

COVER SHEET

SEC Registration Number

[illegible]

COMPANY NAME

[illegible][illegible][illegible][illegible]**PRINCIPAL OFFICE (No./Street/Barangay/City/Town/Province)**

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Form Type

SEC FORM 17-A
(WITH SUSTAINABILITY REPORT)

Department requiring the report

ICTD/CGFD/MSRD

Secondary License Type, If Applicable

N/A

COMPANY INFORMATION

Company's Email Address

	N/A
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Company's Telephone Number/s

8843-1511

Mobile Number

N/A

No. of Stockholders

4,192

Annual Meeting
Month/Day

Last Thursday of June (per AOI)

Fiscal Year
Month/Day

12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person

Christopher James L. Tan

Email Address

cjlt@solidgroup.com.ph

Telephone Number/s8843-1511

Mobile Number

N/A

Contact Person's Address

2285 DON CHINO ROCES AVENUE MAKATI CITY

Note: 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-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, 2024
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:

P553,169,490

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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, 'mylphone', which was launched as the country's first dual SIM phone in 2007.

In November 2022, the Company acquired Avid Sales Corporation from the Lim Family for P100.2 million after the board approval on November 9, 2022. The acquisition price is less than 10% of the Company's total consolidated assets and less than the threshold amount for material related party transaction. The acquisition was ratified by the stockholders during the annual Stockholders' Meeting held on June 22, 2023.

The Company has fifteen (15) wholly-owned subsidiaries as of December 31, 2024, as follows:

My Solid Technologies & Devices Corporation (MySolid) was incorporated on April 21, 2009 to engage in the manufacture, sale, distribution, importation of any type of digital communication devices, communication technology, broadband and audio-video equipment, gadgets and accessories as well as undertake product research and development. MySolid merged with MyTel Mobility Solutions Inc. (MyTel), another wholly subsidiary of the Company with similar business, with MySolid as the surviving company effective June 1, 2012.

SolidGroup Technologies Corporation (SGTC) was incorporated on November 17, 1989 to engage in the development and implementation of information technology systems and applications. On February 22, 2011, the Board of Directors and stockholders approved the amendment of the SGTC's articles of incorporation to change its primary purpose. This was approved by the Securities and Exchange Commission on March 22, 2011 and starting that date, SGTC's primary purpose is to engage in, operate, conduct and maintain business of designing, manufacturing, installing, importing, exporting, marketing, distributing or otherwise dealing in at wholesale and retail prefabricated modular house and office units. SGTC was formerly a wholly-owned subsidiary of SC. In 2007, SGTC became a wholly-owned subsidiary of the Company when SC declared property dividend to the Company in the form of its investment in SGTC.

Solid Video Corporation (SVC) was incorporated on October 12, 1984. SVC distributes professional video equipment, accessories and supplies to broadcast networks and other companies.

Solid Manila Corporation (SMC) was incorporated on June 13, 1983. SMC is engaged in the lease and development of the Company's real estate properties. SMC merged with Solid Distributors, Inc. (SDI), another wholly-owned subsidiary of the Company, on December 23, 2003, with SMC as the surviving company. SMC merged with Solid Corporation (SC), another wholly owned subsidiary of the Company engaged in the same business of leasing real estate properties, with

SMC as the surviving company effective January 1, 2012. In 2014, SMC renovated the Solid House Building and repurposed it to hotel and events place and operated the Green Sun Hotel. In December 2016, Green Sun Hotel Management, Inc. was incorporated and took over the management and operation of the hotel in 2017.

Zen Towers Corporation (Zen) was incorporated on July 6, 2005. Zen is engaged in the development and sale of real estate properties. It developed the Zen Tri-Tower condominium located in Ermita, Manila.

Precos Inc. (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. In 2022, the Company entered into a Built-to-Specification Agreement with a third party for the lease of a warehouse. The lease agreement has a term of fifteen (15) years, commencing upon completion of construction, with an option to renew for an additional five (5) years. Construction of the warehouse was completed in 2024, and the formal lease contract commenced on August 1, 2024.

Kita Corporation (Kita) was incorporated on October 1, 1994. Kita produced color TV sets under the AIWA brand at its factory located inside the Clark Special Economic Zone. Kita ceased its manufacturing operations effective April 15, 2001 after its agreement with Aiwa expired in April 1, 2000 and was no longer renewed. Kita merged with Clark Plastics Manufacturing Corporation (CPMC), a wholly owned subsidiary of SC, on April 2004, with Kita as the surviving company. After its merger with CPMC, Kita resumed operations to continue the business of CPMC, which is injected plastics manufacturing as well as the lease of its property. In December 2010, Kita ceased the operations of its injected plastics manufacturing business. Henceforth, Kita's revenues principally come from the lease of its properties. In August 2019, Kita's 25-year contract of lease with Clark Development Corporation (CDC) covering parcels of land had expired and surrendered certain buildings to Clark International Airport Corporation since these locations are part of the site for the second Clark Airport runway. The lease was no longer renewed and it is currently securing clearance from CDC. In 2024, Kita's sole residential property located in Pampanga was sold, effectively ceasing all leasing operations.

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.

SolidService Electronics Corporation (SEC) (formerly Solid Electronics Corporation SEC) was incorporated on August 9, 1982. SEC operates the repair and service centers for SONY brands of audio and video consumer electronics equipment and MyPhone digital devices. SEC merged with AA Electronics Corporation (AAEC), another wholly-owned subsidiary of the Company and Solid Electronics Services Inc. (SESI), a wholly owned subsidiary of SC on April 12, 2004 with SEC as the surviving company. On September 28, 2018, SEC changed its corporate name to SolidService Electronics Corporation.

Brilliant Reach Limited (BRL) was incorporated on March 12, 2003 in the British Virgin Islands and acquired by the Company on July 31, 2003. BRL handles and manages the placement of the Company's investible funds in foreign currency fixed income financial assets and other investments.

Solid Manila Finance Inc. (SMFI) was incorporated on September 9, 1999. SMFI is engaged in the financing and extension of business, appliance and other loans.

Solid Broadband Corporation (SBC) was incorporated on September 22, 2000 to offer broadband services. SBC obtained a congressional franchise to construct, install, establish, operate and maintain telecommunications systems throughout the Philippines under Republic Act No. 9116 which took effect on April 15, 2001. It has been granted provisional authority to use its franchise by the National Telecommunications Commission on April 15, 2002. SBC was merged with Destiny Inc. (DI) as approved by the Securities and Exchange Commission on August 26, 2005, with SBC as the surviving entity. Henceforth, SBC assumed the operations of DI of broadband cable infrastructure and provides transport services to an affiliate engaged in cable television operations. It also provides integrated multimedia services, among which are, VSAT, broadcast uplink and leased line services. In 2007, SBC started the marketing and distribution of mobile phones. In 2010, My Solid Technologies & Devices Corporation assumed the importation of the mobile phones from SBC while MyTel Mobility Solutions Inc. took over the distribution of mobile phones from SBC. On May 11, 2012, SBC entered into an agreement with Skycable Corporation for the sale/assignment and purchase of its wired and satellite assets and broadband/internet subscriber base. After the sale of its assets, SBC remaining business was acting as collecting agent of Sky Cable until the SBC's clients are transferred to the latter.

MyApp Corporation (MyApp) was incorporated on October 23, 2014 as a holding company. MyApp holds 50% ownership of Creative Hothouse Manila, Inc. which is engaged to design and develop mobile applications. In October 2016, MyApp sold its ownership in Creative Hothouse Manila, Inc. to Creative Hothouse Philippines PTE., LTD.

Green Sun Hotel Management Inc. was incorporated on December 19, 2016 to engage in the hotel and its related business.

Avid Sales Corporation (Avid) was incorporated on July 23, 1996. It is presently engaged in distribution, wholesale and retail of home appliances and electronic products through both online and offline networks and digital solutions for institutional clients.

Henceforth, the term "Company" would mean the Parent Company and/or any of its subsidiaries.

2. Business of Issuer

Principal Products and Services

The consumer electronics business of the Company as of December 31, 2024 are:

(1) sale of mobile phones which generated sales of P31 million (for 35,450 units) or 2% of sales in 2024, P88 million (for 49,019 units) or 7% of sales in 2023 and P178 million (for 185,388 units) or 31% of sales in 2022; and, (2) after-sales service for principally SONY brands of consumer electronic products and My|Phone with its 33 company-owned service centers throughout the Philippines as of end of 2024 which generated service income of P143 million or 17% of service revenues in 2024, P147 million or 19% of service revenues in 2023 and P152 million or 21% of service revenues in 2022. (3) warehousing, distribution and product testing of consumer electronic products with service revenue of P300 million or 36% of service revenues in 2024, P307 million or 39% of service revenues in 2023 and P261 million or 4% of service revenues in 2022; (4) subcontract or toll manufacturing of color TV sets for other brand owner (i.e. TCL, Skyworth) which generated tolling fee of P145 million (for 599,176 units) or 17% of service revenues, P115 million (for 420,008 units) or 15% of service revenues in 2023 and P95 million (for 420,008 units) or 13% of service revenues in 2022; (5) sale of refurbished appliances of P55 million or 3.5% in 2024, P55 million or 4% in 2023 and P55 million or 10% of sales in 2022; (6) retail sale of consumer electronic appliances of P997 million (for 177,214 units) or 66% in 2024, P883 million (for 141,462 units) or 67% of sales in 2023 and P95 million (for 8,874 units) or 17% of sales in 2022; (7) after-sales service for various consumer product sold in stores of P16 million or 2% in 2024, P12 million or 2% in 2023 and nil in 2022.

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 11% of service revenues in 2024, P86 million or 11% of service revenues in 2023 and P101 million or 14% of service revenues in 2022.

The Company's other business activities are: the development and sale of industrial estates in joint venture with Samsung Corporation of Korea, the development of residential condominium for sale and the development and lease of other real estate properties and hotel operations, sale of prefabricated modular houses, sale of broadcast/professional equipment and accessories, services from project integration.

The Company's products and services are sold in the Philippines. Revenues for the last 3 years, are as follows: broadcast/professional equipment and accessories of P382 million or 25% of sales in 2024, P258 million or 20% of sales in 2023 and P216 million or 38% of sales in 2022 and; prefabricated modular houses and services of P50 million or 3% of sales in 2024, P31 million or 2% or sales in 2023 and P25 million or 4% of sales in 2022.

Real estate sales amounted to P8 million in 2024, nil in 2023 and 2022. Rental revenues from leasing operations amounted to P419 million, P278 million and P265 million for 2024, 2023 and 2022, respectively. Revenues from hotel operations amounted to P94 million or 11% of service

revenues, P93 million or 12% of service revenues in 2023 and P109 million or 15% of service revenues in 2022. Service fee from project integration and repairs of P57 million or 7% of service revenues in 2024, P23 million or 3% of service revenue in 2023 and P20 million or 3% of service revenues in 2022.

Distribution

The broadcast/professional equipment and accessories is also sold directly to its corporate clients such as broadcast stations. The Company distributes through its subsidiaries consumer electronic products and devices in the Philippines. MySolid Technologies and Devices Corporation (MySolid) is selling their remaining MyPhone stocks to corporate clients and government entities through public biddings.

Moreover, the Company also sells retail consumer electronic products through Avid Sales Corporation (Avid) under four concepts: Sony Centre (exclusive for Sony products), AV Surfer 9 (for multi-brand products) and Avidpro or Avid Multi-media (for corporate clients and government institutions) and online store (from own online store, Lazada and Shopee). As of December 31, 2024, it markets through 41 retail and online stores.

Status of any-publicly announced new product or service

None.

Competition

Avid competes with several retail consumer electronic stores: Abenson, SM Appliance, Western Mktg., Super East Mktg, Henry's Camera, Camerahauss, Beyond Innovation and other retailers.

The broadcast/professional equipment and accessories that the Company sells competes with other brands like Panasonic and Sharp. Other local competitors are MQ Lightings, WAM Pacific, Composite Technologies, BMH System Solutions, Inc, Media Convergence Inc., BMH, EVI, EPIC and Henry's Store. Overseas competitors and B & H Photo Supply, Tape & Media, Tape Resources and Expandore.

The prefabricated modular houses that the Company markets are standardized in design, modular assembled, easy to assemble and disassemble and relocate and can also be stored easily. Its main products are designed and manufactured using light steel frames and sandwich wall panels that covers a wide range of applications such as temporary offices, dormitories for construction sites, municipal offices, residential settlements, school classrooms shops, temporary housing for disaster relief and military camps, temporary buildings for exhibitions. It competes with Indigo Prefab House and Smarthouse.

The MyPhone brand celphones and tablets distributed by MySolid and STL maintained its focus to public biddings and meeting new players in the said channel giving outright discount to corporate accounts and warranty extension as required by the procuring entity.

The Company provides warehousing, and logistics services mostly to electronics companies. It competes with Yusen Air Logistics, Seaquest Logistics, Lite Xpress International, DB Schenker, CJ Logistics, Fast Logistics among others. It also offers testing services to electronics companies

and competes with TUV Rhineland, Duinos Smart Tech. and SPIA Product Conformity Services Inc.

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

Inventories and Service Parts

The Company through its subsidiaries procures inventories and service parts from a number of sources in the Philippines and foreign suppliers for the supply of consumer and professional products and prefabricated modular houses.

Dependency of the business upon a single or few customers

Due to the expiration of lease contract of Kita Corporation (Kita) with CDC in 2019, Kita sole revenue is from the lease of its residential property. In 2024, Kita's sole residential property located in Pampanga was sold, effectively ceasing all leasing operations. The Company has no other major existing sales contracts.

Service

The Company provides through its subsidiaries, after-sales service for all the consumer electronic products it manufactures. As at December 31, 2024, it has 30 service centers throughout the Philippines. It is accredited by 3 AV brands namely Sony, JBL and GMA affordabox and also an accredited seller/installer service provider of Mitsubishi, authorized service center and product installer for AC brand – Concepcion Carrier, Condura, Kelvinator and Midea.

Related Party Transactions

In March 2024, Solid Manila Finance Inc. granted an interest-bearing loan of P10.0 million to Precos, Inc. The loan is subject to an initial interest rate of 6.65% per annum, subject to repricing every three months and has a term of five years with two years grace period. The Company also 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 LF (Philippines) Inc.

In 2022, Precos, Inc. entered into a Built to Specification Agreement (the Agreement) with a third-party lessee. Under this agreement, the lessee will lease the warehouse for a period of 15 years, with an option to renew for another 5 years. The warehouse is to be constructed according to the specifications outlined in the Agreement. The lease agreement officially took effect on August 1, 2024, even though the warehouse was not yet fully completed at that time, as the lessee had already taken possession and commenced occupancy. The initial certificate of completion was issued on October 15, 2024, and as of December 31, 2024, the construction of the warehouse was fully completed.

- Agreement with Sky Cable Corporation

In 2012, Solid Broadband Corporation (SBC) and Sky Cable Corporation (Sky) agreed that the management and administration of the sale, assignment and transfer of its assets, equipment, contracts, permits, licenses and subscriber base (the Assets) of SBC be entrusted to Sky. Sky, as the manager of the Assets, was given the overall power and responsibilities to handle all aspects necessary to carry out the administration and operations of the Assets and SBC, to accord the necessary additional authorizations, should the need arise. Sky assumes to pay SBC all cost and expenses in connection with use and operation of the assets.

