila Corporation effective January 2012. 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 a director in June 2017. He is the Data Protection Officer of the Company in August 2017. He is President of Solid Group Technologies Corporation (SGTC) since January 2015. Prior to that he was Vice President for Business Development 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.

Kevin Michael L. Tan is a director in June 2019. 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 since August 2007 up to May 2010 where he also served as Management Trainee from January 2005 to July 2007.

Ms. Lita Joaquin is the Treasurer since May 2002. She was also director from June 2006 up 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.

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; a director of Interport Resources Corporation, Anglo-Philippine Holdings Corporation, and Vulcan Industrial and Mining Corporation; and Corporate Secretary of Alsons Consolidated Resources Inc., FMF Development

Corporation, Premiere Horizon Alliance Corporation, and Marcventures Holdings, 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.

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 Vulcan Industrial and Mining Corporation and Mabuhay Holdings Corporation, Corporate Secretary of IPM Holdings Inc., and Assistant Corporate Secretary of Energy Development Corporation, IRC Properties, Inc., Mabuhay Holdings, Inc., Marcventures Holdings, Inc., Paxys Inc., and Premiere Horizon Alliance Corporation. She is a member of the Integrated Bar of the Philippines.

Mellina T. Corpuz is the Chief Accounting Officer effective June 2006. Prior to that, she was the Senior Accounting Manager since 2002 and was the Accounting Manager since 1996.

Josephine Santiago is the 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 the 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.

(2) Significant Employee

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

(3) Family Relationship

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. Ms. Lita Joaquin, treasurer of the Company, is the niece of Mr. Joseph Lim.

(4) 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. In another collection case filed by another bank against AA Export and Import Corporation, Ms. Elena S. Lim, Mr. Joseph Lim, Ms. Susan L. Tan, Mr. David S. Lim, Mr. Jason Lim and Mr. Vincent S. Lim are impleaded as co-defendants. The second case was dismissed by the court on February 24, 2014. Except by above, none of the directors and officers was involved in the past five years up to June 2020 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.

Item 10. Executive Compensation

B. Executive Compensation

Executive and Directors Compensation

(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

(a) <u>Name and Principal Position</u>	(b) <u>Year</u>	<u>Annual Compensation</u>		
		(c) <u>Salary (P)</u>	(d) <u>Bonus (P)</u>	(e) <u>Other Annual Compensation Income (P)</u>
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, Senior Vice President			
Vincent S. Lim	Director, Senior VP and Chief Financial Officer			
Lita Joaquin	VP and Treasurer			
	2020 (Est.)	20,000,000	4,000,000	1,700,000
	2019	17,820,000	3,156,456	1,614,061
	2018	17,310,000	3,044,187	1,545,070
All officers and directors as a group unnamed				
	2020 (Est.)	13,000,000	2,500,000	1,900,000
	2019	11,376,000	1,781,855	1,741,384
	2018	9,235,000	1,484,662	1,628,726

(3) Compensation of Directors

Please see executive and directors' compensation.

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

Not applicable. There are no employment contracts between the registrant and executive officers/directors nor any compensatory plan or arrangement, including payments to be received from the registrant, if such plan or arrangement 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.

(5) Warrants and Options Outstanding: Repricing

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

C. Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

Owners of more than 5% of the Company's voting securities as of December 31, 2019 were 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 ₁ (r)	32.03
Common	AV Value Holdings Corporation 1000 J. Bocobo St., Ermita, Manila Affiliate	David S. Lim Director of AV Value Holding Corp.	Filipino	499,999,999 (r) ²	27.45
Common	PCD Nominee Corporation (F) ² G/F MSE Bldg., 6767 Ayala Ave., Makati Stockholder	Various stockholders None	Filipino	354,833,524 ₃ (r)	19.48
Common	Lim, David S 2285 Pasong Tamo Ext, Makati	Not applicable	Filipino	179,488,591 (r and b)	9.85

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 December 31, 2019.

(1) Title of Class	(2) Name of Beneficial Owner	(3) Amount and Nature of Beneficial Ownership	(4) Citizenship	(5) % to Total Outstanding
Common	Lim, Elena S.	1,894 (direct)	Filipino	-
Common	Tan, Susan L.	78,645 (direct)	Filipino	-
Common	Jonathan Joseph C. C. Lim	9,018,000 (direct)	Filipino	0.50
Common	Lim, Vincent S.	71,887,187 (direct) 583,377,817 (indirect) ¹ 5,996,000 (indirect) ³	Filipino	3.95 32.03 0.33
Common	Lim, Jason S.	65,176,160 (direct)	Filipino	3.58
Common	Tan, Kevin Michael L.	10,000 (direct)	Filipino	-
Common	Chua, Quintin	5,000 (direct)	Australian	-
Common	Maria G. Goolsby	10,000 (direct)	Filipino	-
Common	Lim, Joseph	2 (direct)	Filipino	-
Common	Beda T. Manalac	1,001 (direct)	Filipino	-
Common	Lim, David S.	179,488,591 (direct) 5,000,000 (indirect) ³ 499,999,999 (indirect) ²	Filipino	9.85 0.27 27.45
Common	San Jose, Roberto V.	242,000 (direct)	Filipino	0.01
Common	Katigbak, Ana Maria	-	Filipino	-
Common	Joaquin, Lita	7,030,000 (direct)	Filipino	0.39
Common	Corpuz, Mellina T.	-	Filipino	-
Common	Santiago, Josephine T.	7,000 (direct)	Filipino	-

The aggregate amount of ownership of all directors and officers as a group unnamed is 1,427,329,296 shares or 78.36% of the total issued and 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.

Item 12. Certain Relationships and Related Transactions**D. Certain Relationships and Related Transactions**

Solid Video Corporation (SVC) earns commission from sales of Solid Trading Limited (STL), a company owned by SGI's majority stockholders, to customers in the Philippines.

In 2019, My Solid earns royalty income from STL based on the amount of sales recognized by STL from its use of My Solid's trademarks and licenses.

My Solid Technologies Device Corp. (MySolid) purchases mobile phones, tablets and accessories from STL. My Solid also made advance payments to STL for its future purchase of mobile phones.

In 2019, SVC purchased electronic devices from Avid Sales Corporation, a related party under common ownership.

MySolid and SVC sells mobile phones, tablets and accessories, tapes and equipment to Avid.

Solid Manila Finance Inc. grants interest-bearing business and other loans to its related parties. .

Solid Manila Corporation leases out certain land and buildings to Avid Sales Corporation. Also, Zen Tower Corporation leases out its office space to TCL Sun Inc.

SMC bills service charges to its related parties for common usage and service area and consumption of utilities.

Omni Solid Services Inc. provides leasing warehouse and distribution services to Avid.

Revenue from sale of goods and services are recorded as part of revenues and the related outstanding receivables are recorded as part of Trade and Other Receivables. Income from leases is reported as Rentals. Purchases are recorded as part of cost of sales and the related outstanding payables are part of the Trade and Other payables.

Advances to and from Related Parties

Certain subsidiaries of the Company grants to and obtains unsecured, non-interest bearing cash advances to and from related parties companies owned by Group's ultimate majority stockholders for working capital requirements and other purposes.

Other than the foregoing, there were no transactions 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.

2.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.

3. 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.

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

PART IV - CORPORATE GOVERNANCE

Item 13. Corporate Governance

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 Remuneration 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 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.

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.

In 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 Remuneration 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 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.

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 and Related Party Transaction Committee.

The company has reelected Mr. Quintin Chua and Ms. Maria G. Goolsby as Independent Directors during the Annual Stockholders' meeting on June 27, 2019.

The Company reappointed Punongbayan and Araullo, CPA's as its independent accountant for the year 2019 during the Annual Stockholders' meeting on June 27, 2019.

In 2018, the Company designated a new engagement partner for the audit of the financial statements of the Company beginning the year ending December 31, 2018 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 2-day special seminar on Corporate Governance conducted by Institute of Corporate Directors and a 1-day SEC Revised Code of Corporate Governance conducted by Center for Global Best Practices. On August 8, 2019, the Company's Directors and Officers attended a 1/2-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.

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. The 2018 I-ACGR was submitted on May 21, 2019. For the 2019 I-ACGR, this will be submitted on or before July 30, 2020.

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.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits - See accompanying Index to Exhibit.

The following exhibit is filed as a separate section of this report:

(b) Reports on SEC Form 17-C

The following were reported under SEC Form 17-C during the last six-month period.

On August 8, 2019, the Company advised that the Board of Directors approved the declaration of a cash dividend in the amount of P0.06 per share, to stockholders of record as of August 30, 2019 and payable on September 24, 2019. The Board also approved the Material Related Party Transaction Policy of the Company.

On November 5, 2019, the Company advised that the Board of Directors approved the following:

1. Declaration of stock dividend by Solid Manila Corporation (SMC), a wholly-owned subsidiary, of 3,000,000 shares with par value of P100 per share, to be taken out of the unrestricted retained earnings of SMC as of December 31, 2018. The shares will be issued from the increase in authorized capital stock of SMC.
2. Subscription to 2,400,000 shares with par value of P100 per share of the capital stock of Zen Towers Corporation (ZTC), a wholly owned subsidiary. Out of the said subscription, P140,000,000 will be paid in cash. The said shares will be issued from the increase in authorized capital stock of ZTC.
3. Subscription to 1,175,000 shares with par value of P100 per share of capital stock of MyApp Corporation (MyApp), a wholly owned subsidiary. Out of the said subscription, P29,375,000 will be paid in cash. The said shares will be issued from the increase in authorized capital stock of MyApp.
4. Incorporation of a new company in partnership with Guangzhou Fekon Motorcycle Co., Ltd from Guangzhou City, China. It will have an initial investment of P130,000,000 with SGI owning 44%. It will engage in production, retail and financing of motorcycles.
5. Approval of the Related Party Transaction Committee Charter and Amended (a) Related Party Transaction Policy, (b) Corporate Governance & Nominations Committee Charter, (c) Risk Management Committee Charter, (d) Internal Audit Charter, (e) Enterprise Risk Management Policy, (f) Audit Committee Charter, (g) Insider Trading Policy, (h) Policy and Data Relating to Health, Safety and Welfare of Employees, (i) Remuneration Committee Charter, (j) Conflict of Interest Policy.

On March 16, 2020, the Company advised that the corona virus disease (COVID19) which the World Health Organization (WHO) had declared a pandemic will have negative effects on the business operations of the Company. It foresees significant drop in consumer demand as the Philippine government restrict movement and closure on non-essential establishments. This will affect mobile phone sales of digital mobile segment and hotel and events revenues of the real estate segment. Subcontract manufacturing of the technical support and solutions segment will also be affected by delayed shipments as a result of temporary shutdown of factories in China. At

present, it is hard to predict when our economy will bounce back due to uncertainty of when this pandemic will end.

Some measures being adopted by the Company in managing the risk caused by COVID19 to contain and mitigate further losses is to take strong countermeasures as follows:

- 1) Protect the employees - The COVID-19 crisis has been emotionally challenging for many people, changing day-to-day life in unprecedented ways. For the company, business as usual is not an option. We will draw and execute plans like work from home, flexible work hours, use of virtual tools, shorten work period and skeletal workforce ensuring that all important functions are accomplished.
- 2) Adopt a procedure to handle the day to day operation – This covers a) employees’ health, welfare, and ability to perform their roles; b) financial stress-testing and development of a contingency plan; c) supply-chain monitoring, rapid response, and long-term resiliency; and d) coordination and communication with relevant and concerned employees, companies and stakeholders.
- 3) Take measures to ensure the liquidity of the Company to withstand the crisis. For the critical variables that will affect revenue and cost, identify triggers that might significantly impair liquidity.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati, Metro Manila, Philippines on JUN 23 2020, 2020.

By:

Board of Directors/ Executive Officers

Joseph Lim
Director

Elena S. Lim
Chairman Emeritus

Susan L. Tan
Director, President & Chief Executive Officer

David S. Lim
Senior Vice President

Jason S. Lim
Director, Chairman

Roberto V. San Jose
Corporate Secretary

Vincent S. Lim
Director, SVP & Chief Financial Officer and
Chief Risk Officer

Ana Maria A. Katigbak-Lim
Assistant Corporate Secretary

Beda T Manalac
Director, VP for Business Development

Mellina T. Corpuz
SVP & Chief Accounting Officer

Kevin Michael L. Tan
Director

Lita L. Joaquin
VP & Treasurer

Jonathan Joseph C.C. Lim
Director

Josephine T. Santiago
Chief Information Officer

Quintin W. Chua
Independent Director

Ericson B. Salvador
Chief Audit Executive

Maria G. Goolsby
Independent Director

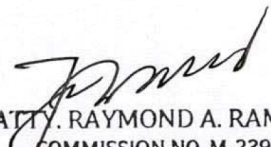
SUBSCRIBED AND SWORN to before me this JUN 23 2020, affiants exhibiting to me their passports/identification cards, as follows:

<u>Names</u>	<u>Passport No.</u>	<u>Date/Place Issued</u>
Joseph Lim		
Susan L. Tan		
Jason S. Lim		
Vincent S. Lim		
Kevin Michael L. Tan		
Jonathan Joseph C.C. Lim		
Quintin W. Chua		
Maria G. Goolsby		
Elena S. Lim		
David S. Lim		
Roberto V. San Jose		
Ana Maria Katigbak-Lim		
Lita L. Joaquin		
Josephine T. Santiago		

<u>Names</u>	<u>TIN</u>	<u>Date/Place Issued</u>
Mellina T. Corpuz		
Ericson B. Salvador		

<u>Name</u>	<u>Driver's License No.</u>	<u>Expiration Date</u>
Beda T. Manalac		

Doc. No. 154 ;
Page No. 32 ;
Book No. 171 ;
Series of 2020


ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-239
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2020
NO. 15 J.P. RIZAL EXTN. COR. TANGUILE ST.
COMEMBO, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 100581/01-02-2020/Pasig City
PTR NO MKT 8116095/01-02-2020/Makati City
MCLJ Compliance No. VI-0007079/4-06-2018

SOLID GROUP, INC.
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FORM 17-A, Item 7

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SOLID GROUP INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR 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, 2019 and 2018, 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 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 to do so.

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

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

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

JASON S. LIM
Chairman of the Board
Passport No. _____
Date/Place Issued: _____


SUSAN L. TAN
President & Chief Executive Officer
Passport No. _____
Date Place Issued: _____

VINCENT S. LIM
SVP & Chief Financial Officer
Passport No. _____
Date/Place Issued: _____

Signed this **JUN 23 2020** day of _____ 2020.

SUBSCRIBED AND SWORN to before me this **JUN 23 2020** day of _____, affiants exhibiting to me their passport with details shown above.

Doc No. 155 ;
Page No. 22 ;
Book No. 121 ;
Series of 2020


ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-239
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2020
NO. 15 J.P. RIZAL EXTN. COR. TANGUILE ST.
COMEMBO, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 100581/01-02-2020/Pasig City
PTR NO MKT 8116095/01-02-2020/Makati City
MCLC Compliance No. 01-0007878/1-06-2018

Report of Independent Auditors

The Board of Directors and Stockholders
Solid Group Inc. and Subsidiaries
2285 Don Chino Roces Avenue
Makati City

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, 2019 and 2018, 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, 2019, and the notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRS).

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.

Emphasis of a Matter

We draw attention to Note 32 to the consolidated financial statements, which describes the likely negative impact of the business disruption as a result of the coronavirus outbreak to the Group's financial condition and performance after the end of the reporting period. Our opinion is not modified with respect to 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, 2019, the Group's investment properties amounted to P3,740.1 million representing 30.9% of the total consolidated assets. In determining the fair value of investment properties, management engaged the services of professional and independent appraiser, with sufficient experience with respect to both the location and the nature of the investment properties, which uses 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 processes of determining the fair value involves significant estimates and assumptions and utilizes the work of a valuation expert.

The Group's disclosures about investment properties and the related fair value disclosures are included in Notes 12 and 30, respectively.

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, reputation, experience and objectivity;
- evaluating the results of the work of independent appraiser by determining the appropriateness of the methods applied and reliability of data used in computing for the fair value of investment properties; and,
- assessing the appropriateness and reasonableness of assumptions used such as the selection of comparable properties and determination of price adjustments due to size and features, among others.

(b) Revenue Recognition for Sale of Goods

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, 2019, revenue from sale of goods amounted to P1,260.3 million representing 47.3% of the total consolidated revenues of the Group. Since the revenue from sale of goods 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 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 for sale of goods included:

- 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;
- reviewing contracts of customers, on a test basis, whether compliant with the five-step revenue recognition model of PFRS 15, *Revenue from Contracts with Customers*;
- confirming sample receivable items using positive confirmations to ascertain the existence and validity of recognized revenues and the related trade receivables;
- performing alternative audit procedures for non-responding customers, such as, examining evidence of subsequent receipts, and corresponding delivery orders and commercial invoices;
- testing, on a sample basis, sales invoices and billing statement for sales transaction throughout the current period to determine whether sales of goods is 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; 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 Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, 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, 2019 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, 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 2019 audit resulting in this independent auditors' report is Nelson J. Dinio.

PUNONGBAYAN & ARAULLO



By: Nelson J. Dinio
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 8116543, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 97048-SEC (until Dec. 31, 2023)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-032-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

May 26, 2020

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2019	2018
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	5	P 3,491,034,266	P 2,455,464,411
Trade and other receivables - net	6	611,560,303	891,990,648
Advances to related parties	25	9,047,868	9,445,656
Merchandise inventories and supplies - net	8	159,092,598	764,706,452
Real estate inventories - net	9	436,969,424	436,377,201
Other current assets	13	<u>974,550,347</u>	<u>1,057,074,401</u>
Total Current Assets		<u>5,682,254,806</u>	<u>5,615,058,769</u>
NON-CURRENT ASSETS			
Trade and other receivables - net	6	751,149,201	739,407,669
Financial assets at fair value through other comprehensive income	7	26,100,000	27,100,000
Property and equipment - net	11	1,694,291,476	1,762,625,470
Investment properties	12	3,740,122,663	3,406,441,906
Right-of-use assets - net	10	14,762,222	-
Post-employment benefit asset - net	21	121,642,389	126,389,451
Deferred tax assets - net	22	66,451,507	156,709,132
Other non-current assets	13	<u>23,442,559</u>	<u>124,715,885</u>
Total Non-current Assets		<u>6,437,962,017</u>	<u>6,343,389,513</u>
TOTAL ASSETS		<u>P 12,120,216,823</u>	<u>P 11,958,448,282</u>

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Interest-bearing loans	14	P 67,956,468	P 123,790,100
Trade and other payables	15	438,742,850	422,162,690
Customers' deposits	2	12,731,649	15,574,861
Lease liabilities	10	4,880,092	-
Advances from related parties	25	1,881,570	1,881,570
Income tax payable		<u>11,861,258</u>	<u>8,455,832</u>
Total Current Liabilities		<u>538,053,887</u>	<u>571,865,053</u>
NON-CURRENT LIABILITIES			
Refundable deposits	16	23,491,992	29,298,575
Lease liabilities	10	10,483,385	-
Post-employment benefit obligation	21	33,594,421	26,716,443
Deferred tax liabilities - net	22	<u>873,713,301</u>	<u>783,280,873</u>
Total Non-current Liabilities		<u>941,283,099</u>	<u>839,295,891</u>
Total Liabilities		<u>1,479,336,986</u>	<u>1,411,160,944</u>
EQUITY			
Attributable to the Parent Company's stockholders			
Capital stock	23	2,030,975,000	2,030,975,000
Additional paid-in capital	2	4,641,701,922	4,641,701,922
Treasury shares - at cost	23	(115,614,380)	(115,614,380)
Revaluation reserves - net	23	18,545,180	42,225,155
Retained earnings	23	<u>3,701,620,122</u>	<u>3,594,573,885</u>
Total equity attributable to the Parent Company's stockholders		10,277,227,844	10,193,861,582
Non-controlling interests	2	<u>363,651,993</u>	<u>353,425,756</u>
Total Equity		<u>10,640,879,837</u>	<u>10,547,287,338</u>
TOTAL LIABILITIES AND EQUITY		<u>P 12,120,216,823</u>	<u>P 11,958,448,282</u>

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2019	2018	2017
REVENUES				
Sale of goods	2	P 1,260,257,164	P 2,715,142,584	P 3,450,152,476
Rendering of services	25, 26, 27	1,002,844,613	712,196,383	1,192,371,205
Rentals	12, 25, 27	250,909,722	239,165,721	233,294,441
Interest	5, 13, 25	143,812,108	78,961,388	44,795,183
Sale of real estate	2	7,434,374	10,441,071	22,123,780
		<u>2,665,257,981</u>	<u>3,755,907,147</u>	<u>4,942,737,085</u>
COSTS OF SALES, SERVICES, RENTALS AND REAL ESTATE SALES				
Cost of sales	17	1,177,968,051	2,399,848,715	2,970,049,060
Cost of services	17	717,825,559	553,139,496	915,753,933
Cost of rentals	12, 17	97,799,308	96,678,793	77,115,991
Cost of real estate sales	17	3,796,170	6,620,959	14,148,749
		<u>1,997,389,088</u>	<u>3,056,287,963</u>	<u>3,977,067,733</u>
		<u>667,868,893</u>	<u>699,619,184</u>	<u>965,669,352</u>
GROSS PROFIT				
OTHER OPERATING EXPENSES (INCOME)				
Selling and distribution costs	18	172,967,211	310,659,576	330,955,769
General and administrative expenses	18	394,045,196	461,948,530	367,737,348
Other operating income - net	19	(333,405,776)	(339,125,056)	(224,197,075)
		<u>233,606,631</u>	<u>433,483,050</u>	<u>474,496,042</u>
		<u>434,262,262</u>	<u>266,136,134</u>	<u>491,173,310</u>
OPERATING PROFIT				
OTHER INCOME (CHARGES)				
Finance income	20	95,908,274	88,352,339	65,460,006
Finance costs	20	(30,424,436)	(10,795,034)	(12,898,591)
Other gains - net	20	13,034,255	6,791,076	17,726,255
		<u>78,518,093</u>	<u>84,348,381</u>	<u>70,287,670</u>
		<u>512,780,355</u>	<u>350,484,515</u>	<u>561,460,980</u>
PROFIT BEFORE TAX				
TAX EXPENSE	22	<u>286,215,361</u>	<u>95,979,889</u>	<u>157,848,957</u>
		<u>P 226,564,994</u>	<u>P 254,504,626</u>	<u>P 403,612,023</u>
NET PROFIT				
Net profit attributable to the:				
Parent Company's stockholders	24	P 216,338,757	P 247,055,719	P 397,050,247
Non-controlling interests		<u>10,226,237</u>	<u>7,448,907</u>	<u>6,561,776</u>
		<u>P 226,564,994</u>	<u>P 254,504,626</u>	<u>P 403,612,023</u>
Earnings per share attributable to the				
Parent Company's stockholders	24	<u>P 0.12</u>	<u>P 0.14</u>	<u>P 0.22</u>

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2019	2018	2017
NET PROFIT		P 226,564,994	P 254,504,626	P 403,612,023
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will be reclassified subsequently to profit or loss:				
Currency exchange differences on translating financial statements of foreign operations	2	(17,022,948)	22,583,761	319,859
Fair value gains on available-for-sale financial assets - net		-	-	2,920,815
Deferred tax expense on changes in fair value of available-for-sale financial assets	22	-	-	(210,000)
		(17,022,948)	22,583,761	3,030,674
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of post-employment defined benefit plan	21, 23	(8,008,561)	42,312,769	11,330,762
Fair value gains (losses) on financial assets at fair value through other comprehensive income	7, 23	(1,000,000)	6,500,000	-
Tax income (expense)	22, 23	2,351,534	(13,657,306)	(2,596,877)
		(6,657,027)	35,155,463	8,733,885
Other comprehensive income (loss) – net of tax		(23,679,975)	57,739,224	11,764,559
TOTAL COMPREHENSIVE INCOME		P 202,885,019	P 312,243,850	P 415,376,582
Total comprehensive income attributable to:				
Parent Company’s stockholders		P 192,658,782	P 304,794,943	P 408,814,806
Non-controlling interests		10,226,237	7,448,907	6,561,776
		P 202,885,019	P 312,243,850	P 415,376,582

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

Notes	Attributable to the Parent Company's Stockholders						Non-controlling Interests	Total Equity
	Capital Stock	Additional Paid-in Capital	Treasury Shares - at Cost	Revaluation Reserves	Retained Earnings	Total		
Balance at January 1, 2019	P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 42,225,155	P 3,594,573,885	P 10,193,861,582	P 353,425,756	P 10,547,287,338
Dividends declared	-	-	-	-	(109,292,520)	(109,292,520)	-	(109,292,520)
Total comprehensive income for the year	-	-	-	(23,679,975)	216,338,757	192,658,782	10,226,237	202,885,019
Balance at December 31, 2019	P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 18,545,180	P 3,701,620,122	P 10,277,227,844	P 363,651,993	P 10,640,879,837
Balance at January 1, 2018	P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	(P 15,778,108)	P 3,398,699,549	P 9,939,983,983	P 345,976,849	P 10,285,960,832
As previously reported	-	-	-	-	68,304,647	68,304,647	-	68,304,647
Effect of adoption of PFRS 15	-	-	-	169,919	(9,831,510)	(9,661,591)	-	(9,661,591)
Effect of adoption of PFRS 9	2,030,975,000	4,641,701,922	(115,614,380)	(15,608,189)	3,457,172,686	9,998,627,039	345,976,849	10,344,603,888
As restated	-	-	-	-	(109,292,520)	(109,292,520)	-	(109,292,520)
Dividends declared	-	-	-	94,120	(362,000)	(267,880)	-	(267,880)
Derecognition of financial asset at fair value through other comprehensive income	-	-	-	57,739,224	247,055,719	304,794,943	7,448,907	312,243,850
Total comprehensive income for the year	-	-	-	57,739,224	247,055,719	304,794,943	7,448,907	312,243,850
Balance at December 31, 2018	P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 42,225,155	P 3,594,573,885	P 10,193,861,582	P 353,425,756	P 10,547,287,338
Balance at January 1, 2017	P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	(P 27,542,667)	P 3,129,157,242	P 9,658,677,117	P 339,415,073	P 9,998,092,190
Dividends declared	-	-	-	-	(127,507,940)	(127,507,940)	-	(127,507,940)
Total comprehensive income for the year	-	-	-	11,764,559	397,050,247	408,814,806	6,561,776	415,376,582
Balance at December 31, 2017	P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	(P 15,778,108)	P 3,398,699,549	P 9,939,983,983	P 345,976,849	P 10,285,960,832

