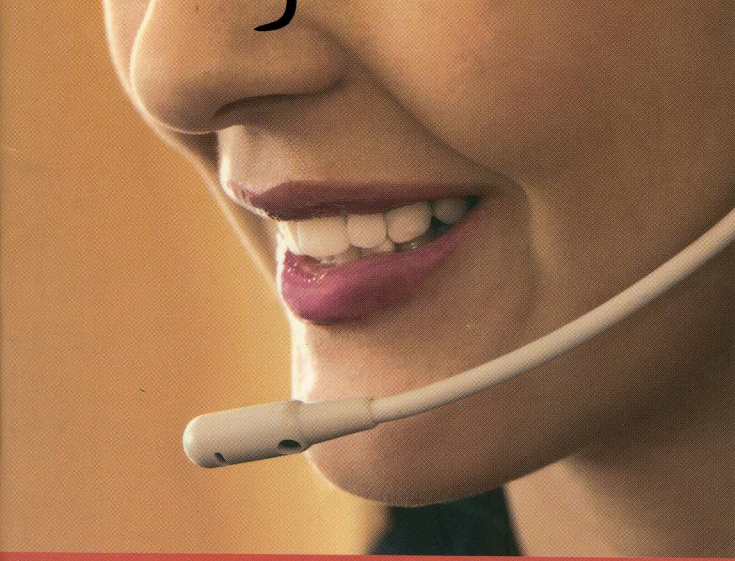
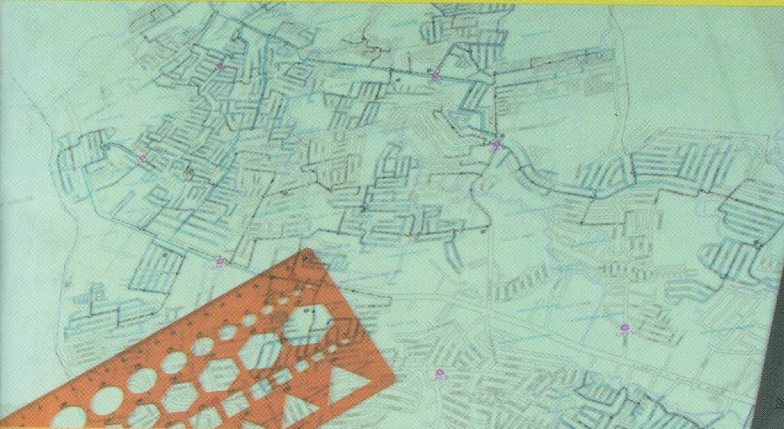


# Investing In The Future



## Annual Report 2004



# CONTENTS

SOLID GROUP ANNUAL REPORT 2004

- 1 Message to Stockholders
- 3 Review of Operations
- 4 Board of Directors and Corporate Officers
- 5 Statement of Management's Responsibility for  
Financial Statements
- 5 Report of Independent Auditors
- 6 Consolidated Balance Sheet
- 7 Consolidated Statement of Income
- 8 Consolidated Statement of Changes in Equity
- 9 Consolidated Statement of Cash Flows
- 11 Notes to Consolidated Financial Statements

# DEAR FELLOW SHAREHOLDERS

SGL is transforming itself to meet that challenge of rapidly changing economic conditions and an uncertain business climate in the Philippines, particularly in the Broadband and Information Services sector. Our management discipline and fiscal prudence has steadied our course and preserved our resources in these difficult times. But now we are focused on growth and are ready to exploit the emerging opportunities the changing economy is bringing. And we are pursuing this with the full commitment to grow businesses that will create increasing value for our stockholders.

We are embracing new technologies in products and software that will enhance the data, communication and entertainment experience of our customers. We are combining our strength in the local market with the expertise of foreign technology partners to accomplish this efficiently and quickly. We have developed a number of cooperative business arrangements to enable quick and efficient entry into vertical markets such as high rise buildings with cutting edge internet technology. Furthermore, we are currently studying similar business models on a larger scale in the field of outsourced information management software.

We are making affordable high-speed Internet available to more Filipinos. Working with world-class equipment and systems, we have implemented a network development program that will further enhance our Internet service capabilities. Our focus on cable broadband network expansion and service improvement will also benefit our cable television service delivery systems as well with clearer signals and more entertainment channels. There is no shortcut in building and maintaining a robust metro wide data network and we are committed to it for the long term.