Pursuant to the above agreement and pending the issuance of the National Telecommunications Commission (NTC) approval of the transfer of assets, SBC entered into an operating agreement with Sky on June 2, 2015 for the accommodation of the VSAT transactions of Sky wherein the said transactions will be sold and collected through SBC. Effective 2024, the service fee and other charges amounted to P4.5 million. The agreement is effective unless revoked by either party.

- Franchise

Solid Broadband Corporation (SBC) obtained a congressional franchise for 25 years to construct, install, establish, operate and maintain telecommunications systems throughout the Philippines under Republic Act No. 9116 which took effect on April 14, 2001. On May 11, 2012, SBC entered into an agreement with Sky Cable Corporation for the sale/assignment and purchase of its wired and satellite assets and broadband/internet subscriber base. After the sale of its assets, SBC remaining business was acting as collecting agent of Sky Cable until the SBC's clients are transferred to the latter.

Need for any government approval

The transfer of the assets of SBC to Sky Cable Corporation pursuant to its Agreement on May 11, 2012 is still pending the approval of the National Telecommunications Commission.

Effect of existing and probable governmental regulations on the business

None.

Research and development activities

The Company has not spent any significant amount for research and development activities in the last three years.

Costs and effects of compliance with environmental laws

The Company has complied with environmental laws at minimal costs.

Employees

The Company and its subsidiaries have 417 regular employees as at December 31, 2024 as shown in the table below. It estimates to have 450 employees by the end of December 31, 2025. There is no existing union as of December 31, 2024. 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	21
Sales and Distribution	49
Operation	167
Service	50
Administration	79
Finance	<u>51</u>
Total	<u>417</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 appropriate committees and Board of Directors for resolution.

The Company's business is continuously subject to rapid technology changes which may cause inventory obsolescence. The Company monitors developments in technology advances that could affect its business.

Item 2. Properties

B. Description of Property

Certain properties owned by the Company through its subsidiaries are as follows:

Location	Land Area (in sq. m.)	Current and Intended Use
Laguna International Industrial Park, Binan, Laguna	73,532	Building and warehouse for lease
La Huerta, Bicutan, Paranaque	18,490	Office building & warehouses for lease
Valenzuela, Marulas, Bulacan	10,493	Factory and warehouses, building for lease
San Dionisio, Paranaque	6,690	Warehouses for lease
Don Chino Roces Ave, Makati City	5,000	Hotel and office building
San Antonio, Paranaque	4,702	Warehouse for lease
San Antonio, Paranaque	4,056	Warehouse for lease
Natividad St., Ermita, Manila	4,505	Condominium tower (for sale)
Osmena Blvd., Cebu City	3,859	Office building for lease
Brgy. Tabuco, Naga City	3,059	Commercial lot for lease
Tandang Sora, Quezon City	2,511	Modular residential building for dormitory type leasing
Barrio Pantal, Dagupan City	1,918	Building under construction
Barrio San Rafael, Iloilo City	1,750	Service center and building for lease
J. Bocobo St., Ermita, Manila	1,724	Commercial building and hotel
Brgy. San Roque, San Pablo City	1,714	Service center and building for lease
Bacoar, Cavite	1,334	Commercial building for lease
Cabanatuan City, Nueva Ecija	1,212	Service center and building for lease
Araneta, Quezon City	1,000	Office building for lease
Calamba Premiere Industrial Park	4,176	Commercial lots for lease
Brgy. Parian, Prinza and Barandal, Calamba	132,929	Land and warehouse for lease
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 Php16.4 million. Solid Manila Corporation is currently complying with the documentation requirements to recover compensation pursuant to a Final Favorable and Executory decision rendered of the Provincial Adjudicator of DARAB as of April 2025.

Franchise

A Company's subsidiary, Solid Broadband Corporation (SBC), obtained a congressional franchise to construct, install, establish, operate and maintain telecommunications systems throughout the Philippines under Republic Act No. 9116 which took effect on April 15, 2001. On May 11, 2012, SBC entered into an agreement with Skycable Corporation for the sale/assignment and purchase of its wired and satellite assets and broadband/internet subscriber base, (See Agreements). After the sale of its assets, SBC remaining business was acting as collecting agent of Sky Cable.

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

On December 29, 2023, Precos Inc., a Company's subsidiary, received proceeds from the initial drawdown of a long-term loan from a local bank amounting to ₱105.0 million, intended to partially finance the construction of a warehouse facility in Calamba, Laguna. As of December 31, 2024, total loan availments amounted to ₱875.0 million. The loan has a term of ten (10) years, including a two (2)-year grace period. It bears a floating interest rate, repriced quarterly based on the prevailing Bloomberg Valuation Service (BVAL) rate plus an applicable margin, as specified in the loan terms. The loan initially carried an interest rate of 6.25% per annum. For the year ended December 31, 2024, the related interest expense amounted to ₱7.7 million, while debt issuance costs included ₱5.78 million for documentary stamp tax. The loan is secured by a real estate mortgage over property with a total value of ₱1.2 billion and a suretyship agreement with one of the Group's subsidiaries.

Except for the above third-party claims filed against the Company's subsidiaries as disclosed above, there are no other mortgage, lien or encumbrance and limitation on the ownership or usage on the properties.

Lease agreements

The Company through its subsidiary, Avid Sales Corp. and SolidService Electronics Corporation, has entered into third party lease contracts for the operation of its electronic stores and service centers.

Location	Annual Rent (In Thousand Pesos)	Expiration Date
Alabang	3,574	Various up to December 31, 2024
Baguio	1,879	Various up to July 31, 2025
Cebu City	2,462	Various up to January 31, 2025
Ermita, Manila	5,376	August 31, 2025

Imus, Cavite	550	April 14, 2025
Laguna	9,959	Various up to December 31, 2024
Ortigas, Mandaluyong City	6,173	Various up to October 31, 2025
Pasay	3,615	October 31, 2024
Pasig City	1,968	Various up to June 30, 2026
Makati	5,909	Various up to December 31, 2024
Quezon City	5,682	Various up to July 31, 2025
San Fernando, Pampanga	2,310	Various up to January 31, 2026
Valenzuela	4,556	Various up to May 31, 2025
Zamboanga	1,369	December 31, 2024

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., Precos 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	2,616	Various up to December 15, 2025
Bacoar, Cavite	5,402	July 31, 2029
Cagayan de Oro	2,073	Various up to January 3, 2026
Calamba, Laguna	114,998	Various up to July 31, 2039
Ermita, Manila	61,093	Various up to June 30, 2026
Iloilo	4,793	Various up to November 30, 2025
Jones Ave., Cebu City	5,986	Various up to June 30, 2025
La Huerta, Bicutan, Paranaque	33,119	Various up to October 31, 2027
Laguna International Industrial		
Park, Binan Laguna	96,674	Various up to June 30, 2027
Magallanes, Makati	20,674	Various up to July 6, 2029
Naga, Camarines Sur	1,261	May 31, 2038
Project 4, Quezon City	1,572	March 31, 2025
Quezon Ave., Quezon City	4,083	Various up to September 30, 2027
San Antonio, Paranaque City	31,550	Various up to June 30, 2029
Tandang Sora, Quezon City	2,904	Various up to December 31, 2024
Valenzuela, Bulacan	18,568	Various up to May 31, 2025
San Pedro, Laguna	10,988	December 31, 2024

Properties the Company intends to acquire in the next twelve months

The Company estimates capital expenditures for the year 2025 amounting to P710 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 and partly through loans.

Item 3. Legal Proceedings

C. Legal Proceedings

As discussed in Item 2 (See Properties), Solid Manila Corporation is involved in litigation or other proceedings affecting its titles to real estate property and certain other litigation in relation to property, the outcome of which could individually or taken as a whole, not adversely affect the financial results, operations or prospects of the Company. The Company does not believe any such litigation will have a significant impact on the financial results, operations, or prospects of the Company.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of the security holders during the fourth quarter of the fiscal year covered by this report.

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

	<u>High (P)</u>	<u>Low (P)</u>
<u>2024</u>		
First quarter	1.01	0.92
Second quarter	1.09	0.87
Third quarter	1.08	0.77
Fourth quarter	1.07	0.93
<u>2023</u>		
First quarter	0.98	0.85
Second quarter	1.04	0.87
Third quarter	1.06	0.86
Fourth quarter	0.98	0.88

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

(b) The Company share was trading at P1.18 as of April 28, 2025 (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, 2024 was 4,192. Common shares outstanding as of December 31, 2024 were 1,821,542,000 shares. Total issued shares as of December 31, 2024 were 2,030,975,000.

Top 20 stockholders of the Company's common stock as of December 31, 2024 are as follows:

	Name of Stockholder	No. of Shares Held	% to Total Outstanding
1.	AA Commercial, Inc.	583,377,817	32.03
2.	AV Value Holdings Corporation	499,999,999	27.45
3.	PCD Nominee Corporation (F)	341,872,274	18.77
4.	Lim, David S.	79,488,591	4.36
5.	Lim, Vincent S.	71,887,187	3.95
6.	Lim, Jason S.	65,176,160	3.58
7.	Marvin Jacob T. Lim	20,000,000	1.10
8.	Christopher James L. Tan	18,462,000	1.01
9.	PCD Nominee Corporation (NF)	14,755,051	0.81
10.	Melissa May Chua Cham Lim	11,000,000	0.60
	Michael Jordan Lim	11,000,000	0.60
	Kevin Michael Lim Tan	11,000,000	0.60
	Jonathan Joseph Lim	11,000,000	0.60
11.	Philippines International Life Insurance Co., Inc	10,000,000	0.55
	Jeremiah Joseph Lim	10,000,000	0.55
	Jessica Megan Lim	10,000,000	0.55
	Isabel Joyce Lim Tan	10,000,000	0.55
	Michelle May Chua Cham Lim	10,000,000	0.55
12.	Chua, Willington Chua &/or Constantino	8,770,000	0.48
13.	Chia Tzu Chern	2,872,000	0.16
14.	Chua, Constantino &/or Willington &/or George	1,750,000	0.10
15.	Hottick Development Corporation	1,408,000	0.08
16.	Paz, Venson	1,065,000	0.06
17.	Columbian Motors Corporation	1,000,000	0.05
	Lucio W. Yan &/or Clara Yan	1,000,000	0.05
18.	Lim, Julia	590,000	0.03
19.	Castillo Laman Tan Pantaleon & San Jose Law Office	536,000	0.03
20.	GMA Farms Inc.	500,000	0.03
	Jacinto Ray Sy	500,000	0.03
	Suntay Isabel C.	500,000	0.03

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 2024, cash dividend of P0.10 per share to stockholders of record as of July 15, 2024 and payable on August 8, 2024. In 2023, cash dividend of P0.06 per share to stockholders of record as of August 18, 2023 and payable on September 15, 2023. In 2022, cash dividend of P0.06 per share to stockholders of record as of July 29, 2022 and payable on August 24, 2022.

b. The Company's retained earnings as of December 31, 2024 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, 2024.

(4) Recent Sales of Unregistered or Exempt Securities

There was no sale of unregistered or exempt securities in 2022 to 2024.

a. Securities Sold.

No securities were sold by the Company from 2022 to 2024.

b. Underwriters and Other Purchases

Not applicable. There were no securities sold by the Company from 2022 to 2024.

c. Consideration

Not applicable. There were no securities sold by the Company from 2022 to 2024.

d. Exemption from Registration Claimed

Not applicable. There were no securities sold by the Company from 2022 to 2024.

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 2024, 2023 and 2022 are as follows:

	December 31, 2024	December 31, 2023	December 31, 2022
Revenue growth (decline)	16%	51%	6%
Asset turnover	19%	18%	12%
Operating expense ratio	22%	25%	24%
EBITDA	P968 million	P818 million	P676 million
Earnings (loss) / share	0.30	0.28	0.23
Current ratio	7.45:1	7.14 : 1	10.13 : 1
Debt to equity ratio	0.21:1	0.16 : 1	0.14 : 1

2024

Revenue increased by 16% in 2024, compared to a 51% growth in 2023, driven by strong performance across all segments primarily retail sales within the distribution/retail segment and the commencement of a significant leasing contract within the property and related services segment.

Asset turnover stood at 19% and 18% in 2024 and 2023, mainly from higher revenues for the year.

Operating expense ratio decreased to 22% in 2024, down from 25% in 2023, mostly due to higher revenue and provision for inventory obsolescence.

EBITDA grew to P968 million in 2024 from P818 million in 2023 driven by higher profit before tax of the investment & others and property & related services segments.

Earnings per share went up to P0.30 in 2024 from earnings per share of P0.28 in 2023 mainly from higher net profit for the year

Current ratio was at 7.45:1 as of December 31, 2024 from 7.14:1 as of December 31, 2023 chiefly due to increase in current assets.

Debt to equity ratio stood at 0.21:1 as of December 31, 2024 from 0.16:1 as of December 31, 2023 principally due to higher liabilities owing to bank loan availments.

2023

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

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

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

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

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

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

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

2022

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

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

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

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

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

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

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

Results of Operations 2024

Revenues grew by 16% achieving P2,861 million in 2024 from P2,466 million in 2023 as explained below.

Sale of goods climbed 15% to P1,516 million in 2024 from P1,315 million in 2023 primarily from retail and government sales of distribution/retail segment.

Service revenue was higher by 7% to ₱836 million in 2024, from ₱782 million in 2023, primarily driven by increased integration project under the distribution/retail segment and the continued expansion of the logistics business of the logistics and technical solutions segment.

Rental income climbed 50% to ₱419 million in 2024 from ₱278 million in 2023, primarily attributable to the commencement of a lease agreement with a third-party lessee for a newly constructed warehouse in Calamba, Laguna under the property & related segment.

Interest income declined by 9% to P 81 million in 2024, from P90 million in 2023 mainly due to declining interest rate of time deposits for the current year.

Sale of real estate was P8 million in 2024 from sale of a condominium unit and two parking slots, none in the previous year.

Cost of sales, services, real estate sold and rentals increased by 18% to P1,932 million in 2024 from P1,639 million in 2023 as discussed below.

Cost of sales amounted to P1,237 million in 2024, an increase of 19% from P1,037 million last year associated to increase in sales.

Cost of services reached P596 million in 2024 from P529 million in 2023, up by 13% driven by revenue growth from rendering of services.

Cost of rentals grew by 31% at P94 million in 2024 from P72 million attributable to higher rental income.

Cost of real estate sold was P3.9 million in 2024, nil in 2023.

Gross profit amounted to P928 million in 2024, up by 12% from P827 million in 2023. The significant change was from the commencement of leasing operation of the newly constructed warehouse in Calamba, Laguna in 2024.

Other operating expenses (income) amounted to P290 million in 2024 from P251 million in 2023 as explained below.

General and administrative expenses went down by 5% to P464 million in 2024 from P488 million in 2023 mainly from lower impairment loss in investment in an associate.