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 512,780,355	P 350,484,515	P 561,460,980
Adjustments for:				
Fair value gains on investment property - net	12, 19	(277,777,788)	(276,865,052)	(135,678,910)
Interest income	5, 13, 20, 25	(209,724,387)	(122,988,757)	(70,327,634)
Depreciation and amortization	10, 11, 13	105,965,285	77,494,526	85,528,588
Unrealized foreign currency exchange losses (gains) - net		14,298,162	(37,799,414)	(406,317)
Interest expense	10, 14, 21	10,478,314	4,690,998	2,834,528
Loss on derecognition of property and equipment	11	9,860,674	-	-
Gain on derecognition of liabilities	20	(2,913,521)	(325,989)	(1,293,384)
Interest amortization on refundable deposits	20	717,325	689,536	1,555,880
Gain on sale of property and equipment	11	(482,899)	(1,211,597)	(1,533,248)
Loss (gain) on discounting of refundable deposits	16	(225,755)	203,516	(486,937)
Gain on sale of investment property	12	-	-	(37,510,547)
Impairment loss on property and equipment	11	-	-	14,346,250
Gain on redemption of financial assets at fair value through profit or loss (FVTPL)		-	-	(5,918,418)
Dividend income	20	-	-	(219,272)
Operating profit (loss) before working capital changes		162,975,765	(5,627,718)	412,351,559
Decrease in trade and other receivables - net		237,641,773	278,842,371	137,379,997
Decrease (increase) in advances to related parties		397,788	(222,585)	(117,077)
Decrease (increase) in merchandise inventories and supplies - net		605,613,854	(226,085,965)	264,341,044
Decrease (increase) in real estate inventories - net		(592,223)	4,076,909	11,431,888
Decrease (increase) in other current assets		89,256,484	(742,194,362)	(5,195,533)
Decrease in post-employment benefit asset		24,283,722	21,687,412	5,943,527
Decrease (increase) in other non-current assets		98,323,992	(100,792,713)	(3,350,875)
Increase (decrease) in trade and other payables		15,622,601	(46,705,648)	38,469,673
Increase (decrease) in customers' deposits		(2,843,212)	(1,181,129)	5,937,743
Increase (decrease) in advances from related parties		-	(1,911,535)	1,911,556
Increase (decrease) in refundable deposits		(7,049,403)	1,307,400	4,660,839
Increase (decrease) in post-employment benefit obligation		(13,218,762)	(11,149,230)	4,860,368
Cash generated from (used in) operations		1,210,412,379	(829,956,793)	878,624,709
Interest received		143,812,108	77,617,600	45,361,516
Cash paid for income taxes		(109,986,210)	(95,198,360)	(151,770,477)
Net Cash From (Used in) Operating Activities		1,244,238,277	(847,537,553)	772,215,748
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of investment property	12	(55,367,255)	(58,866,599)	(102,145,718)
Interest received	20	52,229,599	42,422,471	23,400,466
Acquisitions of property and equipment	11	(43,655,417)	(122,533,891)	(173,211,098)
Proceeds from disposal of property and equipment	11	5,301,779	22,242,328	3,720,816
Proceeds from disposal of investment property	12	-	3,774,000	85,686,880
Proceeds from redemption of financial assets at FVTPL		-	-	875,150,494
Acquisitions of financial assets at FVTPL		-	-	(127,500,000)
Net Cash From (Used in) Investing Activities		(41,491,294)	(112,961,691)	585,101,840
<i>Balance carried forward</i>		P 1,202,746,983	(P 960,499,244)	P 1,357,317,588

	Notes	2019	2018	2017
<i>Balance brought forward</i>		P 1,202,746,983	(P 960,499,244)	P 1,357,317,588
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	23	(109,292,520)	(109,292,520)	(127,507,940)
Repayment of interest-bearing loans	14	(55,781,712)	-	-
Payment of lease liabilities	10	(5,640,553)	-	-
Interest paid	10, 14	(1,029,542)	(4,690,998)	(2,834,528)
Proceeds from availment of interest-bearing loans	14	-	1,547,660	2,849,802
Dividends received		-	-	219,272
Net Cash Used in Financing Activities		(171,744,327)	(112,435,858)	(127,273,394)
Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents				
		4,567,199	37,799,414	661,356
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		1,035,569,855	(1,035,135,688)	1,230,705,550
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
		2,455,464,411	3,490,600,099	2,259,894,549
CASH AND CASH EQUIVALENTS AT END OF YEAR				
		P 3,491,034,266	P 2,455,464,411	P 3,490,600,099

Supplemental Information on Non-cash Investing Activities:

1. On January 1, 2019, the Group upon the adoption of Philippine Financial Reporting Standards 16, *Leases*, recognized right-of-use assets and lease liabilities amounting to P15.3 million. In 2019, the additional right-of-use assets and lease liabilities amounting to P5.7 million were recognized (see Notes 2 and 10).
2. In 2018, the Group transferred certain property and equipment with carrying amount of P170.6 million to investment properties (see Notes 11 and 12). There was no similar transaction in 2019.
3. In 2018, the Group disposed of certain financial assets measured at fair value through other comprehensive income equivalent to its carrying amount of P0.3 million. There was no similar transaction in 2019 and 2017.

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

1. CORPORATE 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”):

Subsidiaries	Percentage of Ownership			Notes	Nature of Business
	2019	2018	2017		
Brilliant Reach Limited (BRL)	100	100	100	a	Investment company
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
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	d	Repair services for audio and video products
Solid Group Technologies Corporation (SGTC)	100	100	100		Trading of pre-fabricated 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
MyApp Corporation (MyApp)	100	100	100	c	Investment holding company
Casa Bocobo Hotel, Inc. (CBHI)	100	100	100	b	Hotel and restaurant operation
Skyworld Corporation (Skyworld)	75	75	75	b, c	Investment holding company
Interstar Holdings Company, Inc. (Interstar)	73	73	73	b	Investment holding company
Starworld Corporation (Starworld)	50	50	50	b, e	Real estate
Laguna International Industrial Park, Inc. (LIIP)	50	50	50	b, f	Real estate

Notes:

- (a) Incorporated and domiciled in the British Virgin Islands
- (b) Indirectly owned through SMC
- (c) Pre-operating or non-operating
- (d) Formerly Solid Electronics Corporation; changed its corporate name effective September 28, 2018
- (e) Starworld is 20% owned by SMC and 40% owned by Skyworld
- (f) LIIP is 22.5% owned by SMC and 37.5% owned by Interstar

SBC holds a provisional authority, granted by the National Telecommunications Commission, to use its legislative franchise under Republic Act (RA) 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).

SMFI is subject to the rules and regulations provided under RA No. 8556, *The Financing Group Act of 1998* (see Note 31).

1.2 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. The selected financial information (before inter-company eliminations) of Starworld and LIIP, which are considered the material NCI are shown below and in the succeeding page.

	<u>Starworld</u>		<u>LIIP</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current assets	P 809,602,947	P 791,931,585	P 847,081	P 939,355
Non-current assets	<u>1,182,267</u>	<u>1,917,498</u>	-	-
Total assets	<u>P 810,785,214</u>	<u>P 793,849,083</u>	<u>P 847,081</u>	<u>P 939,355</u>
Current liabilities	P 69,176,426	P 70,085,740	P 8,203,549	P 8,176,509
Non-current liabilities	<u>1,834,280</u>	<u>4,462,128</u>	-	-
Total liabilities	<u>P 71,010,706</u>	<u>P 74,547,868</u>	<u>P 8,203,549</u>	<u>P 8,176,509</u>
Equity attributable to owners of the parent	<u>P 369,887,254</u>	<u>P 359,650,608</u>	<u>(P 3,678,234)</u>	<u>(P 3,618,577)</u>
NCI	<u>P 369,887,254</u>	<u>P 359,650,608</u>	<u>(P 3,678,234)</u>	<u>(P 3,618,577)</u>
Revenue	<u>P 40,895,405</u>	<u>P 24,012,284</u>	<u>P -</u>	<u>P -</u>
Profit (loss) for the year attributable to owners of the parent	P 10,343,001	P 7,569,386	(P 59,657)	(P 62,877)
Profit (loss) for the year attributable to NCI	<u>10,343,001</u>	<u>7,569,386</u>	<u>(59,657)</u>	<u>(62,877)</u>
Profit (loss) for the year	<u>20,686,002</u>	<u>15,138,772</u>	<u>(119,314)</u>	<u>(125,754)</u>
Other comprehensive loss for the year (all attributable to owners of the parent)	<u>(212,709)</u>	<u>(92,153)</u>	<u>-</u>	<u>-</u>
Total comprehensive income (loss) for the year attributable to owners of the parent	10,130,292	7,477,233	(59,657)	(62,877)
Total comprehensive income (loss) for the year attributable to NCI	<u>10,343,001</u>	<u>7,569,386</u>	<u>(59,657)</u>	<u>(62,877)</u>
Total comprehensive income (loss) for the year	<u>P 20,473,293</u>	<u>P 15,046,619</u>	<u>(P 119,314)</u>	<u>(P 125,754)</u>

	Starworld		LIIP	
	2019	2018	2019	2018
Net cash used in operating activities	(P 16,658,283)	(P 9,243,398)	(P 108,833)	(P 269,585)
Net cash from financing activities	40,133,815	22,067,913	-	-
	23,475,532	12,824,515	(108,833)	(269,585)
Effect of exchange rate on cash and cash equivalent	(4,466,575)	3,097,377	-	-
Net cash inflow (outflow)	P 19,008,957	P 15,921,892	(P 108,833)	(P 269,585)

The principal place of business of Starworld is located at CPIP Brgys. Batino & Prinza, Calamba, Laguna. On the other hand, the principal place of business of LIIP is located at 2285 Don Chino Roces Avenue, Makati City.

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.

1.3 Status of Operation

On September 8, 2017, the Board of Directors (BOD) of SEC approved the resolution changing its corporate name to SEC. Consequently on September 28, 2018, the Commission approved this resolution.

My Solid manufactures and sells mobile phones, gadgets and accessories to distributors. In December 2019, in a bid to optimize operations and to improve financial results, My Solid opted to change to a distributorship setup by transferring a major portion of its inventories to Solid Trading Limited (STL), a related party under common ownership, and giving STL access rights to My Solid's trade name, trademarks and licenses. In exchange, My Solid reserves the right to recognize and receive revenues equivalent to a certain percentage of STL's sales.

1.4 Other Corporate Information

The registered offices 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 offices and principal places of business of the other subsidiaries are as follows:

BRL	- 2 nd 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
SMC and CBHI	- 1000 J. Bocobo corner T.M. Kalaw St., Ermita, Manila
ZTC	- 1111 Natividad A. Lopez St., Brgy. 659-A, District 5, Ermita, Manila

1.5 Approval for Issuance of Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2019 (including the comparative consolidated financial statements as of December 31, 2018 and for the years ended December 31, 2018 and 2017) were authorized for issue by the Parent Company's BOD on May 26, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are 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). PFRS are adopted by the Financial Reporting Standards Council (FRSC) 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 for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) *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 consolidated statement of comprehensive income separate from the consolidated statement of income.

The Group presents a consolidated third 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 consolidated third statement of financial position are not required to be disclosed.

In 2019, the Group adopted PFRS 16, *Leases*, which was applied using a transitional relief allowed by the standard. This allows the Group not to restate its prior period's consolidated financial statements. Accordingly, the adoption of this new accounting standard did not require the Group to present its third statement of financial position.

The Group's adoption of PFRS 16 is further discussed in Note 2.2(a)(iv).

(c) *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 New and Amended PFRS

(a) Effective in 2019 that are Relevant to the Group

The Group adopted for the first time the following PFRS, amendments, interpretation and annual improvements to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2019:

PAS 19 (Amendments)	:	Employee Benefits – Plan Amendment, Curtailment or Settlement
PAS 28 (Amendments)	:	Investment in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures
PFRS 9 (Amendments)	:	Financial Instruments – Prepayment Features with Negative Compensation
PFRS 16	:	Leases
International Financial Reporting Interpretations Committee (IFRIC) 23	:	Uncertainty over Income Tax Treatments
Annual Improvements to PFRS (2015-2017 Cycle)	:	
PAS 12 (Amendments)	:	Income Taxes – Tax Consequences of Dividends
PAS 23 (Amendments)	:	Borrowing Costs – Eligibility for Capitalization
PFRS 3 and PFRS 11 (Amendments)	:	Business Combinations and Joint Arrangements – Remeasurements of Previously Held Interests in a Joint Operation

Discussed below and in the succeeding pages are the relevant information about these pronouncements.

- (i) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement*. The amendments clarify that past service cost and gain or loss on settlement is calculated by measuring the net defined benefit liability or asset using updated actuarial assumptions and comparing the benefits offered and plan assets before and after the plan amendment, curtailment or settlement but ignoring the effect of the asset ceiling that may arise when the defined benefit plan is in a surplus position. Further, the amendments now require that if an entity remeasures its net defined benefit liability or asset after a plan amendment, curtailment or settlement, it should also use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the change to the plan. The application of these amendments had no significant impact on the Group's consolidated financial statements.

- (ii) PAS 28 (Amendments), *Investment in Associates and Joint Ventures – Long-term Interest in Associates and Joint Ventures*. The amendments clarify that the scope exclusion in PFRS 9 applies only to ownership interests accounted for using the equity method. Thus, the amendments further clarify that long-term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9, which shall also include long-term interests that, in substance, form part of the Group’s net investment in an associate or joint venture. The application of these amendments had no significant impact on the Group’s consolidated financial statements.
- (iii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation*. The amendments clarify that prepayment features with negative compensation attached to financial assets may still qualify under the “solely payments of principal and interests” (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at fair value through other comprehensive income (FVOCI). The application of these amendments has no significant impact on the Group’s consolidated financial statements.
- (iv) PFRS 16, *Leases*. This standard replaced PAS 17, *Leases*, and its related Interpretations: IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, Standard Interpretations Committee (SIC) 15, *Operating Leases – Incentives*, and SIC 27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. For lessees, it requires an entity to account for leases “on-balance sheet” by recognizing a “right-of-use” asset and lease liability arising from contract that is, or contains, a lease.

For lessors, the definitions of the type of lease (i.e., finance and operating leases) and the supporting indicators of a finance lease are substantially the same with the provisions under PAS 17. In addition, basic accounting mechanics are also similar but with some different or more explicit guidance related to variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

The Group has adopted PFRS 16 using the modified retrospective approach as allowed under the transitional provisions of the standard. The adoption of the standard has resulted in adjustments to the amounts recognized in the consolidated financial statements as at January 1, 2019. However, the adoption did not result in any adjustment to the opening balance of Retained Earnings for the current period. Accordingly, comparative information were not restated.

The new accounting policies of the Group as a lessee are disclosed in Note 2.17(a), while the accounting policies of the Group as a lessor, as described in Note 2.17(b), were not significantly affected.

Discussed below and in the succeeding page are the relevant information arising from the Group's adoption of PFRS 16 and how the related accounts are measured and presented on the Group's consolidated financial statements as at January 1, 2019.

- a. For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from PAS 17 and IFRIC 4 and has not applied PFRS 16 to arrangements that were previously not identified as leases under PAS 17 and IFRIC 4.
- b. The Group recognized lease liabilities in relation to leases which had previously been classified as operating leases under PAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of January 1, 2019. The Group's weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 6.38%.
- c. The Group has elected not to include initial direct costs in the measurement of right-of-use assets at the date of initial application. The Group also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid lease payments and estimated cost to restore the leased asset that existed as at January 1, 2019.
- d. For leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognize right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.
- e. The Group has also used the following practical expedients, apart from those already mentioned above, as permitted by the standard:
 - i. application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
 - ii. reliance on its historical assessments on whether leases are onerous as an alternative to performing an impairment review on right-of-use assets. As at January 1, 2019, the Group has no onerous contracts; and,
 - iii. use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

In addition, relative to the adoption of PFRS 16, the Group also applied the approved Philippine Interpretations Committee (PIC) Questions and Answer (Q&A) 2019-12, *Determining the Lease Term* under PFRS 16. This Q&A aims to provide guidance in determining the lease term under the new leases standard. Such exercise may require significant judgment especially when the lease agreement contains an option to either extend or terminate the lease.

The following table shows the effects of the adoption of PFRS 16 in the carrying amounts and presentation of certain accounts in the consolidated statement of financial position as at January 1, 2019.

	Notes		Carrying Amount (PAS 17) December 31, 2018	Remeasurement		Carrying Amount (PFRS 16) January 1, 2019
Assets – Right-of-use assets	c	P	-	P	15,325,724	P 15,325,724
Liabilities – Lease liabilities	b, c		-	(<u>15,325,724</u>)	(15,325,724)
Impact on net assets				<u>P</u>	<u>-</u>	

A reconciliation of the opening lease liabilities recognized at January 1, 2019 and the total operating lease commitments determined under PAS 17 at December 31, 2018 is shown on the below.

	Notes		
Operating lease commitments, December 31, 2018 (PAS 17)	27.2	P	18,242,719
Recognition exemptions on leases with remaining term of less than 12 months	2.2(a)(iv)(d)	(2,526,163)
Reasonably certain extension options	2.2(a)(iv)(e)		<u>1,512,931</u>
Operating lease liabilities before discounting			17,229,487
Discount using incremental borrowing rate	2.2(a)(iv)(b)	(<u>1,903,763</u>)
Operating lease liabilities, January 1, 2019 (PFRS 16)		<u>P</u>	<u>15,325,724</u>

The adoption of PFRS 16 and relevant concepts of PIC Q&A have resulted in changes in the Group's accounting policies (see Note 2.17).

- (v) IFRIC 23, *Uncertainty over Income Tax Treatments*. This interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. The application of this interpretation had no significant impact on the Group's consolidated financial statements.

(vi) Annual Improvements to PFRS 2015-2017 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2019, are relevant to the Group but are expected to have no material impact on the Group's consolidated financial statements as these amendments merely clarify existing requirements:

- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that an entity should recognize the income tax consequence of dividend payments in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits.
- PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization*. The amendments clarify that if any specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, such borrowing is treated as part of the Group's general borrowings when calculating the capitalization rate.
- PFRS 3 (Amendments), *Business Combinations*, and PFRS 11 (Amendments), *Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation*. The amendments clarify that previously held interest in a joint operation shall be remeasured when the Group obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Group obtains joint control of the business.

(b) *Effective Subsequent to 2019 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2019, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

- (i) PAS 1 (Amendments), *Presentation of Financial Statements*, and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective from January 1, 2020). The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other standards that contain definition of material or refer to the term 'material' to ensure consistency.

- (ii) Revised Conceptual Framework for Financial Reporting (effective from January 1, 2020). The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised framework.

- (iii) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

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. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

The Parent Company accounts for its investments in subsidiaries and NCI as presented as follows:

(a) *Investments in Subsidiaries*

Subsidiaries are entities (including structured entities) over which the Parent Company has control. The Parent Company controls an entity when it has power over the investee, it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Parent Company 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 three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any NCI in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Parent Company, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any NCI in the acquiree, either at fair value or at the NCI's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any 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. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.14).

(b) *Transactions with NCI*

The Group's transactions with NCI that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to NCI result in gains and losses for the Group that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.4 Segment Reporting

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 performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 4, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All intersegment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements, except that post-employment benefit expenses are not included in arriving at the operating profit of the operating segments.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to any segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.5 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

Regular purchases and sales of financial assets are recognized on their trade date (i.e., the date that the Group commits to purchase or sell the asset).

(a) Classification and Measurement of Financial Assets

The classification and measurement of financial assets is driven by the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification, measurement and reclassification of financial assets are described in the succeeding pages.

(i) *Financial Assets at Amortized Cost*

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI and interest on the principal amount outstanding.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, *Revenue from Contracts with Customers*, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less allowance for expected credit loss (ECL).

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Trade and Other Receivables, Advances to Related Parties, Refundable deposits and Short-term placements (presented as part of Other Current Assets) and Cash bond (presented as part of Other Non-current Asset account).

Financial assets measured at amortized cost are included in current assets, except for those with maturities greater than 12 months after the end of reporting period, which are classified as non-current assets.

For purposes of cash flow reporting and presentation, cash and cash equivalents include cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(ii) *Financial Assets at Fair Value Through Other Comprehensive Income*

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and,
- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

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.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves account is not reclassified to profit or loss but is reclassified directly to Retained Earnings account, except for those debt securities classified as FVOCI wherein cumulative fair value gains or losses are recycled to profit or loss.

Any dividends earned on holding equity instruments are recognized in profit or loss, when the Group's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and, the amount of the dividend can be measured reliably, unless the dividends clearly represent recovery of a part of the cost of the investment.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

Interest income on financial assets measured at amortized cost and debt financial assets measured at FVOCI is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

If applicable, interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets, except for those that are subsequently identified as credit-impaired and or are purchased or originated credit-impaired assets.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, the calculation of interest income reverts to gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis even if the credit risk of the asset subsequently improves. Interest income earned is recognized as part of Finance Income account under Other Income (Charges) account in the consolidated statement of income.

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Group is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

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.

(b) *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 outcome.

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 [see Note 28.2(b) and (c)].

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 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.

The key elements used in the calculation of ECL as follows:

- (i) *Probability of default (PD)* – It is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.
- (ii) *Loss given default (LGD)* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Group would expect to receive, including the realization of any collateral or effect of any credit enhancement.
- (iii) *Exposure at default (EAD)* – It represents the gross carrying amount of the financial instruments in the event of default which pertains to its amortized cost.

If applicable, an impairment loss is recognized in profit or loss for all financial instruments subjected to impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt instruments measured at FVOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in Revaluation Reserves account, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

(c) *Derecognition of Financial Assets*

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.6 Merchandise Inventories and Supplies

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the moving average method. Merchandise inventories, service parts, supplies, and others include all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

Net realizable value of merchandise inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Net realizable value of spare parts, supplies and others is the current replacement cost.

2.7 Real Estate Inventories

Real estate inventories consist of the following:

(a) *Land and Land Development Costs*

Land and land development costs include the acquisition cost of raw land intended for future development and sale, as well as other costs and expenses incurred to effect the transfer of title of the property.

(b) *Property Development Costs*

Property development costs include the cost of land used as a building site for a condominium project and the accumulated costs incurred in developing and constructing the property for sale.

Subsequent to initial recognition, land and land development costs and property development costs are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. 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.

2.8 Other Assets

Other current assets, which are non-financial assets, pertain to other resources controlled by the Group as a result of past events. They are recognized at cost in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably. These are subsequently charged to profit or loss as utilized or reclassified to another asset account, if capitalizable.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period (or in the normal operating cycle of the business, if longer), are classified as non-current assets.

Advances to suppliers that will be applied as payment for future purchase of merchandise inventories and supplies are classified and presented under the Other 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 Other Non-Current Assets account. The classification and presentation is based on the eventual usage or realization of the asset to which it was advanced for.

2.9 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.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

Construction in progress pertains to the accumulated costs of putting up the assets, additions or improvements including the applicable borrowing cost (see Note 2.21).

Cost is recognized when materials purchased and services performed in relation to construction of the asset have been delivered or rendered. When the asset has become available for use, the accumulated cost is transferred to the appropriate asset account, and depreciation is recognized based on the estimated useful life of such asset.

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.

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.19).

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

An item of property and equipment, including the related accumulated depreciation, amortization and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.10 Intangible Assets

Intangible assets presented under Other Non-current Assets account in the consolidated statement of financial position, include nonproprietary club shares and computer software licenses, which are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition. These are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably. The Group's nonproprietary club shares are assessed as having indefinite useful life and is tested annually for any impairment. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.19).

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred.

Costs that are directly attributable to the development phase of new customized software for information technology and telecommunications systems are recognized as intangible assets if, and only if, the Group can demonstrate all of the following recognition requirements:

- (i) technical feasibility of completing the prospective product for internal use or sale;
- (ii) the intangible asset will generate probable economic benefits through internal use or sale;
- (iii) intention and ability to complete, i.e., availability of sufficient technical, financial and other resources necessary for completion, and use or sell the asset; and,
- (iv) ability to measure reliably the expenditure attributable to the intangible asset during development.

Development costs not meeting these criteria for capitalization are expensed as incurred. Directly attributable costs include employee costs incurred on software development along with an appropriate portion of relevant overheads and borrowing costs.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.11 Investment Property

Investment property represents property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

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 (see Note 12).

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.

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

Any gain or loss resulting from either a change in the fair value or the sale or retirement of an investment property is immediately recognized in profit or loss as Fair value gains or losses on investment property as part of Other Operating Expenses (Income) account in the consolidated statement of income.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal.

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.

2.12 Financial Liabilities

Financial liabilities, which 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, are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges are recognized as an expense in profit or loss under the caption Finance Costs in the consolidated statement of income.

Interest-bearing loans are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade and other payables, advances from related parties and refundable deposits are initially recognized at their fair values and subsequently measured at amortized cost, using the effective interest method for maturities beyond one year, less settlement payments.

Lease liabilities are recognized as disclosed in Note 2.17(a)(i).

Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the Parent Company's BOD.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.13 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when the Group currently has legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on a future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy, and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.14 Business Combinations

Business acquisitions are accounted for using the acquisition method of accounting.

The acquisition method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they are recorded in the consolidated financial statements prior to acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for the subsequent measurement in accordance with the Group's accounting policies.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition, except for lease liabilities which are measured based on the present value of the remaining lease payments as if the acquired lease were a new lease at acquisition date and right-of-use assets which are measured at an amount equal to the recognized lease liability, adjusted to reflect favorable or unfavorable lease terms compared with market terms. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.19).

Negative goodwill, which is the excess of the Group's interest in the net fair value of the net identifiable assets acquired over acquisition cost, is charged directly to profit or loss.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

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.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.15 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. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.16 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 goods sold and services rendered, excluding value-added tax (VAT) and trade discounts.

To determine whether to recognize revenue, the Group follows a five-step process:

- (1) identifying the contract with a customer;
- (2) identifying the performance obligation;
- (3) determining the transaction price;
- (4) allocating the transaction price to the performance obligations; and,
- (5) recognizing revenue when/as performance obligations are satisfied.

The Group determines whether a contract with customer exists by evaluating whether the following gating criteria are present:

- (i) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
- (ii) each party's rights regarding the goods or services to be transferred or performed can be identified;
- (iii) the payment terms for the goods or services to be transferred or performed can be identified;
- (iv) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
- (v) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- (i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (ii) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- (iii) the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

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 from rendering of 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 is recognized at a point in time. This is generally when the customer has taken 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 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.

As an accounting policy for real estate properties to be constructed, revenue is recognized based on the percentage-of-completion method determined through the input method as the construction services are provided. The stage of completion is measured on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation (i.e., resources consumed, labor hours expended, other costs incurred, etc.) relative to the total expected inputs to the satisfaction of such performance obligation.

Contract assets pertain to rights to consideration in exchange for goods or services that the Group has transferred to a customer that is conditioned on something other than passage of time. Under its contracts with customers, the Group will receive an unconditional right to payment for the total consideration upon the completion of the development of the property sold. Any rights to consideration recognized by the Group as it develops the property are presented as Contract Assets in the consolidated statement of financial position. Contract assets are subsequently tested for impairment in the same manner as the Group assesses impairment of its financial assets.

Any consideration received by the Group in excess of the amount for which the Group is entitled is presented as Contract Liabilities in the consolidated statement of financial position. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

- (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.

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, *Provisions, Contingent Liabilities and Contingent Assets*. 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, which are included as part of the cost of the related qualifying asset (see Note 2.21).

2.17 Leases

The Group accounts for its leases as follows:

- (a) *Group as Lessee*

- (i) *Accounting for Leases in Accordance with PFRS 16 (2019)*

For any new contracts entered into on or after January 1, 2019, the Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, 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. The Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.19).

On the other hand, the Group measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

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.

On the statement of financial position, right-of-use assets and lease liabilities have been presented separately from property, plant and equipment and other liabilities, respectively.

(ii) Accounting for Leases in Accordance with PAS 17 (2018)

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

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

(b) Group as 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.

2.18 Foreign Currency Transactions and Translation

(a) Transactions and Balances

The accounting records of the Group, except BRL, are maintained in Philippine pesos. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates. The accounting records of BRL are maintained in United States dollar (USD).

Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income as part of Finance Income or Finance Costs.

(b) Translation of Financial Statements of Foreign Subsidiary

The operating results and financial position of BRL are translated to Philippine pesos, the Group's functional and presentation currency, as presented below.

