

ANNUAL
REPORT
2016

FAST FORWARD
TO THE NEXT



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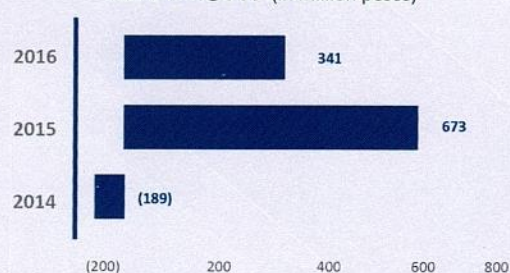


FINANCIAL PERFORMANCE HIGHLIGHTS 2016

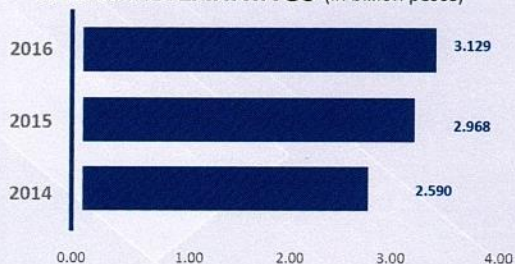
REVENUE (in billion pesos)



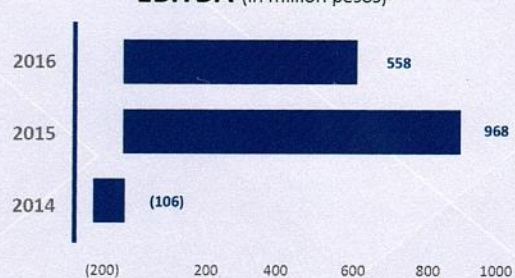
NET PROFIT (in million pesos)



RETAINED EARNINGS (in billion pesos)

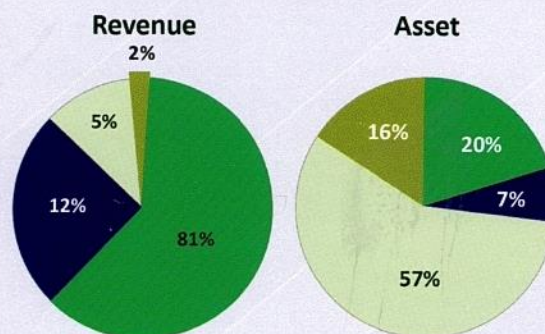


EBITDA (in million pesos)



Business Segment	Revenue Asset	
	in millions pesos	
Digital Mobile	5,163	2,279
Technical Solutions	783	774
Property & Related Services	321	6,478
Investments & Others	93	1,806

% Share of Business Segment



Balance Sheet (in billion pesos)	2016	2015	2014
Total Assets	11.34	12.36	13.66
Total Liabilities	1.34	2.29	4.17
Total Equity	10.00	10.07	9.49

Key Performance Indicators	2016	2015	2014
Current ratio	9.05:1	4.34:1	2.31:1
Debt to Equity Ratio	0.13:1	0.22:1	0.44:1
Asset Turnover	54%	50%	37%
Earnings per Share	0.19	0.27	(0.07)
Book Value per Share	5.30	5.25	5.03



New Above The Line Forum of MyPhone

DIGITAL MOBILE

The MyPhone business had a record breaking year in terms of both revenue and net income. Revenue improved by 46% to Php 5.2 billion in 2016 from Php 3.5 billion in the year before. More significant was the turnaround in profitability from a three-year loss to achieve Php 114 million in net income.

Aggressive marketing of the “My Series” of Digital TV phones at competitive prices and a very successful campaign with SMART telecommunications in early 2016 translated to a huge jump in sales which enabled MyPhone to regain its strong market share in the industry. New ODM suppliers provided better margins, which contributed to its improved profitability.