Selling and distribution costs escalated by 28% to P160 million in 2024 from P124 million in 2023 brought primarily by increase in manpower cost, rental, and bank charges from credit card transactions of the distribution/retail segment.

Other operating income – net reached P333 million in 2024 down by 8% from P362 million in 2023 attributable to lower fair value gains on investment properties.

Operating profit (loss) improved by 11% to P637 million in 2024 from P576 million in 2023 as a result of higher gross profit of leasing business.

Other income (charges) went up to P211 million income in 2024 against P155 million in 2023 principally from the following:

Finance income increased by 7% to P137 million in 2024, from P128 million in the prior year largely driven by higher interest income generated through increased placements in time deposit.

Finance costs surged by 90% to P11 million in 2024 from P6 million in 2023 chiefly due to interest expenses on loan payable of the property and related services segment.

Other gains - net amounted to P85 million income in 2024, or growth of 163% compared to P32 million of the previous year primarily attributable to gain on sale of real property by the property & related services segment.

Profit before tax was P849 million in 2024, up by 16% from P731 million in 2023 mainly due to increase in operating profit, other gains – net and higher finance income as discussed above.

Tax expense went up by 24% to P246 million in 2024 from P199 million in 2023 from greater pre-tax income of the property & related services and logistics & technical solutions segments.

Net profit improved by 13% to P602 million in 2024 against P531 million in 2023 principally due to commencement of lease operation of newly constructed warehouse in Laguna and gain on sale of real property as part of other gains – net under property & related services segment.

Net profit attributable to equity holders of the parent realized P551 million in 2024 against P509 million net profit in 2023 as discussed above.

Net profit attributable to non-controlling interests (NCI) amounted to P51 million in 2024 compared with P22 million in 2023 due to gain on sale of real property of Starworld Corp. This represents minority share in net profit for the period.

Financial Position 2024

Cash and cash equivalents went up by 14% reaching P3,077 million as of December 31, 2024, compared to P2,710 million as of December 31, 2023. The growth was principally attributable to cash provided from operating activities due to collection of trade and other receivables and from financing activities from the proceeds of long-term interest-bearing loans.

Short-term placements amounted to P200 million as of December 31, 2024 higher by 30% from P153 million as of December 31, 2023 due to higher placements of time deposits with maturities of more than three months but less than one year.

Trade and other receivables reached P435 million as of December 31, 2024 from P251 million as of December 31, 2023, up by 73% primarily from higher rental receivables of the property & related services segment and trade receivables of distribution/retail segment. Trade customers are generally established and stable companies with reasonable assurance of collectibility of their accounts. Nonetheless, trade accounts are periodically reviewed to assess the possible losses from non-collection and allowance is provided for possible losses on accounts which are considered doubtful of collection.

Advances to related parties totaled to ₱6.6 million as of December 31, 2024, up from ₱2.4 million as of December 31, 2023. The increase was primarily due to the gain on reversal of previously recorded allowance on the advances to related parties.

Merchandise inventories and supplies - net went up by P353 million as of December 31, 2024, higher by 5% from P337 million as of December 31, 2023 mainly due to additional purchases of the distribution/retail segment intended for ongoing projects.

Real estate inventories stood at P424 million as of December 31, 2024 compared to P428 million as of December 31, 2023. There was no material change for this account.

Other current assets increased by 18% at P567 million as of December 31, 2024 compared with P480 million as of December 31, 2023 principally from higher input VAT of the property and related segment.

Total current assets reached P5,065 million as of December 31, 2024 from P4,365 million as of December 31, 2023 as discussed above.

Non-current trade and other receivables declined by 58% to P453 million as of December 31, 2024 from P1,084 million as of December 31, 2023 mainly due to termination of two investments in life insurance policies by investment & others segment.

Financial assets at fair value through other comprehensive income soared by 34% to P74 million as of December 31, 2024 from P55 million as of December 31, 2023 arising from fair value gains on club shares.

Investment in an associate decreased to P38 million as of December 31, 2024 from P48 million as of December 31, 2023 representing deposits related to the planned increase in authorized capital stock of Fekon Solid Motorcycle Mfg Corp. In 2024, the Group recognized an additional impairment loss of P10 million due to the continued downturn following a reassessment of the associate's business outlook.

Investment in bonds was unchanged at P20 million for both December 31, 2024 and 2023.

Rights-of-use (ROU) assets – net decreased by 36% to P3 million as of December 31, 2023 from P4.6 million as of December 31, 2023 from depreciation ROU assets under PFRS 16, Leases.

Property and equipment slightly rose to P1,612 million as of December 31, 2024 from P1,594 million as of December 31, 2023. There was no material change for this account.

Investment properties – net went up by 15% to P8,041 million as of December 31, 2024 from P6,967 million as of December 31, 2023 owing mainly to the completed construction of warehouse facility and fair value gains of the property & related service segment.

Post-employment benefit asset increased by 6% to P131 million as of December 31, 2023 vs. P123 million as of December 31, 2023 principally due to higher fair value of plan assets than the present value of obligation.

Deferred tax assets – net grew by 14% to P12 million as of December 31, 2024, from P11 million as of December 31, 2023 as a result of the distribution segment's provision for inventory obsolescence and recognition of deferred income

Other non-current assets reached P48.9 million as of December 31, 2024 from P38.9 million as of December 31, 2023. The 24% increase was chiefly due to a deposit made for the purchase of land of the logistics and technical solutions segment.

Total non-current assets amounted to P10,434 million as of December 31, 2024 and P9,948 million as of December 31, 2023 mainly from increase in investment properties as discussed above.

Total assets reached P15,500 million as of December 31, 2024 from P14,313 million as of December 31, 2023 as discussed above.

Trade and other payables grew by 12%, reaching P658 million as of December 31, 2024, against P586 million as of December 31, 2023 principally driven by the reclassification of refundable deposit from non-current to current liabilities under the property and related services segment.

Customers' deposits went down by 70% to P1.2 million as of December 31, 2024 from P4.2 million as of December 31, 2023 primarily due to recognition of revenue of the distribution/retail segment.

Current lease liabilities decreased by 34% to P3.4 million as of December 31, 2024 from P5.1 million as of December 31, 2023 due to payments of lease liabilities.

Income tax payable increased by 15% to P17 million as of December 31, 2024 from P15 million as of December 31, 2023 mainly from greater tax expense of certain subsidiaries for the year.

Total current liabilities amounted to P680 million as of December 31, 2024 from P610 million as of December 31, 2023 due to higher trade & other payables.

Interest-bearing loans soared to P875 million as of December 31, 2024, an increase of 733% from P105 million as of December 31, 2023 due to additional bank loans to partially finance the construction of a warehouse facility in Calamba, Laguna of the property & related services segment.

Non-current refundable deposits dropped by 89% to P21 million as of December 31, 2024, from P192 million as of December 31, 2023 mostly from reclassification of refundable deposit from noncurrent to current in relation to lease of the property & related services segment.

Post-employment benefit obligation amounted to P29 million as of December 31, 2024 and P20 million as of December 31, 2023 principally from higher discount rates in the actuarial valuation study for PAS 19 reporting. This represents the unfunded retirement obligation of certain subsidiaries.

Deferred tax liabilities -net went up to P1,126 million as of December 31, 2024 from P1,031 million as of December 31, 2023 mainly in relation to the impact of temporary differences in income tax computation arising from fair value gains and accumulated depreciation on investment property of the property and related segment.

Non-current lease liabilities reached P502 thousand as of December 31, 2024 compared to nil as of December 31, 2023 due to additional lease with maturity beyond one year from the end of the reporting period.

Total non-current liabilities rose to P 2,053 million as of December 31, 2024 and P1,348 million as of December 31, 2023 from interest bearing loan and deferred tax liabilities of the property and related segment as mentioned above.

Total liabilities amounted to P2,734 million as of December 31, 2024 from P1,959 million as of December 31, 2023 as discussed above.

Capital stock stood at P2,030 million as of December 31, 2024 and December 31, 2023.

Additional paid-in capital was maintained at P4,641 million as of December 31, 2024 and as of December 31, 2023.

Treasury shares amounted to P115 million as of December 31, 2024 and as of December 31, 2023.

Revaluation reserves increased by 42% to P182 million as of December 31, 2024 from P128 million as of December 31, 2023 mainly due to currency exchange differences on translating

financial statements of foreign operations and fair value gains of financial assets at fair value through other comprehensive income.

Retained earnings grew to P5,731 million as of December 31, 2024 from P5,362 million as of December 31, 2023 as a result of net profit attributable to parent during the year.

Total equity attributable to Equity holders of Parent amounted to P12,471 million as of December 31, 2024 and P12,048 million as of December 31, 2023.

Non-controlling interests fell to P294 million as of December 31, 2024 from P305 million as of December 31, 2023 from minority share in dividends for the year.

Total equity amounted to P12,766 million as of December 31, 2024 from P11,353 million as of December 31, 2023.

Results of Operations 2023

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

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

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

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

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

Sale of real estate was nil in 2023 and 2022.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Position 2023

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Post-employment benefit obligation amounted to P20 million as of December 31, 2023 and P15.8 million as of December 31, 2022 principally from lower discount rates and higher salary projection rate in the actuarial valuation study for PAS 19 reporting. This represents the unfunded retirement obligation of certain subsidiaries.

Deferred tax liabilities -net amounted to P1,031 million as of December 31, 2023 and P955 million as of December 31, 2022. It went up mainly in relation to the fair value gains on investment property of the property and related segment. In 2023, the Company retrospectively restated the 2022 and 2021 financial statements to correct prior period error in deferred tax liabilities on accumulated fair value gains and depreciation of investment properties resulting in a reduction in this account in the amount of P56 million.

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

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

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

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

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

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

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

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

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

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

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

Results of Operations 2022

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

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

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

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

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

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

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

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

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

Cost of rentals was recorded at P73.7 million in 2022, up by 11% against P66.5 million in 2021 linked to higher cost and occupancy of rental condominium units.

Cost of real estate sold was nil in 2022 compared to P434 thousand related to cost of parking slot sold in the same period of 2021.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Position 2022

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Philippine economy concluded 2024 with a solid performance, registering a full-year gross domestic product (GDP) growth rate of 5.6 percent. This outpaced major Asian economies such as China (5.2 percent), Vietnam (5.0 percent), and Malaysia (3.8 percent), underscoring the resilience of domestic demand amid persistent inflationary pressures and external headwinds. Looking ahead, the government remains committed to sustaining this growth momentum through strategic investments in infrastructure, targeted social programs, and sound fiscal management to support long-term economic stability.

In line with the country's strong economic performance, the Company demonstrated similar resilience and capitalized on favorable conditions, achieving notable growth in its financial results. This was reflected in a 16% increase in consolidated revenues reaching P2,861 million from P2,467 million in 2023 compared to P1,634 million in 2022.

The Company's net profit increased to P603 million in 2024, compared to P531 million in 2023 and P429 million in 2022. The growth was driven primarily by the strong performance of its core businesses, with Property and Related Services contributing the largest share at 70%, followed by Logistics and Technical Solutions at 24%, and Investments and Others at 9%. Meanwhile, Distribution/Retail had a moderating impact of -3% on the consolidated results. Fair value gains on investment properties also supported profitability, amounting to P263 million in 2024 (P197 million after tax), compared to P296 million in 2023 (P224 million after tax) and P216 million in 2022 (P162 million after tax). This translated to an earnings per share (EPS) of P0.30 in 2024, up from P0.28 in 2023 and P0.23 in 2022. Excluding fair value gains in 2024 and 2023 and PFRS 16 of P44.6 million in 2024, net income from core operating segments improved by 17% year-on-year.

The Company's diversified business portfolio continues to provide resilience and growth, as it actively taps into emerging opportunities aligned with its strategic roadmap to ensure long-term profitability and sustainable growth.

Distribution/Retail

Avid Sales Corporation (Avid) is engaged in the business of consumer electronics retail through both online and offline networks and digital solutions for institutional clients. Avid recognized P1,015 million in revenue in 2024, P895 million in revenue in 2023 and P16.8 million in 2024 from P14.4 million net profit for the full year of 2023 from its Sony Centre business concept, AV surfer, direct sales and e-commerce online businesses. Avid was acquired in November 2022, where it contributed P95 million in revenue and P457 thousand net profit sourced from its December 2022 operation. In 2025, it is projecting net sales revenue of ₱1,160 million and net profit of ₱17 million based on retail sales from brick- and-mortar stores, enterprise business and e-commerce platform.

Solid Video Corporation's revenue increased by 53% to ₱430 million up from ₱281 million in 2023 (from P226 million in 2022) primarily driven by its special project with a government agency and private entities. However, due to higher operating expense for the year, net profit declined by 20% to P23 million compared to P29 million in 2023 from ₱10 million in 2022. For 2025, the company is forecasting revenue of ₱450 million and a net profit of ₱45 million, supported by awarded government projects, improved market share in production-related video cameras and expansion in the creative and virtual production markets.

SolidGroup Technologies Corp's revenue rose by 54% to ₱54 million in 2024, up from ₱33.9 million in 2023 and ₱27 million in 2022, primarily driven by modular sales to local government units. Looking ahead, the company anticipates a recovery in 2025, projecting ₱72 million in revenue and ₱3.7 million in net income from its ongoing and upcoming projects.

Property & Related Services

Property & Related Services (PRS) revenue from external customers surged by 50% to ₱396 million in 2024, up from ₱263 million in 2023 (₱270 million in 2022) primarily driven by leasing operations. This segment contributed 14% of the company's consolidated revenues for the year. It continued to be a key contributor to the company's growth with net income rising to ₱423 million from ₱331.9 million in 2023 (₱258 million in 2022) largely attributed to higher fair value gains on investment properties.

Solid Manila Corporation achieved revenue growth of ₱225 million in 2024, an increase from ₱203 million in 2023 and ₱198.8 million in 2022, primarily driven by leasing operations. Net income rose to ₱420 million in 2024, from ₱353 million in 2023 and ₱351 million in 2022, benefiting from higher fair value gains. The Company has almost completed the renovation of the Green Sun Building launching innovative concepts aimed at addressing emerging market needs and generating new business opportunities, thus further strengthening its position within the industry. In addition, it already started the construction of a four-storey mixed-use commercial center in Dagupan City, designed to capitalize on the growing business environment in the area, with an expected return on investment over a seven-year period. There are also plans to develop Blumentritt and Iloilo properties. For 2025, the Company projects ₱258 million in revenue and ₱127 million in net profit, excluding property fair value gains.

Zen Towers Corporation recognized revenue of P60 million in 2024, an increase from P51 million in 2023 (P44 million in 2022) primarily driven by sale of a condominium unit and two parking lots along with improved occupancy in its residential units. This led to a higher net income of P26 million compared to P24 million in 2023 (19 million in 2022). The planned development of Tower 3, a 14-storey condominium intended for commercial and office leasing with an estimated cost of P500 million, has been deferred anew in favor of other priority projects within the Company. In 2025, the Company will continue to focus on enhancing its facilities and delivering added value for tenants, aiming to strengthen customer retention and attract high-quality, long-term occupants. Given the competitive landscape and modest growth outlook for both office and residential leasing markets, the Company projects P66 million in revenue and P28 million in net income for the year.