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- (ii) Income and expenses for each statement of income account are translated at the monthly average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing at the dates of the transactions); and,
- (iii) All resulting exchange differences are recognized as a separate component of other comprehensive income under currency exchange differences on translating financial statements of foreign operations, which is included under items that will be reclassified subsequently to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in BRL are recognized in other comprehensive income and taken to equity under Revaluation Reserves. When a foreign operation is partially disposed of or sold, such exchange differences are reclassified in the consolidated statement of income as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The translation of the consolidated financial statements into Philippine pesos should not be construed as a representation that the USD amounts could be converted into Philippine pesos amounts at the translation rates or at any other rates of exchange.

2.19 Impairment of Non-financial Assets

The Group's property and equipment, 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.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

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's or cash generating unit's recoverable amount exceeds its carrying amount.

2.20 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan, as well as defined contribution plans, and other employee benefits which are recognized as follows.

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. 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 a trustee-bank.

The asset recognized in the consolidated statement of financial position for post-employment defined benefit plans is the fair value of plan assets less the present value of the defined benefit obligation (DBO) at the end of the reporting period. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL), that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions to the plan or benefit payments. Net interest is reported as part of Other Gains under the Other Income (Charges) account in the consolidated statement of income.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

(b) *Post-employment Defined Contribution Plans*

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 obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

(c) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) *Profit-sharing and Bonus Plans*

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(e) *Compensated Absences*

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 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.

2.21 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

For income tax purposes, interest and other borrowing costs are charged to expense when incurred.

2.22 Income Taxes

Tax expense recognized in the consolidated statement of income comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the consolidated statement of income.

Deferred tax is accounted for using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted, that is, when the investment property is depreciable and is held within the business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.23 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's funded retirement plan.

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 ten percent (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 12-month period that breaches the materiality threshold of P1.0 billion or ten percent (10%) of the Group's consolidated total assets, whichever is lower, based on the latest consolidated audited financial statements, the same board approval would be required for the transactions that meet and exceeds the materiality threshold covering the same related party.

2.24 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital (APIC) includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from APIC, net of any related tax benefits.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of.

Revaluation reserves comprise the remeasurements of post-employment defined benefit plan, cumulative translation adjustments on financial statements of foreign subsidiaries and unrealized fair value gains (losses) arising from the revaluation of certain financial assets at FVOCI.

Retained earnings, the appropriated portion of which is not available for distribution, represent all current and prior period results of operations as reported in the consolidated statement of income, reduced by the amounts of dividends declared, if any.

NCI represent the portion of net assets and profit or loss not attributable to the Parent Company's stockholders which are presented separately in the Group's consolidated statement of income and consolidated statement of comprehensive income and within equity in the Group's consolidated statement of financial position and consolidated statement of changes in equity.

2.25 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.

2.26 Events After the End of the Reporting Period

Any post year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements (see Note 32).

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 below and in the succeeding pages, 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 (2019)*

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 have 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 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 2.16).

(c) *Determination of ECL on Trade and Other Receivables and Advances to Related Parties*

The Group uses a provision matrix to calculate ECL for trade 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, 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 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, PFRS 9 notes that 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.

Details about the ECL on the Group's trade and other receivables and advances to related parties are disclosed in Notes 6, 28.2(b) and 28.2(c).

(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) 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.

(f) 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 management's judgment, all of the Group's lease agreements were determined to be operating leases.

(g) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provision and contingencies are discussed in Note 2.15 and the 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 (2019)*

The Group measures its lease liabilities at 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 models 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, 28.2(b) and 28.2(c).

(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. 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 right-of-use assets, property and equipment and intangible 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, respectively. Based on management's assessment as at December 31, 2019 and 2018, 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 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 asset to be utilized.

The carrying value of recognized deferred tax assets, which management assessed may be fully utilized in the coming years, as at December 31, 2019 and 2018 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 2.19). 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 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

The Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group's different business segments are presented below.

- (a)* Digital mobile is involved in the sale of mobile phones and devices;
- (b)* Property and building services is involved in the leasing, development and sale of industrial and other real estate properties, sale of prefabricated modular houses and hotel and restaurant operations;
- (c)* Technical support and solutions is presently engaged in the business of sale of professional audio and video equipment, after sales services, warehousing and distribution; and,
- (d)* Investment and others include investment holding companies, and those included in the business of financing and credit extension.

Segment accounting policies are the same as the policies described in Note 2.4.

4.2 Segment Assets and Liabilities

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.

4.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments, such sales and purchases are eliminated in the consolidation.

4.4 Analysis of Segment Information

The following tables present certain asset and liability information regarding business segments as at December 31, 2019, 2018 and 2017 and the related revenue and profit information for each of the three years in the period ended December 31, 2019 (amounts in thousands):

	<u>Digital Mobile</u>	<u>Property and Building Services</u>	<u>Technical Support and Solutions</u>	<u>Investments and Others</u>	<u>Total</u>
2019					
SEGMENT RESULTS					
Sales to external customers	P 1,091,710	P 413,297	P 972,688	P 252,563	P 2,730,258
Intersegment sales	<u>340</u>	<u>95,408</u>	<u>30,365</u>	<u>20,850</u>	<u>146,963</u>
Total revenues	1,092,050	508,705	1,003,053	273,413	2,877,221
Cost of sales, services, and rentals	1,012,073	265,305	715,513	87,967	2,080,858
Other operating expenses (income)	<u>256,109</u>	<u>(177,255)</u>	<u>163,491</u>	<u>94,692</u>	<u>337,037</u>
Operating profit (loss)	(176,132)	420,655	124,049	90,754	459,326
Finance income	16,001	28,449	6,300	45,158	95,908
Finance costs	(8,017)	(14,940)	(5,823)	(11,505)	(40,285)
Other gains (losses) – net	<u>(1,076)</u>	<u>3,982</u>	<u>7,944</u>	<u>2,185</u>	<u>13,035</u>
Profit (loss) before tax	(169,224)	438,146	132,470	126,592	527,984
Tax expense	<u>101,202</u>	<u>125,087</u>	<u>40,414</u>	<u>19,512</u>	<u>286,215</u>
Net profit (loss)	(P 270,426)	P 313,059	P 92,056	P 107,080	P 241,769
SEGMENT ASSETS AND LIABILITIES					
Total assets	P 846,760	P 7,002,053	P 1,084,544	P 8,545,419	P 17,478,776
Total liabilities	P 808,976	P 2,269,188	P 287,104	P 407,533	P 3,772,801
OTHER SEGMENT INFORMATION					
Capital expenditures	P 187	P 84,840	P 32,407	P 2,593	P 120,027
Depreciation and amortization	948	45,817	55,934	853	103,552

	Digital Mobile	Property and Building Services	Technical Support and Solutions	Investments and Others	Total
<u>2018</u>					
SEGMENT RESULTS					
Sales to external customers	P 2,431,821	P 378,790	P 807,573	P 508,423	P 4,126,607
Intersegment sales	<u>721</u>	<u>70,933</u>	<u>38,718</u>	<u>21,238</u>	<u>131,610</u>
Total revenues	2,432,542	449,723	846,291	529,661	4,258,217
Cost of sales, services, and rentals	2,184,674	245,119	620,687	79,179	3,129,659
Other operating expenses (income)	<u>486,861</u>	<u>(163,197)</u>	<u>143,421</u>	<u>52,022</u>	<u>519,107</u>
Operating profit (loss)	(238,993)	367,801	82,183	398,460	609,451
Finance income	27,571	33,033	13,568	17,483	91,655
Finance costs	(1,723)	(3,579)	(3,671)	(4,785)	(13,758)
Other gains – net	<u>7,281</u>	<u>4,692</u>	<u>1,168</u>	<u>367</u>	<u>13,508</u>
Profit (loss) before tax	(205,864)	401,947	93,248	411,525	700,856
Tax expense (income)	<u>(43,952)</u>	<u>99,330</u>	<u>27,366</u>	<u>13,235</u>	<u>95,979</u>
Net profit (loss)	<u>(P 161,912)</u>	<u>P 302,617</u>	<u>P 65,882</u>	<u>P 398,290</u>	<u>P 604,877</u>
SEGMENT ASSETS AND LIABILITIES					
Total assets	<u>P 1,785,364</u>	<u>P 6,286,477</u>	<u>P 883,926</u>	<u>P 8,569,677</u>	<u>P 17,525,444</u>
Total liabilities	<u>P 1,477,122</u>	<u>P 2,039,172</u>	<u>P 174,019</u>	<u>P 407,494</u>	<u>P 4,097,807</u>
OTHER SEGMENT INFORMATION					
Capital expenditures	P 6,900	P 130,024	P 47,065	P 2,208	P 186,197
Depreciation and amortization	1,830	42,616	27,119	691	72,256
Impairment loss	-	930	4,166	96	5,192
<u>2017</u>					
SEGMENT RESULTS					
Sales to external customers	P 3,293,235	P 365,366	P 1,184,028	P 140,107	P 4,982,736
Intersegment sales	<u>74,963</u>	<u>99,148</u>	<u>50,699</u>	<u>24,180</u>	<u>248,990</u>
Total revenues	3,368,198	464,514	1,234,727	164,287	5,231,726
Cost of sales, services, and rentals	2,915,495	267,052	862,935	70,098	4,115,580
Other operating expenses (income)	<u>416,465</u>	<u>(127,127)</u>	<u>162,384</u>	<u>30,018</u>	<u>481,740</u>
Operating profit	36,238	324,589	209,408	64,171	634,406
Finance income	4,788	27,055	3,864	4,132	39,839
Finance costs	(2,613)	(21,745)	(1,473)	(3,031)	(28,862)
Other gains (losses) – net	<u>(563)</u>	<u>8,824</u>	<u>7,262</u>	<u>998</u>	<u>16,521</u>
Profit before tax	37,850	338,723	219,061	66,270	661,904
Tax expense	<u>10,876</u>	<u>120,393</u>	<u>66,488</u>	<u>4,333</u>	<u>202,090</u>
Net profit	<u>P 26,974</u>	<u>P 218,330</u>	<u>P 152,573</u>	<u>P 61,937</u>	<u>P 459,814</u>
SEGMENT ASSETS AND LIABILITIES					
Total assets	<u>P 1,952,268</u>	<u>P 5,857,231</u>	<u>P 1,078,028</u>	<u>P 8,675,375</u>	<u>P 17,562,902</u>
Total liabilities	<u>P 1,491,370</u>	<u>P 2,267,149</u>	<u>P 345,015</u>	<u>P 449,979</u>	<u>P 4,553,513</u>

	Digital Mobile	Property and Building Services	Technical Support and Solutions	Investments and Others	Total
OTHER SEGMENT INFORMATION					
Capital expenditures	P 73	P 225,963	P 46,545	P 214	P 272,795
Depreciation and amortization	1,060	39,912	30,782	502	72,256
Impairment loss	-	19,341	28	177	19,546

4.5 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	Intercompany Accounts	Consolidated Balances
2019			
Revenues	P 2,877,221	(P 211,963)	P 2,665,258
Net profit for the year	241,769	(15,204)	226,565
Total assets	17,478,776	(5,358,513)	12,120,263
Total liabilities	3,772,801	(2,293,418)	1,479,383
Other segment information:			
Capital expenditures	120,027	-	120,027
Depreciation and amortization	103,551	2,414	105,965
2018			
Revenues	P 4,258,217	(P 502,310)	P 3,755,907
Net profit for the year	604,877	(350,372)	254,505
Total assets	17,525,444	(5,566,996)	11,958,448
Total liabilities	4,097,807	(2,686,646)	1,411,161
Other segment information:			
Capital expenditures	186,197	(4,797)	181,400
Depreciation and amortization	72,256	5,070	77,326
Impairment losses*	5,192	-	5,192
2017			
Revenues	P 5,231,726	(P 288,989)	P 4,942,737
Net profit for the year	459,814	(56,202)	403,612
Total assets	17,562,902	(5,800,972)	11,761,930
Total liabilities	4,553,513	(3,077,543)	1,475,970
Other segment information:			
Capital expenditures	272,795	2,562	275,357
Depreciation and amortization	72,256	13,273	85,529
Impairment losses	19,546	-	19,546

*The amount of impairment loss is gross of reversal of allowance for impairment losses totaling to P1,605.

4.6 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 4.4. 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 in 2019 and PAS 17 in 2018 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	Total
December 31, 2019				
Digital mobile	P 1,031,276	P 60,434	P -	P 1,091,710
Technical support and solutions	209,916	682,780	-	892,696
Rentals	-	-	250,910	250,910
Property and building	26,499	168,791	-	195,290
Investments and others	-	90,840	-	90,840
	<u>P 1,267,691</u>	<u>P 1,002,845</u>	<u>P 250,910</u>	<u>P 2,521,446</u>
December 31, 2018				
Digital mobile	P 2,431,821	P -	P -	P 2,431,821
Technical support and solutions	268,032	470,673	-	738,705
Rentals	-	-	239,166	239,166
Property and building	25,731	159,805	-	185,536
Investments and others	-	81,718	-	81,718
	<u>P 2,725,584</u>	<u>P 712,196</u>	<u>P 239,166</u>	<u>P 3,676,946</u>

The Group's revenues also includes interest income from short-term placements amounting to P143.8 million and P79.0 million in 2019 and 2018, respectively and is presented as Interest under Revenues in the consolidated statement of income (see Notes 5 and 13.1).

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as at December 31:

	<u>2019</u>	<u>2018</u>
Cash on hand and in banks	P 577,481,692	P 372,038,970
Short-term placements	<u>2,913,552,574</u>	<u>2,083,425,441</u>
	<u>P 3,491,034,266</u>	<u>P 2,455,464,411</u>

Cash in banks generally earn interest based on daily bank deposit rates. Interest income earned from cash in banks is presented as part of Finance Income under Other Income (Charges) account in the consolidated statements of income (see Note 20.2).

Short-term placements are made for varying periods of between 1 to 90 days and earn annual interests ranging from 0.4% to 6.5% in 2019, from 0.5% to 6.5% in 2018 and from 0.1% to 3.5% in 2017. The balance of short-term placements as of December 31, 2019 and 2018 did not include P762.4 million and P806.1 million, respectively, which are shown as part of the Other Current Assets account in the consolidated statements of financial position (see Note 13.1). These amounts pertain to short-term placements with maturity of more than three months but less than one year.

Interest income earned from short-term placements is presented as part of Interest under Revenues account and as part of Finance Income under Other Income (Charges) account in the consolidated statements of income(see Notes 4.6 and 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:

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Current:			
Trade receivables	6.1, 25.5, 25.8, 25.9, 26.1, 26.3	P 314,675,265	P 706,129,098
Advances to:			
Suppliers	6.2, 25.1	274,495,014	163,978,574
Officers and employees	6.2, 25.10	1,561,388	1,745,636
Loans receivables	6.3, 25.3	42,722,837	39,981,928
Non-trade receivables		25,585,876	26,012,258
Interest receivable	5, 13.1	5,073,447	5,158,277
Rental receivables	6.5, 25.2	4,710,220	14,497,908
Other receivables	6.6	46,519,344	37,636,447
		715,343,391	995,140,126
Allowance for impairment	6.7	(103,783,088)	(103,149,478)
		<u>611,560,303</u>	<u>891,990,648</u>
Non-current:			
Trade receivables		12,686,042	15,500,823
Loans receivables	6.3, 25.3	46,499	703,665
Cash surrender value of investment in life insurance	6.4, 14	738,420,128	723,228,605
		751,152,669	739,433,093
Allowance for impairment	6.7	(3,468)	(25,424)
		<u>751,149,201</u>	<u>739,407,669</u>
		<u>P 1,362,709,504</u>	<u>P 1,631,398,317</u>

All trade receivables are subject to credit risk exposure [see Note 28.2(b)]. The Group does not identify 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

Trade receivables 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 9.75% to 18.00% both in 2019 and 2018, 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 income earned from real estate sales amounted to P1.6 million in both 2019 and 2018 and P2.1 million in 2017, and is presented as part of Finance Income under Other Income (Charges) account in the consolidated statements of income (see Notes 4.6 and 20.2).

Trade receivables from sale of goods are usually due within 30 to 45 days, generally unsecured and do not bear interest.

6.2 Advances

Advances to suppliers mainly include advance payments made by My Solid for future purchases of mobile phone units and accessories (see Note 25.1). These also include advances made to various suppliers made by SVC for the purchase of pro-tapes, video and medical supplies.

Advances to officers and employees represent unsecured, noninterest-bearing cash advances for business-related expenditures and are subject to liquidation.

6.3 Loans Receivables

Loans receivables pertain to appliances loans, business loans and car loans offered by SMFI 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 P6.8 million, P6.6 million, and P7.7 million in 2019, 2018 and 2017, respectively, and are presented as part of Interest under the Revenues account of the consolidated statements of income. The effective interest rates on loans receivables range from 8.0% to 30.0% in 2019 and 7.5% to 30% in both 2018 and 2017.

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 the Finance Income in the consolidated statements of income (see Note 20.2). In 2019, 2018 and 2017, the increase in cash surrender value amounted to P43.5 million, P6.4 million and P27.2 million, respectively.

The cash surrender value of the investment in life insurance is used as collateral for interest-bearing loans obtained by BRL (see Note 14).

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. PFRS 16 rent receivables amounted to P4.7 million and P14.5 million as of December 31, 2019 and 2018, respectively.

6.6 Other Receivables

Other receivables include amounts due from credit card companies for the sale of CCTV. This also include deposits to supplier, testing fees and utility charges billed by the Group to its lessees. Further, this account consist of unsecured, noninterest-bearing cash advances made to the ZTC's Home Owners' Association for expenses incurred by the unit owners and rent receivables.

6.7 Allowance for Impairment

All of the Group's trade and other receivables have been reviewed for impairment. 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 2019 and 2018 is shown below.

	<u>Note</u>	<u>2019</u>	<u>2018</u>
Balance at beginning of year		P 103,174,902	P 101,666,421
Impairment losses during			
the year	20.1	5,072,960	5,191,990
Reversal of impairment losses	20.1	(2,762,396)	(378,516)
Write-off of receivable		(1,698,910)	(3,304,993)
Balance at end of year		<u>P 103,786,556</u>	<u>P 103,174,902</u>

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Parent Company 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 Parent Company received a formal notice of the expiry of the JVA. The Parent Company and Sony Corporation have both agreed to pursue negotiations for an equitable settlement of all matters relating to the JVA and its expiration.

As a result of the above events, the Parent Company determined that it no longer has significant influence over the investee company. Consequently, it reclassified its remaining investment in shares of stock of SPI with total cost of P8.6 million to AFS financial assets in 2005. In 2018, upon the adoption of PFRS 9, the Parent Company reclassified such investment from AFS financial assets to financial assets at FVOCI. The Parent Company determined that the fair value of this investment is nil as of December 31, 2019 and 2018.

On the other hand, the fair values of the Group's investments in club shares amounting to P26.1 and P27.1 million, which represent proprietary membership club shares, as of December 31, 2019 and 2018, 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).

In 2018, the Group derecognized certain equity securities with original cost of P362,000 and fair value of P267,880 as of December 31, 2018. Accumulated fair value loss amounting to P94,120 is presented as an addition to Revaluation Reserves in the 2018 consolidated statement of changes in equity (see Note 23.3). There was no similar transaction in 2019.

A reconciliation of the net carrying amounts of financial assets at FVOCI is shown below.

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Balance at beginning of year		P 27,100,000	P 21,240,007
Fair value gains (losses) – net	23.3	(1,000,000)	6,500,000
Reclassifications to			
intangible assets	13.2	-	(372,127)
Disposal		-	(267,880)
Balance at end of year		<u>P 26,100,000</u>	<u>P 27,100,000</u>

In 2018, reclassifications made pertain to certain financial assets at FVOCI, previously classified as AFS financial assets, that are non-proprietary club shares which should be treated as intangible assets under PAS 38, *Intangible Assets*. Accordingly, these investments were reclassified to intangible assets which is presented as part of Other Non-current Assets (see Note 13.2).

The recognized fair value gains (loss) are presented as item that will not be reclassified subsequently to profit or loss under Other Comprehensive Income (Loss) in the consolidated statements of comprehensive income.

8. MERCHANDISE INVENTORIES AND SUPPLIES

Inventories at the end of 2019 and 2018 were stated at lower of cost or net realizable value (NRV). The details of inventories are shown below.

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
At cost:			
Merchandise inventories	17.1	P 40,219,145	P 26,690,822
Service parts, supplies and others	25.1	<u>42,076,305</u>	<u>40,968,784</u>
		<u>82,295,450</u>	<u>67,659,606</u>
At NRV:			
Merchandise inventories	17.1	140,051,166	771,326,921
Service parts, supplies and others	25.1	<u>6,722,839</u>	<u>4,347,277</u>
		<u>146,774,005</u>	<u>775,674,198</u>
Allowance for inventory obsolescence		<u>(69,976,857)</u>	<u>(78,627,352)</u>
		<u>76,797,148</u>	<u>697,046,846</u>
		<u>P 159,092,598</u>	<u>P 764,706,452</u>

The Group's inventories are composed of handsets, devices, spare parts, professional tapes, service supplies and equipment and accessories. Handsets refer to tablets, devices pertain to mobile phones, and accessories pertain to jelly cases, headsets, power banks, memory cards, and others.

The movements in the allowance for inventory obsolescence are as follows:

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Balance at beginning of year		P 78,627,352	P 147,242,272
Provision for inventory obsolescence	17.1, 18	3,015,402	848,279
Reversal of allowance for inventory obsolescence	17.1, 18	<u>(11,665,897)</u>	<u>(69,463,199)</u>
		<u>P 69,976,857</u>	<u>P 78,627,352</u>

In 2019 and 2018, the Group made a reversal of provision for the write-down of inventories amounting to P11.7 million and P69.5 million, respectively, upon sale of those inventories. The reversal is included as an adjustment to Cost of Sales in the consolidated statements of comprehensive income (see Note 17.1).

The Group has no outstanding purchase commitment for the acquisition of merchandise inventories and supplies as at December 31, 2019 and 2018.

An analysis of the cost of inventories charged to operations in 2019, 2018 and 2017 is presented in Note 17.1.

9. REAL ESTATE INVENTORIES

This account is composed of:

	<u>2019</u>	<u>2018</u>
Land and land development costs:		
Land	P 4,265,299	P 4,265,299
Land development costs	<u>35,281,523</u>	<u>35,281,523</u>
	39,546,822	39,546,822
Allowance for impairment	<u>(2,022,800)</u>	<u>(2,022,800)</u>
	37,524,022	37,524,022
Property development costs –		
Construction in progress		
and development costs	<u>399,445,402</u>	<u>398,853,179</u>
	<u>P 436,969,424</u>	<u>P 436,377,201</u>

9.1 Land and Land Development Costs

Land and land development costs pertain to cost of land and related improvements, held by Starworld and LIIP, which are held for sale.

Under its registration with the Board of Investments, Starworld shall develop 118 hectares of land in its development project located in Calamba Premiere International Park (CPIP) in Bo. Prinza, Calamba City, Laguna. As of December 31, 2019 and 2018, lot areas totaling 83 hectares (65 hectares for Phase 1 and 18 hectares for Phase 2) were acquired and fully developed.

The allowance for impairment recognized in prior years pertains to the estimated cost of parcels of land and land development costs which may not be fully realized as a result of the Group's long-outstanding claims against the seller for the transfer of title to the name of LIIP. There were no additional impairment losses recognized in 2019, 2018 and 2017.

9.2 Property Development Costs

Property development costs pertain to the cost of land used as a building site and the accumulated construction costs of the condominium building project being developed by ZTC, which are also for sale. Property development costs at the end of each reporting period represent condominium units for sale, construction in progress of land and Tower 3, office tower and parking units for which ZTC has been granted permit to sell by the Housing and Land Use Regulatory Board of the Philippines.

The Group, through ZTC, has initiated the planning and construction of the Tri Towers condominium building (see Note 27.4). The construction was started by in 2005. The accumulated construction costs (including cost of the land) were eventually transferred to ZTC. 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, it has incurred expenses for the planning phase as of December 31, 2019 and 2018. The construction of Tower 3 is expected to be completed in the next two years.

10. LEASES

The Group is a lessee under non-cancellable operating leases covering certain business spaces and satellite offices. The lease for these offices has a term of two to five years. All leases have renewal options. 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 statement of financial position as a right-of-use asset and a lease liability. The Group classifies its right-of-use asset and lease liability as separate line items in the 2019 consolidated statement 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. 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. Related security deposits for these leases amounted to P14.6 million as of December 31, 2019, and are presented as part of Other Current Assets and Other Non-current Assets account in the 2019 consolidated statement 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 amount of the Group's right-of-use assets, which pertain to office spaces and satellites, and the movements as of December 31, 2019 are shown below.

Balance at beginning of year	P 15,325,724
Addition	5,678,306
Amortization	(<u>6,241,808</u>)
Balance at end of year	<u>P 14,762,222</u>

The total amortization on the right-of-use assets is presented as part of Depreciation and amortization under Cost of Services in the 2019 consolidated statement of income (see Note 17.2).

10.2 Lease Liabilities

Lease liabilities are presented in the consolidated statement of financial position as of December 31, 2019 as follows:

Current	P 4,880,092
Non-current	<u>10,483,385</u>
	<u>P 15,363,477</u>

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 exceeds the expected overall cost.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognized in the consolidated statement 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
Office space	14	4 months to 4 years and 11 months	2 years and 4 months	12	-

As of December 31, 2019, the Group has no commitments for leases entered into which had not commenced.

The undiscounted maturity analysis of lease liabilities at December 31, 2019 is as follows:

	Within 1 year	1 to 2 years	2 to 3 years	4 to 5 years	5 or more years	Total
Lease payments	P 5,739,688	P 4,689,290	P 3,795,991	P 2,255,438	P 767,960	P 17,248,367
Finance charges	(859,596)	(576,376)	(304,380)	(125,161)	(19,377)	(1,884,890)
Net present values	<u>P 4,880,092</u>	<u>P 4,112,914</u>	<u>P 3,491,611</u>	<u>P 2,130,277</u>	<u>P 748,583</u>	<u>P 15,363,477</u>

10.3 Lease Payments Not Recognized as Liabilities

The Group has elected not to recognize a lease liability 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, 2019 is allocated as follows:

	Notes	
Cost of services	17.2	P 6,679,699
Cost of rental	17.3	16,029,015
General and administrative expenses		<u>3,628,000</u>
	18	<u>P 26,336,714</u>

10.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P5.6 million in 2019. Interest expense in relation to lease liabilities amounted to P1.0 million and is presented as part of Finance costs under Other Income (Charges) in the 2019 consolidated statement 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 2019 and 2018 are shown below.