MYPHONE My96 DTV



Agila Rewards



Mall tour with celebrity endorsers

Best Seller DTV Series



My83 DTV



MyT2 DTV



Towards the year end, MyPhone announced a shift in its brand positioning to transcend from a digital mobile device distributor to a multi-media company. More than the hardware, MyPhone aims to be a platform for information, multi-media contents and advertising. Digital TV on android phones paves the way for MyPhone to provide relevant content such as e-magazine and audio and video clips even without data plan or Wifi. In addition, MyPhone launched Agila for an advertising platform for rewards and prizes. This rewards app opens opportunities for sponsor tie-up and direct consumer engagements.

For this coming year, the company will grow the business further with new products and an alternative distribution channel to meet the changes and challenges in the marketplace.

my|phone
a multimedia company



EX II Test Chambers' Launching



EX II compliant Test Chamber for multi-split AirCon



MSAT control room

TECHNICAL SOLUTIONS

Consolidated Revenue in 2016 for this business segment totalled Php 783 million with a modest 8% increase from the prior year. Net income reached Php 88.6 million or 128% higher than 2015 brought about by stellar performances by Omni Solid Services Inc. (OMNI) and Solid Video Corporation (SVC).

OMNI posted Php 307 million in revenue and Php 50.4 million net income primarily driven by a greater volume of business in factory assembly, logistics and test lab services for various clients in the appliance industry.

Two brand new Test Chambers for Multi-Split Air Conditioners and Refrigerators designed to be EX II Compliant as a proactive approach to climate change were installed in December 2016 with an investment of over Php 40 million in anticipation of greater demand from major brands to ensure that their products comply with the safety and energy efficiency standards set by the Bureau of Product Standards of the government.

SVC registered a 279% increase in net income of Php 36.8 million, boosted by the proceeds of APEC International Media Center Project, which was held in November 2015 at the World Trade Center. Broadcast equipment sales and services grew with the strong demand from key accounts such as ABS-CBN and PTNI. SVC embarked on its first fully locally integrated DSNG/OB Van for broadcast use.

Despite a slight drop in revenue, Solid Electronics Corporation's nationwide service network managed to stay profitable due to continuous streamlining of operations and some value-added services like LED panel repair and CCTV installations.



SVC Integration Project



DSNG/OB Van



Inside OB Van



New 4-Bay Sucat Warehouse



Tandang Sora Dormitory Project



6-Storey Araneta Building Perspective

PROPERTY AND RELATED SERVICES

Consolidated net income for this segment totalled Php 119 million from a revenue of Php 321 million. Prior year's net income is Php690 million included the one-time gain on sale of the Balintawak property. Revenue in 2015 of Php 2.1 billion likewise carried on Php 1.7 billion from the China Project, which recognized accumulated customers' deposits of prior years.

Due to uncertainties in the China real estate market, Precos Inc. divested its holdings in Phil-Nanning Consortium Inc. to realize a gain of Php 128 million, which it intends to reinvest in the development of its own property in Laguna.

Leasing Operations of Solid Manila Corporation (SMC) improved significantly by 33% to reach Php 88 million in revenue. CAPEX of approximately Php200



Philippine Sports Commission Project



Tandang Sora Dormitory Project

million on a 6-storey office building on Araneta Avenue, Quezon City and a 4-bay Warehouse in Sucat Paranaque City will be completed in 2017 adding over 9,000 sqm. of rentable space. In addition, SMC invested Php 10 million in its idle properties in Sambag, Cebu and San Sebastian, Bacolod to build some leasable commercial spaces.

On its third year, Green Sun continued to show improvement in events and hotel rentals with revenue of Php94 million in 2016 from Php 60 million in 2015 and Php 12 million in 2014. Income was still negative with Php 10.4 million loss, but it was 68% less than the Php 32 million loss in 2015.

Also, Green Sun Hotel Management Inc. was established to focus on hotel and events operation of both Green Sun in Makati and Casa Bocobo Hotel Inc. in Manila as well as to support a 100-room Dormitory in TandangSora, Quezon City expected to be ready for occupancy in the last quarter of 2017.