Green Sun and Casa Bocobo hotel operations reported a modest increase in combined revenue to P94 million in 2024, slightly up from P92.5 million in 2023, but lower than P109 million in 2022. The revenue performance was affected by ongoing renovations and shorter guest stays. Despite this, the segment delivered a higher combined net profit of P14 million, compared to P12 million in 2023 and P23 million in 2022. In 2025, the business will focus on achieving a combined revenue of P136 million and net income of P15 million through the implementation of commission-based incentive programs for corporate travel partners and by leveraging online travel agencies to expand its reach among the independent leisure travelers.

Precos, Inc. is engaged in real estate and related businesses. In 2024, the Company completed the construction of a 10.5-hectare LEED-accredited distribution facility located on its Laguna property, with a total investment cost of P3 billion. The facility commenced commercial operations on August 1, 2024, under a 15-year lease agreement with a third-party lessee. Revenue generated from this transaction amounted to P113.2 million in 2024. For 2025, the project is expected to contribute P271 million in revenue, with an anticipated net profit of P275 million including one-time other income. This development is projected to have a substantial long-term impact on the Company's overall financial performance

Logistics and Technical Support

The Logistics and Technical Solutions segment maintained its position as a leading business segment, a 9% climb in revenue to P763 million in 2024, up from P727 million in 2023 (P665.8 million in 2022). Net income also rose slightly by 3% to P146 million, compared to P142 million in the previous year (P105 million in 2022). This growth was primarily driven by a higher volume of transactions across all service lines throughout the year.

Omni Solid Services Inc. (OSSI) posted a 5% increase in net income to P142 million in 2024, up from P134.9 million in 2023 and P100.7 million in 2022, supported by a 7.5% revenue growth to P624 million from P580 million in 2023 (P518 million in 2022). This performance reflects its consistent upward financial trajectory year-on-year. In 2025, it plans to expand further its existing fleet of delivery vehicles and to enhance its logistics operations. These initiatives are aimed at achieving its projected P654 million in revenue and P153 million in net profit.

SolidService Electronics Corporation recorded a 5% decline in revenue to P140 million in 2024, from P147 million in 2023 and P152 million in 2022, reflecting the ongoing industry trend of declining repair volumes due to the limited availability and rising cost of replacement parts. As a result, net income declined to P4.0 million, compared to P7.3 million in 2023 and P4.3 million in

2022. To reposition itself for growth, the Company is expanding its role as an Audio-Visual (AV) and HVAC service provider, and is pursuing accreditation with five leading aircon brands. The planned nationwide rollout of integrated air conditioning and electronics service operations aims to strengthen its market presence. For 2025, it targets ₱154 million in revenue and ₱5 million in net income.

Investment and others

The Investments and Others segment posted a 111% growth in revenue in 2024, reaching ₱833 million, up from ₱396 million in 2023 (₱373 million in 2022), driven primarily by higher dividend income from subsidiaries. Correspondingly, net income surged to ₱693 million in 2024, from ₱236 million in 2023 and ₱240 million in 2022. Benefiting from strong cash flow performance, it distributed ₱182 million in cash dividends to stockholders in 2024, following ₱109 million in 2023. With a positive business outlook for 2025, the segment is targeting ₱363 million in revenue and ₱298 million in net profit.

The Company has consistently prioritized stable revenue streams while managing its operations with sound practices to maintain a strong financial foundation and sustained profitability. Looking ahead to 2025 and beyond, the Company remains committed to achieving continual growth, despite the ongoing economic challenges. With a solid financial position and focused strategic initiatives, it is dedicated to cultivating lasting relationships with customers, suppliers, and stakeholders, while navigating the complexities of executing its sustainable growth initiative.

- 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 2025 to amount to P710 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 and partly through loans.

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

Amidst the overall slowdown of local handset brands in the maturing telecommunications market in the Philippines, MySolid undertook a business downsizing and rationalization initiative in 2022. The company shifted its focus primarily to tablet devices for institutional sales and to feature phones distributed through select territorial partners. However, in 2023, MySolid discontinued the distribution of feature phones due to low forecasted volumes and declining demand for these basic devices. The company is currently selling off its remaining inventory of feature phone models and anticipates a continued decline in revenues moving forward.

In August 2019, the 25-year lease contract between Kita Corporation (Kita), a wholly owned subsidiary of the Company, and Clark Development Corporation (CDC), covering certain parcels of land, expired. Following the expiration of the lease, Kita surrendered the buildings on the leased property to Clark International Airport Corporation, as the locations were identified as part of the site for the development of the second runway of Clark International Airport. In 2021, the Company made the strategic decision not to renew the lease contract. Subsequently, in 2024, Kita sold its sole residential property located in Pampanga, effectively ceasing all leasing operations. Kita is currently in the process of securing the necessary clearances from CDC in connection with the cessation of its leasing activities.

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

None.

vi. Causes for any Material Changes from Period to Period

As explained in Section V under Known Trends, Events and Uncertainties above, in 2022, amidst the slowdown of local handset brands in the maturing telecom market in the Philippines, MySolid further downsized and rationalized its business, focusing primarily on tablet devices for institutional sales and feature phones for select territorial distributors. This shift led to a continued decline in sales over the following years – 2023, 2024, and 2022 – resulting in an operating loss of P47 million in 2024 and P8.8 million in 2023. In contrast, the company recorded a net profit of P5 million arising from foreign currency gains in 2022.

In November 2022, the Company acquired Avid Sales Corporation (ASC) following a due diligence audit by Isla Lipana & Co. (a member firm of Price Waterhouse Coopers). Consequently, the one-month results of operation ending December 31, 2022 of ASC and its ensuing financial position as of December 31, 2022 was included in the 2022 consolidated financial statements of the Company. This acquisition led to significant changes in the consolidated results of operations and financial position, and also resulted in a gain on acquisition of shares amounting to P14.55 million for the year 2022. In 2023, the Company reported full-year revenue of P895 million and a net profit of P14 million. In 2024, it reported revenue of P1,014 million and net profit of P16 million.

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

In 2022, Precos, Inc. entered into a Built to Specification Agreement (the "Agreement") with a third-party lessee. Under the terms of the Agreement, the lessee will lease the warehouse for 15 years, with an option to renew for an additional 5 years. On August 1, 2024, the Company formalized a contract of lease for its entire investment properties as specified in the Agreement. As a result of this transaction, the Company recognized revenue amounting to P113.2 million in 2024. No revenues were recognized in 2023, as the Company had not yet commenced its commercial operations. This business development is expected to have a continuous and significant impact on the Company's consolidated financial performance and position throughout the term of the contract.

Based on the appraisal reports obtained in 2024, 2023 and 2022, the Company reported fair value gains on investment property of P263 million, P296 million and P216 million for 2024, 2023 and 2022, respectively.

2024

Balance Sheet Items (2024 vs. 2023)

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

Cash and cash equivalents – 14% increase to P3,077 million from P2,710 million

Principally attributable to cash provided from operating activities due to collection of trade and other receivables and from financing activities from the proceeds of long-term interest-bearing loans. This account stood at 20% and 19% as a percentage of total assets for 2024 and 2023.

Short-term placements – 30% increase to P200 million from P153 million

Chiefly from higher placements of time deposits with maturities of more than three months but less than one year. This account stood at 1% as percentage of total assets in 2024 and 2023.

Trade and other receivables – 73% increase to P435 million from P251 million

Primarily from higher rental receivables of the property& related services segment and trade receivables of distribution/retail segment. As a percentage of total assets, this account stood at 3% and 2% in 2024 and 2023.

Advances to related parties – 177% increase to P6.6 million from P2.4 million

Due to gain on reversal of previously recorded allowance on the advances to related parties. This account stood at 0.04% and 0.02% as a percentage of total assets in 2024 and 2023.

Merchandise inventories and supplies – 5% increase to P353 million from P337 million

Mainly due to additional purchases of the distribution/retail segment intended for the ongoing projects. This account represented 2% as a percentage of total assets in both years.

Real estate inventories – P424.9 million from P428.9 million

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

Other current assets – 18% increase to P567 million from P480 million

Principally from higher input VAT of the property and related services segment. This account stood at 4% and 3% as a percentage of total assets in both years.

Non-current trade and other receivables – 58% decrease to P453 million from P1,084 million

Mainly due to termination of two investments in life insurance policies by investment & others segment. This account stood at 3% and 8% as a percentage of the total assets in 2024 and 2023, respectively.

Financial assets at fair value through other comprehensive income – 34% increase to P74 million from P55 million

Attributable to fair value gains on investment in club shares. This account stood at 0.48% and 0.39% as a percentage of total assets for 2024 and 2023, respectively.

Investment in an associate – 21% decrease to P38 million from P48 million

Solely due to recognition of additional impairment loss following a reassessment of the associate's business outlook. This account stood at 0.24% and 0.33% as of percentage of total assets in 2024 and 2023, respectively.

Investment in bond – P20 million in 2024 and 2023

No change for this account. This represented 0.13% of total assets in both years.

Right of use assets – 36% decrease to P3 million from P4.6 million

Resulting from depreciation of ROU assets for leases that qualified under PFRS 16. This account stood at 0.02% and 0.03% as a percentage of total assets in 2024 and 2023, respectively.

Property and equipment – 1% increase to P1,612 million from P1,594 million

There was no material change for this account. This represented 10% and 11% as a percentage of total assets in 2024 and 2023, respectively.

Investment properties – 15% increase to P8,041 million from P6,967 million

Owing mainly to the completed construction of warehouse facility in Calamba, Laguna and fair value gains of the property & related service segment This account stood at 51% and 48% as a percentage of total assets in 2024 and 2023, respectively.

Post-employment benefit asset – 6% increase to P131 million from P123 million

Principally due to higher fair value of plan assets than the present value of obligations. This represented 0.85% and 0.87% of total assets in 2024 and 2023, respectively.

Deferred tax assets – net – 14% increase to P12 million from P11 million

Mainly from distribution segment's provision for inventory obsolescence and recognition of deferred income. This account stood at 0.08% of total assets in both years.

Other non-current assets – 24% increase to P48.2 million from P38.9 million

Due to deposit made for the purchase of land of the logistics and technical solutions segment. This represented 0.31% and 0.27% as percentage to total assets in 2023 and 2022, respectively.

Trade and other payables – 12% increase to P658 million from P586 million

Principally driven by the reclassification of refundable deposit from non-current to current liabilities of the property & related services segment. This account stood at 4% as a percentage of total liabilities and equity in both years.

Customers' deposits – 70% decrease to P1.2 million from P4.2 million

Primarily from recognition of revenue of the distribution/retail segment. This account represented 0.01% and 0.03% as a percentage of total liabilities and equity in 2024 and 2023, respectively.

Current Lease Liabilities – 34% decrease to P3.4 million from P5.1 million

Due to payments during the year. This account stood at 0.02% and 0.04% as a percentage of total liabilities and equity for both 2024 and 2023, respectively.

Income tax payable – 15% increase to P17.5 million from P15.2 million

Mainly from greater tax expense of certain subsidiaries for the year. This account was pegged at 0.11% of the total liabilities and equity in 2024 and 2023, respectively.

Interest-bearing loans – 733% increases to P875 million from P105 million

Due to additional bank loans to partially finance the construction of a warehouse facility in Calamba, Laguna of the property & related services segment.

Non-current refundable deposits – 89% decrease to P21 million from P192 million

Mostly from reclassification of refundable deposit from noncurrent to current in relation to lease of the property & related services segment. This represented 0.14% and 1.35% of the total liabilities and equity in 2024 and 2023, respectively.

Post-employment benefit obligation – 47% increase to P29.7 million from P20.2 million

Principally from higher discount rates in the actuarial valuation study for PAS19 reporting. This account stood at 0.19% and 0.14% of the total liabilities and equity in 2024 and 2023, respectively.

Deferred tax liabilities – 9% increase to P1,126 million from P1,031 million

Mainly in relation to impact of temporary differences in income tax computation arising from fair value gains and accumulated depreciation on investment properties of the property and related segment. This account stood at 7% as a percentage of total liabilities and equity in both years.

Non-Current Lease Liability – 100% increase to P502 thousand from nil

Due to additional lease with maturity beyond one year from the end of the reporting period. This account represented 0.001% as a percentage of total liabilities and equity in 2024.

Capital stock – no change

This account stood at 13% and 14% of total liabilities and equity for 2024 and 2023, respectively.

Additional Paid-In-Capital – no change

This account represented 30% and 32% % of total liabilities and equity for 2024 and 2023, respectively.

Treasury Shares – no change

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

Revaluation reserves – 42% increase to P182 million from P128 million

Mainly due to currency exchange differences on translating financial statements of foreign operations and fair value gains of financial assets at fair value through other comprehensive income. It stood at 1.18% and 0.90% of total liabilities and equity in 2023 and 2022, respectively.

Retained earnings – 7% increase to P5,731 million from P5,362 million

Resulting from net profit attributable to parent during the period. This account stood at 37% of total liabilities and equity in both years.

2024**Income Statement Items (2024 vs. 2023)**

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

Sale of goods – 15% increase to P1,516 million from P1,315 million

Primarily from retail and government sales of distribution/retail segment. As a percentage of total revenues, this account represented 53% of total revenues of both years.

Service revenue – 7% increase to P836 million from P782 million

Primarily driven by increased integration project under distribution/retail segment and logistics business under logistics & technical solutions segment. As a percentage of total revenues, this account represented 29% and 32% in 2024 and 2023, respectively.

Rental income – 50% increase to P419 million from P278 million

Primarily attributable to the commencement of a lease agreement with a third-party lessee for a newly constructed warehouse in Calamba, Laguna under the property & related services segment. As a percentage of total revenues, this account represented 15% and 11% in 2024 and 2023, respectively.

Interest income – 9% decrease to P81 million from P90 million

Driven by declining interest rate of time deposits. As a percentage of total revenues, this account represented 3% and 4% in 2024 and 2023, respectively.

Sale of real estate – 100% increase to P8 million from nil

Solely from sale of a condominium unit and two parking slots this year, none from previous year. As a percentage of total revenues of 2024, this account stood at 0.28% in 2024.

Cost of sales - 19% increase to P1,237 million from P1,037 million

Associated mainly to increase in sales of the distribution segment. As a percentage of total revenues, this account represented 43% and 42% in 2024 and 2023, respectively.

Cost of services – 13% increase to P596 million from P529 million

Driven by revenue growth from rendering of services. This account stood at 21% in both years based on total revenues.

Cost of rentals – 31% increase to P94 million from P72 million

Brought by higher revenue from rental income. This account represented 3% based on total revenues of both years.

Cost of real estate sales – 100% increase to P3.9 million from nil in 2023

Attributable to cost of real estate sold in the current year, none from previous year. As a percentage of total revenues, this account stood at 0.14% in 2024.

Gross profit – 12% increase to P928 million from P827 million

Mostly due to the commencement of leasing operation of the newly constructed warehouse in Calamba, Laguna under property & related services segment. As a percentage of total revenues, this account stood at 32% and 34% in 2024 and 2023, respectively.