	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Machinery and Equipment</u>	<u>Furniture, Fixtures and Office Equipment</u>	<u>Transportation Equipment</u>	<u>Test, Communication and Other Equipment</u>	<u>Computer System</u>	<u>Leasehold Improvements</u>	<u>Tools and Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
December 31, 2019											
Cost	P 1,277,854,682	P 343,390,748	P 189,870,508	P 265,014,330	P 200,486,706	P 13,167,261	P 85,796,673	P 111,813,691	P 89,044,034	P 23,827,944	P 2,600,266,577
Accumulated depreciation and amortization	-	(107,081,606)	(136,702,975)	(223,512,113)	(139,828,040)	(11,066,123)	(74,238,001)	(97,951,244)	(66,248,749)	-	(856,628,851)
Accumulated impairment losses	-	(35,000,000)	-	-	-	-	-	-	-	(14,346,250)	(49,346,250)
Net carrying amount	<u>P 1,277,854,682</u>	<u>P 201,309,142</u>	<u>P 53,167,533</u>	<u>P 41,502,217</u>	<u>P 60,658,666</u>	<u>P 2,101,138</u>	<u>P 11,558,672</u>	<u>P 13,862,447</u>	<u>P 22,795,285</u>	<u>P 9,481,694</u>	<u>P 1,694,291,476</u>
December 31, 2018											
Cost	P 1,277,854,682	P 343,390,748	P 183,035,601	P 254,294,087	P 181,549,802	P 11,736,904	P 84,063,933	P 109,739,118	P 86,118,965	P 39,506,874	P 2,571,290,714
Accumulated depreciation and amortization	-	(88,848,621)	(115,575,943)	(201,778,219)	(118,013,724)	(10,269,976)	(72,205,178)	(92,777,453)	(59,849,880)	-	(759,318,994)
Accumulated impairment losses	-	(35,000,000)	-	-	-	-	-	-	-	(14,346,250)	(49,346,250)
Net carrying amount	<u>P 1,277,854,682</u>	<u>P 219,542,127</u>	<u>P 67,459,658</u>	<u>P 52,515,868</u>	<u>P 63,536,078</u>	<u>P 1,466,928</u>	<u>P 11,858,755</u>	<u>P 16,961,665</u>	<u>P 26,269,085</u>	<u>P 25,160,624</u>	<u>P 1,762,625,470</u>
January 1, 2018											
Cost	P 1,277,854,682	P 361,070,743	P 169,152,246	P 250,079,053	P 149,020,103	P 9,927,050	P 74,795,455	P 102,189,564	P 64,875,423	P 181,390,018	P 2,640,354,337
Accumulated depreciation and amortization	-	(88,184,946)	(92,463,398)	(178,831,782)	(103,148,251)	(9,738,023)	(70,261,687)	(87,284,428)	(52,080,753)	-	(681,993,268)
Accumulated impairment losses	-	(35,000,000)	-	-	-	-	-	-	-	(14,346,250)	(49,346,250)
Net carrying amount	<u>P 1,277,854,682</u>	<u>P 237,885,797</u>	<u>P 76,688,848</u>	<u>P 71,247,271</u>	<u>P 45,871,852</u>	<u>P 189,027</u>	<u>P 4,533,768</u>	<u>P 14,905,136</u>	<u>P 12,794,670</u>	<u>P 167,043,768</u>	<u>P 1,909,014,819</u>

A reconciliation of the carrying amounts at the beginning and end of 2019 and 2018 of property and equipment is shown below.

	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Machinery and Equipment</u>	<u>Furniture, Fixtures and Office Equipment</u>	<u>Transportation Equipment</u>	<u>Test, Communication and Other Equipment</u>	<u>Computer System</u>	<u>Leasehold Improvements</u>	<u>Tools and Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance at January 1, 2019, net of accumulated depreciation, amortization and impairment losses	P 1,277,854,682	P 219,542,127	P 67,459,658	P 52,515,868	P 63,536,078	P 1,466,928	P 11,858,755	P 16,961,665	P 26,269,085	P 25,160,624	P 1,762,625,470
Additions	-	-	2,434,910	10,673,276	9,157,125	1,430,357	1,732,740	2,074,573	12,785,743	3,366,693	43,655,417
Reclassification	-	-	4,399,997	165,536	10,964,286	-	-	-	-	(15,529,819)	-
Derecognition	-	-	-	-	-	-	-	-	(9,860,674)	-	(9,860,674)
Disposals – net	-	-	-	(118,569)	(1,184,507)	-	-	-	-	(3,515,804)	(4,818,880)
Depreciation and amortization charges for the year	-	(18,232,985)	(21,127,032)	(21,733,894)	(21,814,316)	(796,147)	(2,032,823)	(5,173,791)	(6,398,869)	-	(97,309,857)
Balance at December 31, 2019, net of accumulated depreciation, amortization and impairment losses	<u>P 1,277,854,682</u>	<u>P 201,309,142</u>	<u>P 53,167,533</u>	<u>P 41,502,217</u>	<u>P 60,658,666</u>	<u>P 2,101,138</u>	<u>P 11,558,672</u>	<u>P 13,862,447</u>	<u>P 22,795,285</u>	<u>P 9,481,694</u>	<u>P 1,694,291,476</u>
Balance at January 1, 2018, net of accumulated depreciation, amortization and impairment losses	P 1,277,854,682	P 237,885,797	P 76,688,848	P 71,247,271	P 45,871,852	P 189,027	P 4,533,768	P 14,905,136	P 12,794,670	P 167,043,768	P 1,909,014,819
Additions	-	-	8,717,838	3,508,317	45,162,160	1,809,854	9,268,478	3,119,476	11,868,945	39,078,823	122,533,891
Reclassification	-	-	5,165,517	-	(9,754,494)	-	-	4,430,078	9,754,494	(9,595,595)	-
Transfer to investment property – net	-	-	-	799,589	-	-	-	-	-	(171,366,372)	(170,566,783)
Disposals – net	-	(17,679,995)	-	(92,872)	(2,877,967)	-	-	-	(379,897)	-	(21,030,731)
Depreciation and amortization charges for the year	-	(663,675)	(23,112,545)	(22,946,437)	(14,865,473)	(531,953)	(1,943,491)	(5,493,025)	(7,769,127)	-	(77,325,726)
Balance at December 31, 2018, net of accumulated depreciation, amortization and impairment losses	<u>P 1,277,854,682</u>	<u>P 219,542,127</u>	<u>P 67,459,658</u>	<u>P 52,515,868</u>	<u>P 63,536,078</u>	<u>P 1,466,928</u>	<u>P 11,858,755</u>	<u>P 16,961,665</u>	<u>P 26,269,085</u>	<u>P 25,160,624</u>	<u>P 1,762,625,470</u>

Construction in progress pertains to accumulated costs incurred on building improvements being constructed in various properties of the Group. In 2019 and 2018, no borrowing costs were capitalized.

In 2017, impairment loss amounting to P14.3 million was recognized on certain damaged item of construction in progress. The impairment provision was presented as Impairment losses on property and equipment under General and Administrative expense account in the 2017 consolidated statement of income (see Note 18). No impairment losses were recognized in 2019 and 2018 based on management's assessment.

In 2019 and 2018, the Group sold certain property and equipment with carrying amounts of P4.8 million and P21.0 million, respectively. Aside from these assets, the Group also disposed certain fully-depreciated property and equipment with original cost of P1.8 million and P1.5 million in 2019 and 2018, respectively. The Group recognized gain on disposal of these property and equipment totaling P0.5 million, P1.2 million and P1.5 million, in 2019, 2018 and 2017, respectively, which are presented as part of Other Gains in the consolidated statements of income (see Note 20.3).

Further, in 2019 and 2018, the Group retired certain fully depreciated property and equipment with acquisition cost of P3.5 million and P0.8 million, respectively.

The cost of fully depreciated property and equipment still used in operations amounted to P409.5 million and P298.1 million as of December 31, 2019 and 2018, respectively.

The amount of depreciation and amortization computed on property and equipment is presented as part of the following accounts:

	<u>Notes</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cost of services	17.2	P 38,880,942	P 45,432,147	P 45,618,535
Cost of rentals	17.3	30,101,396	9,565,245	3,394,270
General and administrative expenses		<u>28,327,519</u>	<u>22,328,334</u>	<u>36,515,783</u>
	18	<u>P 97,309,857</u>	<u>P 77,325,726</u>	<u>P 85,528,588</u>

In 2019, the Group derecognized certain service equipment with net book value of P9.9 million. The related expense from the derecognition is presented as part of Equipment cost under Cost of Services in the 2019 consolidated statement of income (see Note 17.2). There was no similar transaction in 2018 and 2017.

In 2018, the Group reclassified certain office furniture and fixtures and transportation equipment to service equipment with a carrying amount of P9.8 million. There was no similar transaction in 2019.

The Group reclassified its land and building from Property and Equipment account, lodged under Construction-in-progress, to Investment Property account amounting to P171.01 million in 2018 due to change on use of these assets. There is no reclassification between property and equipment and investment property in 2019.

As of December 31, 2019 and 2018, none of the Group's property and equipment were held as collateral for loans. Further, no impairment losses were recognized in 2019 and 2018 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, 2019 and 2018.

12. INVESTMENT PROPERTIES

The Group's investment properties accounted for under the fair value method, consists mainly of land and improvements, and buildings and improvements that are held under operating lease agreements. These properties earn rental income amounting to P250.9 million, P239.2 million and P233.3 million in 2019, 2018 and 2017 and are presented as Rentals 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 at December 31, 2019, 2018 and 2017 were determined based on appraisal report dated October 30, 2019, 2018 and 2017. 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 as of December 31:

	<u>Land and Improvements</u>	<u>Building and Improvements</u>	<u>Construction in Progress</u>	<u>Total</u>
2019:				
Balance at beginning of year	P 2,527,112,934	P 874,353,170	P 4,975,802	P 3,406,441,906
Additions	3,184,125	1,663,406	50,519,724	55,367,255
Fair value gains (losses) on investment property – net (see Note 19)	328,175,447	(50,397,659)	-	277,777,788
Reclassification	<u>8,960,000</u>	<u>(4,193,337)</u>	<u>(4,230,949)</u>	<u>535,714</u>
Balance at end of year	<u>P 2,867,432,506</u>	<u>P 821,425,580</u>	<u>P 51,264,577</u>	<u>P 3,740,122,663</u>
2018:				
Balance at beginning of year	P 2,171,295,332	P 732,622,140	P -	P 2,903,917,472
Additions	5,814,906	53,051,693	-	58,866,599
Fair value gains (losses) on investment property – net (see Note 19)	346,740,526	(69,875,474)	-	276,865,052
Transfer from property and equipment – net	3,262,170	158,554,811	8,749,802	170,566,783
Disposals	<u>-</u>	<u>-</u>	<u>(3,774,000)</u>	<u>(3,774,000)</u>
Balance at end of year	<u>P 2,527,112,934</u>	<u>P 874,353,170</u>	<u>P 4,975,802</u>	<u>P 3,406,441,906</u>

In 2019, the Group incurred expenses amounting to P2,914,882, which pertains to land preparation for the planned construction of its building and is presented as part of Investment Property in the 2019 consolidated statement of financial position. There were no borrowing cost that were capitalized in 2019 and 2018.

In 2018, the Group obtained, through a dacion en pago agreement, a property from a certain lessor in exchange of his unpaid rent amounting to P21.4 million. The Group intends to hold this property for rental to third parties. There was no similar transaction occurred in 2019.

In 2017, the Group sold an investment property with a total carrying amount of P48.2 million. The recognized gain on the transaction amounting to P37.5 million is presented as part of Other Operating Expense (Income) account in the 2017 consolidated statement of income (see Note 19). There was no similar transaction both in 2019 and 2018.

The fair value gain (loss) recognized is presented as Fair Value Gain (Loss) on Investment Property account under Other Operating Expense (Income) account of the consolidated statements of income (see Note 19).

As of December 31, 2019 and 2018, none of the Group's investment properties were held as collateral.

13. OTHER ASSETS

The composition of these accounts as of December 31 is shown below.

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Current:			
Short-term placements	5, 13.1	P 762,445,571	P 806,113,523
Creditable withholding taxes		107,607,776	100,875,346
Input VAT – net		50,717,203	94,253,531
Prepayments	13.5	21,780,278	22,222,254
Deferred input VAT – net		10,756,137	3,306,682
Refundable deposits	10, 27.2	9,433,214	9,747,103
Deferred costs	13.5	7,289,955	10,556,069
Others	13.5	<u>4,520,213</u>	<u>9,999,893</u>
		<u>974,550,347</u>	<u>1,057,074,401</u>
Non-current:			
Refundable deposits	10, 27.2	5,189,398	4,582,196
Intangible assets	13.2	5,042,784	639,783
Deposits to suppliers	13.5	3,347,774	3,347,774
Cash bond	13.3	680,834	692,234
Deposits on acquisition of land	13.4	-	105,389,337
Others	13.5	<u>9,181,769</u>	<u>10,064,561</u>
		<u>23,442,559</u>	<u>124,715,885</u>
		<u>P 997,992,906</u>	<u>P 1,181,790,286</u>

13.1 Short-term Placements

Short-term placements are made for varying periods of between 120 to 180 days in 2019 and between 122 to 132 days in 2018, and earn effective interest of 4.0% and 6.25% in 2019 and 2018, respectively.

Interest income earned from short-term placements are presented as part of Interest under Revenues account in the consolidated statements of income. 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).

13.2 Intangible Assets

The gross carrying amounts and accumulated amortization of intangible assets as of December 31 are shown below.

	<u>2019</u>	<u>2018</u>
Cost	P 25,102,130	P 18,285,509
Accumulated depreciation	(20,059,346)	(17,645,726)
Net carrying amount	<u>P 5,042,784</u>	<u>P 639,783</u>

A reconciliation of the carrying amounts of intangible assets at the beginning and end of 2019 and 2018 is shown below.

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Balance at the beginning of year, net of accumulated depreciation		P 639,783	P 296,884
Additions		4,545,454	139,572
Reclassification from deposit to suppliers		2,271,167	-
Reclassification from FVOCI	7	-	372,127
Amortization during the year	18	(2,413,620)	(168,800)
Balance at end of year, net of accumulated depreciation		<u>P 5,042,784</u>	<u>P 639,783</u>

In 2019, the Group reclassified certain Deposits to suppliers to System software amounting to P2.3 million. In 2018, certain financial assets at FVOCI, previously classified as AFS financial assets were identified as non-proprietary club shares which should be treated as Intangible Assets under PAS 38. Accordingly, these investments were reclassified to Intangible Assets (see Note 7).

Amortization charges amounting to P2.4 million and P0.2 million in 2019 and 2018, respectively, are presented as part of Depreciation and amortization under General and Administrative Expenses account in the consolidated statements of income (see Note 18).

Intangible asset is subject to annual impairment testing and whenever there is an indication of impairment. No impairment loss was recognized in 2019 and 2018 as the recoverable amount of intangible asset determined by management is higher than its carrying value.

No intangible asset has been pledged as security for any liabilities. There were no other contractual commitments entered into in 2019 and 2018 related particularly for intangible asset.

13.3 Cash Bond

Cash bond represents deposits made with the Bureau of Customs for taxes and duties related to its importations. As of December 31, 2019 and 2018, 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.

13.4 Deposits on Acquisition of Land

In 2018, the Group made advance payments for the acquisition of land intended for future development amounting to P105.4 million. However, in 2019, such acquisition of land was cancelled due to the exercised right of redemption of the previous owner. The Group received an amount of P111.9 million as a result of redemption and recorded an interest income of P6.5 million which is presented as part of Finance income under Other Income (Charges) account in the 2019 consolidated statement of income (see Note 20.2).

13.5 Others

Prepayments pertain to prepaid insurance, prepaid rent, and prepayments for professional fees, import charges and others.

Deferred costs by the Group represent cost of inventories which have not been charged to cost of sales pending the completion of its projects.

Deposits to suppliers represent refundable amount paid by the Group to its suppliers for the distribution utilities provided to the Group.

Others 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.

14. INTEREST-BEARING LOANS

The Group's short-term interest-bearing loans as at December 31, 2019 and 2018 amounting to P68.0 million (\$1.3 million) and P123.8 million (\$2.3 million), respectively, pertains to loan of BRL which are denominated in USD and is currently due within 12 months after the end of reporting period; hence, classified as part of the Group's current liabilities in the consolidated statements of financial position.

The movements in this account are as follows:

	2019		2018	
	USD	PHP	USD	PHP
Balance at beginning of year	\$ 2,347,889	P 123,790,100	\$ 2,318,535	P 115,748,223
Repayment of loans	(1,099,277)	(55,781,712)	-	-
Roll-over of interest on loans	90,590	4,601,292	29,304	1,545,024
Transfer of bank overdraft to loans	-	-	50	2,636
Translation adjustment	-	(4,653,212)	-	6,494,217
Balance at end of year	<u>\$ 1,339,202</u>	<u>P 67,956,468</u>	<u>\$ 2,347,889</u>	<u>P 123,790,100</u>

The loan of BRL are secured by the cash surrender value of investment in life insurance amounting to P738.4 million and 723.2 million as of December 31, 2019 and 2018, respectively (see Note 6.4). The loans have maturities ranging from 30 days to one year, and bear interest at prevailing annual average market rates ranging from 3.84% to 3.90% in 2019, from 2.50% to 3.84% in 2018 and from 2.35% to 2.50% in 2017.

Interest expense arising from these loans amounted to P3.1 million, P4.7 million and P2.8 million in 2019, 2018 and 2017, respectively, and is shown as part of Finance costs under Other Income (Charges) account in the consolidated statements of income (see Note 20.1). The related outstanding interest amounting to \$0.042 million (P2.1 million) and \$0.072 million (P3.8 million) as of December 31, 2019 and 2018, respectively, is presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

The Group has no significant loan covenants as of December 31, 2019 and 2018.

15. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	2019	2018
Trade payables	25.1	P 198,656,580	P 153,956,342
Non-trade payables		62,692,440	18,100,364
Accrued expenses	14	38,867,840	24,859,611
Refundable deposits	25.2	38,345,417	32,632,240
Accrued dealers' incentives		21,957,590	98,554,552
Unearned rental		19,682,227	14,657,262
Output VAT		13,705,780	3,594,357
Deferred output VAT		11,156,069	13,311,202
Advances from customers		6,289,479	11,740,395
Withholding taxes payable		4,505,048	4,273,686
Rentals payable		4,278,523	5,725,049
Reserve for warranty costs		1,737,041	2,623,381
Retention payable		833,829	190,401
Other payables		16,034,987	37,943,848
		<u>P 438,742,850</u>	<u>P 422,162,690</u>

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 which 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 the effective interest rates ranging from 4.58% to 6.25% at the inception of the lease term. The Group recognized gains amounting to P0.2 million and P0.5 million in 2019 and 2017, respectively, and loss amounting to P0.2 million in 2018 from discounting of refundable deposits. These are presented as part of Finance income and Finance costs, respectively, under Other Income (Charges) account in the consolidated statements of income (see Notes 20.2 and 20.1). Interest expense recognized from the amortization of refundable deposits amounting to P0.7 million in both 2019 and 2018 and P1.6 million in 2017 are presented as part of Finance costs under the Other Income (Charges) account in the consolidated statements of income (see Note 20.1).

Accrued dealers' incentives pertain to rebates awarded to dealers once certain level of sales were achieved during a particular period.

Unearned rent income resulted from the recognition of day-one gain on discounting of rental deposits, which are amortized over the remaining lease term.

The outstanding deferred output VAT arises from the outstanding receivables on the Group's sale of services.

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 in the Reserve for warranty costs account are as follows:

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Balance at beginning of year		P 2,623,381	P 1,448,684
Provisions for warranty claims	18	16,768,848	28,525,080
Actual warranty claims		(16,860,145)	(27,350,383)
Reversal of reserve for warranty claims	19	(795,043)	-
Balance at end of year		<u>P 1,737,041</u>	<u>P 2,623,381</u>

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 2019, 2018 and 2017, 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 P2.9 million, P0.3 million and P1.3 million, respectively, are presented as part of Other Gains in the consolidated statements of income (see Note 20.3).

Management considers the carrying amounts of trade and other payables recognized in the statements of financial position to be reasonable approximation of their fair values.

16. REFUNDABLE DEPOSITS

SMC, Kita and ZTC have long-term refundable deposits from various tenants totaling P23.5 million and P29.3 million as at December 31, 2019 and 2018, respectively. The refundable deposits are remeasured at amortized cost using the effective interest ranging from 3.48% to 6.25% at the inception of the lease terms.

SMC recognized gain on discounting of its refundable deposits amounting to P0.2 million and P0.5 million in 2019 and 2017, respectively, and are presented as part of the Finance Income in the consolidated statements of income (see Note 20.2). On the other hand, in 2018, SMC recognized loss on discounting of its refundable deposits amounting to P0.2 million and is presented as part of Finance Costs in the consolidated statements of income (see Note 20.1).

In 2019, Kita returned to its lessees certain security deposits amounting to P5.2 million. There was no similar transaction occurred in 2018.

The refundable deposits with maturity of more than one year are shown as a separate line item under Non-current Liabilities account in 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	2019	2018	2017
Merchandise inventories at beginning of year	8	P 798,017,743	P 641,446,868	P 863,290,614
Net purchases of merchandise inventories during the year	18, 25.1, 25.5	<u>568,871,114</u>	<u>2,625,034,510</u>	<u>2,697,095,219</u>
Goods available for sale		<u>1,366,888,857</u>	3,266,481,378	3,560,385,833
Merchandise inventories at end of year	8	(180,270,311)	(798,017,743)	(641,446,868)
Net provision (reversal of allowance) for inventory obsolescence	8	(<u>8,650,495</u>)	(<u>68,614,920</u>)	<u>51,110,095</u>
	18	<u>P 1,177,968,051</u>	<u>P 2,399,848,715</u>	<u>P 2,970,049,060</u>

17.2 Cost of Services

The following are the breakdown of direct costs and expenses from rendering of services:

	<u>Notes</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Outside services		P 189,812,351	P 47,268,947	P163,448,547
Subcontracting services		97,070,053	54,879,685	91,176,417
Materials, supplies and other consumables		93,663,373	130,624,545	105,595,086
Service fees	26.3	87,967,104	79,178,444	40,300,756
Salaries and employee benefits	21.1	64,590,362	58,313,006	58,333,359
Depreciation and amortization	10.1, 11	45,122,750	45,432,147	45,618,535
Equipment cost	11	36,060,896	8,951,680	115,699,072
Communication, light and water		29,872,910	30,917,700	30,428,513
Transportation and travel		22,509,326	18,462,452	15,847,199
Food and beverage		14,321,365	12,118,390	24,725,309
Repairs and maintenance		11,231,275	11,904,584	8,209,412
Rentals	10.3, 27.2	6,679,699	35,372,264	183,880,158
Integration		779,709	861,818	8,018,209
Others		18,144,386	18,853,834	24,473,361
	18	<u>P717,825,559</u>	<u>P553,139,496</u>	<u>P915,753,933</u>

17.3 Cost of Rentals

The details of this account are as follows:

	<u>Notes</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Taxes and licenses	12	P 31,501,641	P 31,886,225	P 39,980,258
Depreciation and amortization	11	30,101,396	9,565,245	3,394,270
Rentals	10.3, 27.2	16,029,015	16,728,546	11,467,507
Outside services		6,703,048	27,072,431	14,608,570
Repairs and maintenance	12	4,509,381	5,371,838	4,783,421
Salaries and employee benefits	21.1	944,372	831,449	2,413,462
Others	12	8,010,455	5,223,059	468,503
	18	<u>P 97,799,308</u>	<u>P 96,678,793</u>	<u>P 77,115,991</u>

Others primarily consists of labor costs, materials, supplies and transportation and travel expenses.

17.4 Cost of Real Estate Sales

This account pertains to the Group's cost of condominium units and parking lots amounting to P3.8 million, P6.6 million and P14.1 million in 2019, 2018 and 2017, respectively (see Note 18).

18. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

	<u>Notes</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net purchases of merchandise inventories	17.1, 25.1, 25.5	P 568,871,114	P 2,625,034,510	P 2,697,095,219
Salaries and employee benefits	21.1, 21.2, 25.6	274,044,327	235,398,214	257,491,822
Outside services		266,937,291	144,034,970	242,066,904
Depreciation and amortization	10, 11, 13.2	105,965,285	77,494,526	85,528,588
Materials, supplies and other consumables	17.1	99,033,164	96,588,456	105,595,086
Subcontracting services		90,323,073	275,309,970	225,418,410
Service fees	26.3	87,967,104	91,296,834	40,300,756
Utilities and communication		77,337,014	82,013,670	61,367,400
Taxes and licenses		68,173,460	73,362,388	92,907,763
Transportation and travel		49,310,079	49,620,282	28,987,519
Equipment cost		36,060,896	8,951,680	115,699,072
Repairs and maintenance		28,255,770	36,120,847	21,316,518
Rentals	10.3, 27.2	26,336,714	24,358,897	212,499,305
Advertising and promotions		26,325,405	37,438,394	35,838,885
Provisions for warranty claims	15	16,768,848	28,525,080	27,223,140
Food and beverage		13,901,365	3,490,641	24,725,309
Installation cost		9,712,418	1,262,707	13,857,773
Representation and entertainment		8,281,075	6,372,029	-
Loss on unrecoverable advances	25.1	5,722,019	60,352,888	-
Cost of condominium units and parking lots	17.4	3,796,170	6,620,959	14,148,749
Integration		779,709	861,818	10,862,109
Excess of actual over standard input VAT		481,572	829,460	15,221,644
Warranty claims		-	45,753,040	15,615,301
Impairment losses on property and equipment	11	-	-	14,346,250
Changes in merchandise, finished goods and work-in-process inventories	17.1	617,747,432	(156,570,875)	221,843,746
Net provision (reversal) for inventory obsolescence	8	(8,650,495)	(68,614,920)	51,110,095
Miscellaneous		90,920,686	42,989,604	44,693,487
		<u>P 2,564,401,495</u>	<u>P 3,828,896,069</u>	<u>P 4,675,760,850</u>

These expenses are classified in the consolidated statements of income as follows:

	<u>Notes</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cost of sales	17.1	P 1,177,968,051	P 2,399,848,715	P 2,970,049,060
Cost of services	17.2	717,825,559	553,139,496	915,753,933
Cost of rentals	17.3	97,799,308	96,678,793	77,115,991
Cost of real estate sales	17.4	3,796,170	6,620,959	14,148,749
Selling and distribution costs		172,967,211	310,659,576	330,955,769
General and administrative expenses		394,045,196	461,948,530	367,737,348
		<u>P 2,564,401,495</u>	<u>P 3,828,896,069</u>	<u>P 4,675,760,850</u>

19. OTHER OPERATING INCOME (EXPENSE)

The breakdown of this account is as follows:

	<u>Notes</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Fair value gains on investment property – net	12	P 277,777,788	P 276,865,052	P 135,678,910
Income from utilities charged to tenants		36,505,698	26,026,791	19,929,905
Common usage service area	25.2	16,283,304	14,696,058	11,567,900
Revenue share from embedded third party application		2,047,915	7,055,691	6,302,100
Reversal of reserve for warranty costs	15	795,043	-	660,230
Excess of standard over actual input VAT		236,976	2,953,427	-
Gain on sale of investment property	12	-	-	37,510,547
Forfeited customer deposit		-	-	10,435,789
Forfeited refundable deposit		-	-	1,711,096
Penalties arising from lease contract		-	-	400,598
Miscellaneous		(240,948)	11,528,037	-
		<u>P 333,405,776</u>	<u>P 339,125,056</u>	<u>P 224,197,075</u>

20. OTHER INCOME (CHARGES)

Other Income (Charges) include details of Finance Costs account, Finance Income account and Other Gains account as presented in the consolidated statements of income.