SGL's growth goals will be achieved in these critical business opportunity areas:

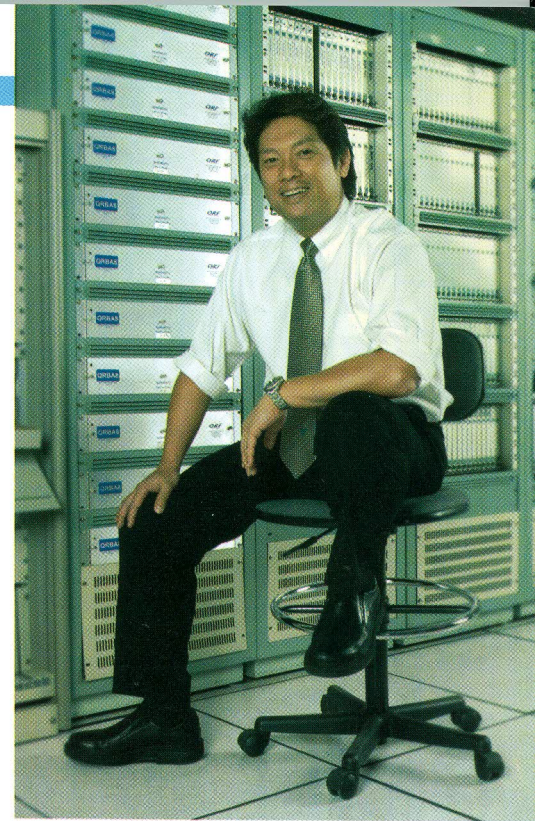
## 1. Growth in Cable Television Business Segment

Our major client, Global Destiny, has expanded its program channel offerings that appeal to specialized and focused markets. Growth has been fueled by the development of such niche market areas and it aims to reach even more cable viewers that want a choice in their cable television provider. This growth will increase revenues from network carriage fees paid by Global Destiny as well as expand the potential market of High Speed Internet services to cable television customers.

## 2. Enhanced Data Network Services & Competitive Cost Structures

Our primary competitive edge in broadband services is that our metro manila wide Hybrid Fiber Coaxial (HFC) network is capable of simultaneous transmission of video, data and voice. It is the single biggest contiguous network of its kind covering Metro Manila. We continue to work hard to maintain the robustness, scalability and high bandwidth capacity of the network.

We have finished most of the massive capital investments required to roll out our network so we can now focus more of our attention to streamlining and standardizing processes to further lower costs while maintaining the best recreational service level for its price in the market. Our goal is to combine both values to meet the needs of more Internet users. In line with this, we have launched our Fiber-to-Building Project in selected areas of Makati and Ortigas Business Districts to further enhance our customers' experience of our service and support the introduction of higher value Internet Protocol services including VOIP.



### 3. Rationalization of Sony Brand Business

We are in the process of negotiating with Sony Japan Inc. the terms and conditions that will govern the conclusion of our eight year joint venture participation in Sony Philippines Inc. The objective of this negotiation process is to ensure the proper valuation and future potential revenue for SGI as we conclude more than 30 years of investment, manufacturing and marketing that made Sony a major brand in the country. Let me emphasize that we are pursuing this negotiation first and foremost in behalf of you, our stockholders, and protecting the value of our company's investment. We will report to you as soon as the results of our negotiations are finalized.

### 4. Maximizing Selected Real Estate Asset Values

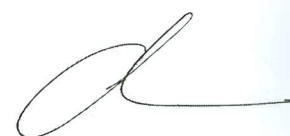
SGI asset portfolio includes high value urban real estate holdings whose value can be unlocked by development into high-rise properties for both residential and commercial use. The first development is the tri-tower project known as the Zen Towers ideally located in front of SM Manila along Concepcion Street, Manila. The strong differentiation value of this and our future developments will be its Intelligent Building status with a complete array of Broadband cable entertainment, Internet, data and IP communication services. While we are confident of the market potential and revenue for this project, it must be emphasized that the rationale for SGI's real estate development activities is conservative and prudently focused on value enhancement of existing properties rather than speculative large-scale developments. We are confident that this project will serve as the model for similar developments in SGI's other high-value Manila properties.

We have taken stock of SGI's resources and talents and we are confident that our growth opportunities far outweigh possible threats and challenges. Our Metro wide cable infrastructure provides the platform to deliver entertainment, data, voice and network backbone for a wide array of wireless services. In particular, the National Telecommunications Commission's (NTC) recent issuance of the Memorandum for VOIP draft rules has created the industry opportunity for our broadband company to immediately become a major VOIP provider in its network coverage area in Metro Manila.

Our partnerships are developing everyday to bring in cutting edge technology and specialized information systems. Our Overnet and Samsung technology partners are providing digital line equipment that enable a quick and efficient service rollout to high value accounts in vertical markets such as high rise buildings. This technology will accelerate the utilization of our fiber capacity in the building dense business districts.

Our move to develop an investment direction in information technology-based businesses was refined over several years of international industry research and investigation. We have had preliminary discussions with information technology and application providers to acquire and service large government and corporate accounts. These businesses will be built in synergy with our broadband and satellite services to further enhance its competitive value to the customers. Our direction is clear and we hope to announce more details later this year.

We are maximizing value for our existing resources and investing to unlock greater values in our infrastructure and real estate holdings. Your SGI management team will be providing leadership and innovation to bring about such exciting changes and growing value in the days to come. Together we will work to make tomorrow better for all of us.



David S. Lim  
Director, President and  
Chief Executive Officer