General and administrative expenses – 5% decrease to P464 million from P488 million

Mainly from lower impairment loss in investment in an associate in 2024. As a percentage of total revenues, this account stood at 16% and 20% in 2024 and 2023, respectively.

Selling and distribution costs – 28% increase to P160 million from P124 million

Primarily from increase in manpower cost, rental and bank charges from credit card transactions of the distribution/retail segment. This account represented 6% and 5% of total revenues for 2024 and 2023, respectively.

Other operating income –net – 8% decrease to P333 million from P362 million

Attributable to lower fair value gains on investment properties. As a percentage to total revenues, this account represented 12% in 2024 and 15% in 2023.

Operating profit – 11% increase to P637 million from P576 million

As a result of higher gross profit of leasing business. This account represented 22% and 23% as a percentage of total revenues for 2024 and 2023, respectively.

Finance income – 7% increase to P137 million from P128 million

Largely driven by higher interest income generated through increased placements in time deposit. This account represented 5% as a percentage of total revenues for both 2024 and 2023.

Finance costs – 90% increase to P11 million from P6 million

Chiefly due to interest expense on loan payable of the property & related services segment. This account represented 0.40% and 0.24% as a percentage of total revenues in 2024 and 2023 respectively.

Other gains - net – 163% increase to P85 million from P32 million

Primarily from gain on sale of real property by the property & related services segment. This account stood at 3% and 1% in 2024 and 2023 as a percentage of total revenues.

Profit before tax –16% increase to P849 million from P731 million

Mainly due to higher operating profit and finance income. This account stood at 30% as a percentage of total revenues of both years.

Tax expense – 24% increase to P246 million from P199 million

Attributable to greater pre-tax income of the property & related services and logistics & technical solutions segments. This account stood at 9% in 2024 and 8% in 2023 based on total revenues.

Net profit – 13% increase to P602 million from P531 million

Principally due to commencement of lease operation of a newly constructed warehouse in Calamba, Laguna, gain on sale of real property as part of other gains – net under the property & related services segment. This account stood at 21% in 2024 and 22% in 2023.

2023

Balance Sheet Items (2023 vs. 2022)

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

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

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

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

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

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

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

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

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

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

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

Real estate inventories – P428.9 million for both years

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

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

Mainly from higher input VAT of the property and related services segment. This account stood at 3% as a percentage of total assets in both years.

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

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

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

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

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

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

Investment in bond – P20 million in 2023 and 2022

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Capital stock – no change

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

Additional Paid-In-Capital – no change

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

Treasury Shares – no change

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

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

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

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

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

2023

Income Statement Items (2023 vs. 2022)

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

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

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

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

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

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

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

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

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

Sale of real estate – Nil in 2023 and 2022

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

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

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

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

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

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

Cost of real estate sales – Nil in 2023 and 2022

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2022

Balance Sheet Items (2022 vs. 2021)

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

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

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

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

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

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

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

Advances to related parties – P2,386.8 for both years

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

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

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

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

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

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

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

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

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

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

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

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

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

Investment in bond – P20 million in 2022 and 2021

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Capital stock – no change

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

Additional Paid-In-Capital – no change

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

Treasury Shares – no change

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

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

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

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

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

2022**Income Statement Items (2022 vs. 2021)**

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

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

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

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

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

Rental income – 10% increase to P265.7 million from P240.8 million

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

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

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

Sale of real estate – Nil from P892 thousand

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

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

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

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

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

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

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

Cost of real estate sales – Nil from P434 thousand

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

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

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

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

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

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

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

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

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

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

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

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

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

Gain on bargain purchase – P14.6 million in 2022

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

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

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

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

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

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

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

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

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

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

Principally due to lower other operating income from fair value gains in 2022. Excluding fair value gains, net of tax, and deferred tax income from CREATE law adjustment, net income

improved by 70% from all operating segments. This account stood at 26% in 2022 and 44% in 2021.

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

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

Item 7. FINANCIAL STATEMENTS

The consolidated financial statements and schedules to Financial Statements and Supplementary Schedules are filed as part of 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, 2024 and 2023 amounted to P6.78 million and P6.46 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 2024 and 2023.

(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, 2024 and 2023 amounted to P240 thousand for both years.

(c) Under the caption "All Other Fees", the aggregate fees billed in each of the last two (2) fiscal years for products and services provided by the external auditor, other than the services reported under items (a) & (b) above. Registrants shall describe the nature of the services comprising the fees disclosed under this category.

There were no other fees paid for the years 2024 and 2023.

(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, 2024, the Company reappointed Punongbayan and Araullo (P&A) as its external auditors for the year 2024.

There was no change in our existing accountant for the years 2024 and 2023.

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	94	Filipino
Co-Chairman Emeritus	Joseph Lim	97	Filipino
Chairman of the Board	Jason S. Lim	67	Filipino
Director, President & Chief Executive Officer and Chief Sustainability Officer	Susan L. Tan	70	Filipino
Director, Executive Vice President & Chief Strategy Officer	David S. Lim	68	Filipino
Director, SVP and Chief Financial Officer and Chief Risk Officer	Vincent S. Lim	66	Filipino
Independent Director	Rafael F. Simpao Jr.	81	Filipino

Independent Director	Siegfred B. Mison	59	Filipino
Director and & SVP for Investor and Stakeholder Relations	Beda T. Manalac	63	Filipino
Director and VP for Property Business and Data Protection Officer	Jonathan Joseph C.C. Lim	39	Filipino
Director and VP New Investments	Kevin Michael L. Tan	42	Filipino
SVP for Business Integration and SEC Compliance Officer	Christopher James L. Tan	41	Filipino
SVP and Treasurer	Lita Joaquin	65	Filipino
Corporate Secretary	Roberto V. San Jose	82	Filipino
Assistant Corporate Secretary	Ana Maria Katigbak-Lim	56	Filipino
VP & Chief Information Officer	Josephine T. Santiago	57	Filipino
VP & Chief Audit Executive	Ericson B. Salvador	53	Filipino
VP and Chief Accounting Officer	Annabella S. Orbe	62	Filipino

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

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

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

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

Mr. David S. Lim is Director and Executive Vice President and Chief Strategy Officer in September 2020. He was Senior Vice President from June 2016 to 2020. He was President and Chief

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

Mr. Vincent S. Lim is Senior Vice President and Chief Financial Officer in September 2010 and Chief Risk Officer in 2017. He was Sr. Vice President for Finance and Investments from June 2006 to 2010. He was formerly Sr. VP and Chief Financial Officer from May 2002 up to 2006. He is a Director since 1996. He is Treasurer for MyApp Corporation, Omni Solid Services, Inc., SolidService Electronics Corporation, Kita Corporation, Solid Video Corporation, Solid Manila Corporation, Green Sun Hotel Management, Inc., MySolid Technologies and Devices Corporation, SolidGroup Technologies Corporation, Zen Towers Corporation, Casa Bocobo Hotel, Inc., Precos, Inc., Solid Manila Finance Inc., Solid Broadband Corporation, Skyworld Corporation and Starworld Corporation. He is also an Independent Director of Security Land Corporation effective June 2013. Mr. Lim is the son of Joseph and Elena Lim.

Mr. Rafael F. Simpao, Jr is an Independent Director since July 2021. He is also the Chairman of Security Bank Foundation since 1997 and a Trustee of Tany Foundation since 2007. He is currently an Independent Director of WREIT, Inc. since 2022, an Independent Director of All Asia Countertrade, Inc. since 2023, and an Independent Director of Empire Insurance, Inc. since 2018. He served as the President and CEO of Security Bank Corporation from 1994 to 2004 and a Director of the Bank from 1995 to 2019. He was appointed as Senior Advisor the Board and the Bank's Senior Credit Committee from 2019 to 2024. He was the Chairman of the Board of Keyland Ayala Corporation from 2011 up to 2024. He was also a former Director of the Bankers Association of the Philippines from (2002 to 2004), Director and Treasurer of LGU Guaranty Corporation (2000 to 2005). Trustee of the Cultural Center of the Philippines (2000 to 2001), Trustee and Treasurer of Christ 'Commission Fellowship (2006 to 2009), Trustee and Treasurer of International Graduate School of Leadership (1994 to 2014), Trustee and Treasurer of Church Planters of the Philippines (2004 to 2019).

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

Mr. Beda T. Mañalac is Director in June 2010 and Senior Vice-President for Investor and Stakeholders Relation in June 2024, Senior Vice-President for Investor Relations and Business Integration effective June 22, 2023 and Senior Vice-President for Digital Integration & Investor Relations effective June 30, 2022. He was Sr. Vice President for Business Development and Distribution Business from September 2020 to June 2022. He was Vice President for Business Development from September 30, 2010 to 2020. He is President of SolidGroup Technologies Corporation (SGTC) effective March 31, 2022. He was President of Solid Manila Corporation from

January 2012 to March 2022. He was Vice President for Business Development of MyPhone mobile phones under MySolid Technologies and Devices Corporation since 2007 to May 31, 2010.

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

Mr. Kevin Michael L. Tan is Director in June 2019 and Vice President for New Investments in June 2024, Vice President for Distribution in June 30, 2022 and Vice-President for Digital Mobile Business since September 2020. He is Vice President of MySolid Technologies and Devices Corporation (MSTDC) since August 2015. Prior to that he was Vice President since June 2010. In addition, he was Vice President of myphone division of Solid Broadband Corporation from August 2007 to May 2010. He is the son of Susan L. Tan.

Mr. Christopher James L. Tan is Senior Vice President for Business Integration in June 2024 and SEC Compliance Officer in June 2023 and was Vice President for Business Development in June 2022 and Vice-President for New Investments since September 2020. He is President of Solid Video Corporation since 2018 and its Vice President from 2014 to 2017. He is the Executive Vice President of Zen Towers Corporation and Vice President of Precos Inc. He was Business Development Manager of Solid Manila Corporation from 2011 to 2013. He is the son of Susan L. Tan.

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

Atty. Roberto V. San Jose is the Corporate Secretary of the Company and has held the office since 1996. He is Chairman of Mabuhay Holdings Corporation; 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.

Atty. Ana Maria A. Katigbak is the Assistant Corporate Secretary of the Company and has held the office since 1997. She is a partner in Castillo, Laman, Tan, Pantaleon & San Jose Law Offices. She also acts as director of 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.

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

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

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

(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 directors and executive officers of the Company. Their grandchildren, Mr. Kevin L. Tan, Mr. Christopher James L. Tan and Mr. Jonathan Joseph C.C. Lim are directors and/or 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. On March 22, 2022, AA Export and Import Corporation has fully paid the loan. Except for this, none of the directors and officers was involved in the past five years up to April 2024 in any bankruptcy proceeding. Neither have they been convicted by final judgment in any criminal proceeding, nor been subject to any order, judgment or decree of competent jurisdiction, permanently enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in action by any court or administrative body to have violated a securities or commodities law.

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)	(b)	Annual Compensation		
		(c)	(d)	(e)
<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary (₱)</u>	<u>Bonus (₱)</u>	<u>Other Annual Compensation Income (₱)</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, Executive Vice President and Chief Strategy Officer			
Vincent S. Lim	Director, Senior VP and Chief Financial Officer			
Lita Joaquin	Senior VP and Treasurer			
	2025 (Est.)	23,522,400	4,134,725	1,854,985
	2024	21,384,000	3,758,840	1,686,350
	2023	20,136,000	3,526,006	1,604,371
All officers and directors as a group unnamed	2025 (Est.)	16,012,920	2,262,230	2,400,000
	2024	14,557,200	2,056,580	2,255,310
	2023	15,198,000	2,184,097	2,659,660

(3) Compensation of Directors

Please see executive and directors' compensation.

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

(a) An executive employment contract was entered into by SolidGroup Technologies Corp., a wholly owned subsidiary of the Company, with the former's executive officer for a fixed period of three years ending September 30, 2024 with an agreed compensation package. This was extended until December 31, 2024. Upon termination of the contract, the officer is not entitled to any further compensation or separation benefits. The said officer is also a director and executive officer of the Company.

(b) There are no compensatory plan or 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 and the amount involved, including all periodic payments or installments, which exceed P2.5 million.

(5) Warrants and Options Outstanding: Repricing

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

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, 2024 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 Outstan ding
Common	AA Commercial, Inc. ¹ 2285 Pasong Tamo Ext. Makati Affiliate	Vincent S. Lim Treasurer of AA Commercial Inc.	Filipino	583,377,817 (r) ¹	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	341,872,274	18.77

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, 2024.

(1) Title of Class	(2) Name of Beneficial Owner	(3) Amount and Nature of Beneficial Ownership	(4) Citizenship	(5) % to Total Outstanding
Common	Susan L. Tan	78,645 (direct)	Filipino	-
Common	Jonathan Joseph C. C. Lim	11,000,000 (direct)	Filipino	0.60
Common	Vincent S. Lim	71,887,187 (direct) 583,377,817 (indirect) ¹	Filipino	3.95 32.03
Common	Jason S. Lim	65,176,160 (direct)	Filipino	3.58
Common	Kevin Michael L. Tan	11,000,000 (direct)	Filipino	0.60
Common	Rafael F. Simpao Jr.	1,000 (direct)	Filipino	-
Common	Siegfred B. Mison	1,000 (direct)	Filipino	-
Common	Elena S. Lim	1,894 (direct)	Filipino	-
Common	Joseph Lim	2 (direct)	Filipino	-
Common	Beda T. Manalac	1,001 (direct)	Filipino	-
Common	David S. Lim	79,488,591 (direct) 5,000,000 (indirect) ³ 499,999,999 (indirect) ²	Filipino	4.36 0.27 27.45
Common	Roberto V. San Jose	242,000 (direct)	Filipino	0.01
Common	Ana Maria Katigbak-Lim	-	Filipino	-
Common	Lita L. Joaquin	7,030,000 (direct)	Filipino	0.39
Common	Christopher James L. Tan	18,462,000(direct)	Filipino	1.01
Common	Josephine T. Santiago	7,000 (direct)	Filipino	-
Common	Ericson B. Salvador	-	Filipino	-
Common	Annabella S. Orbe	-	Filipino	-

The aggregate amount of ownership of all directors and officers as a group unnamed is 1,352,754,296 shares or 74.26% of the total outstanding shares.

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

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

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

(3) Voting Trust Holders of 5% or More

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

(4) Changes in Control

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

Item 12. Certain Relationships and Related Transactions

D. Certain Relationships and Related Transactions

In 2020, Solid Video Corporation (SVC) earns commission from sales of Solid Trading Limited (STL), a related party under common ownership, to customers in the Philippines. None for 2024 2023 and 2022.

In 2022, MySolid purchases mobile phones, tablets and accessories from STL. MySolid also made advance payments to STL for purchase of mobile phones. None in 2024 and 2023.

In 2023 and 2022, SVC and Solid Service Electronics Corporation purchased electronic devices from Avid Sales Corporation (Avid), wholly owned subsidiary of the Company acquired in November 2022. The purchases reported as related party transactions transpired before the acquisition of ownership of Avid.

In 2022, MySolid and SVC sells mobile phones, tablets and accessories, tapes and equipment to Avid. None in 2024 and 2023.