20.1 Finance Costs

This account consists of the following:

	<u>Notes</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Foreign currency exchange losses		P 23,038,855	P 83,708	P 4,863,620
Interest expense on interest-bearing loans	14	3,132,075	4,690,998	2,834,528
Impairment losses on trade and other receivables – net	6.7	2,310,564	4,813,474	3,644,563
Interest expense on lease liabilities	10.4	1,027,210	-	-
Interest amortization on refundable deposits	16	717,325	689,536	1,555,880
Loss on refundable deposit discounting	16	-	203,516	-
Miscellaneous		<u>198,407</u>	<u>313,802</u>	<u>-</u>
		<u>P 30,424,436</u>	<u>P 10,795,034</u>	<u>P 12,898,591</u>

20.2 Finance Income

This account consists of the following:

	<u>Notes</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Interest income from cash and cash equivalents, short-term placements and restricted cash	5	P 44,107,124	P 42,422,471	P 23,400,466
Increase in cash surrender value of investment in life insurance	6.4	43,487,753	6,441,848	27,177,277
Interest income from deposits on acquisition of land	13.4	6,477,329	-	-
Interest income from real estate sale	6.1	1,560,316	1,604,898	2,131,985
Gain on discounting of refundable deposit	16	225,755	-	486,937
Foreign currency exchange gains		49,997	37,883,122	6,344,923
Gain on redemption of financial assets at FVTPL		-	-	<u>5,918,418</u>
		<u>P 95,908,274</u>	<u>P 88,352,339</u>	<u>P 65,460,006</u>

20.3 Other Gains

The breakdown of this account is as follows:

	<u>Notes</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net interest income on retirement benefit asset	21.2	P 7,448,481	P 3,639,566	P 3,723,337
Gain on derecognition of liabilities	15	2,913,521	325,989	1,293,384
Gain on sale of property and equipment	11	482,899	1,211,597	1,533,248
Refund of deposits of electricity		-	-	6,199,033
Reversal of allowance for inventory obsolescence		-	-	488,578
Dividend income		-	-	219,272
Sale of scrap		-	-	-
Miscellaneous		<u>2,189,354</u>	<u>1,613,924</u>	<u>4,269,403</u>
		<u>P 13,034,255</u>	<u>P 6,791,076</u>	<u>P 17,726,255</u>

21. EMPLOYEE BENEFITS

21.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are summarized below (see Note 25.6).

	<u>Notes</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Short-term benefits		P 261,885,183	P 217,349,277	P 237,813,913
Post-employment benefits	21.2	<u>12,159,144</u>	<u>18,048,937</u>	<u>19,677,909</u>
	18	<u>P 274,044,327</u>	<u>P 235,398,214</u>	<u>P 257,491,822</u>

These expenses are classified in the consolidated statements of income as follows:

	<u>Notes</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
General and administrative expenses		P 187,156,149	P170,038,939	P 190,053,510
Cost of services	17.2	64,590,362	58,313,006	58,333,359
Selling and distribution costs		21,353,444	6,214,820	6,691,491
Cost of rentals	17.3	944,372	831,449	2,413,462
	18	<u>P 274,044,327</u>	<u>P 235,398,214</u>	<u>P 257,491,822</u>

21.2 Post-employment Benefits

(a) Characteristics of the Defined Benefit Plan

The Parent Company and certain subsidiaries maintain a funded, tax-qualified, non-contributory post-employment benefit plan that is being administered by a trustee bank that is legally separated from the Group. The trustee bank managed 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 2019, 2018 and 2017.

The amounts of retirement benefit asset recognized in the consolidated statements of financial position are determined as follows:

	<u>2019</u>	<u>2018</u>
Fair value of plan assets	P 203,053,778	P 185,016,569
Present value of obligation	(81,411,389)	(58,627,118)
	<u>P 121,642,389</u>	<u>P 126,389,451</u>

On the other hand, the retirement benefit obligation recognized by certain subsidiaries, which does not have an established post-employment benefit plan, amounted to P33.6 million and P26.7 million as of December 31, 2019 and 2018, respectively.

The movements in the fair value of plan assets of the Group are presented below.

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	P 185,016,569	P 182,254,873
Interest income	13,767,510	10,343,781
Contributions	-	3,279,243
Benefits paid	(1,499,451)	(1,392,100)
Transfer to affiliates	-	(270,000)
Return on plan assets (excluding amounts included in net interest)	<u>5,769,150</u>	<u>(9,199,228)</u>
Balance at end of year	<u>P 203,053,778</u>	<u>P 185,016,569</u>

The movements in the present value of the retirement benefit obligation recognized in the books are as follows:

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	P 85,343,561	P 114,356,452
Current service costs	12,159,144	18,048,937
Interest costs	6,319,029	6,704,215
Benefits paid	(1,499,451)	(1,392,100)
Benefits paid from book reserve	(1,094,184)	(861,946)
Remeasurements – actuarial losses (gains) arising from:		
Changes in financial assumptions	17,164,114	(39,726,470)
Experience adjustments	(3,386,403)	<u>(11,785,527)</u>
Balance at end of year	<u>P 115,005,810</u>	<u>P 85,343,561</u>

In 2019, the significant actuarial loss arising from the financial assumptions pertains to the effects of differences between the discount rates and salary projection rates used while the gain 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):

	<u>2019</u>	<u>2018</u>
Debt securities:		
Philippines government bonds	P 187,867,978	P 151,343,063
Corporate bonds	415,954	13,639,811
UITF	12,947,186	13,277,604
Mutual funds	25,273	1,095,947
Other assets	<u>1,797,387</u>	<u>5,660,144</u>
	<u>P 203,053,778</u>	<u>P 185,016,569</u>

Other assets pertain to accrued income receivable from the debt securities.

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). Mutual funds and UITF are classified both as Level 2 while other assets are classified as Level 3 in the fair value hierarchy.

The plan assets earned a net return of P19.5 million, P1.1 million and P4.4 million in 2019, 2018 and 2017, respectively.

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.

	<u>Notes</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Reported in consolidated statements of income:</i>				
Current service cost	21.1	P 12,159,144	P 18,048,937	P 19,677,909
Net interest income	20.3	(7,448,481)	(3,639,566)	(3,723,337)
		<u>P 4,710,663</u>	<u>P 14,409,371</u>	<u>P 15,954,572</u>
<i>Reported in consolidated statements of comprehensive income:</i>				
Actuarial gains (losses) from:				
Changes in financial assumptions		(P 17,164,114)	P 39,726,470	P 5,078,640
Changes in experience adjustments		3,386,403	11,785,527	13,236,283
Changes in demographic assumption		-	-	(1,226,782)
Return on plan assets (excluding amounts included in net interest)		<u>5,769,150</u>	<u>(9,199,228)</u>	<u>(5,757,379)</u>
	23.3	<u>(P 8,008,561)</u>	<u>P 42,312,769</u>	<u>P 11,330,762</u>

Current service cost is presented as part of salaries and employee benefit account under the General and Administrative Expenses account in the consolidated statements of income (see Notes 18).

The net interest income is included in Other Gains account 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:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Discount rates	4.67% - 5.21%	7.24% - 7.51%	5.58% - 5.70%
Salary increases rate	7.00%	8.00%	9.00%

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 6.49 to 25.0 years for males and 9.39 to 25 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 DBO 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 bonds 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 has generally concentrated on investment in debt securities, although the Group also invests in UITF and mutual funds.

(ii) *Longevity and Salary Risks*

The present value of the DBO 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 DBO 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 page.

(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, 2019 and 2018:

	<u>Impact on Post-employment Benefit Asset/Obligation</u>		
	<u>Change in Assumption</u>	<u>Increase in Assumption</u>	<u>Decrease in Assumption</u>
<u>2019</u>			
Discount rate	+/- 0.5%	(P 7,091,015)	P 8,211,858
Salary increase rate	+/- 1.0%	16,484,877	(12,778,443)
<u>2018</u>			
Discount rate	+/- 0.5%	(P 1,542,398)	P 3,770,445
Salary increase rate	+/- 1.0%	7,801,756	(2,600,242)

The sensitivity analysis above 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 DBO 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 DBO 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 DBO 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 that 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 portfolio, 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 at December 31, 2019 and 2018 consists of government and corporate debt securities, although the Group also invests in UITF and mutual funds.

(iii) *Funding Arrangements and Expected Contributions*

The plan is currently overfunded by P121.6 million based on the latest actuarial valuation.

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:

	<u>2019</u>	<u>2018</u>
Within one year	P 3,669,458	P 1,952,747
More than one year to 5 years	29,371,084	25,591,195
More than 5 years to 10 years	51,226,601	40,379,247
More than 10 years to 15 years	99,626,819	97,446,235
More than 15 years to 20 years	145,771,418	174,123,309
More than 20 years	<u>1,864,958,026</u>	<u>1,937,142,092</u>
	<u>P2,194,623,406</u>	<u>P2,276,634,825</u>

The weighted average duration of the defined benefit obligation at the end of the reporting period is 20 years.

22. TAXES

22.1 *Registration with Economic Zone Authorities*

(a) *Registration with Clark Development Corporation (CDC)*

Kita is registered with the CDC under Republic Act (R.A.) No. 7227, *The Bases Conversion and Development Act of 1992*, as amended under R.A. No. 9400, *An Act Amending R.A. 7227, as amended, Otherwise Known as the Bases Conversion and Development Act of 1992, and for Other Purposes*. As a registered business enterprise within the Clark Freeport Zone (CFZ), Kita is exempted from national and local taxes and is entitled to tax and duty free importation of raw materials, equipment, household and personal items. In lieu of these taxes, Kita is subject to a 5% preferential tax rate on its registered activities until April 12, 2019. However, the 30% regular corporate income tax (RCIT) rate is applied to income which comes from sources other than Kita's registered activities. Kita is subject to RCIT or minimum corporate income tax (MCIT), whichever is higher, for all of its transactions starting April 13, 2019.

(b) *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. In 2019, 2018 and 2017, however, SMC did not have transactions with PEZA-registered entities.

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:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Reported in consolidated statements of income:</i>			
Current tax expense:			
RCIT at 30%	P 68,765,479	P 42,347,249	P 76,509,461
Final tax at 20%; 15% in 2019 and 2018, and 7.5% in 2017	36,176,872	23,269,704	12,149,899
MCIT at 2%	1,524,840	4,154,042	1,634,734
Preferential tax at 5%	<u>192,015</u>	<u>406,045</u>	<u>1,590,086</u>
	106,659,206	70,177,040	91,884,180
Application of excess MCIT	(878,201)	(2,011,564)	(624,265)
Deferred tax expense relating to origination and reversal of temporary differences	<u>180,434,356</u>	<u>27,814,413</u>	<u>66,589,042</u>
	<u>P 286,215,361</u>	<u>P 95,979,889</u>	<u>P 157,848,957</u>
<i>Reported in consolidated statements of comprehensive income:</i>			
Deferred tax expense (income) on remeasurements of defined benefit post-employment plan	(P 2,051,534)	P 12,097,306	P 2,596,877
Deferred tax expense (income) on changes in fair value of financial assets at FVOCI	(300,000)	1,560,000	-
Deferred tax expense on changes in fair value of AFS financial assets	<u>-</u>	<u>-</u>	<u>210,000</u>
	<u>(P 2,351,534)</u>	<u>P 13,657,306</u>	<u>P 2,806,877</u>

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:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Tax on gross profit at 5% and pretax profit at 30%	P 199,476,622	P 114,832,611	P 168,438,294
Adjustment for income subjected to lower tax rates	(19,509,171)	(14,555,307)	(5,473,954)
Tax effects of:			
Unrecognized deferred tax assets from net operating loss carry-over (NOLCO) and MCIT and other temporary differences	96,885,363	9,425,707	1,536,048
Nontaxable income	(65,987,688)	(2,181,089)	(8,379,376)
Benefit from previously unrecognized NOLCO, MCIT and other temporary differences	10,704,721	(891,219)	-
Excess of optional standard deduction over itemized deductions	(1,994,139)	(274,394)	(402,113)
Impairment loss on receivables	707,361	427,108	750,797
Nondeductible expenses and losses	560,625	1,030,724	2,407,938
Post-employment defined benefits	210,588	306,502	(329,165)
Application of unrecognized MCIT	(152,578)	128,080	(624,265)
Income of foreign subsidiary not subject to taxes	-	142,705	(39,197)
Deferred income subject to RCIT	-	(12,379,050)	-
Others	65,313,657	(32,489)	(36,050)
	<u>P 286,215,361</u>	<u>P 95,979,889</u>	<u>P 157,848,957</u>

The net deferred tax assets of certain subsidiaries as of December 31 relate to the following:

	<u>2019</u>	<u>2018</u>
Deferred tax assets:		
Allowance for impairment on trade and other receivables	P 24,152,706	P 22,068,023
Allowance for inventory obsolescence	20,890,811	22,261,175
Accrued expenses	6,775,706	29,561,228
Retirement benefit obligation	6,367,013	6,160,507
Fair value loss on investment property	4,571,847	3,175,333
PFRS 16 adoption	2,834,788	-
Unrealized foreign currency loss	1,839,332	-
NOLCO	973,127	66,391,846
Provision for warranty claims	521,112	-
Deferred rental income	20,089	-
MCIT	-	8,042,821
	<u>68,946,531</u>	<u>157,660,933</u>
Deferred tax liabilities:		
Equity investments in FVOCI	(1,650,000)	-
Accumulated depreciation on investment property	(845,024)	-
Unrealized foreign currency gains	-	(951,801)
	<u>(2,495,024)</u>	<u>(951,801)</u>
Deferred tax assets – net	<u>P 66,451,507</u>	<u>P 156,709,132</u>

The net deferred tax liabilities of the Parent Company and other subsidiaries as of December 31 relate to the following:

	<u>2019</u>	<u>2018</u>
Deferred tax assets:		
Unearned rent income	P 5,904,668	P 5,716,401
Allowance for impairment on trade and other receivables	4,907,033	8,212,061
Impairment losses on property and equipment	4,303,875	4,303,875
Impairment losses on trade and other receivables	3,069,833	-
Amortization of lease liabilities	2,786,805	-
Loss on investment in subsidiaries	838,709	838,709
Allowance for inventory obsolescence	695,920	1,920,705
Unamortized past service costs	353,658	449,185
Deferred rent income	230,929	-
Unrealized foreign currency loss	4,228	-
Provisions for warranty claims	-	787,014
MCIT	-	566,293
	<u>23,095,658</u>	<u>22,794,243</u>
Deferred tax liabilities:		
Fair value gains on investment property – net	(825,888,045)	(585,968,203)
Retirement benefit asset	(33,979,652)	(36,985,979)
Excess of FV over cost of property	(14,653,835)	(14,433,336)
Accumulated depreciation on investment property	(7,449,512)	(153,256,972)
Unrealized foreign currency gains	(6,561,519)	(7,927,232)
Accrued rent income	(4,409,657)	(4,376,851)
Accumulated amortization on right-of-use asset	(2,156,739)	-
Changes in fair value of financial assets at FVOCI	(1,710,000)	(3,126,543)
	<u>(896,808,959)</u>	<u>(806,075,116)</u>
Deferred tax liabilities – net	<u>(P 873,713,301)</u>	<u>(P 783,280,873)</u>

The components of net deferred tax expense (income) reported in the consolidated statements of income are as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Fair value gains on investment property – net	P 82,838,337	P 83,059,516	P 45,989,950
NOLCO	65,418,719	(65,897,971)	4,824,320
Accrued expenses	23,042,053	-	-
Accumulated depreciation on investment property	9,228,783	(7,014,121)	10,917,024
Excess of MCIT over RCIT	8,609,114	(2,019,900)	25,517,625
Unrealized foreign currency gains (losses) – net	(4,161,074)	5,887,266	(2,111,743)
PFRS 16 adoption	(3,464,854)	-	-
Allowance for inventory obsolescence	2,595,149	19,825,380	(15,333,029)
Allowance for impairment on trade and other receivables	(2,565,851)	(2,125,577)	(321,143)
Retirement benefit asset	(1,161,299)	(3,047,956)	(8,122,932)
Provision for warranty claims	265,902	(352,409)	395,409
Unearned rent income	(188,267)	(630,033)	28,177
Unamortized past service costs	95,527	149,775	130,590
Accrued income	(87,364)	(56,313)	-
Deferred rent income	(30,519)	149,251	(137,041)
Reserve for commission	-	(501,670)	5,168,062
Refundable deposits	-	389,175	1,247,766
Unamortized pre-operating expenses	-	-	(1,556,619)
Changes in fair value of financial assets at FVTPL	-	-	(47,374)
	<u>P 180,434,356</u>	<u>P 27,814,413</u>	<u>P 66,589,042</u>

The deferred tax expense in 2018 and 2017 amounting to P13.7 million and P2.6 million, respectively, and the deferred tax income in 2019 amounting to P2.4 million in the consolidated statements of comprehensive income pertains to the tax effect of the changes in fair value of financial assets at FVOCI (AFS in 2017) and remeasurements of post-employment defined benefit plan (see Note 23.3).

The details of the Group's NOLCO are as follows:

Year Incurred	Amount	Applied Amount	Expired Amount	Remaining Balance	Valid Until
2019	P 287,916,072	P -	P -	P 287,916,072	2022
2018	226,621,411	(532,846)	-	226,088,565	2021
2017	22,095,114	(1,197,516)	-	20,897,598	2020
2016	30,461,687	(8,792,921)	(21,668,766)	-	
	<u>P 567,094,284</u>	<u>(P 10,523,283)</u>	<u>(P 21,668,766)</u>	<u>P 534,902,235</u>	

The Group is subject to MCIT which is computed at 2% 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
2019	P 1,524,840	P -	P -	P 1,524,840	2022
2018	4,147,314	(182,339)	-	3,964,975	2021
2017	78,115	(78,115)	-	-	2020
2016	<u>13,102,960</u>	<u>(9,132,418)</u>	<u>(3,970,542)</u>	<u>-</u>	
	<u>P 18,853,229</u>	<u>(P 9,392,872)</u>	<u>(P 3,970,542)</u>	<u>P 5,489,815</u>	

The Group did not recognize 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.

	2019		2018		2017	
	Amount	Tax Effect	Amount	Tax Effect	Amount	Tax Effect
AFS financial assets	P 829,222,559	P 248,766,768	P 829,222,559	P 248,766,768	P 3,809,492	P 1,142,848
NOLCO	<u>330,732,081</u>	<u>99,219,624</u>	<u>62,219,347</u>	<u>18,665,804</u>	<u>61,381,137</u>	<u>18,414,342</u>
Allowance for impairment of trade receivables	<u>16,916,436</u>	<u>5,074,931</u>	<u>13,600,000</u>	<u>4,080,000</u>	<u>13,600,000</u>	<u>4,080,000</u>
Unrealized foreign currency gains (losses) – net	<u>8,034,540</u>	<u>2,410,362</u>	-	-	(356,304)	(106,891)
MCIT	<u>1,777,805</u>	<u>1,777,805</u>	-	-	-	-
Retirement benefit obligation	<u>1,606,127</u>	<u>481,838</u>	-	-	-	-
Allowance for inventory obsolescence	<u>165,422</u>	<u>49,627</u>	-	-	-	-
	<u>P 1,188,454,970</u>	<u>P 357,780,955</u>	<u>P 905,041,906</u>	<u>P 271,512,572</u>	<u>P 78,434,325</u>	<u>P 23,530,299</u>

The deferred tax liability on unrealized foreign currency gains in 2018 and 2017 were not recognized since the Group has sufficient deferred tax assets to cover any future tax liability that will arise once this gain has been realized. In 2018, SGI recognized DTL on unrealized foreign exchange gain amounting to P2.7 million.

In 2019, 2018 and 2017, the Group claimed itemized deductions in computing 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, 2019 and 2018, the Parent Company has issued shares of 2,030,975,000 (with P1 par value), of which, 394,212,704 and 386,922,704 shares are held by the public in 2019 and 2018, respectively. There are 3,387 and 3,396 holders of the listed shares which closed at P1.22 and P1.32 per share on December 31, 2019 and 2018, respectively.

23.2 Retained Earnings

The BOD approved the declaration of cash dividends in 2019, 2018 and 2017 as follows:

<u>Date of Declaration</u>	<u>Stockholders of Record as of</u>	<u>No. of Shares Outstanding</u>	<u>Amount per Share</u>	<u>Total</u>
August 8, 2019	August 31, 2019	1,821,542,000	P 0.06	P 109,292,520
August 10, 2018	August 31, 2018	1,821,542,000	0.06	109,292,520
August 11, 2017	August 31, 2017	1,821,542,000	0.07	127,507,940

The dividends were paid within their respective year of declaration and approval. Retained earnings is restricted in the amount of P115.6 million as of December 31, 2019 and 2018, 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:

	<u>Notes</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Remeasurement of post-employment benefit:				
Balance at beginning of year		P 50,969,224	P 20,753,761	P 12,019,876
Actuarial gains (loss) during the year	21.2	(8,008,561)	42,312,769	11,330,762
Tax income (expense)	22.2	2,051,534	(12,097,306)	(2,596,877)
Balance at the end of the year		45,012,197	50,969,224	20,753,761
Cumulative translation adjustments:				
Balance at beginning of year		(17,825,788)	(40,409,549)	(40,729,408)
Currency exchange differences on translating financial statements of foreign operations		(17,022,948)	22,583,761	319,859
Balance at end of year		(34,848,736)	(17,825,788)	(40,409,549)
Unrealized fair value losses financial on financial assets at FVOCI/ AFS financial assets:				
Balance at beginning of year		9,046,719	4,012,599	1,131,865
Fair value gains (losses) – net	7	(1,000,000)	6,500,000	2,920,815
Derecognition of financial asset at FVOCI	7	-	94,120	-
Tax income (expense)	22.2	300,000	(1,560,000)	(210,000)
Balance at end of year		8,346,719	9,046,719	3,842,680
Other comprehensive income attributable to non-controlling interest		35,000	35,000	35,000
		P 18,545,180	P 42,225,155	(P 15,778,108)

24. EARNINGS PER SHARE

Basic and diluted earnings for profit attributable to the Parent Company's stockholders are computed as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net profit for the year attributable to the Parent Company's stockholders	<u>P 216,338,757</u>	<u>P 247,055,719</u>	<u>P 397,050,247</u>
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)	<u>(209,433,000)</u>	<u>(209,433,000)</u>
	<u>1,821,542,000</u>	<u>1,821,542,000</u>	<u>1,821,542,000</u>
Earnings per share – basic and diluted	<u>P 0.12</u>	<u>P 0.14</u>	<u>P 0.22</u>

There were no outstanding convertible preferred shares and bonds or other stock equivalents as of December 31, 2019, 2018 and 2017; hence, diluted earnings per share is equal to the basic earnings per share.

25. RELATED PARTY TRANSACTIONS

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 and in the succeeding pages.

The summary of the Group's significant transactions in 2019, 2018 and 2017 with its related parties and the outstanding balances as of December 31, 2019 and 2018 are presented below.

Related Party Category	Notes	Amounts of Transaction			Outstanding Receivable (Payable)	
		2019	2018	2017	2019	2018
Related Parties Under Common Ownership:						
Purchase of mobile phones	25.1	P 395,991,231	P 2,402,888,346	P 2,553,884,042	P -	(P 3,137,078)
Advances to suppliers	25.1	112,171,986	(222,764,208)	2,581,598,142	266,398,055	4,081,344
Commissions	25.5	61,189,656	2,381,237	1,501,182	68,435,719	2,381,237
Lease of real property	25.2	14,036,114	6,172,274	2,393,875	206,004	-
Purchase of spare parts	25.1	12,495,522	27,576,311	27,714,099	(8,653,195)	(9,259,375)
Sale of goods	25.8	5,637,083	1,478,076	13,058,613	361,969	-
Rendering of services	25.9	3,748,808	4,023,357	4,462,209	681,630	831,204
Purchase of supplies and services	25.1	6,316,021	-	5,879,937	(3,970,966)	-
Interest income	25.3	880,000	938,444	1,070,519	-	-
Cash advances granted (paid)	25.4	(397,788)	225,585	-	9,047,868	9,445,656
Cash advances obtained	25.4	-	(1,911,535)	-	(1,881,570)	(1,881,570)
Granting (collection) of business loans	25.3	-	(1,000,000)	(2,000,000)	-	11,000,000
Refundable deposits	25.2	-	108,000	-	(524,250)	(524,250)
Others:						
Key management personnel compensation	25.6	45,403,458	49,080,417	43,301,964	-	-

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.

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.

Similar to trade receivables, the Group's receivables with related parties were assessed for impairment using the Group's simplified approach of ECL model. These receivables have substantially the same risk characteristics as the trade receivables. As such, the expected loss rates for trade receivables are a reasonable approximation of the loss rates for receivables from related parties.

Based on the management assessment, no impairment loss is required to be recognized in 2019 and 2018 as determined using the provision matrix.

25.1 Purchase of Goods, Supplies and Services

In 2019, 2018 and 2017, MySolid purchased mobile phones, tablets and accessories at prevailing market prices from STL amounting to P408.5 million, P2,430.5 million and P2,581.6 million respectively, and recorded as part of Net purchases under Cost of Sales in the consolidated statements of income (see Note 17.1). The outstanding payable from these purchases amounting to P8.7 million and P12.4 million as of December 31, 2019 and 2018 are shown as part of Trade payables under the Trade and Other Payables in the consolidated statements of financial position (see Note 15).

Further, My Solid also made advanced payments to STL, which remained outstanding as of December 31, 2019 and 2018, and are presented as part of Advances to suppliers under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.2). In 2019 and 2018, the management with the approval of the BOD, wrote off certain advances amounting to P1.5 million and P61.0 million, respectively, and is presented as part of Loss on unrecoverable advances under General and Administrative Expenses in the consolidated statements of income (see Note 18).

In 2019, SVC and the Parent Company purchased electronic devices from Avid Sales Corporation (Avid), a related party under common ownership, amounting to P6.0 million and P0.3 million, respectively. In 2017, SVC also purchased electronic devices from Avid amounting to P5.9 million. There were no similar purchases in 2018. The related purchases were recorded as part of Net purchases under Cost of Sales account in the consolidated statement of income (see Note 17.1). The outstanding payable for these purchases as of December 31, 2019, 2018 and 2017, are shown as part of Trade payables under the Trade and Other Payables in the consolidated statements of financial position.

25.2 Lease of Real Property

SMC leases out certain land and buildings to Avid, a related party under common ownership. Also, ZTC leases out its office space to TCL Sun Inc. Revenues arising from these transactions are presented as part of Rentals under the Revenues account of the consolidated statements of income. The outstanding balances arising from rentals and services charges are presented as part of Rental receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.5).

Further, SMC bills service charges to its related parties for common usage and service area and consumption of utilities. Charges arising from these transactions are presented as Common usage service area under Other Operating Income (Expense) account in the consolidated statements of income (see Note 19).

Deposits received from the related parties are refundable at the end of the lease term of the agreements. These are presented as part of Refundable deposits under Trade and Other Payables account in the consolidated statements of financial position (see Note 15).

25.3 Granting of Loans

In prior years, SMFI granted unsecured business loan to Avid, a related party under common ownership, with the original principal loan amounting to P80.0 million. This business loan bears an annual interest rate of 8.0% both in 2019 and 2018, and 9.0% in 2017. The loan is payable upon maturity, which is on January 18, 2025. Principal repayment related to this loan amounted to P1.0 million and P2.0 million in 2018 and 2017, respectively. There was no repayment made in 2019.

Total interest earned from these loans amounted to P0.9 million both in 2019 and 2018 and P1.1 million in 2017 and are presented as part of Interest under Revenues account in the consolidated statements of income. The outstanding balance of business loans granted as of December 31, 2019 and 2018 is shown as part of Loans receivables under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.3).

Based on management's evaluation, there were no impairment losses recognized on the outstanding loans receivables granted to related parties in 2019, 2018 and 2017.