Hotel Lobby



Mural @ the SOMA Bistro

Meanwhile, Zen Towers Corporation contributed Php 10.6 million in net income with revenue of Php 44.3 million from office rentals and sales of several condo units.

KITA Corporation incurred Php 2.9 million net loss inclusive of a fair value loss of Php 36 million in anticipation of the non-renewal of its lease contract with Clark Development Corporation expiring in 2019 to give way to a planned airport runway.

Solid Group Technologies Corporation (MyHouse) experienced setbacks from delayed and cancelled projects resulting in a 56% decline in revenue and a net of loss of P8.8 million. Clients for 2016 include the Philippine Sports Commission and Tan Yan Kee Foundation. Brighter prospects for 2017 are expected with confirmed projects such as Ms. Universe International in January as well as the ASEAN Summit International Media Center in April and August.

INVESTMENTS AND OTHERS

- The company received dividends of Php 65 million from its subsidiaries in 2016.
- An impairment loss of Php 6.2 million was recognized by a subsidiary for advances to a software design affiliate which was subsequently sold.
- No new business loans were recorded in 2016 by Solid Manila Finance Inc and Brilliant Reach Ltd. after collection of outstanding loans in 2015.



GREEN SUN



FOCUS Function Room



Rappler CRM @ The Eye

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015
(Amounts in Philippine Pesos)

	Notes	2016	2015
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	5	P 2,259,894,549	P 2,576,733,713
Financial assets at fair value through profit or loss	6	741,732,076	123,008,280
Trade and other receivables - net	7	1,380,006,645	1,278,551,759
Advances to related parties	25	9,105,994	1,653,330
Merchandise inventories and supplies - net	9	802,961,531	866,155,332
Real estate inventories - net	10	451,885,998	1,647,230,066
Other current assets	13	215,170,360	471,456,471
Total Current Assets		5,860,757,153	6,964,788,951
NON-CURRENT ASSETS			
Trade and other receivables	7	663,099,702	601,637,151
Available-for-sale financial assets - net	8	18,076,450	13,836,527
Property and equipment - net	11	1,874,098,566	1,815,172,613
Investment properties - net	12	2,678,036,738	2,653,219,534
Post-employment benefit asset	21	102,973,736	117,281,818
Deferred tax assets - net	22	119,545,793	166,196,351
Other non-current assets	13	20,101,090	29,488,729
Total Non-current Assets		5,475,932,075	5,396,832,723
TOTAL ASSETS		P 11,336,689,228	P 12,361,621,674

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	Notes	<u>2016</u>	<u>2015</u>
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Interest-bearing loans	14	P 112,643,382	P 257,142,182
Trade and other payables	15	438,512,255	636,730,400
Customers' deposits	2	10,818,247	550,935,829
Advances from related parties	25	1,881,549	73,258,388
Estimated liability for land and land development costs	2	68,304,647	68,304,647
Income tax payable		<u>15,248,773</u>	<u>19,922,914</u>
Total Current Liabilities		<u>647,408,853</u>	<u>1,606,294,360</u>
NON-CURRENT LIABILITIES			
Refundable deposits	16	21,368,341	19,022,892
Post-employment benefit obligation	21	33,005,305	19,739,454
Deferred tax liabilities - net	22	<u>636,814,539</u>	<u>647,717,364</u>
Total Non-current Liabilities		<u>691,188,185</u>	<u>686,479,710</u>
Total Liabilities		<u>1,338,597,038</u>	<u>2,292,774,070</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	23	(27,542,667)	35,038,173
Retained earnings	23	<u>3,129,157,242</u>	<u>2,967,881,891</u>
Total equity attributable to the Parent Company's stockholders		9,658,677,117	9,559,982,606
Non-controlling interests	2	<u>339,415,073</u>	<u>508,864,998</u>
Total Equity		<u>9,998,092,190</u>	<u>10,068,847,604</u>
TOTAL LIABILITIES AND EQUITY		P <u>11,336,689,228</u>	P <u>12,361,621,674</u>