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

Solid Manila Corporation (SMC) and Omni Solid Services Inc. (OSSI) leases out certain land and buildings and office space, respectively to Avid Sales Corporation, a wholly owned subsidiary of the Company. Revenues reported as related party transactions transpired before the acquisition of

ownership of Avid. Also, Zen Tower Corporation (ZTC) leases out its office space to TCL Sun Inc., a related party under common ownership.

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

OSSI provides leasing warehouse and distribution services to Avid, a wholly owned subsidiary of the Company acquired in November 2022. Revenues reported as related party transactions transpired before the acquisition of ownership of Avid.

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

Advances to and from Related Parties

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

SEC has an outstanding receivable from CPD Access Corporation, a related party under common ownership, for returns arising from purchases made in prior years and is presented as part of Advances to Related Parties in the consolidated statements of financial position.

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 (CO) was appointed in 2002, directly reporting to the Chairman of the Board, to monitor compliance with the provisions and requirements of the Manual. The Compliance Officer established an evaluation system to measure or determine the level of the Company's compliance with its Manual. In June 2023, a new CO was appointed by the Board of Directors to replace the retired CO. The same Compliance Officer continues to serve in this role as of December 31, 2024.

The Board of Directors approved the Company's Revised Manual of Corporate Governance on September 30, 2010, in compliance with SEC Memorandum Circular No. 6, Series of 2009. The Revised Manual was adopted and submitted to the SEC on the same date. Subsequently, the Company adopted an Amended Manual of 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 November 10, 2020, the Board approved the Board Charter.

On April 1, 2009, the Board of Directors approved the Whistle Blowing Policy. On November 11, 2014, the Board of Directors approved the policies on: Enterprise Risk Management Policy,

Conflict of Interest Policy, Related Party Transaction Policy and Insider Trading Policy. On November 5, 2019, the Company's Board of Directors approved the Amended Related Party Transaction Policy, Enterprise Risk Management Policy, Insider Trading Policy, Policy and Data Relating to Health, Safety and Welfare of Employees, Conflict of Interest Policy.

On August 8, 2019, the Company's Board of Directors approved the Material Related Party Transactions Policy of the Company in compliance with SEC Memorandum Circular No. 10, Series of 2019 and submitted the same to the SEC.

The Board of Directors approved the Amended Manual on Corporate Governance in compliance with SEC Memorandum Circular 19, Series of 2016 on May 29, 2017 and submitted it to the SEC on the same date, with an amendment submitted to the SEC on June 8, 2017.

Under the amended manual, the Company created the Related Party Transaction Committee and combined the other Board Committees. The Company has the following Board Committees: Audit Committee, Corporate Governance, Compensation and Nomination Committee and Risk Management Committee and Related Party Transaction Committee.

The company has reelected Mr. Rafael F. Simpao and Atty Siegfried B Mison as Independent Directors during the Annual Stockholders' meeting on June 27, 2024.

The Company reappointed Punongbayan and Araullo, CPAs as its independent accountant for the year 2024 during the Annual Stockholders' meeting on June 27, 2024.

In 2023, the Company designated a new engagement partner for the audit of the financial statements of the Company beginning the year ending December 31, 2023 in compliance with its Manual on Corporate Governance, which requires that the Company's external auditor be rotated or the handling partner changed every five (5) years or earlier.

The Company, its Directors, Officers and Employees complied with all the leading practices and principles on Good Governance as embodied in the Company's Manual. In March 2023, all members of the Board of Directors, along with Senior Management officers, successfully completed a one-day special seminar on Corporate Governance conducted by the Institute of Corporate Directors (ICD), an accredited training provider of SEC. Furthermore, on October 10, 2024, the Company's Directors and Officers participated in a half-day Advanced Corporate Governance Seminar, also facilitated by ICD, in compliance with SEC Memorandum Circular No. 20, Series of 2013.

In compliance with the Company's Amended Manual on Corporate Governance, the Board of Directors performed an annual self-assessment of its performance. The assessment included that of the Board itself, the Chairman, individual members and its board committees. In April 2022, the Company engaged an external facilitator who reviewed and assisted the Company in the conduct of its 2021 assessment in compliance with the Company's manual in accordance with SEC's Code of Corporate Governance for Publicly-listed companies.

On June 28, 2013, the Company accomplished and submitted the Annual Corporate Governance Report (ACGR) for the year 2012 in compliance with SEC Memorandum Circular No. 5, Series of 2013. There are no major deviations from the adopted Revised Manual on Corporate Governance. The Company also accomplished the ACGR for the year 2015 which was attached as part of the

2015 Annual Report in SEC Form 17-A. The Company submitted the 2016 ACGR on May 19, 2017 in compliance with SEC Memorandum Circular No. 20, Series of 2016. The 2017 Integrated Annual Corporate Governance Report (I-ACGR) was submitted on May 30, 2018 in compliance with SEC Memorandum Circular No.15, Series of 2017. Subsequent I-ACGR were submitted on or before its deadline. For 2024 I-ACGR, this will be submitted on or before May 30, 2025.

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.

1) On June 7, 2024, the Company received from the Securities and Exchange Commission (SEC) the Certificate of Filing of Amended Articles of Incorporation dated June 5, 2024 approving the amendments to the Company's Amended Articles of Incorporation.

These amendments pertain to the meeting held on May 12, 2023, where the Board of Directors of Solid Group Inc. (SGI) approved the amendment of the Second Article of the Articles of Incorporation by including in the Primary Purpose Clause the authority to issue corporate guarantees and sureties in favor of the Corporation's subsidiaries. The amendment of the Second Article of the Articles of Incorporation was presented and approved by the shareholders at the 2023 Annual Meeting on June 22, 2023. The amendment of the Second Article of Incorporation will allow the Company to have financial flexibility to issue corporate guarantees and sureties in favor of the Corporation's subsidiaries for implementation of projects that have significant investments.

2) In relation to SEC-MSRD Letters dated January 15 and February 4, 2025 (MSRD-SRD-014-2025) finding **SOLID GROUP INC.** (the "Corporation") liable for violation of SRC Rule 17.1.1.1.2, the Corporation has paid the amount of Php63,000.00 in satisfaction of Payment Assessment Form No. 20250205-12198138, as shown by the attached Electronic Official Receipt No. 20250213-LBP-0042990-21 dated February 12, 2025.

3) On April 8, 2025, the Company advised that the Board of Directors approved the setting of the Annual Stockholder's Meeting for 2025 on June 26, 2025 at 2:00 p.m. to be held virtually or in absentia with record date to determine the stockholders entitled to notice of and vote during the meeting on May 31, 2025.

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	74
(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	75
(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 fifteen 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
My Solid Technologies & Devices Corporation	Makati, Philippines
MyApp Corporation	Makati, Philippines
Green Sun Hotel Management Inc.	Makati, Philippines
Avid Sales Corporation	Manila, Philippines

SOLID GROUP, INC.

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FORM 17-A, Item 7

Consolidated Financial Statements

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Report of Independent Public Accountants	1
Consolidated Statements of Financial Position as of December 31, 2023 and 2022	1-2
Consolidated Statements of Income for the years ended December 31, 2023, 2022 and 2021	1
Consolidated Statements of Comprehensive Income for the years ended December 31, 2023, 2022 and 2021	1
Consolidated Statements of Changes in Equity for the years ended December 31, 2023, 2022 and 2021	1
Consolidated Statements of Cash Flows for the years ended December 31, 2023, 2022 and 2021	1-2
Notes to Consolidated Financial Statements	1

SOLID GROUP, INC.**INDEX TO SUPPLEMENTARY SCHEDULES
December 31, 2023****Supplementary Schedules**

	<u>No. of Pages</u>
Report of Independent Public Accountants on Supplementary Schedules	
Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68	
A. Financial Assets	1
B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)	N/A
C. Amounts Receivable from Related Parties which were eliminated during the Consolidation of Financial Statements	1-2
D. Intangible Assets – Other Assets	1
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	1
Other Required Information (SEC Circular 11)	
Reconciliation of Parent Company Retained Earnings for Dividend Declaration	1
Map Showing the Relationship Between and Among the Company and its Related Entities (Conglomerate Mapping)	1
Financial Soundness Indicators	1-2


SIGNATURES

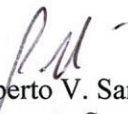
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati, Metro Manila, Philippines on APRIL 14, 2025.

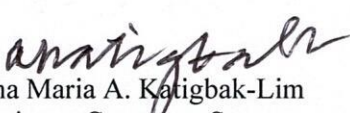
By:



Susan L. Tan
Director, President & Chief Executive Officer


Vincent S. Lim
Director, SVP & Chief Financial Officer


Annabella S. Orbe
VP & Chief Accounting Officer


Roberto V. San Jose
Corporate Secretary


Ana Maria A. Katigbak-Lim
Assistant Corporate Secretary

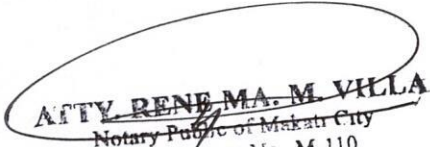

Christopher James L. Tan
SVP for Business Integration &
SEC Compliance Officer

SUBSCRIBED AND SWORN to before me this APR 14 2025, affiants exhibiting to me their passports/identification cards, as follows:

<u>Name</u>	<u>Passport No</u>	<u>Date/Place Issued</u>
Susan L. Tan	P5617366A	January 15, 2018, Manila
Vincent S. Lim	P4677771B	February 4, 2020, Manila
Ana Maria A. Katigbak -Lim	P7145377B	July 7, 2021, Manila
Christopher James L. Tan	P7093545A	May 10, 2018, NCR East
Annabella S. Orbe	P2052637B	April 27, 2019, Manila

<u>Name</u>	<u>SSS</u>
Roberto V. San Jose	03-0833142-6

Doc. No. 449 ;
Page No. 91 ;
Book No. XV ;
Series of 2025


ATTY. RENE M. M. VILLA
Notary Public of Makati City
Appointment No. M-110
(Ren) (2025 - 2026)
Until December 31, 2026
PTR No. 10467471, 01-03-2025; Makati City
IBP Lifetime No. 013595, 12-27-2013; I.C.
Roll No. 37226
MCLE Compliance No. VII-0012754; 08-27-2024
Ground Floor, Makati Terraces Condominium
3650 Davila St., Tejeros, Makati City

SOLID GROUP, INC.

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Consolidated Statements of Comprehensive Income for the years ended December 31, 2023, 2022 and 2021	1
Consolidated Statements of Changes in Equity for the years ended December 31, 2023, 2022 and 2021	1
Consolidated Statements of Cash Flows for the years ended December 31, 2023, 2022 and 2021	1-2
Notes to Consolidated Financial Statements	1



SOLID GROUP INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **Solid Group Inc. and Subsidiaries** is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2024 and 2023, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative to do so.

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

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

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

JASON S. LIM
Chairman of the Board
Passport No. P1105245B
Date/Place Issued:
March 19, 2019, Manila

SUSAN L. TAN
President & Chief Executive Officer
Passport No. P5617366A
Date/Place Issued:
January 15, 2018, Manila

VINCENT S. LIM
SVP & Chief Financial Officer
Passport No. P4677771B
Date/Place Issued:
February 4, 2020, Manila

APR 14 2025

Signed this _____ day of _____ 2025.

APR 14 2025

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

Doc No. 447
Page No. 91
Book No. 41
Series of 2025

ATTY. RENE MA. M. VILLA

Notary Public of Makati City

Appointment No. M-110

(Ren) 4/2025 - 2026

Until December 31, 2026

PTR No. 10467471, 01-03-2025, Makati City

IBP Lifetime No. 013595; 12-27-2013, I.C.

Roll No. 37226

MCLE Compliance No. VIII-0012754; 08-27-2024

Ground Floor, Makati Terraces Condominium

3650 Davila St., Tejeros, Makati City



FOR SEC FILING

Consolidated Financial Statements and
Independent Auditors' Report

Solid Group Inc. and Subsidiaries

December 31, 2024, 2023 and 2022

Report of Independent Auditors

Punongbayan & Araullo

20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

The Board of Directors and Stockholders

Solid Group Inc. and Subsidiaries

2285 Don Chino Roces Avenue
Makati City, Philippines

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, 2024 and 2023, 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, 2024, and the notes to consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024 and 2023, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2024 in accordance with Philippine Financial Reporting Standards (PFRS Accounting Standards).

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 Matter

We draw attention to Note 2 to the consolidated financial statements, which discusses the adoption and impact of the previously deferred provisions of PFRS 15, *Revenue from Contracts with Customers* and the related financing reporting interpretations affecting the real estate industry, using full retrospective approach. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(a) Valuation of Investment Properties at Fair Value***Description of the Matter***

The Group's investment properties consist primarily 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, 2024, the Group's investment properties amounted to P8,041.7 million representing 51.88% of the total consolidated assets. In determining the fair value of investment properties, management engaged the services of a professional and independent appraiser with relevant experience in both the location and the nature of the investment properties, employing appropriate valuation methodologies.

The valuation of investment properties was considered as a key audit matter due to its materiality and the significant estimation uncertainty and assumptions involved, requiring a valuation expert.

The Group's disclosures about investment properties and the related fair value disclosures are included in Notes 2, 3, 12 and 30.

How the Matter was Addressed in our Audit

Our audit procedures to address the risk of material misstatement relating to valuation of investment properties included:

- assessing the independent appraiser's competence, capability, and objectivity; and,
- evaluating the results of the work of independent appraiser by reviewing the appropriateness of valuation methods, the reasonableness of assumptions such as price adjustments for size and features, the selection of comparable properties, and the reliability of underlying data used to calculate fair value.

(b) Revenue Recognition for Sale of Goods and Rendering of Services*Description of the Matter*

The Group recognizes revenue when the performance obligation to transfer control of goods or services is fulfilled, which can occur either over time or at a specific point. For the year ended December 31, 2024, the Group's revenue from sale of goods and rendering of services amounted to P1,516.1 million and P836.0 million, respectively. Given the significance of these amounts and the risk of fraud or error that could result in material misstatements, we consider this as a key audit matter.

The Group's disclosures about its revenue from sale of goods and rendering of services and revenue recognition policies are included in Notes 2 and 4.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to revenue recognition included:

- obtaining an understanding of the Group's revenue transactions by reviewing revenue contracts and revenue transaction processes, and testing of design and operating effectiveness of the internal controls related to the process of recording sale and receipts, including inquiry and observation, and performing walkthrough of controls to ensure amounts in source documents align with records;
- evaluating appropriateness of the Group's revenue recognition policy in accordance with PFRS 15;
- performing test of details by examining sales invoices, delivery receipts, cash receipt sales and other related documents to verify validity and existence of the sales transactions;
- performing sales cut-off tests by examining sales transactions near period end and reviewing delivery orders, commercial invoices, sales returns, credit memos and other receivable adjustments after the reporting period to confirm proper timing of revenue recognition;
- confirming receivables, on sample basis, using positive confirmations and performing alternative procedures for non-responding customers such as examining cash receipts or sales and billing invoices; and,
- analyzing monthly and product-level revenue components and performing financial ratio analysis related to revenues such as comparing the current year's revenue as a percentage of total revenues, receivable turnover and average collection period.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2024, 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, 2024 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 Accounting Standards, as discussed in Note 2 to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audits resulting in this independent auditors' report is Renan A. Piamonte.