25.4 Advances to and from Related Parties

In the normal course of business, certain subsidiaries of the Group grants and obtains unsecured, noninterest-bearing cash advances to and from related parties owned by the Parent Company's majority stockholders for working capital requirements and other purposes.

Advances to and from related parties arise from and are considered as financing activities. The reconciliation of the carrying amounts of these accounts with movements during the reporting periods as presented in the consolidated statements of cash flows is shown below.

(a) Advances to related parties

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	P 9,445,656	P 9,223,071
Collection of advances	(397,788)	-
Advances granted	<u>-</u>	<u>222,585</u>
Balance at end of year	<u>P 9,047,868</u>	<u>P 9,445,656</u>

(b) *Advances from related parties*

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	P 1,881,570	P 3,793,105
Repayment of advances	<u>-</u>	<u>(1,911,535)</u>
Balance at end of year	<u>P 1,881,570</u>	<u>P 1,881,570</u>

Outstanding balances with related parties are unsecured, noninterest-bearing, have no fixed repayment and settlement terms, except as disclosed in Note 28.3, and are presented as Advances to and from Related Parties account in the consolidated statements of financial position.

25.5 *Transactions with STL*

SVC earns commission from sales of STL, a Group owned by SGI's majority stockholders, which is based in Hong Kong, to customers in the Philippines. Commissions earned are presented as part of Rendering of services under Revenues account in the consolidated statements of income. The outstanding balance arising from these transactions as of December 31, 2019 and 2018 are shown as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.1).

In 2019, My Solid earns royalty income from STL based on the amount of sales recognized by STL from its use of My Solid's trademarks and licenses. Royalty income is presented as part of Rendering of services under Revenues account in the 2019 consolidated statement of income. There was no similar transaction in 2018. The outstanding receivables from these transactions, which are generally unsecured, noninterest-bearing and settled through cash are presented as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.1).

25.6 *Key Management Personnel Compensation*

The compensation of key management personnel is broken down as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Short-term benefits	P 43,843,908	P 44,246,620	P 41,084,414
Post-employment benefit	<u>1,545,908</u>	<u>4,833,797</u>	<u>2,217,550</u>
	<u>P 45,389,816</u>	<u>P 49,080,417</u>	<u>P 43,301,964</u>

These amounts are shown as part of Salaries and employee benefits under General and Administrative Expenses account in the consolidated statements of income (see Notes 18 and 21.1).

25.7 *Transactions with the Retirement Fund*

The Group has established a formal multi-employer retirement plan which is administered by a trustee bank, except for CBHI, GSHMI, My Solid, SGTC and ZTC, whose retirement fund remained unfunded as of December 31, 2019 and 2018.

The retirement fund consists of government securities, corporate bonds, UITF and mutual funds with fair values totaling P203.1 million and P185.0 million as at December 31, 2019 and 2018, respectively (see Note 21.2). The retirement fund neither provides any guarantee or surety for any obligation of the Group. The retirement fund also has no investments in the Parent Company's shares of stock which are listed for trading at the PSE.

The details of the contributions of the Group and benefits paid out by the plan to employees are presented in Note 21.2.

25.8 Sale of Goods

My Solid and SVC sells mobile phones, tablets and accessories, tapes and equipment to Avid. Revenues from said transactions are presented as part of Sale of Goods under Revenues account in the statements of income. The outstanding receivables from these transactions which are generally unsecured, noninterest-bearing and settled through cash within 30 to 45 days are presented as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.1).

25.9 Rendering of Services

OSSI provides leasing warehouse and distribution services to Avid. Revenues from the said transactions amounting to P3.7 million in 2019, P4.0 million in 2018 and P4.5 million in 2017 are presented as part of Rendering of Services under Revenues account in the consolidated statements of income.

The outstanding receivables arising from these transactions, which are generally unsecured, noninterest-bearing and settled through cash amounted to P0.7 million and P0.8 million as of December 31, 2019 and 2018, respectively, and is presented as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6.1).

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, SEC entered into a Memorandum of Understanding (MOU) with Sony for network support for Sony. Under the MOU, Sony authorized SEC 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 P94.1 million, P110.6 million and P86.7 million in 2019, 2018 and 2017, respectively, and are presented as part of Rendering of Services in the consolidated statements of income. Outstanding balances arising from these transactions amounted to P17.6 million and P25.1 million as of December 31, 2019 and 2018, respectively, and 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)

SVC 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, 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. Management believes that the Agreement continues to be effective although no formal renewal has been made since 2007.

26.3 Management Agreement with Sky Cable Corporation

SBC and Sky Cable Corporation (SCC) 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 SCC. SCC, 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.

Revenues arising from these transactions amounted to P3.0 million, P2.4 million and P2.2 million in 2019, 2018 and 2017, respectively, and is presented as part of Rendering of Services under Revenues in the consolidated statements of income. The outstanding receivable amounted to P0.4 million and P0.6 million as of December 31, 2019 and 2018, 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). The related expense is presented as part of Service fees under Cost of Services account in the consolidated statements of income (see Note 17.2).

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 lease out real estate properties under various non-cancellable lease agreements with terms ranging from 1 to 10 years. Some of these lease transactions are subject to 5% to 10% escalation rate.

The future minimum lease receivables under these non-cancellable operating leases as of December 31 are presented below.

	<u>2019</u>	<u>2018</u>
Within one year	P 133,289,948	P 116,911,898
After one year but not more than two years	99,120,094	72,257,015
After two year but not more than three years	15,561,713	68,800,735
After three year but not more than four years	7,349,215	40,249,123
After four year but not more than five years	7,663,319	5,320,571
More than five years	<u>46,933,095</u>	<u>49,148,080</u>
	<u>P 309,917,384</u>	<u>P 352,687,422</u>

The total rent income recognized from these transactions amounted to P250.9 million, P239.2 million and P233.3 million, including rent income resulting from the application of the straight-line basis of revenue recognition in accordance with PFRS 16 (previously PAS 17) in 2019, 2018 and 2017, respectively, and are presented as Rentals under Revenues account in the consolidated statements of income.

27.2 Operating Lease Commitments – Group as Lessee (2018)

The Group has non-cancellable operating lease agreements with various lessors covering several parcels of land, warehouses and offices. These leases have terms of 25 years expiring in 2019. Lease payments are fixed for the first five years. Thereafter, the lease on land is subject to 100% escalation rate every five years while the lease on land improvements is subject to an annual escalation rate of 10%. The future minimum rentals payable under these non-cancellable operating leases as of December 31, 2018 are shown below.

Within one year	P 8,183,429
After one year but not more than five years	<u>10,059,290</u>
	<u>P 18,242,719</u>

Rental expense charged to operations from these operating leases for the year ended December 31, 2018 and 2017 are allocated as follows:

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
Cost of services	17.2	P 35,372,264	P 183,880,158
Cost of rentals	17.3	<u>16,728,546</u>	<u>11,467,507</u>
		<u>P 52,100,810</u>	<u>P 195,347,665</u>

Refundable deposits received in relation to these lease arrangements amounted to P14.3 million as of December 31, 2018. These amounts are presented as part of Other Current Assets and Other Non-current Assets in the consolidated statements of financial position (see Note 13).

27.3 Purchase Commitments

In 2007, ZTC 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, 2019 and 2018 (see Note 9.2). A portion of the retained earnings amounting to P128.0 million was appropriated for this construction.

27.4 Possible Impact of Government Project

In 2005, ZTC received a notification from the Urban Roads Projects Office (URPO) of the Department of Public Works and Highways (DPWH) that the location of the Tri Towers condominium building project might be affected by the plans of the National Government of the Philippines for the construction of the proposed 2nd Ayala Bridge (see Note 9.2). However, the URPO stated that it has not yet undertaken the detailed engineering design that will ascertain if the location of the ZTC's property will be affected by the road's right-of-way. The Group decided to continue the Tri Towers condominium building project despite the notification received from the DPWH because management believes that the likelihood of a possible expropriation of the land is remote given the current status of the government project.

27.5 Option Agreement

Relative to SBC's sale of its broadband assets and subscriber base, the Parent Company granted SCC with an option to purchase the Parent Company's shares in SBC. The said option is exercisable until December 31, 2013. As of December 31, 2013, SCC has not exercised this option (see Note 26.3); hence, the Parent Company still holds the ownership interests in SBC.

27.6 Deficiency Tax Assessments

In prior years, My Solid, SBC and SVC received deficiency tax assessments from the Bureau of Internal Revenue (BIR) indicating various deficiency taxes of those companies and MyTel Mobility Solutions, Inc. (MyTel). MyTel was absorbed by My Solid during its merger on 2012 resulting to the transfer of MyTel's assets and liabilities to My Solid by operations of law. These assessments are currently under protest with the BIR and/or these companies have filed for reinvestigation and/or review with the Court of Tax Appeals. The management believes that My Solid, SBC and SVC have enough evidence 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, 2019.

27.7 Others

The Group has unused credit facilities amounting to P1.1 billion both in 2019 and 2018.

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, 2019, 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 and liquidity 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 to 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, interest-bearing loans and trade and other payables, which are primarily denominated in U.S. dollars. The Group also holds U.S. dollar-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:

	<u>2019</u>	<u>2018</u>
Financial assets	P 138,230,182	P 19,836,671
Financial liabilities	(27,036,280)	(22,875,736)
Short-term exposure	<u>P 111,193,902</u>	<u>(P 3,039,065)</u>

The following table illustrates the sensitivity of the Group's profit before tax in 2019, 2018 and 2017 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.

	<u>2019</u>		<u>2018</u>		<u>2017</u>	
	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	12.37%	<u>P 13,754,686</u>	19.64%	<u>(P 596,872)</u>	10.77%	<u>(P 1,293,068)</u>

If the Philippine peso had strengthened against the USD, with all other variables held constant, the Group's profit before tax would have been lower by P13.8 million in 2019 and would have been higher by P0.6 million and P1.3 million in 2018 and 2017, respectively. Conversely, if the Philippine peso had weakened against the USD by the same percentage, with all variables held constant, profit before tax and equity would have been higher in 2019 and lower in 2018 and 2017 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

At December 31, 2019 and 2018, the Group is exposed to changes in market interest rates through its cash and cash equivalents and short-term placements (presented under Other Assets), which are subject to variable interest rates (see Notes 5 and 13.1). All other financial assets and financial liabilities have fixed rates.

The following illustrates the sensitivity of profit before tax for the year to a reasonably possible change in interest rates of +/-3.11% in 2019, +/-4.80% in 2018 and +/-1.68% in 2017. 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 effect estimated from the beginning of the year. All other variables held constant, if the interest rate increased by 3.11%, 4.80% and 1.68%, profit before tax in 2019, 2018 and 2017, would have increased by P244.1 million, P154.3 million and P47.0 million, respectively. Conversely, if the interest rate decreased by the same percentages, profit before tax in 2019, 2018 and 2017 would have been lower by the same amounts.

(c) Other Price Risk

The Group's market price risk arises from its investments carried at fair value (i.e., financial assets classified as financial assets at FVTPL and financial assets at FVOCI). The Group manages exposures 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 incorporate 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.

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	5	P 3,491,034,266	P 2,455,464,411
Trade and other receivables – net*	6	1,086,653,102	1,465,674,107
Short-term placements**	13	762,445,571	806,113,523
Refundable deposits**	13	14,622,612	14,329,299
Advances to related parties	25.4	9,047,868	9,445,656
Cash bond	13	<u>680,834</u>	<u>692,234</u>
		<u>P 5,364,484,253</u>	<u>P 4,751,719,230</u>

* Except for Advances to supplier and Advances to 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.

(a) Cash and Cash Equivalents and Short-term Placements

The credit risk for cash and cash equivalents 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 short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution.

(b) Trade and Other Receivables

The Group applies the PFRS 9 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 low probability of default since the Group can apply the related payables to these counterparties in case it defaults.

For loans receivables, the Group is not exposed to any significant credit risk exposure 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.

To measure the ECL, trade 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 factor affecting credit risk and ECL for the loan portfolio.

On that basis, the loss allowance as at December 31, 2019 and 2018 was determined based on months past due, for trade and other receivables (except advances to 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, 2019					
Expected loss rate	2.03%	8.61%	61.69%	83.63%	
Gross carrying amount	P 313,690,340	P 16,560,563	P 7,265,446	P 109,429,734	P 446,946,083
Loss allowance	6,364,652	1,426,353	4,481,810	91,513,741	103,786,556
December 31, 2018					
Expected loss rate	0.70%	7.35%	46.33%	81.52%	
Gross carrying amount	P 700,337,226	P 15,404,664	P 12,912,808	P 111,807,429	P 840,462,127
Loss allowance	4,910,231	1,132,967	5,982,723	91,148,981	103,174,902

Except for trade receivables arising from real estate sales, none of the financial assets are secured by collateral or credit enhancements. Trade receivables arising from real estate sales are secured by industrial lots and condominium units sold to buyers and are covered by postdated checks.

The reconciliation of allowance for impairment on trade and other receivables at the beginning and end of 2019 and 2018 is presented in Note 5.

(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 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 apply such deposits to future lease payments in case of defaults.

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, 2019 and 2018, the Group's financial liabilities [except for lease liabilities (see Note 10.2)] have contractual maturities, which are presented below.

	<u>Current</u>		<u>Non-current</u>
	<u>Within 6 Months</u>	<u>6 to 12 Months</u>	<u>1 to 5 Years</u>
2019			
Interest-bearing loans	P 67,956,468	P -	P -
Trade and other payables	385,314,446	-	-
Advances from related parties	1,881,570	-	-
Refundable deposits	-	-	23,491,992
	<u>P455,152,484</u>	<u>P -</u>	<u>P 23,491,992</u>
2018			
Interest-bearing loans	P126,624,628	P -	P -
Trade and other payables	348,675,821	-	-
Advances from related parties	1,881,570	-	-
Refundable deposits	-	-	29,298,575
	<u>P477,182,019</u>	<u>P -</u>	<u>P 29,298,575</u>

The above contractual maturities reflect the gross cash flows, which may differ with the carrying values of the financial liabilities at the end of reporting period.

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 and in the succeeding page.

	<u>Notes</u>	<u>2019</u>		<u>2018</u>	
		<u>Carrying Amounts</u>	<u>Fair Values</u>	<u>Carrying Amounts</u>	<u>Fair Values</u>
Financial assets					
At amortized cost:					
Cash and cash equivalents	5	P 3,491,034,266	P 3,491,034,266	P 2,455,464,411	P 2,455,464,411
Trade and other receivables – net	6	1,086,653,102	1,086,653,102	1,465,674,107	1,465,674,107
Short-term placements	13	762,445,571	762,445,571	806,113,523	806,113,523
Refundable deposits	13	14,622,612	14,622,612	14,329,299	14,329,299
Advances to related parties	25.4	9,047,868	9,047,868	9,445,656	9,445,656
Cash bond	13	680,834	680,834	692,234	692,234
		5,364,484,253	5,364,484,253	4,751,719,230	4,751,719,230
Financial assets at FVOCI:					
Club shares	7	26,100,000	26,100,000	27,100,000	27,100,000
		<u>P 5,390,584,253</u>	<u>P 5,390,584,253</u>	<u>P 4,778,819,230</u>	<u>P 4,778,819,230</u>

	Notes	2019		2018	
		Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial liabilities					
At amortized cost:					
Interest-bearing loans – net	14	P 67,956,468	P 67,956,468	P 126,624,628	P 126,624,628
Trade and other payables	15	385,314,446	385,314,446	348,675,821	348,675,821
Refundable deposits	16	23,491,992	23,491,992	29,298,575	29,298,575
Lease liability		15,363,477	15,363,477	-	-
Advances from related parties	25.4	1,881,570	1,881,570	1,881,570	1,881,570
		P 494,007,953	P 494,007,953	P 506,480,594	P 506,480,594

See Notes 2.5 and 2.12 for a description of the accounting policies for financial assets and financial liabilities, respectively, including the determination of fair values. 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, 2019 and 2018 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 following financial assets presented as part of Advances to related parties under Receivables account in the consolidated statements of financial position can be offset by the amount of outstanding Advances from and Due to a Related Parties account:

	Note	Gross amounts recognized in the consolidated statements of financial position	Related amounts not set off in the consolidated statements of financial position	Net amount
Advances to related parties:	25.4			
December 31, 2019		P 9,047,868	P -	P 9,047,868
December 31, 2018		9,445,656	-	9,445,656
Advances from and due to related parties:	25.4			
December 31, 2019		P 1,881,570	P -	P 1,881,570
December 31, 2018		1,881,570	-	1,881,570

Further, as at December 31, 2019 and 2018, the Group's cash surrender value of investment in life insurance amounting to P738.4 million and P723.2 million, respectively, and presented as part of Trade and Other Receivables account in the consolidated statements of financial position may be used to settle the outstanding loans of BRL amounting to P68.0 million and P123.8 million as at December 31, 2019 and 2018, respectively, and presented as Interest-bearing Loans in the consolidated statements of financial position (see Notes 6.4 and 14).

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;
- 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, 2019 and 2018, the Group's financial assets at FVOCI measured at fair value amounted to P26.1 million and P27.1 million, respectively (see Note 7).

For unquoted equity securities classified as financial assets at FVOCI, the financial assets are measured at cost; hence, these assets are not included within the fair value hierarchy.

The Group has no financial liabilities measured at fair value as of December 31, 2019 and 2018.

There were neither transfers between Levels 1 and 2 nor changes in the carrying amount of Level 3 instruments in both years.

30.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The tables below and in the succeeding page 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
2019							
Financial Assets							
<i>At amortized cost:</i>							
Cash and cash equivalents	5	P	3,491,034,266	P	-	P	3,491,034,266
Trade and other receivables – net	6		-		1,086,653,102		1,086,653,102
Short-term placements	13		762,445,571		-		762,445,571
Refundable deposits	13		-		14,622,612		14,622,612
Advances to related parties	25.4		-		9,047,868		9,047,868
Cash bond	13		-		680,834		680,834
			P 4,253,479,837		P 1,111,004,416		P 5,364,484,253
Financial Liabilities							
<i>At amortized cost:</i>							
Interest-bearing loans – net	14	P	-	P	67,956,468	P	67,956,468
Trade and other payables	15		-		385,314,446		385,314,446
Refundable deposits	16		-		23,491,992		23,491,992
Lease Liability	10.2		-		15,363,477		15,363,477
Advances from related parties	25.4		-		1,881,570		1,881,570
			P -		P 494,007,953		P 494,007,953
2018							
Financial Assets							
<i>At amortized cost:</i>							
Cash and cash equivalents	5	P	2,455,464,411	P	-	P	2,455,464,411
Trade and other receivables – net	6		-		1,465,674,107		1,465,674,107
Short-term placements	13		806,113,523		-		806,113,523
Refundable deposits	13		-		14,329,299		14,329,299
Advances to related parties	25.4		-		9,445,656		9,445,656
Cash bond	13		-		692,234		692,234
			P 3,261,577,934		P 1,490,141,296		P 4,751,719,230

	Notes	Level 1	Level 3	Total
2018				
<i>Financial Liabilities</i>				
<i>At amortized cost:</i>				
Interest-bearing loans – net	14	P -	P 126,624,628	P 126,624,628
Trade and other payables	15	-	348,675,821	348,675,821
Refundable deposits	16	-	29,298,575	29,298,575
Advances from related parties	25.4	-	1,881,570	1,881,570
		<u>P -</u>	<u>P 506,480,594</u>	<u>P 506,480,594</u>

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.

30.4 Fair Value Measurements of Non-financial Assets

The tables below show the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis as of December 31.

	2019		
	Level 2	Level 3	Total
Land and improvements	P2,867,432,506	P -	P 2,867,432,506
Building and improvements	-	821,425,580	821,425,580
Construction in progress	-	51,264,577	51,264,577
	<u>P2,867,432,506</u>	<u>P 872,690,157</u>	<u>P 3,740,122,663</u>
	2018		
	Level 2	Level 3	Total
Land and improvements	P2,527,112,934	P -	P 2,527,112,934
Building and improvements	-	874,353,170	874,353,170
Construction in progress	-	4,975,802	4,975,802
	<u>P2,527,112,934</u>	<u>P 879,328,972</u>	<u>P 3,406,441,906</u>

The fair value of the Group's land and improvements, and building and improvements classified under Investment Properties (see Note 12) are determined on the basis of the appraisals performed by Royal Asia Appraisal Corporation in 2019, 2018 and 2017, all are independent appraisers 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 were determined based on the following approaches:

(a) *Fair Value Measurement for Land and Improvements*

The Level 2 fair value of land and improvements was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property with no adjustment on the price, fair value is included in Level 2. On the other hand, if the observable recent prices of the reference properties were adjusted for differences in key attributes such as property size, zoning, and accessibility, the fair value is included in Level 3. The most significant input into this valuation approach is the price per square foot; hence, the higher the price per square foot, the higher the fair value.

(b) *Fair Value Measurement for Building and Building Improvements*

The Level 3 fair value of the buildings and improvements under Investment Property account was 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.

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 2019 and 2018.

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.

	<u>2019</u>	<u>2018</u>
Total liabilities (excluding advances from related parties)	P 1,477,455,416	P 1,409,279,374
Total equity	<u>10,640,879,837</u>	<u>10,547,287,338</u>
	<u>0.14 : 1.00</u>	<u>0.13 : 1.00</u>

As at December 31, 2019 and 2018, the Group is not subject to any externally-imposed capital requirements, except for SMFI as indicated below.

Under Section 6 of RA No. 8556, SMFI is required to maintain a minimum paid-up capital of not less than P10.0 million. SMFI is in compliance with the minimum paid-up capital requirement as at December 31, 2019 and 2018.

32. EVENTS AFTER THE END OF THE REPORTING PERIOD

In December 2019, a novel strain of corona virus (COVID-19) was reported to have surfaced in China. The World Health Organization has declared the outbreak as a 'public health emergency of international concern.' COVID-19 started to become widespread in the Philippines in early March 2020 causing the government to declare the country in a state of public health emergency followed by implementation of enhanced quarantine and social distancing measures and restrictions within the Luzon area with other cities and provinces in the country enacting similar measures thereafter. This resulted in a wide-ranging business suspension – disrupting the supply chains, affecting production and sales across a range of industries, and weakening the stock market.

Though the disruption is currently expected to be temporary, the Group anticipates that these will have an adverse impact on economic and market conditions and affect various segments of its business. Work stoppage on construction sites and slowdown on the supply chain may potentially lead to delays on the targeted completion and turnover of projects. Community quarantine also requires temporary adjustment of mall operating hours and will reduce foot traffic. Likewise, travel restrictions have resulted into a reduction in hotel occupancies. Meanwhile, the Group's management has noted a decline in the fair value of its plan assets, which are mainly composed of investment in government securities and unit investment trust funds, amounting to P3.7 million as of March 31, 2020.

While management currently believes that it has adequate liquidity, considering that the Group has very minimal outstanding loans and liabilities, and business plans to continue to operate the business and mitigate the risks associated with COVID-19, the ultimate impact of the pandemic is highly uncertain and subject to change. The severity of these consequences will depend on certain developments, including the duration and spread of the outbreak, valuation of assets, and impact on the Group's customers, suppliers, and employees. Specifically, the Group foresee significant drop in consumer demand as the government restrict movement and closure on non-essential establishments. This will affect mobile phones sales of digital mobile segment. In relation to this, royalty income (presented as part of Rendering of Services account) from STL is also expected to drop as this is based on the amount of sales recognized by STL for the use of My Solid's trademarks and licenses.

Leasing operations shall likewise be affected due to limited operating hours and tenants' liquidity. This will affect the hotel and events revenues of the real estate segment. GSHMI and CBHI, particularly, has minimized certain variable costs and availed of extensions on utility payments. GSHMI and CBHI was able to operate at about 36% and 81%, respectively, of its occupancy capacity before the implementation of enhanced community quarantine in National Capital Region. However, CBHI had temporary closure of the hotel when ECQ was implemented on March 17, 2020. The management estimates a possible decrease in occupancy rate for GSHMI and CBHI to about 50% due to cancellations being requested by customers for hotel bookings supposedly reserved for the succeeding months. Subcontract manufacturing of the technical support and solutions segment, on the other hand, will also be effected by delayed shipments as a result of temporary shutdown of factories in China. Financial consequences of aforementioned impact are uncertain and cannot be predicted as of the date of the issuance of the Group's consolidated financial statements. Accordingly, management is not able to reliably estimate the impact of the outbreak on the Group's financial position and results of operation for future periods.

The Group would continue to conduct its business while placing paramount consideration on the health and welfare of its employees, customers, and other stakeholders. The Group has implemented measures to mitigate the transmission of COVID-19, such as by adjusting operating hours, making hand sanitizers available within its properties, increasing the frequency of disinfection of facilities, limiting face-to-face meetings, requiring temperature checks for employees and customers, and implementing health protocols for employees. The Group has also activated business continuity plans, both at the corporate level and business operations level, and conducted scenario planning and analysis to activate contingency plans.

The Group has determined that these events are non-adjusting subsequent events. Accordingly, their impact was not reflected in the Group's consolidated financial statements as of and for the year ended December 31, 2019.

33. OTHER INFORMATION REQUIRED BY THE SECURITIES AND EXCHANGE COMMISSION

Republic Act (RA) No. 11232, *An Act Providing for the Revised Corporation Code of the Philippines* (the Revised Corporation Code) took effect on March 8, 2019. The new provisions of the Revised Corporation Code or any amendments thereof have no significant impact to the Group's consolidated financial statements.