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before tax		P 465,572,117	P 832,188,557	(P 211,410,320)
Adjustments for:				
Gain on sale of subsidiary	1	(127,963,343)	-	-
Depreciation and amortization	11, 18	80,149,510	76,013,702	47,575,708
Interest income	7, 20, 25	(59,861,406)	(77,425,436)	(36,349,776)
Fair value losses (gains) on investment property - net	12, 19	52,938,928	(87,747,812)	(52,676,235)
Unrealized foreign currency exchange losses (gains) - net	20	(28,119,793)	(32,197,646)	4,662,070
Interest expense	20	12,431,682	59,348,521	58,225,272
Gain on discounting of refundable deposits	20	(2,891,369)	-	-
Fair value gain on financial assets at fair value through profit or loss (FVTPL)	6, 20	(2,491,078)	(260,983)	(5,750,303)
Gain on redemption of financial assets at FVTPL	6, 20	(2,268,082)	(1,403,189)	(13,689,363)
Gain on sale of property and equipment	11, 20	(739,986)	(6,685,469)	-
Gain on derecognition of liabilities	15, 20	(72,555)	-	(2,108,461)
Loss (gain) on sale of investment property	12, 19	-	(138,520,266)	1,766,286
Gain on settlement of receivables	7, 20	-	(19,395,000)	-
Interest amortization on refundable deposits	16, 20	272,778	155,895	150,003
Operating profit (loss) before working capital changes		386,957,403	604,070,874	(209,605,119)
Decrease (increase) in trade and other receivables - net		(188,166,371)	136,928,058	(162,532,555)
Decrease (increase) in advances to related parties		(154,302,664)	27,327,315	(4,245,206)
Decrease (increase) in merchandise inventories and supplies - net		63,193,801	(271,525,372)	249,615,120
Decrease in real estate inventories - net		24,746,816	724,452,797	51,553,054
Decrease (increase) in other current assets		125,259,674	(134,446,514)	(135,368,972)
Decrease (increase) in post-employment benefit asset		763,840	4,393,168	(1,801,889)
Decrease (increase) in other non-current assets		9,387,639	14,781,965	(11,422,535)
Increase (decrease) in trade and other payables		23,432,122	(95,816,590)	3,074,796
Increase (decrease) in customers' deposits		55,613,237	(951,269,920)	196,169,183
Increase (decrease) in advances from related parties		116,925,091	36,384,895	(44,450,070)
Increase (decrease) in refundable deposits		4,964,040	5,708,945	(1,813,159)
Increase (decrease) in post-employment benefit obligation		13,265,851	(966,250)	(5,814,974)
Cash generated from (used in) operations		482,040,479	100,023,371	(76,642,326)
Interest received		38,006,465	64,967,784	23,727,215
Cash paid for income taxes		(120,188,155)	(227,272,116)	(33,446,241)
Net Cash From (Used in) Operating Activities		399,858,789	(62,280,961)	(86,361,352)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of financial assets at FVTPL	6	(1,425,077,589)	(391,971,786)	(2,224,255,643)
Proceeds from redemption of financial assets at FVTPL	6	811,112,953	1,016,699,632	1,791,909,515
Net proceeds from sale of subsidiary	1	275,997,999	-	-
Acquisitions of property and equipment	11	(141,407,745)	(152,791,087)	(179,721,034)
Additions to investment property	12	(76,772,868)	(279,581,068)	(8,597,740)
Interest received	20	21,807,292	35,504,679	9,263,982
Proceeds from disposal of property and equipment	11	1,321,843	7,519,692	-
Acquisitions of available-for-sale financial assets	8	(972,258)	(3,000,000)	(2,000,000)
Proceeds from disposal of investment property	12	-	1,506,509,527	8,035,714
Net Cash From (Used in) Investing Activities		(533,990,373)	1,738,889,589	(605,365,206)
Balance carried forward		(134,131,584)	1,676,608,628	(691,726,558)