PUNONGBAYAN & ARAULLO



By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805

TIN 221-843-037

PTR No. 10465913, January 2, 2025, Makati City

BIR AN 08-002511-037-2022 (until October 13, 2025)

BOA/PRC Cert. of Reg. No. 0002/P-010 (until August 12, 2027)

April 8, 2025

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	5	P 3,077,901,933	P 2,710,806,862
Short-term placements	5	200,271,182	153,780,405
Trade and other receivables - net	6	435,752,121	251,417,991
Advances to related parties	25	6,697,750	2,420,429
Merchandise inventories and supplies - net	8	353,571,041	337,347,302
Real estate inventories	9	424,967,513	428,929,955
Other current assets - net	13	567,193,877	480,578,047
Total Current Assets		<u>5,066,355,417</u>	<u>4,365,280,991</u>
NON-CURRENT ASSETS			
Trade and other receivables	6	453,107,767	1,084,168,861
Financial assets at fair value through other comprehensive income	7	74,200,000	55,400,000
Investment in an associate - net	7	38,022,714	48,022,714
Investment in bonds	7	20,000,000	20,000,000
Right-of-use assets - net	10	3,004,500	4,665,980
Property and equipment - net	11	1,612,580,486	1,594,725,932
Investment properties - net	12	8,041,681,277	6,967,166,931
Post-employment benefit asset - net	21	131,204,872	123,953,587
Deferred tax assets - net	22	12,554,960	11,044,677
Other non-current assets - net	13	48,214,008	38,933,179
Total Non-current Assets		<u>10,434,570,584</u>	<u>9,948,081,861</u>
TOTAL ASSETS		<u>P 15,500,926,001</u>	<u>P 14,313,362,852</u>

	Notes	2024	2023
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Trade and other payables	15	P 658,126,297	P 586,312,082
Customers' deposits		1,272,982	4,272,982
Lease liabilities	10	3,405,363	5,120,889
Income tax payable		<u>17,547,524</u>	<u>15,271,602</u>
Total Current Liabilities		<u>680,352,166</u>	<u>610,977,555</u>
NON-CURRENT LIABILITIES			
Interest-bearing loan	14	875,000,000	105,000,000
Refundable deposits	16	21,645,519	192,693,811
Post-employment benefit obligation	21	29,785,339	20,200,719
Deferred tax liabilities - net	22	1,126,961,282	1,031,056,402
Lease liabilities	10	<u>502,510</u>	<u>-</u>
Total Non-current Liabilities		<u>2,053,894,650</u>	<u>1,348,950,932</u>
Total Liabilities		<u>2,734,246,816</u>	<u>1,959,928,487</u>
EQUITY			
Attributable to the Parent Company's stockholders			
Capital stock	23	2,030,975,000	2,030,975,000
Additional paid-in capital		4,641,701,922	4,641,701,922
Treasury shares - at cost	23	(115,614,380)	(115,614,380)
Revaluation reserves - net	23	182,941,686	128,781,811
Retained earnings	23	<u>5,731,763,093</u>	<u>5,362,557,945</u>
Total equity attributable to the Parent Company's stockholders		12,471,767,321	12,048,402,298
Non-controlling interests	23	<u>294,911,864</u>	<u>305,032,067</u>
Total Equity		<u>12,766,679,185</u>	<u>12,353,434,365</u>
TOTAL LIABILITIES AND EQUITY		<u>P 15,500,926,001</u>	<u>P 14,313,362,852</u>

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Philippine Pesos)

	Notes	2024	2023	2022
REVENUES				
Sale of goods	4, 25	P 1,516,061,816	P 1,315,397,087	P 569,204,496
Rendering of services	25, 26	836,009,007	782,652,204	742,891,260
Rentals	12, 25, 27	419,036,570	278,482,627	265,740,814
Interest	5, 6, 7, 25	81,793,246	90,293,659	56,669,513
Real estate sales		8,125,000	-	-
		<u>2,861,025,639</u>	<u>2,466,825,577</u>	<u>1,634,506,083</u>
COSTS OF SALES, SERVICES, RENTALS AND REAL ESTATE SALES				
	17, 18			
Cost of sales		1,237,344,393	1,037,750,665	448,487,210
Cost of services		596,433,457	529,239,509	535,987,772
Cost of rentals		94,421,512	72,186,605	73,732,185
Cost of real estate sales		3,962,442	-	-
		<u>1,932,161,804</u>	<u>1,639,176,779</u>	<u>1,058,207,167</u>
GROSS PROFIT		<u>928,863,835</u>	<u>827,648,798</u>	<u>576,298,916</u>
OTHER OPERATING EXPENSES				
General and administrative expenses	18	464,668,316	488,827,742	383,232,503
Selling and distribution costs	18	160,136,369	124,760,455	13,953,887
Other operating income	19	(333,856,378)	(362,285,587)	(292,500,950)
		<u>290,948,307</u>	<u>251,302,610</u>	<u>104,685,440</u>
OPERATING PROFIT		<u>637,915,528</u>	<u>576,346,188</u>	<u>471,613,476</u>
OTHER INCOME (CHARGES)				
Finance income	5, 6, 20	137,097,901	128,342,280	83,341,782
Finance costs	20	(11,410,999)	(6,009,463)	(1,835,328)
Gain on bargain purchase	1	-	-	14,551,673
Other gains	20	85,887,508	32,666,476	24,473,330
		<u>211,574,410</u>	<u>154,999,293</u>	<u>120,531,457</u>
PROFIT BEFORE TAX		<u>849,489,938</u>	<u>731,345,481</u>	<u>592,144,933</u>
TAX EXPENSE	22	<u>246,688,529</u>	<u>199,580,349</u>	<u>163,218,285</u>
NET PROFIT		<u>P 602,801,409</u>	<u>P 531,765,132</u>	<u>P 428,926,648</u>
Net profit attributable to the:				
Parent Company's stockholders	24	P 551,359,348	P 509,619,362	P 427,622,019
Non-controlling interests		51,442,061	22,145,770	1,304,629
		<u>P 602,801,409</u>	<u>P 531,765,132</u>	<u>P 428,926,648</u>
Basic and diluted earnings per share attributable to the				
Parent Company's stockholders	24	<u>P 0.30</u>	<u>P 0.28</u>	<u>P 0.23</u>

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
NET PROFIT		<u>P 602,801,409</u>	<u>P 531,765,132</u>	<u>P 428,926,648</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will be reclassified subsequently to profit or loss –				
Currency exchange differences on translating financial statements of foreign operations	23	<u>29,994,091</u>	(<u>9,249,466</u>)	<u>86,245,201</u>
Items that will not be reclassified subsequently to profit or loss:				
Fair value gains on financial assets at fair value through other comprehensive income	7, 23	18,800,000	18,400,000	9,600,000
Remeasurement of post-employment defined benefit plan	21, 23	6,849,321	(39,063,646)	3,462,228
Tax income (expense)	22, 23	(<u>1,483,537</u>)	<u>9,494,432</u>	(<u>393,951</u>)
		<u>24,165,784</u>	(<u>11,169,214</u>)	<u>12,668,277</u>
		<u>54,159,875</u>	(<u>20,418,680</u>)	<u>98,913,478</u>
TOTAL COMPREHENSIVE INCOME		<u>P 656,961,284</u>	<u>P 511,346,452</u>	<u>P 527,840,126</u>
Total comprehensive income attributable to:				
Parent Company's stockholders		<u>P 605,519,223</u>	<u>P 489,200,682</u>	<u>P 526,535,497</u>
Non-controlling interests		<u>51,442,061</u>	<u>22,145,770</u>	<u>1,304,629</u>
		<u>P 656,961,284</u>	<u>P 511,346,452</u>	<u>P 527,840,126</u>

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Philippine Pesos)

		Attributable to the Parent Company's Stockholders								
	Note	Capital Stock	Additional Paid-in Capital	Treasury Shares - at Cost	Revaluation Reserves	Retained Earnings	Total	Non-controlling Interests	Total Equity	
Balance at January 1, 2024		P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 128,781,811	P 5,362,557,945	P 12,048,402,298	P 305,032,067	P 12,353,434,365	
Dividends declared	23	-	-	-	-	(182,154,200)	(182,154,200)	(61,562,264)	(243,716,464)	
Total comprehensive income for the year		-	-	-	54,159,875	551,359,348	605,519,223	51,442,061	656,961,284	
Balance at December 31, 2024		<u>P 2,030,975,000</u>	<u>P 4,641,701,922</u>	<u>(P 115,614,380)</u>	<u>P 182,941,686</u>	<u>P 5,731,763,093</u>	<u>P 12,471,767,321</u>	<u>P 294,911,864</u>	<u>P 12,766,679,185</u>	
Balance at January 1, 2023		P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 149,200,491	P 4,962,231,103	P 11,668,494,136	P 328,498,353	P 11,996,992,489	
Effect of deconsolidation of subsidiaries	23	-	-	-	-	-	-	5,689,831	5,689,831	
Dividends declared	23	-	-	-	-	(109,292,520)	(109,292,520)	(51,301,887)	(160,594,407)	
Total comprehensive income (loss) for the year		-	-	-	(20,418,680)	509,619,362	489,200,682	22,145,770	511,346,452	
Balance at December 31, 2023		<u>P 2,030,975,000</u>	<u>P 4,641,701,922</u>	<u>(P 115,614,380)</u>	<u>P 128,781,811</u>	<u>P 5,362,557,945</u>	<u>P 12,048,402,298</u>	<u>P 305,032,067</u>	<u>P 12,353,434,365</u>	
Balance at January 1, 2022		P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 50,287,013	P 4,643,901,604	P 11,251,251,159	P 337,917,791	P 11,589,168,950	
Dividends declared	23	-	-	-	-	(109,292,520)	(109,292,520)	(10,724,067)	(120,016,587)	
Total comprehensive income for the year		-	-	-	98,913,478	427,622,019	526,535,497	1,304,629	527,840,126	
Balance at December 31, 2022		<u>P 2,030,975,000</u>	<u>P 4,641,701,922</u>	<u>(P 115,614,380)</u>	<u>P 149,200,491</u>	<u>P 4,962,231,103</u>	<u>P 11,668,494,136</u>	<u>P 328,498,353</u>	<u>P 11,996,992,489</u>	

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Philippine Pesos)

	Notes	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 849,489,938	P 731,345,481	P 592,144,933
Adjustments for:				
Fair value gains on investment properties – net	12	(263,273,178)	(296,696,566)	(216,030,827)
Interest income	5, 6, 7, 21, 25	(191,508,002)	(192,070,738)	(94,489,051)
Depreciation and amortization	10, 11, 13, 18	109,733,535	85,796,379	83,921,372
Gain on sale of lot	9, 20	(67,690,000)	-	-
Provision (reversal of allowance) for inventory obsolescence – net	8, 18	34,601,600	2,174,781	(11,145,980)
Interest expense	10, 20, 21	19,185,258	9,758,968	5,637,252
Impairment loss on investment in an associate	7, 18	10,000,000	40,000,000	-
Unrealized foreign currency exchange loss (gain)		23,099,208	(20,197)	(435,394)
Loss (gain) on sale of investment properties	12, 20	6,338,666	(339,000)	(649,000)
Impairment loss on input value-added tax	13, 18	5,209,241	-	803,925
Gain on sale of property and equipment	11, 20	(1,730,426)	(4,464,233)	(1,601,267)
Impairment losses (reversal for impairment losses) on trade and other receivables – net	6, 18	(220,568)	367,841	784,916
Gain on deconsolidation	20, 23	-	(3,344,559)	-
Gain on bargain purchase of a subsidiary	1	-	-	(14,551,673)
Operating profit before working capital changes		533,235,272	372,508,157	344,389,206
Decrease (increase) in trade and other receivables		(117,295,106)	(145,631,463)	100,386,465
Increase in merchandise inventories and supplies		(50,825,339)	(14,892,228)	(106,186,773)
Decrease (increase) in real estate inventories		71,652,442	-	(13,687,463)
Decrease (increase) in other current assets		175,205,581	(131,856,817)	(48,891,352)
Decrease (increase) in post-employment benefit asset		(2,651,854)	37,091,591	(5,613,064)
Increase in other non-current assets		(9,191,023)	(970,642)	(11,637,822)
Increase (decrease) in trade and other payables		63,608,159	108,188,918	(95,625,482)
Increase (decrease) in customers' deposits		(3,000,000)	(10,318,020)	4,224,542
Increase in advances from related parties		-	7,237,448	-
Increase (decrease) in refundable deposits		(172,388,252)	6,887,054	158,450,070
Increase (decrease) in post-employment benefit obligation		8,950,767	(41,992,095)	6,751,107
Cash generated from operations		497,300,647	186,251,903	332,559,434
Interest received		83,416,902	84,009,745	55,130,603
Cash paid for income taxes		(418,532,199)	(112,503,500)	(91,606,316)
Net Cash From Operating Activities		162,185,350	157,758,148	296,083,721
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of investment properties	12	(963,728,182)	(1,070,227,041)	(745,944,118)
Proceeds from termination of investments in life insurance	6	547,050,180	-	-
Additional short-term placements	5	(199,634,177)	(746,325,903)	(4,775,490,726)
Proceeds from disposal of investment properties	12	156,148,348	8,688,000	12,980,000
Maturity of short-term placements	5	153,143,400	592,545,498	6,477,949,180
Acquisitions of property and equipment	11	(146,706,625)	(89,213,822)	(37,222,933)
Interest received		103,353,073	91,914,465	32,011,415
Proceeds from disposal of property and equipment	11	18,951,771	5,873,942	4,320,856
Advances granted to related parties	25	(4,277,321)	(33,578)	-
Acquisition of intangible assets	13	(162,233)	(82,087)	-
Acquisition of a wholly owned subsidiary	1	-	-	(100,200,100)
Additional investments in an associate	7	-	-	(11,510,714)
Net Cash From (Used in) Investing Activities		(335,861,766)	(1,206,860,526)	856,892,860
Balance brought forward		(P 173,676,416)	(P 1,049,102,378)	P 1,152,976,581

	Notes	2024	2023	2022
<i>Balance carried forward</i>		(P 173,676,416)	(P 1,049,102,378)	P 1,152,976,581
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availment of interest-bearing loans	14	770,000,000	105,000,000	-
Dividends paid	23	(243,716,464)	(160,594,407)	(120,016,587)
Repayment of lease liabilities	10	(7,975,734)	(7,201,585)	(4,191,680)
Net Cash From (Used in) Financing Activities		518,307,802	(62,795,992)	(124,208,267)
Effects of Foreign Exchange Rate Changes on Cash and Cash Equivalents		22,463,685	(9,229,262)	445,205
CASH OF ACQUISITION (DECONSOLIDATION) OF SUBSIDIARIES	1, 23	-	(123,615)	53,056,028
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		367,095,071	(1,121,251,247)	1,082,269,547
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,710,806,862	3,832,058,109	2,749,788,562
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>P 3,077,901,933</u>	<u>P 2,710,806,862</u>	<u>P 3,832,058,109</u>

Supplemental Information on Non-cash Investing and Financing Activities:

1. In 2024, the Group transferred land with a carrying amount of P10.0 million from property and equipment to investment properties upon the commencement of lease (see Notes 11 and 12). There was no similar transaction in 2023 and 2022.
2. In 2022, the Group transferred certain investment properties with a carrying amount of P2.4 million, respectively, to property and equipment (see Notes 11 and 12). There was no similar transaction in 2024 and 2023.
3. In 2022, a subsidiary sold its remaining parcels of land to another subsidiary. As a result, the parcels of land with a total cost of P22.5 million were reclassified from real estate inventories to investment properties (see Notes 9 and 12). There was no similar transaction in 2024 and 2023.
4. The Group recognized additional right-of-use assets and lease liabilities both amounting to P6.4 million and P8.3 million in 2024 and 2023, respectively (see Note 10). There was no similar transaction in 2022.
5. As a result of deconsolidation of certain subsidiaries in 2023, the Group derecognized the related assets and liabilities of the subsidiaries from the consolidated financial statements as of December 31, 2023 (see Note 23).
6. Management obtains annual appraisal reports on its investment properties from independent appraisers. As a result of the appraisal, the Group recognizes fair value gains on investment properties amounting to P263.3 million, P296.7 million, P216.0 million in 2024, 2023, and 2022, respectively (see Note 12).
7. In 2022, the Parent Company acquired shares of Avid to bring its ownership interest to 100%. As a result of acquisition, the Group's property and equipment and right-of-use assets increased by P3.1 million and P0.8 million, respectively.