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

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**The Board of Directors and Stockholders
Solid Group Inc. and Subsidiaries**
2285 Don Chino Roces Avenue
Makati City

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, 2019, on which we have rendered our report dated May 26, 2020. 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. 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: Nelson J. Dinio
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 8116543, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 97048-SEC (until Dec. 31, 2023)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-032-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

May 26, 2020

SOLID GROUP INC. AND SUBSIDIARIES
List of Supplementary Information
December 31, 2019

<u>Schedule</u>	<u>Content</u>	<u>Page No.</u>
Schedules Required under Annex 68-J of the Revised Securities Regulation Code Rule 68		
A	Financial Assets	1
B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	N/A
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	2-3
D	Intangible Assets- Other Assets	4
E	Long-term Debt	N/A
F	Indebtedness to Related Parties (Long-term Loans from Related Companies)	N/A
G	Guarantees of Securities of Other Issuers	N/A
H	Capital Stock	5
Other Required Information		
	Reconciliation of Retained Earnings Available for Dividend Declaration	6
	Map Showing the Relationship Between the Company and its Related Entities	7

Solid Group Inc. and Subsidiaries
Schedule A - Financial Assets
December 31, 2019

Name of Issuing Entity and Association 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
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Financial Assets at Fair Value Through Other Comprehensive Income – Non-Current

The Country Club	3	P 10,300,000	P 10,300,000	P -
Sta. Elena Golf Club	1	5,500,000	5,500,000	-
Alabang Country Club	2	7,500,000	7,500,000	-
Tagaytay Midlands Golf Club	4	<u>2,800,000</u>	<u>2,800,000</u>	<u>-</u>
		<u>P 26,100,000</u>	<u>P 26,100,000</u>	<u>P -</u>

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, 2019

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Amounts Written-off	Current	Non-current	
Trade Receivables:							
My Solid Devices & Technologies Corporation	P 6,541,639	P -	P 4,308,327	P -	P 2,233,312	P -	P 2,233,312
Kita Corporation	13,600,000	-	-	-	13,600,000	-	13,600,000
Green Sun Hotel Management Inc.	2,333,333	-	1,750,001	-	583,332	-	583,332
Omni Solid Services Inc.	1,437,054	-	1,437,054	-	-	-	-
Casa Bocobo Hotel, Inc.	57,833	-	57,833	-	-	-	-
SolidService Electronics Corporation	5,117,595	-	5,102,491	-	15,104	-	15,104
Solid Manila Corporation	458,288	-	261,899	-	196,389	-	196,389
Solid Group Inc.	137,329	-	137,329	-	-	-	-
Solid Group Technologies Corp.	36,936	-	36,936	-	-	-	-
Solid Video Corporation	30,044	-	30,044	-	-	-	-
Zen Towers Corporation	-	10,000,000	-	-	10,000,000	-	10,000,000
	P 29,750,050	P 10,000,000	P 13,121,913	p -	P 26,628,138	p -	P 26,628,138
Advances to and From							
My Solid Devices & Technologies Corporation	P 1,314,400,900	p -	p 594,400,900.00	p -	P 720,000,000	p -	P 720,000,000
Kita Corporation	426,259,173	-	-	-	426,259,173	-	426,259,173
Casa Bacobo Hotel, Inc.	-	1,075,850	-	-	1,075,850	-	1,075,850
Zen Towers Corporation	324,000,000	-	-	-	324,000,000	-	324,000,000
Solid Manila Corporation	167,043,188	833,520	5,000,000	-	162,876,708	-	162,876,708
Brilliant Reach Limited	170,699,834	49,440,514	-	-	220,140,348	-	220,140,348
Solid Video Corporation	-	20,000,000	20,000,000.00	-	-	-	-
SolidGroup Technologies Corporation	12,000,000	-	3,000,000	-	9,000,000	-	9,000,000
MyApp Corporation	900,000	-	-	-	900,000	-	900,000
Precos, Inc.	-	4,000,000	-	-	4,000,000	-	4,000,000
	P 2,415,303,095	P 75,349,884	P 622,400,900	P -	P 1,868,252,079	P -	P 1,868,252,079

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, 2019

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Amounts Written-off	Current	Non-current	
<i>Trade payables:</i>							
Solid Video Corporation	P 2,333,333	P -	P 2,333,333	p -	p -	p -	P -
My Solid Devices & Technologies Corporation	128,414	-	24,817	-	103,597	-	103,597
Green Sun Hotel and Management	50,633	-	50,633	-	-	-	-
Omni Solid Services Inc.	6,272,933	-	3,850,103	-	2,422,830	-	2,422,830
SolidService Electronics Corporation	918,016	-	918,016	-	-	-	-
Casa Bocobo Hotel Inc.	1,775,292	-	1,775,292	-	-	-	-
SolidGroup Technologies Corporation	1,437,054	-	1,437,054	-	-	-	-
Solid Manila Corporation	1,527,329	-	1,025,619	-	501,710	-	501,710
Solid Manila Finance Inc.	128,818	-	128,818	-	-	-	-
Solid Group Inc.	18,600,000	5,000,000	-	-	23,600,000	-	23,600,000
	P 33,171,821	P 5,000,000	P 11,543,684	p -	P 26,628,138	p -	P 26,628,138

Solid Group Inc. and Subsidiaries
Schedule D - Intangible Assets - Other Assets
December 31, 2019

Description	Beginning Balance	Additions at Cost	Deduction			Ending Balance
			Charged to Cost and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	
Intangible assets						
Cost:						
Licenses and softwares	P 16,063,382	P 4,545,454	P -	p -	P 2,271,167	P 22,880,003
Non-proprietary club shares	2,222,127	-	-	-	-	2,222,127
	<u>P 18,285,509</u>	<u>P 4,545,454</u>	<u>P -</u>	<u>P -</u>	<u>P 2,271,167</u>	<u>P 25,102,130</u>
Accumulated Amortization and Impairment Losses:						
Licenses and softwares	(P 15,795,726)	P -	(P 2,413,620)	P -	P -	(P 18,209,346)
Non-proprietary club shares	(1,850,000)	-	-	-	-	(1,850,000)
	<u>(P 17,645,726)</u>	<u>P -</u>	<u>(P 2,413,620)</u>	<u>P -</u>	<u>P -</u>	<u>(P 20,059,346)</u>
Net Book Value:	<u>P 639,783</u>	<u>P 4,545,454</u>	<u>(P 2,413,620)</u>	<u>P -</u>	<u>P 2,271,167</u>	<u>P 5,042,784</u>

Solid Group Inc. and Subsidiaries
Schedule H - Capital Stock
December 31, 2019

<i>Title of Issue</i>	<i>Number of shares authorized</i>	<i>Number of shares issued and outstanding as shown under the related balance sheet caption (A)</i>	<i>Number of shares reserved for options, warrants, conversion and other rights</i>	<i>Number of shares held by</i>		
				<i>Related parties (B)</i>	<i>Directors, officers and employees</i>	<i>Others</i>
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	343,951,480	394,212,704

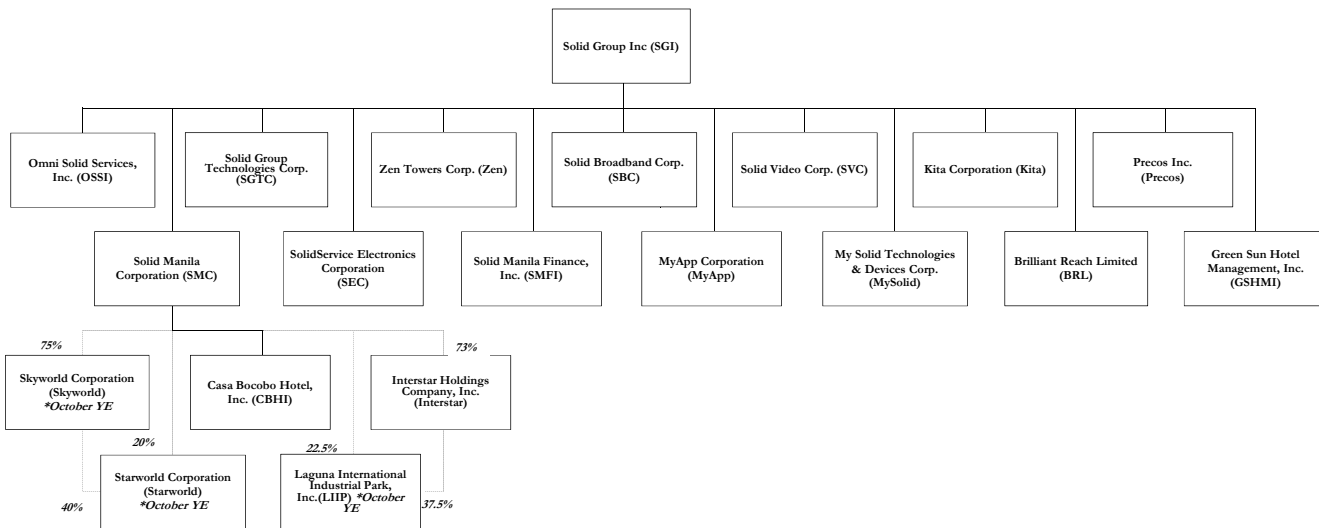
A: Number of shares issued and outstanding = 2,030,975,000 issued shares less 209,433,000 treasury shares

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, 2019

Unappropriated Retained Earnings at Beginning of Year	P	1,023,615,640
Retained Earnings Restricted for Treasury Shares	(115,614,380)
Prior Years' Outstanding Reconciling Items, net of tax		
Deferred tax income	(<u>6,450,039</u>)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted		901,551,221
Net Profit Realized during the Year		
Net profit per audited financial statements		59,699,287
Other Transaction During the Year		
Dividends declared	(<u>109,292,520</u>)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	P	<u>851,957,988</u>

Solid Group Inc. and Subsidiaries
 Map Showing the Relationships Between and Among the Company and its Related Parties



Legend:

— 100% ownership
 -.- Less than 100% ownership

Report of Independent Auditors on Components of Financial Soundness Indicators

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**The Board of Directors and Stockholders
Solid Group Inc. and Subsidiaries**
2285 Don Chino Roces Avenue
Makati City

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, 2019 and 2018, on which we have rendered our report dated May 26, 2020. 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, calculation, 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, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for the years then ended and no material exceptions were noted.

PUNONGBAYAN & ARAULLO



By: Nelson J. Dinio
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 8116543, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 97048-SEC (until Dec. 31, 2023)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-032-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

May 26, 2020

SOLIDGROUP INC. AND SUBSIDIARIES
Supplemental Schedule of Financial Soundness Indicators
December 31, 2019 and 2018

Ratio	Formula	2019	Formula	2018
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets P 5,682,254,806 Divide by: Total Current Liabilities 538,053,887 Current ratio 10.56	10.56	Total Current Assets divided by Total Current Liabilities Total Current Assets P 5,615,058,769 Divide by: Total Current Liabilities 571,865,053 Current ratio 9.82	9.82
Acid test ratio	Quick Assets (Cash and cash equivalents + Trade and other receivables - net) divided by Total Current Liabilities Cash and cash equivalent P 3,491,034,266 Trade and other receivables - : 611,560,303 Quick Assets 4,102,594,569 Divide by: Total Current Liabilities 538,053,887 Acid test ratio 7.62	7.62	Quick Assets (Cash and cash equivalents + Trade and other receivables - net) divided by Total Current Liabilities Cash and cash equivalent P 2,455,464,411 Trade and other receivables - : 891,990,648 Quick Assets 3,347,455,059 Divide by: Total Current Liabilities 571,865,053 Acid test ratio 5.85	5.85
Solvency ratio	Total Liabilities divided by Total Assets Total Liabilities P 1,479,336,986 Divide by: Total Assets 12,120,216,823 Solvency ratio 0.12	0.12	Total Liabilities divided by Total Assets Total Liabilities P 1,411,160,944 Divide by: Total Assets 11,958,448,282 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 1,477,455,416 Divide by: Total Equity 10,640,879,837 Debt-to-equity ratio 0.14	0.14	Total Liabilities (excluding Advances from related parties) divided by Total Equity Total Liabilities (excluding Advances from related parties) P 1,409,279,374 Divide by: Total Equity 10,547,287,338 Debt-to-equity ratio 0.13	0.13
Gearing ratio	Financial Debt divided by Total Equity Financial Debt P 67,956,468 Divided by: Total Equity 10,640,879,837 Gearing ratio 0.01	0.01	Financial Debt divided by Total Equity Financial Debt P 123,790,100 Divided by: Total Equity 10,547,287,338 Gearing ratio 0.01	0.01
Assets-to-equity ratio	Total Assets divided by Total Equity Total Assets P 12,120,216,823 Divide by: Total Equity 10,640,879,837 Assets-to-equity ratio 1.14	1.14	Total Assets divided by Total Equity Total Assets P 11,958,448,282 Divide by: Total Equity 10,547,287,338 Assets-to-equity ratio 1.13	1.13
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Interest expense EBIT P 515,912,430 Divide by: Interest expense 3,132,075 Interest rate coverage ratio 164.72	164.72	Earnings before interest and taxes (EBIT) divided by Interest expense EBIT P 355,175,513 Divide by: Interest expense 4,690,998 Interest rate coverage ratio 75.71	75.71

SOLIDGROUP INC. AND SUBSIDIARIES
Supplemental Schedule of Financial Soundness Indicators
December 31, 2019 and 2018

Operating margin	Operating Profit divided by Total Revenue	0.16	Operating Profit divided by Total Revenue	0.07
	Operating Profit P 434,262,262		Operating Profit P 266,136,134	
	Divide by: Total Revenue 2,665,257,981		Divide by: Total Revenue 3,755,907,147	
	Operating margin 0.16		Operating margin 0.07	
Net profit margin	Net Profit divided by Total Revenue	0.09	Net Profit divided by Total Revenue	0.07
	Net Profit P 226,564,994		Net Profit P 254,504,626	
	Divide by: Total Revenue 2,665,257,981		Divide by: Total Revenue 3,755,907,147	
	Net profit margin 0.09		Net profit margin 0.07	
Return on assets	Net Profit divided by Total Assets	0.02	Net Profit divided by Total Assets	0.02
	Net Profit P 226,564,994		Net Profit P 254,504,626	
	Divide by: Total Assets 12,120,216,823		Divide by: Total Assets 11,958,448,282	
	Return on assets 0.02		Return on assets 0.02	
Return on equity	Net Profit divided by Total Equity	0.02	Net Profit divided by Total Equity	0.02
	Net Profit P 226,564,994		Net Profit P 254,504,626	
	Divide by: Total Equity 10,640,879,837		Divide by: Total Equity 10,547,287,338	
	Return on equity 0.02		Return on equity 0.02	

INDEX TO EXHIBITS

Form 17-A

<u>No.</u>		<u>Page No.</u>
(3)	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession	*
(5)	Instruments Defining the Rights of Security Holders, including Indentures	*
(8)	Voting Trust Agreement	*
(9)	Material Contracts	1
(10)	Annual Report to Security Holders, Form 17-Q or Quarterly Report to Security Holders	*
(13)	Letter re Change in Certifying Accountant	*
(16)	Report Furnished to Security Holders	*
(18)	Subsidiaries of the Registrant	2
(19)	Published Report Regarding Matters Submitted to Vote of Security Holders	*
(20)	Consent of Experts and Independent Counsel	*
(21)	Power of Attorney	*
(29)	Additional Exhibits	*

* These Exhibits are either not applicable to the Company or require no answer.

EXHIBIT 9 MATERIAL CONTRACTS

There are no material contracts that are not made in the ordinary course of business entered into by the Company and its subsidiaries during the year.

EXHIBIT 18 SUBSIDIARIES OF THE REGISTRANT

Solid Group Inc. has fourteen consolidated subsidiaries, each of which is wholly owned, as follows:

Name	Jurisdiction
Solid Video Corporation	Makati City, Philippines
Kita Corporation	Clark, Pampanga, Philippines
Omni Solid Services Inc. (formerly Solid Laguna Corporation)	Binan, Laguna, Philippines
SolidService Electronics Corporation (formerly Solid Electronics Corporation)	Quezon City, Philippines
Solid Manila Corporation	Manila, Philippines
Solid Manila Finance Inc.	Makati, Philippines
Solid Broadband Corporation	Makati, Philippines
Brilliant Reach Limited	British Virgin Islands
Zen Tower Corporation	Manila, Philippines
Precos, Inc.	Makati, Philippines
SolidGroup Technologies Corporation	Makati, Philippines
MySolid Technologies & Devices Corporation	Makati, Philippines
MyApp Corporation	Makati, Philippines
Green Sun Hotel Management Inc.	Makati, Philippines



SOLID GROUP INC.

**SUSTAINABILITY REPORT
OF
SOLID GROUP INC. AND SUBSIDIARIES**

FOR THE YEAR 2019

Annex A: Reporting Template

(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide)

Contextual Information

Company Details	
Name of Organization	Solid Group Inc.
Location of Headquarters	2285 Don Chino Roces Avenue, Makati City
Location of Operations	Philippines
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Parent company and subsidiaries
Business Model, including Primary Activities, Brands, Products, and Services	Solid Group Inc. (SGI) is a publicly listed holding company composed of various subsidiaries and joint venture companies with operations in distribution (mobile devices under the Myphone brand, modular housing and professional equipment), real estate (property leasing, condo sales, hotel operation and investments) support services (electronics servicing, logistics, financing), and investments.
Reporting Period	December 31, 2019
Highest Ranking Person responsible for this report	Mellina T. Corpuz SVP and Chief Accounting Officer/SEC Compliance Officer

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics. ¹
<p>In determining the GRI Standards topics that are material to our stakeholders, we gathered information from the parent company and its subsidiaries to conduct the materiality process. We identified each company’s material sustainability issues based on SASB Materiality Map to determine their influence on the three pillars namely economic, social, and environmental performance, also known informally as profits, planet and people and which among of these issues mostly affected our operations. We identified which are relevant to report as our performance indicators.</p> <p>From there, we provided each company with templates which aimed to simplify the gathering of information and was structured in such a way that the respondents will be able to conveniently fill-in the boxes and answer based on real situation. In answering the template, the respondents simply filled-up the templates expressing their viewpoint and perspective in whether the company reports on the specified statements, which were modified versions of the indicators from the GRI Standards. These statements are summarized which enable us to select which statements would be of greatest interest to and possible impact on them in relation to the operations and sustainability performance of the company.</p>

¹ See [GRI 102-46](#) (2016) for more guidance.

We determined that these are the following:

- Significant economic, environmental and social impacts of the company:
 - ◊ Economic: Economic performance
 - ◊ Environment: Energy management, Air quality, Waste & Wastewater Management
 - ◊ Social Capital: Data Security and Product Quality & Safety
 - ◊ Human Capital: Labor Practices, Employee Health & Safety and Employee Engagement Diversity & Inclusion
 - ◊ Leadership & Governance: Business Ethics

- Information that substantively influence the assessments and decisions of stakeholders, including investors, highlighting areas where the company needs to manage and monitor issues that are important but not currently addressed and identifying the areas of interest to the most important stakeholders, enabling our company to report concise information that gives a meaningful picture of progress to those that need it.

- Matters that substantively affect the company’s ability to create value over the short, medium and long term and helping to identify where the company is creating, or reducing, value for society.

We believe that while the company’s sustainability materiality process is in its first year, it can be significantly improved, better aligned with wider business processes and reported with more clarity in the years to come.

Just as our company fully considers how sustainability topics interrelate with our business strategy, and develops sustainability materiality processes that link with the wider enterprise risk management process, we will be in a better position to inform investors, regulators and other stakeholders on our environmental, social and governance impacts, risks and opportunities.

Note: The term “Company” as used in subsequent pages refers collectively to SGI and its subsidiaries.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	2,665,257,981	PhP
Direct economic value distributed:		
a. Operating costs	1,995,769,088	PhP
b. Employee wages and benefits	274,044,327	PhP
c. Payments to suppliers, other operating costs	1,177,968,051	PhP
d. Dividends given to stockholders and interest payments to loan providers	109,292,520	PhP
e. Taxes given to government	174,832,666	PhP
f. Investments to community (e.g. donations, CSR)	1,251,085	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p>The Company is a publicly listed holding company composed of various subsidiaries and joint venture companies with operations in distribution of MyPhone mobile phones under the Digital Mobile segment; modular housing, real estate (property sales and leasing, condominium sales and hotel operations) under the Property and Related Services segment; support services (electronics servicing, logistics and sale of professional equipment) under the Technical Services and Solutions segment; and, investments and financing under the Investment and Others segment.</p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p>	<p><i>(e.g. employees, community, suppliers, government, vulnerable groups)</i></p> <p>Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers, and the community</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>Our approach has been to manage our business operations with the fundamental business practices. While the company has faced business cycles of ups and downs through the years, it has managed to keep a strong financial position which allows for investments into new ventures as they arise. Our focus on economic, social and environmental issues as they impact on business has shaped our approach to sustainability while creating long-term value for our stakeholders.</p> <p>As the company strives to improve its current operations it remains open to new opportunities to enhance value to its stakeholders.</p>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>The Company's business is continuously subject to rapid technology changes which may cause inventory obsolescence. There are risks from product substitution as customers switch to more sustainable alternatives.</p>	<p>Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers, and the community</p>	<p>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</p>

There's a strong competition in all business segments, prices of goods and services, and customer shopping trends		and management review of the operations and financial results of the Company and its subsidiaries. It monitors developments in technology advances to keep it stay abreast and up-to-date. Significant issues, which may arise as a result of the management review, are then presented to the Board of Directors for resolution.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Identify the opportunity/ies related to material topic of the organization</i> Higher demand for property sales & leasing, new ventures and market opportunities; and, value creation	Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers, and the community	The Company's objective remains consistent and clear — balanced revenue and profitability growth that consistently deliver total stakeholder returns with the right strategy and plans in place. The Company sets out visions for the creation of new markets and business models aligned with sustainability trends. Although it foresees risks in the coming year, particularly from economic uncertainty surrounding the country, the Company is confident that the market remains strong and that through the strategies taken, it is well-placed to realize its goal and opportunities ahead.

Climate-related risks and opportunities²

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities	Disclose the actual and potential impacts ³ of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	Disclose how the organization identifies, assesses, and manages climate-related risks	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material
Recommended Disclosures			

² Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

³ For this disclosure, impact refers to the impact of climate-related issues on the company.

<p>a) Describe the board’s oversight of climate-related risks and opportunities</p> <p>The Company has integrated risks and opportunities into the Company’s governance framework with specific emphasis on board-level engagement and accountability. It includes risk assessment and risk management, review, evaluation, monitoring and actions to address the identified risk.</p> <p>The Board of Directors oversees the implementation of an effective risk culture and internal control framework across the Company. As part of its mandate, the Board oversees controls and risks including risks related to climate change issues and its stakeholders, and it accomplishes its mandate through its committees, including the Risk Management Committee and the Corporate Governance and Nominations Committee. The Risk Management Committee oversees risk management, including climate-related transition and</p>	<p>a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term</p> <p>The Company faces both significant climate-related business opportunities and significant financial risks in different parts of its value chain.</p> <p>Climate change affects the availability of water resources, fertility of soil and in general living conditions of the people.</p> <p>Business solutions that replace emissions-intensive products and services, or that are net emission negative, are in increasing demand as efforts intensify to keep climate change at a tolerable level.</p> <p>There’s a need for the Company to have a comprehensive assessment where we are exposed to potential climate-related market risks that could arise from current and emerging regulations and legislations involving us and our clients, as well as more extreme weather events causing</p>	<p>a) Describe the organization’s processes for identifying and assessing climate-related risks</p> <p>The business implications of climate change are complex and vary across sectors. Accurate and timely disclosure of current and past operating and financial results is fundamental to this function, but it is increasingly important to understand the governance and risk management context in which financial results are achieved.</p> <p>Worse financial performance due to untimely action on the business risks and opportunities following from climate change</p>	<p>a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process</p> <p>Financial metrics help us manage our climate-related risks and opportunities related to our finance and investing activities, our business operations, our employee and community activities.</p> <p>Selectively, we managed to use metrics on climate-related risks associated with water, energy, and waste management based on available data provided to us by our subsidiaries and stakeholders.</p>
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<p>physical risks, while the Corporate Governance and Nomination Committee provides oversight and direction on the Company’s commitments, targets and performance. The Board and its committees also consider all risks in reviews of major action plans and policies to address the identified risks and seize opportunities.</p>	<p>property and asset damage that will have impact to the company, its owners and directors, our customers and suppliers.</p>		
<p>b) Describe management’s role in assessing and managing climate-related risks and opportunities</p> <p>The management shall assign climate-related responsibilities to management-level positions or committee and reports to the board or committee of the board its responsibilities which include assessing and managing climate-related issues.</p>	<p>b) Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy and financial planning.</p> <p>The Company considers climate change for strategic planning and analysis, work with existing processes and allow these to develop and mature over time by integrating short, medium and long-term climate change considerations into its business, including direct impacts to operations as well as indirect impacts associated with the customers.</p>	<p>b) Describe the organization’s processes for managing climate-related risks</p> <p>Integrating relevant climate considerations into our business decisions continues to support our long-term growth strategy taking into consideration the useful life of the organization’s assets or infrastructure and the fact that climate-related issues often manifest themselves over the medium and longer terms,</p>	<p>b) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets</p> <p>The Company did not have the targets yet to manage climate-related risks and opportunities and performance against targets but will do so in the future.</p>
	<p>c) Describe the resilience of the organization’s</p>	<p>c) Describe how processes for identifying,</p>	

	<p>strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario</p> <p>The Company's resilience strategy focuses on sustainable operations but it does not include yet the different climate related scenarios including a 2°C or lower scenario.</p>	<p>assessing, and managing climate-related risks are integrated into the organization's overall risk management</p> <p>The Company's risk management in identifying potential risks in advance, analyzing them and taking precautionary steps to reduce or curb climate related risks is embodied in the Company's charter which is integral into the organization's overall risk management.</p>	
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Reference:
https://www.solidgroup.com.ph/sites/default/files/downloadables/SGI_Amended%20Risk%20Management%20Committee%20Charter.pdf

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	8	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</p> <p>Mobile phones, tablets and accessories of the digital mobile segment business were purchased</p>	<p>(e.g. employees, community, suppliers, government, vulnerable groups)</p> <p>Employees, suppliers, customers and</p>	<p>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</p>

<p>from the OEM (original equipment manufacturers). Other products were sourced from Sony and other electronic brands.</p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>Most of the products sold by the Company were sourced outside of the country direct from the manufacturer which are cheaper and still provide higher value to consumers.</p>	<p>government regulatory body</p>	<p>The Company has no written policy on procurement but it has a practice of buying locally available goods and services for most of its requirements in its day to day operations involving property and related services, technical support and solutions; and, investment and others business segments.</p> <p>The Company prioritized buying locally available goods and services from companies or suppliers offering best value at reasonable and competitive prices such as office supplies, furniture, fixtures & equipment, building construction materials; and, transportation equipment used for its servicing and distribution businesses.</p>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>Single-source procurement brings a greater risk of corruption, resource scarcity, legislation and reputational risk</p>	<p>Employees, suppliers, government</p>	<p>The Company ensures that appropriate decisions are made after thorough assessment and evaluation of different supplier organizations based on prices, delivery and quality of offered products and services. The Company also checks their compliance to existing government regulations and their environmental performance.</p>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<p>Identify the opportunity/ies related to material topic of the organization</p> <p>Wide range of business contacts in sourcing of quality materials and supplies</p>	<p>Employees and suppliers</p>	<p>The Company manages requirements for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organization but to the consumers and the government.</p>

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	No data	%

Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	No data	%
Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption training	37%	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p>Corruption may occur within the organization and may appear as theft, embezzlement, nepotism, bribery, extortion, or as undue influence and may occur anywhere within the Company, be it in service provision, purchasing, construction and hiring. For this year, the Company was able to conduct anti-corruption training to 100% of directors and management and 37% of the total workforce for awareness and accountability</p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>The Company through its group internal audit department attended anti-corruption training from reputable companies and echoed the anti-corruption training within the Company.</p>	<p><i>(e.g. employees, community, suppliers, government, vulnerable groups)</i></p> <p>Directors, employees, government (and its agencies), owners (shareholders), suppliers and customers</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>It is the policy of the Company to ensure its employees are aware and well-informed about its Code of Business Conduct. The board disseminated the policy and program to employees across the organization through the Audit department where it conducted a series of orientation seminar within the Group.</p> <p>http://www.solidgroup.com.ph/sites/default/files/downloadables/SGI%20Amended%20Manual%20on%20Corporate%20Governance%20as%20of%20June%209%2C%202017.pdf</p> <p>The Company has embarked on a group wide program dubbed as S.O.S Speak Out Safely. This enables all concerned to give information regarding fraud, abuse, waste and/or misconduct activities where anonymity is protected and all information confidential where reports can be given through email or letter, phone call or text and/or personal appointment.</p>

		https://www.solidgroup.com.ph/sites/default/files/downloadables/SGI%20Code%20of%20Business%20Conduct.pdf
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>Employees/personnel who underwent training may still commit corruption</p>	Directors, employees, government (and its agencies), owners (shareholders), suppliers and customers	Corruption inhibits economic growth and affects business operations. Corruption increases transaction costs and creates insecurity in the economy. Everyone from the board of directors, the business owner and the compliance function need to make it clear that they won't tolerate bribery and corruption and that anyone found guilty will face the highest sanctions.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p> <p>Training staff to make them aware of their responsibilities, the company's expectations and the consequences of committing corruption; and, empowering staff to play a role in maintaining compliance in Code of Conduct by outlining whistleblowing procedures and red flags to look out for.</p>	Directors, employees, government (and its agencies), owners (shareholders), suppliers and customers	The Company implements adequate systems and controls (policies and procedures) in corruption prevention embedded and understood by everyone in the organization. The management supports good quality anti-corruption training program critical in understanding the human impact of corruption and their specific responsibilities for helping to prevent corruption in everyday situations they may come across. Everybody in the organization will be much more likely to remember their duties and act in the right way.