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	Notes	2016	2015	2014
<i>Balance brought forward</i>		(P 134,131,584)	P 1,676,608,628	(P 691,726,558)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	23	(182,154,200)	(109,292,520)	(109,292,520)
Repayments of interest-bearing loans	14	(16,241,491)	(587,266,367)	-
Interest paid	14	(12,431,682)	(59,348,521)	(58,225,272)
Proceeds from availment of interest-bearing loans		-	-	160,405,635
Net Cash Used in Financing Activities		(210,827,373)	(755,907,408)	(7,112,157)
Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		28,119,793	32,197,646	(4,662,070)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(316,839,164)	952,898,866	(703,500,785)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,576,733,713	1,623,834,847	2,327,335,632
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 2,259,894,549	P 2,576,733,713	P 1,623,834,847

Supplemental Information on a Non-cash Investing Activity -

In 2014, SMC transferred investment properties with total carrying amount of P46.4 million to Property and Equipment account. In 2016, SMC transferred certain property and equipment with a carrying amount of P1.0 million to Investment Property account (see Notes 11 and 12).

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

	Attributable to the Parent Company's Stockholders								
	Notes	Capital Stock	Additional Paid-in Capital	Treasury Shares - at Cost	Revaluation Reserves	Retained Earnings	Total	Non-controlling Interests	Total Equity
Balance at January 1, 2016		P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 35,038,173	P 2,967,881,891	P 9,559,982,606	P 508,864,998	P 10,068,847,604
Transaction between owners –									
Deconsolidation of a subsidiary	1	-	-	-	-	-	-	(166,730,195)	(166,730,195)
Dividends declared	23	-	-	-	-	(182,154,200)	(182,154,200)	-	(182,154,200)
Total comprehensive income (loss) for the year	23	-	-	-	(62,580,840)	343,429,551	280,848,711	(2,719,730)	278,128,981
Balance at December 31, 2016		<u>P 2,030,975,000</u>	<u>P 4,641,701,922</u>	<u>(P 115,614,380)</u>	<u>(P 27,542,667)</u>	<u>P 3,129,157,242</u>	<u>P 9,658,677,117</u>	<u>P 339,415,073</u>	<u>P 9,998,092,190</u>
Balance at January 1, 2015		P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 21,082,300	P 2,590,367,022	P 9,168,511,864	P 322,767,445	P 9,491,279,309
Dividends declared	23	-	-	-	-	(109,292,520)	(109,292,520)	-	(109,292,520)
Total comprehensive income for the year	23	-	-	-	13,955,873	486,807,389	500,763,262	186,097,553	686,860,815
Balance at December 31, 2015		<u>P 2,030,975,000</u>	<u>P 4,641,701,922</u>	<u>(P 115,614,380)</u>	<u>P 35,038,173</u>	<u>P 2,967,881,891</u>	<u>P 9,559,982,606</u>	<u>P 508,864,998</u>	<u>P 10,068,847,604</u>
Balance at January 1, 2014		P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	(P 16,786,209)	P 2,820,926,308	P 9,361,202,641	P 390,232,106	P 9,751,434,747
Dividends declared	23	-	-	-	-	(109,292,520)	(109,292,520)	-	(109,292,520)
Total comprehensive income (loss) for the year	23	-	-	-	37,868,509	(121,266,766)	(83,398,257)	(67,464,661)	(150,862,918)
Balance at December 31, 2014		<u>P 2,030,975,000</u>	<u>P 4,641,701,922</u>	<u>(P 115,614,380)</u>	<u>P 21,082,300</u>	<u>P 2,590,367,022</u>	<u>P 9,168,511,864</u>	<u>P 322,767,445</u>	<u>P 9,491,279,309</u>

See Notes to Consolidated Financial Statements.

NOTES

NOTES

INVESTORS RELATIONS

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