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	–	#
Number of incidents in which employees were dismissed or disciplined for corruption	–	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	–	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p>No incidents of corruption were reported during the year.</p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>No incidents of corruption were reported during the year.</p>	<p><i>(e.g. employees, community, suppliers, government, vulnerable groups)</i></p> <p>Directors, employees, government (and its agencies), owners (shareholders), suppliers and customers</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>The Company promotes the culture of awareness and education which are a vital and necessary component of any sustainable anti-corruption efforts. Everybody in the organization is aware of the various risk mitigation measures adopted by the Company to protect the integrity and efficiency of business processes with the support of a strong and effective organizational and accountability structure.</p>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>No incidents of corruption were reported during the year.</p> <p>Corruption, however, may occur in any business process within the organization involving human resources, financial management, procurement, construction and infrastructure development, among others.</p>	<p>Directors, employees, government (and its agencies), owners (shareholders), suppliers and customers</p>	<p>To mitigate these risks, the Company implements well-defined policies and effective platforms to proactively manage and oversee all aspects of the business.</p> <p>Various risk mitigation strategies are being adopted through the following:</p> <ol style="list-style-type: none"> 1. Effective policies and procedures to prevent corruption 2. Effective procurement practices 4. Practicing sound contracting practices and procedures 5. Ensuring the close supervision of every stage of the business processes 6. Keeping complete, accurate and transparent records in all processes 7. Adopting measures to reduce corruption in the supply chain
What are the Opportunity/ies	Which stakeholders are	Management Approach

Identified?	affected?	
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p> <p>Enhancing company's reputation</p>	<p>Directors, employees, government (and its agencies), owners (shareholders), suppliers and customers</p>	<p>The Company is being prepared for corruption risks by protecting or even enhancing the company's reputation adopting a smart, long-term strategic solution with our CEO and the board proactively leading the anti-corruption effort in a broader, holistic manner, investing in creating a sustainable culture of integrity – with all the right policies, incentives and performance metrics in place for the long term.</p>

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	-	GJ
Energy consumption (gasoline)	822	GJ
Energy consumption (LPG)	-	GJ
Energy consumption (diesel)	8,147	GJ
Energy consumption (electricity)	3,312,334	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	-	GJ
Energy reduction (LPG)	-	GJ
Energy reduction (diesel)	-	GJ
Energy reduction (electricity)	-	kWh
Energy reduction (gasoline)	-	GJ

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p>Energy consumption within the organization is from company service and delivery vehicles, generators and stationary equipment and electricity consumed within the buildings used in company operations.</p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p>	<p><i>(e.g. employees, community, suppliers, government, vulnerable groups)</i></p> <p>Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>Environmental stewardship is at the core of our commitment to go green and help in building a better working world. By starting with the little things in the workplace like waste elimination, reduction and recycling, taking the stairs instead of the lift one floor up or down, or turning off the lights when not in use or when natural light is available and no idling of vehicles, among others, we are able to promote a culture of responsible resource use, sustainable practices and genuine care for the environment.</p>

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>Increased costs and health risk.</p>	<p>Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public</p>	<p>The Company implements efficient use of energy through consumption reduction in all facets of the organization taking into consideration the savings it can generate and the benefits of lesser GHG emission in the environment. It believes that through this, it will safeguard nature from potentially damaging business operations, constructing a win-win situation benefitting the economy, the environment and the people.</p>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p> <p>Cleaner environment, reduced energy cost</p>	<p>Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public</p>	<p>The Company has taken a range of approaches to promoting energy efficiency. It advocates energy efficiency which can create cleaner environment and reduced energy costs.</p>

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	–	Cubic meters
Water consumption	55,135	Cubic meters
Water recycled and reused	–	Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p>Water consumed within the properties used for hotel operation</p>	<p><i>(e.g. employees, community, suppliers, government, vulnerable groups)</i></p> <p>Directors, employees,</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>The Company encourages water</p>

and events, condo units, real estate for leasing and offices used in company operation and its supply chain. <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i> ---	government (and its agencies), owners (shareholders), suppliers, customers and the public community	conservation and raises awareness (with posters and signs within the premises as reminder to observe proper water usage), creates new standards for water efficiency, and makes sizeable cuts to water use.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Identify risk/s related to material topic of the organization</i>	Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	The Company will work for a comprehensive and detailed management approach in the future
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Identify the opportunity/ies related to material topic of the organization</i>	Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	The Company will work for a comprehensive and detailed management approach in the future

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
• renewable	-	kg/liters
• non-renewable	-	kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	-	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Identify the impact and where it occurs (i.e., primary business</i>	<i>(e.g. employees, community, suppliers,</i>	<i>What policies, commitments, goals and targets, responsibilities, resources,</i>

<p><i>operations and/or supply chain)</i></p> <p>The Company has no data for this period but will provide in the future</p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>The Company has no data for this period but will provide in the future</p>	<p><i>government, vulnerable groups)</i></p> <p>The Company has no data for this period but will provide in the future</p>	<p><i>grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>The Company will work for a comprehensive and detailed management approach in the future</p>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>The Company has no data for this period but will provide in the future</p>	<p>The Company has no data for this period but will provide in the future</p>	<p>The Company will work for a comprehensive and detailed management approach in the future</p>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p> <p>The Company has no data for this period but will provide in the future</p>	<p>The Company has no data for this period but will provide in the future</p>	<p>The Company will work for a comprehensive and detailed management approach in the future</p>

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	(identify all sites) N/A	
Habitats protected or restored	N/A	ha
IUCN ⁴ Red List species and national conservation list species with habitats in areas affected by operations	(list) N/A	

⁴ International Union for Conservation of Nature

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p>This is not applicable to the present operation of the company.</p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>This is not applicable to the present operation of the company.</p>	<p><i>(e.g. employees, community, suppliers, government, vulnerable groups)</i></p> <p>This is not applicable to the present operation of the company.</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>This is not applicable to the present operation of the company.</p>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>This is not applicable to the present operation of the company.</p>	<p>This is not applicable to the present operation of the company.</p>	<p>This is not applicable to the present operation of the company.</p>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p> <p>This is not applicable to the present operation of the company.</p>	<p>This is not applicable to the present operation of the company.</p>	<p>This is not applicable to the present operation of the company.</p>

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions Gasoline (55) Diesel (557)	612	Tonnes CO ₂ e
Energy indirect (Scope 2) GHG Emissions	-	Tonnes CO ₂ e
Emissions of ozone-depleting substances (ODS)	2,584	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>Direct GHG emissions are from owned or controlled sources such as fuel consumed by vehicles and LPG consumption. Indirect GHG emissions are from electricity purchased from energy company like Meralco. This comprises energy consumptions within the Group.</p>	<p><i>(e.g. employees, community, suppliers, government, vulnerable groups)</i></p> <p>Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>The Company will work for a comprehensive and detailed management approach in the future regarding GHG management.</p>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p>	<p>Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public</p>	<p>The Company will work for a comprehensive and detailed management approach in the future which entails measuring emissions and understanding their sources, setting a goal for reducing emissions, developing a plan to meet this goal, and implementing the plan to achieve reductions in emissions.</p>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p>	<p>Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public</p>	<p>The Company will work for a comprehensive and detailed management approach in the future</p>

Air pollutants

Disclosure	Quantity	Units
NO _x	-	kg
SO _x	-	kg
Persistent organic pollutants (POPs)	-	kg
Volatile organic compounds (VOCs)	-	kg
Hazardous air pollutants (HAPs)	-	kg
Particulate matter (PM)	-	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p>The Company has no data for the period but will work on it in the future.</p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>The Company has no data for the period but will work on it in the future.</p>	<p><i>(e.g. employees, community, suppliers, government, vulnerable groups)</i></p> <p>The Company has no data for the period but will provide in the future.</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>The Company will work for a comprehensive and detailed management approach in the future</p>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>The Company has no data for the period but will work on it in the future.</p>	<p>The Company has no data for the period but will provide in the future.</p>	<p>The Company will work for a comprehensive and detailed management approach in the future</p>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<p><i>Identify the opportunity/ies related to material topic of the</i></p>	<p>The Company has no data for the period but will</p>	<p>The Company will work for a comprehensive and detailed</p>

<i>organization</i> The Company has no data for the period but will work on it in the future.	work on it in the future.	management approach in the future
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Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	-	kg
Reusable	-	kg
Recyclable	-	kg
Composted	-	kg
Incinerated	-	kg
Residuals/Landfilled	-	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p>The Company has no data for this period but will work on it in the future.</p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>The Company has no data for this period but will work on it in the future.</p>	<p>(e.g. employees, community, suppliers, government, vulnerable groups)</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>The Company will work for a comprehensive and detailed management approach in the future</p>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>The Company has no data for this period but will work on it in the future.</p>		<p>The Company will work for a comprehensive and detailed management approach in the future</p>

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p> <p>The Company has no data for this period but will work on it in the future.</p>		<p>The Company will work for a comprehensive and detailed management approach in the future</p>

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	-	kg
Total weight of hazardous waste transported	-	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p>The Company has no data right now but it will be working on it in the future.</p> <p>Administrative and office related works within the group have electrical and electronics waste like laptops, UPS, busted lights, cable wire and the like. Operation related wastes from the nature of business like cooking oil and cleaning solutions for hotel and restaurant business, electronic waste for logistics business and repair services of electronic products.</p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p>	<p><i>(e.g. employees, community, suppliers, government, vulnerable groups)</i></p> <p>Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>The Company will work for a comprehensive and detailed management approach in the future.</p>

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>The Company has no data for this period but will provide in the future.</p>	<p>Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public</p>	<p>The Company has no policy on hazardous waste but will work on it in the future.</p>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p> <p>The Company has no data for this period but will provide in the future</p>	<p>Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public</p>	<p>The Company has no policy on hazardous waste but will work on it in the future.</p>

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	-	Cubic meters
Percent of wastewater recycled	-	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p>Businesses involving hotel, leasing and condominium</p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>Hotel operations, leasing and condominium have significant</p>	<p><i>(e.g. employees, community, suppliers, government, vulnerable groups)</i></p> <p>Employees, tenants, customers/clients, guests, suppliers</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>The Company continues to innovate in water utilization to conserve the resource without compromising the needs of its business operations and of its customers and clientele.</p>

water discharges due to their business activities involving its tenants, costumers, guests water consumptions		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Identify risk/s related to material topic of the organization</i> Scarce resources of clean and sustainable water supply	Employees, tenants, customers/clients, guests, suppliers	The Company will work for a comprehensive and detailed management approach in the future
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Identify the opportunity/ies related to material topic of the organization</i> None identified	Employees, tenants, customers/clients, guests, suppliers	The Company will work for a comprehensive and detailed management approach in the future

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	–	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	–	#
No. of cases resolved through dispute resolution mechanism	-	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> The Company has no data for this period but will provide in the future. <i>Indicate involvement in the impact</i>	(e.g. employees, community, suppliers, government, vulnerable groups)	<i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i> The Company is committed to comply with the government mandate to follow

<i>(i.e., caused by the organization or linked to impacts through its business relationship)</i> The Company has no data for this period but will provide in the future.		environmental laws and regulations.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<i>Identify risk/s related to material topic of the organization</i> The Company has no data for this period but will provide in the future.		The Company will work for a comprehensive and detailed management approach in the future.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
<i>Identify the opportunity/ies related to material topic of the organization</i> The Company has no data for this period but will provide in the future.		The Company will work for a comprehensive and detailed management approach in the future.

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees ⁵		
a. Number of female employees	204	#
b. Number of male employees	258	#
Attrition rate ⁶	0.01%	rate
Ratio of lowest paid employee against minimum wage	No data	ratio

Employee benefits

List of Benefits	Y/N	% of female employees	% of male employees
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⁵ Employees are individuals who are in an employment relationship with the organization, according to national law or its application ([GRI Standards 2016 Glossary](#))

⁶ Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

		who availed for the year	who availed for the year
SSS	Y	63	76
PhilHealth	Y	48	65
Pag-ibig	Y	61	83
Parental leaves	Y	4	3
Vacation leaves	Y	110	145
Sick leaves	Y	70	92
Medical benefits (aside from PhilHealth))	N	0	0
Housing assistance (aside from Pag-ibig)	N	0	0
Retirement fund (aside from SSS)	Y	2	4
Further education support	N	0	0
Company stock options	N	0	0
Telecommuting	Y	48	64
Flexible-working Hours	Y	20	15
(Others)	Y	2	4

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p>Impact can be seen on the organization's employees</p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>It is the target or objectives of the Company to conduct training programs to further enhance the organization's development and nurture knowledge and skills for both parties' benefits.</p>
What are the Risk/s Identified?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>Personnel Competence</p>	<p>The Company has a procedure within the organization to provide assessment of employees' competence and provide support to those not at par through training and coaching. Furthermore, feedbacks are provided and more applicable and relevant programs and trainings are conducted.</p>
What are the Opportunity/ies Identified?	Management Approach
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p> <p>Opportunity to cultivate an employee's skills and competence</p>	<p>Providing or creating programs that lean towards employee enhancement and development.</p>

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	578	hours
b. Male employees	2,717	hours
Average training hours provided to employees		
a. Female employees	90	hours/employee
b. Male employees	104	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p>Awareness/compliance to government regulations</p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>The Company supports its employees by providing training programs in technical, technological, quality, skills, professional and other relevant trainings to keep abreast with recent developments applicable in the workplace.</p>
What are the Risk/s Identified?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>Training needs and analysis</p>	<p>Training programs are provided to strengthen those skills that each employee needs to improve.</p>
What are the Opportunity/ies Identified?	Management Approach
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p> <p>Training needs and analysis</p>	<p>There are development programs like trainings, task and job rotations, coaching, mentoring, workshops and conferences that bring all employees to a higher level so they all have similar skills and knowledge. This helps reduce any weak links within the company who rely heavily on others to complete basic work tasks</p>

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	0	%
Number of consultations conducted with employees concerning employee-related policies	242	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p>Compliance of labor laws</p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>It is the policy of the company to have a sound worker-management relationship as a key ingredient to the long-term sustainability of the operation of the Company.</p>
What are the Risk/s Identified?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>Unionized organization</p>	<p>The Company has fair labor practices which avoids adversarial relationship between labor and management.</p>
What are the Opportunity/ies Identified?	Management Approach
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p> <p>Lower turn-over of personnel, greater efficiency and higher productivity and growth.</p>	<p>The Company has sound labor-management practices to ensure employees productivity and satisfaction which generally contributes to economic growth and development and increase in efficiency within the organization.</p>

Diversity and Equal Opportunity

GRI 405

Disclosure	Quantity	Units
% of female workers in the workforce	44	%
% of male workers in the workforce	56	%
Number of employees from indigenous communities and/or vulnerable sector*	6	#

*Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p>Stakeholders are expected to show interest in information concerning the employment of minorities or women, equal opportunities, work-life balance</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p>

<p>or the integration of disadvantaged groups, among others, which constitute diversity concerns.</p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p>	<p>The Company adheres to creating a workforce that is fair and inclusive and seeks to retain and attract the best people to do the job through diversity and equal opportunity for all. It's been the policy of the Company to implement equality and diversity programs into hiring practices.</p>
What are the Risk/s Identified?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>Diverse workforce consists of individuals belonging to unique cultures who have different characteristics, aspirations, and expectations which poses risk in the workplace. Employees from different backgrounds such as age, gender and cultural backgrounds have different needs and feel the urge to be respected in their workplace.</p>	<p>Management needs to understand the need of these diverse groups of people so as to avoid employee tensions and conflicts. The Company maintains and promotes harmony in the workplace as it believes its importance in increasing productivity and equality within the organization.</p>
What are the Opportunity/ies Identified?	Management Approach
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p> <p>Diversity in the workplace promotes innovation.</p>	<p>It is evident that diversity in the work place creates more innovative business outputs. The Company has a diverse team that can generate more creative, innovative ideas. Skills diversity also comes into play here. Good diversity management is key to business success.</p>

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	1,156,700	Man-hours
No. of work-related injuries	0	#
No. of work-related fatalities	0	#
No. of work related ill-health	0	#
No. of safety drills	38	#

What is the impact and where does it occur? What	Management Approach
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is the organization's involvement in the impact?	
<p>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</p> <p>Within the Company, safe man-hours</p> <p>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</p>	<p>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</p> <p>The Company provides a safe and healthful workplace for the employees.</p>
What are the Risk/s Identified?	Management Approach
<p>Identify risk/s related to material topic of the organization</p> <p>Incidence of illness and injury</p>	<p>The Company has occupational safety and health standards across the organization.</p>
What are the Opportunity/ies Identified?	Management Approach
<p>Identify the opportunity/ies related to material topic of the organization</p> <p>Improve safety</p>	<p>It is the policy of the Company to adhere to occupational safety and health standard across the organization.</p>

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	Y	Section III on Employee's Handbook Employment conditions of the Company
Child labor	Y	Section III on Employee's Handbook Employment conditions of the Company
Human Rights	Y	Section III on Employee's Handbook Employment conditions of the Company Code of Conduct Pertains to all sanctions imposed upon committing a violation or negative action

What is the impact and where does it occur? What	Management Approach
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is the organization's involvement in the impact?	
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p>Positive impact on personnel and the organization</p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>Not applicable</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>Continuing to uphold the organization's policies and core values and maintaining credibility by aligning it according to national or international standards.</p> <p>https://www.solidgroup.com.ph/sites/default/files/downloadables/SGL_Policy%20and%20Data%20relating%20to%20Health%2C%20Safety%20and%20Welfare.pdf</p>
What are the Risk/s Identified?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>Possibilities of outdated or misaligned policies</p>	<p>Management approach may include continuously reviewing and realigning policies according to national or international standards while maintaining its stability by imbining its core values</p>
What are the Opportunity/ies Identified?	Management Approach
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p> <p>Updating policies according to the organization and society's standards</p>	<p>By being aware of changes in society as well as the norms by reviewing laws or standards and applying it to the organization's system</p>

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	N	N/A
Forced labor	N	N/A
Child labor	N	N/A
Human rights	N	N/A

Bribery and corruption	N	N/A
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What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p>The Company has no data for this period but will be working on it in the future.</p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>The Company has no data for this period but will be working on it in the future.</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>The Company will work for a comprehensive and detailed management approach in the future.</p>
What are the Risk/s Identified?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>The Company has no data for this period but will be working on it in the future.</p>	<p>The Company will work for a comprehensive and detailed management approach in the future</p>
What are the Opportunity/ies Identified?	Management Approach
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p> <p>The Company has no data for this period but will be working on it in the future.</p>	<p>The Company will work for a comprehensive and detailed management approach in the future.</p>

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)

has to be business operations)					
N/A	N/A	N/A	N/A	N/A	N/A

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: _____

Certificates	Quantity	Units
FPIC process is still undergoing	N/A	#
CP secured	N/A	#

What are the Risk/s Identified?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>The Company's business operations have no significant impacts with the local community but will consider in the future when the right opportunities come in.</p>	<p>This will be addressed in the future, when applicable to the Company's operation.</p>
What are the Opportunity/ies Identified?	Management Approach
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p> <p>The Company's business operations have no significant impacts with the local community but will consider in the future when the right opportunities come in.</p>	<p>This will be addressed in the future, when applicable to the Company's operation.</p>

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	N/A	N

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p>The Company's digital device segment sells MyPhone mobile phones, tablets and accessories to major distributors.</p> <p>The Company has not conducted any survey for the period but will do so in the future when applicable.</p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>MyPhone device has been tested and passed according to the standards in compliance with the essential requirements in the specified directive. It is safe, secure and efficient to use. Every new smartphone has been Google certified and granted the approval for manufacturing and shipment.</p>
What are the Risk/s Identified?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>Myphone experienced a downward trajectory in smartphone market share due to stiff competition.</p>	<p>The Company imports, distributes and sells mobile phones, gadgets and accessories to dealers and retailers. On December 2019, in a bid to optimize operations and to improve financial results, the Company opted to change to a business model by licensing its MyPhone trade name and trademarks and other intellectual property rights, and assigning the distribution of the related MyPhone mobile phones products to Solid Trading Limited (STL), a related party under common ownership. In consideration of the foregoing, the Company shall receive royalty from STL equivalent to a certain percentage of latter's sales of the MyPhone products.</p>
What are the Opportunity/ies Identified?	Management Approach
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p> <p>MyPhone offers affordable quality phones to Filipino masses who can hardly afford high-end mobile phones, with features similar to high-end mobile phones.</p>	<p>The Company commits to constantly study, understand and keep up with the latest technological advancements, demands, and trends, while we constantly remind ourselves to put the changing and evolving needs of our customers in the face of the changing times, always on top of our priority.</p>

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	0	#
No. of complaints addressed	0	#

*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<p>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</p> <p>The Company has no available information for the period.</p> <p>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</p> <p>The Company has no available information for the period.</p>	<p>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</p> <p>The Company adopts the use of appropriate practices, means, methods, operations or processes, and working conditions reasonably necessary to ensure safe and healthful employment.</p>
What are the Risk/s Identified?	Management Approach
<p>Identify risk/s related to material topic of the organization</p> <p>The Company has no available information for the period.</p>	<p>The Company adopts the use of appropriate practices, means, methods, operations or processes, and working conditions reasonably necessary to ensure safe and healthful employment.</p>
What are the Opportunity/ies Identified?	Management Approach
<p>Identify the opportunity/ies related to material topic of the organization</p> <p>The Company has no available information for the period.</p>	<p>The Company adopts the use of appropriate practices, means, methods, operations or processes, and working conditions reasonably necessary to ensure safe and healthful employment.</p>

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	0	#
No. of complaints addressed	0	#

**Substantiated complaints include complaints from customers that went through the organization’s formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p>The Company’s digital device segment sells MyPhone mobile phones, tablets and accessories to customers.</p> <p>The Company has no available information for the period.</p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>The Company has no available information for the period.</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>This will be addressed in the future, when applicable.</p>
What are the Risk/s Identified?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>The Company has no available information for the period.</p>	<p>This will be addressed in the future, when applicable.</p>
What are the Opportunity/ies Identified?	Management Approach
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p> <p>The Company has no available information for the period.</p>	<p>This will be addressed in the future, when applicable.</p>

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	0	#
No. of complaints addressed	0	#
No. of customers, users and account holders whose information is used for secondary purposes	0	#

**Substantiated complaints include complaints from customers that went through the organization’s formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p>The Company has no available information for the period.</p> <p>The Company's digital device segment sells mobile phones, tablets and accessories to its distributors and its technical support and solutions segment renders services to major distributors in the electronics industry through its logistics and integration and commissioning works.</p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>The Company has no available information for the period.</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>The Company upholds the proper handling and protection of the sensitive personal information provided by customers/clients in the course of everyday transactions by handling their sensitive personal data responsibly, minimizing data collection and retention gathering information limited to what is needed by the company to deliver its product and services.</p>
What are the Risk/s Identified?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>Loss of customer trust or legal complaints over privacy mishaps.</p>	<p>The Company sees to it that it has a secured network, databases and website as the internet has evolved into a medium of commerce, making consumer data privacy a growing concern.</p>
What are the Opportunity/ies Identified?	Management Approach
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p> <p>It can create customer goodwill and even lift sales, while reducing business and legal risks. Strong security increases overall customer satisfaction and customers have shown they are willing to spend more with us whom they trust to protect their privacy and data.</p>	<p>The Company developed and maintained its privacy policy protecting customer privacy which enables the company to drive more revenues and gain more customers as they believe that privacy practices of the company can be trusted, in addition to its products and services dependability and pricing practices.</p>

Data Security

Disclosure	Quantity	Units
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No. of data breaches, including leaks, thefts and losses of data	0	#
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What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p>The Company's business segments namely digital mobile, property and building services, technical support and solutions and investment & others deals with stakeholders and customers (private and government) requiring data information for its business transactions.</p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>The Company is exposed to cyber threats that need sustainable security solutions in today's increasingly digital marketplace because the need for data protection is more critical than ever</p>	<p><i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p> <p>In 2019, the Company entered into an agreement with a consulting company for data privacy compliance and protection in relation to Data Privacy Act of 2012. It conducted workshops on comprehending the organization's inventory of information and communication systems, facilitated risk assessment, conducted gap analysis for processes and existing protocols, advocacy and awareness of data privacy organization-wide, set up physical, technical, and organization controls, advised liaising with and conforming to the rules of the NPC and guided the company on incidents and data breaches.</p> <p>The Company was able to understand its full life cycle of data that enabled the company to identify the probable areas of problems, risks and threats related to data privacy. The proactive effort of resolving these hazards not only protects the interest of the individuals, but also that of the company, as this puts in place safeguards that would optimistically prevent any financial loss and reputational damage due to unexpected attacks.</p> <p>It also conducted Seminar on Data Privacy Awareness to all employees aimed to protect personal information and the corresponding laws that govern it.</p>
What are the Risk/s Identified?	Management Approach
<p><i>Identify risk/s related to material topic of the</i></p>	<p>The Company was able identify the probable</p>

Cyber threats like malware, ransomware, hacker database contamination and risk of being breached.	areas of problems, risks and threats related to data privacy and security by understanding its full life cycle of data. As breaches become more frequent and more severe, security that worked yesterday may not address today's issues, hence, the Company implemented sustainable security solutions to fortify all data that's rooted in proactively evolving to meet new challenges.
What are the Opportunity/ies Identified?	Management Approach
<p><i>Identify the opportunity/ies related to material topic of the organization</i></p> <p>The proactive effort of resolving these hazards to have a sustainable security as a main company goal, as it's the only technique poised to take our business through the constantly changing security challenges of today.</p>	<p>The proactive effort of resolving these hazards not only protects the interest of the individuals, but also that of the company, as this puts in place safeguards that would optimistically prevent any financial loss and reputational damage due to unexpected attacks. It also adopts a sustainable environment both in physical and digital aspect to ensure that resources remain accessible.</p>

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Sale of mobile phones, tablets and accessories	<p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p> <p>Ensure sustainable consumption and production patterns and sustainable operation</p>	Waste accumulation	MyPhone commits to constantly study, understand and keep up with the latest technological advancements, innovations, demands, and trends towards a sustainable growth respectful of the environment.

<p>Real estate (development, sale, leasing and hotel operation)</p>	<p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p> <p>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.</p> <p>Make cities and human settlements inclusive, safe and resilient</p>	<p>Soil exploitation and overbuilding</p>	<p>We use technology, innovations and cooperation to change the development trend towards a sustainable growth respectful of the environment.</p>
<p>Sale of broadcast, professional equipment & accessories and rendering of services from project integration</p>	<p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	<p>Waste accumulation</p>	<p>We use technology, innovations and cooperation to change the development trend towards a sustainable growth respectful of the environment.</p>
<p>Warehousing, Logistics, distribution and product testing of consumer electronic products</p>	<p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	<p>Pollution</p>	<p>By developing and providing quality, reliable, sustainable and resilient mobility solutions and infrastructure, we help increase resource-use efficiency and the adoption of cleaner and environmentally sound technologies. With a particular focus on smart mobility, urban green infrastructure and resilience, we were able to offer clients all-encompassing sustainable transport and technical solutions.</p>

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*