See Notes to Consolidated Financial Statements.

SOLID GROUP INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Group Background

Solid Group Inc. (SGI or the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (“the Commission”) on October 16, 1933. SGI currently conducts business as an investment holding company. On September 4, 1996, SGI listed its shares of stock in the Philippine Stock Exchange (PSE).

The Parent Company holds effective ownership interests in the following subsidiaries (the Parent Company and the subsidiaries are collectively referred to herein as “the Group”) and an associate:

Subsidiaries / Associate	Percentage of Ownership		Notes	Nature of Business
	2024	2023		
Subsidiaries:				
Avid Sales Corporation (Avid)	100	100		Distribution, wholesale and retail of home appliances and electronic products
Brilliant Reach Limited (BRL)	100	100	a	Investment holding company
Casa Bocobo Hotel, Inc. (CBHI)	100	100	b	Hotel and restaurant operation
Green Sun Hotel Management Inc. (GSHMI)	100	100		Hotel and restaurant operation
Kita Corporation (Kita)	100	100		Leasing of real estate properties
My Solid Technologies & Devices Corporation (My Solid)	100	100		Sale of mobile phones and accessories
MyApp Corporation (MyApp)	100	100	c	Investment holding company
Omni Solid Services, Inc. (OSSSI)	100	100		Logistics and assembly of consumer electronics products
Precos, Inc. (Precos)	100	100		Real estate
Solid Broadband Corporation (SBC)	100	100		Broadband, cable and satellite services
SolidService Electronics Corporation (SEC)	100	100		Repair services for audio and video products
Solid Group Technologies Corporation (SGTC)	100	100		Trading of prefabricated modular house and office units
Solid Manila Corporation (SMC)	100	100		Real estate
Solid Manila Finance, Inc. (SMFI)	100	100		Financing
Solid Video Corporation (SVC)	100	100		Trading of professional audio/video equipment
Zen Towers Corporation (ZTC)	100	100		Real estate
SVC Hong Kong Limited (SVC HK)	100	100	f	Trading of professional audio/video equipment
Skyworld Corporation (Skyworld)	75	75	b, d	Investment holding company
Starworld Corporation (Starworld)	50	50	b, d, e	Real estate
Associate –				
Fekon Solid Motorcycle Mfg. Corp. (Fekon)	44	44	7.3	Sale of motorcycle, motor parts and products

Notes:

- (a) Incorporated and domiciled in the British Virgin Islands
- (b) Indirectly owned through SMC
- (c) Incorporated on October 23, 2014; has not yet started commercial operations as of December 31, 2024
- (d) Pre-operating or non-operating
- (e) Starworld is 20% owned by SMC and 40% owned by Skynworld
- (f) Indirectly owned through SVC

Additional information:

- (i) In 2023, SMC sold its shares of stock in Interstar Holdings Company, Inc. (Interstar) and Laguna International Industrial Park, Inc. (LIIP). Details of deconsolidation are presented in Note 23.5.
- (ii) In November 2022, the Parent Company acquired shares of Avid for P100.2 million to bring its ownership interest to 100%. Management assessed that it has control over Avid and was considered as a wholly owned subsidiary as of December 31, 2022. The Group has determined this acquisition to be a business combination for which the purchase price was allocated between the identifiable assets and liabilities at fair value [see Note 3.1(e)].

For the purpose of determining the gain on bargain purchase, the Group determined the fair value of the identified net assets of Avid as of November 2022 as presented below.

(Amounts in PHP)

Fair value of assets acquired:

Cash	53,056,028
Trade and other receivables - net	31,852,968
Merchandise inventories - net	82,416,221
Other current assets	43,951,983
Property and equipment - net	3,070,012
Right-of-use assets - net	845,801
Post-employment benefit asset - net	21,204,286
	<u>236,397,299</u>

Fair value of liabilities assumed:

Trade and other payables	118,305,874
Lease liability	823,673
Deferred tax liability	2,515,979
	<u>121,645,526</u>

Fair value of net assets acquired	114,751,773
Cash consideration	<u>(100,200,100)</u>

Gain on bargain purchase	<u>14,551,673</u>
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The fair values of the identifiable assets and liabilities assumed from Avid as at the date of acquisition was determined to be higher than the total cost; hence, the Group recognized a gain on bargain purchase amounting to P14.6 million, presented as Gain on Bargain Purchase under Other Income (Charges) in the 2022 consolidated statement of income.

The revenues and net profit of Avid since the acquisition date included in the 2022 consolidated income amounted to P95.3 million and P0.5 million, respectively. On the other hand, the revenues and net profit of Avid in 2022, as though the acquisition had been as of January 1, 2022, amounted to P697.3 million and P10.4 million, respectively.

There are no contingent consideration arrangements arising from this acquisition.

The fair value of the receivable acquired as part of the business combination amounted to P31.9 million, with gross contractual amount of P33.3 million.

The acquisition-related costs amounted to P1.6 million, which is presented as part of Taxes and licenses and Outside services under General and Administrative Expenses in the 2022 consolidated statement of income (see Note 18).

- (iii) In 2021, SVC incorporated SVC HK with a 100% interest over the latter. SVC HK is a foreign private entity domiciled and incorporated under the laws of Hong Kong. SVC HK started its operations in 2022.
- (iv) SBC holds a provisional authority, granted by the National Telecommunications Commission, to use its legislative franchise under Republic Act (R.A.) No. 9116, *An Act Granting Solid Broadband Corporation a Franchise to Construct, Install, Establish, Operate and Maintain Telecommunications Systems throughout the Philippines* (see Note 26.3).
- (v) SMFI is subject to the rules and regulations provided under R.A. No. 8556, *The Financing Group Act of 1998* (see Note 31).

1.2 Other Corporate Information

The registered office addresses and principal places of business of the Parent Company and its subsidiaries, except those listed below, are located at 2285 Don Chino Roces Avenue, Makati City. The registered office addresses and principal places of business of the other subsidiaries are as follows:

Avid, SMC and CBHI	- 1000 J. Bocobo cor. T.M. Kalaw Street, Ermita, Manila
BRL	- 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, Mamlasan, Biñan, Laguna
SEC	- 145 G. Araneta Avenue, Brgy. Tatalon, Quezon City
Starworld	- CPIP Brgys. Batino & Prinza, Calamba, Laguna
SVC HK	- RM A301, 3/F Blk. A Sea View Est 2-8 Watson Rd, Causeway Bay, Hong Kong
ZTC	- 1111 Natividad A. Lopez St., Brgy. 659-A, District 5, Ermita, Manila

1.3 Approval for Issuance of Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2024 (including the comparative consolidated financial statements as of December 31, 2023 and for the years ended December 31, 2023 and 2022) were authorized for issue by the Parent Company's Board of Directors (BOD) on April 8, 2025.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information that has been used in the preparation of these consolidated financial statements is summarized below and on 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 as of and for the year ended December 31, 2024 were prepared in accordance with Philippine Financial Reporting Standards (PFRS Accounting Standards). PFRS Accounting Standards are adopted by the Financial and Sustainability Reporting Standards Council (FSRSC) from the pronouncements issued by the International Accounting Standards Board (IASB) and approved by the Philippine Board of Accountancy (BOA).

The consolidated financial statements have been prepared using the measurement bases specified by the relevant accounting frameworks for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) *SEC Financial Reporting Reliefs Availed by the Group*

In 2023 and prior years, the Group has availed of several financial reporting reliefs granted by the SEC relating to the number of implementation issues of PFRS 15, *Revenue From Contracts with Customers*, and the related financial reporting interpretations affecting the real estate industry. In 2024, the Group adopted the previously deferred provisions of PFRS 15, *Revenue From Contracts with Customers* and the related issuances of the Philippine Interpretations Committee, and *IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23)* using full retrospective approach as allowed by SEC MC No. 08-2021, *Amendment to SEC MC No. 14-2018, MC No. 03-2019, MC No. 04-2020, and MC No. 34-2020 to clarify transitory provision*.

The adoption of these standards and interpretations did not result to any adjustments to the amounts recognized in the consolidated financial statements. Consequently, no restatements were made to the comparative figures presented in the consolidated financial statements.

Discussed below are the relevant information about these standards and interpretations, and the resulting impact of the relevant consolidated financial statements accounts as at January 1, 2024.

- (i) IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry

The IFRIC concluded that any inventory (work-in-progress) for unsold units under construction that the entity recognizes is not a qualifying asset, as the asset is ready for its intended sale in its current condition (i.e., the developer intends to sell the partially constructed units as soon as it finds suitable customers and, in signing a contract with a customer, will transfer control of any work-in-progress relating to that unit to the customer). Accordingly, no borrowing costs can be capitalized on such unsold real estate inventories.

The adoption of this interpretation has no significant effect on the consolidated financial statements of the Group as there were no capitalized borrowing costs on real estate inventories.

- (ii) PIC Q&A No. 2018-12-D, *Concept of the Significant Financing Component in the Contract to Sell* and PIC Q&A No. 2020-04, *Addendum to PIC Q&A 2018-12-D: Significant Financing Component Arising from Mismatch between the Percentage of Completion and Schedule of Payments*

PFRS 15 requires that in determining the transaction price, an entity shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component.

There is no significant financing component if the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference. Further, the Group does not need to adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception that the timing difference of the receipt of full payment of the contract price and that of the completion of the project, are expected within one year and significant financing component is not expected to be significant.

The adoption of this interpretation has no significant effect on the consolidated financial statements as the development of the Group's real estate inventories were completed prior to sale.

(c) *Presentation of Consolidated Financial Statements*

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents a consolidated statement of comprehensive income separately from the consolidated statement of income.

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to the third consolidated statement of financial position are not required to be disclosed.

(d) *Functional and Presentation Currency*

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of Amended PFRS Accounting Standards

(a) *Effective in 2024 that are Relevant to the Group*

The Group adopted for the first time the following amendments to PFRS Accounting Standards, which are mandatorily effective for annual periods beginning on or after January 1, 2024:

PAS 1 (Amendments)	:	Presentation of Financial Statements – Classification of Liabilities as Current or Non-current, and Non-current Liabilities with Covenants
PAS 7 and PFRS 7 (Amendments)	:	Statement of Cash Flows, and Financial Instruments: Disclosures – Suppliers Finance Arrangements
PFRS 16 (Amendments)	:	Leases – Lease Liability in a Sale and Leaseback

Discussed below are the relevant information about these pronouncements.

- (i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*. The amendments provide guidance on whether a liability should be classified as either current or non-current. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and that the classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The application of these amendments had no significant impact on the Group's consolidated financial statements.
- (ii) PAS 1 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants*. The amendments specifies that if the right to defer settlement for at least 12 months is subject to an entity complying with conditions after the reporting period, then those conditions would not affect whether the right to defer settlement exists at the end of the reporting period for the purposes of classifying a liability as current or non-current. For non-current liabilities subject to conditions, an entity is required to disclose information about the conditions, whether the entity would comply with the conditions based on its circumstances at the reporting date and whether and how the entity expects to comply with the conditions by the date on which they are contractually required to be tested. The application of these amendments had no significant impact on the Group's consolidated financial statements.
- (iii) PAS 7 and PFRS 7 (Amendments), *Statement of Cash Flows, Financial Instruments: Disclosures – Supplier Finance Arrangements*. The amendments add a disclosure objective to PAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of consolidated financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, PFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk. The application of these amendments had no significant impact on the Group's consolidated financial statements.
- (iv) PFRS 16 (Amendments), *Leases – Lease Liability in a Sale and Leaseback*. The amendments requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease. The application of these amendments had no significant impact on the Group's consolidated financial statements.

(b) *Effective Subsequent to 2024 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2024, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and unless otherwise indicated, none of these are expected to have significant impact on the Group's consolidated financial statements:

- (i) PAS 21 (Amendments), *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability* (effective from January 1, 2025)
- (ii) PFRS 9 and PFRS 7 (Amendments), *Financial Instruments, and Financial Instruments: Disclosures – Amendments to the Classification and Measurement of Financial Instruments* (effective from January 1, 2026)
- (iii) PFRS 18, *Presentation and Disclosure in Financial Statements* (effective from January 1, 2027). The new standard impacts the classification of profit or loss items (i.e., into operating, investing and financing categories) and the presentation of subtotals in the statement of profit or loss (i.e., operating profit and profit before financing and income taxes). The new standard also changes the aggregation and disaggregation of information presented in the primary financial statements and in the notes. It also introduces required disclosures about management-defined performance measures. The new standard, however, do not affect how the Group recognizes and measures its financial condition, financial performance and cash flows.
- (iv) PFRS 19, *Subsidiaries Without Public Accountability: Disclosures* (effective from January 1, 2027). The new standard reduces the disclosure requirements prescribed by other standards for subsidiaries without public accountability. It changes disclosure requirements prescribed by other standards as the reporting entity will instead refer to PFRS 19 for required disclosures.
- (v) PFRS 10 and PAS 28 (Amendments), *Consolidated Financial Statements and Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective date deferred indefinitely).

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries as enumerated in Note 1.1, after the elimination of intercompany transactions.

Financial statements of entities in the Group that are prepared as of a date different from that of the date of these consolidated financial statements were adjusted to recognize the effects of significant transactions or events that occur between that date of their reporting period and the date of these consolidated financial statements. Adjustments are also made to bring into line any dissimilar accounting policies that may exist.

Subsidiaries are consolidated from the date the Group obtains control. The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the elements of controls. Accordingly, entities are deconsolidated from the date that control ceases (see Note 1.1).

The acquisition method is applied to account for acquired subsidiaries. On an acquisition-by-acquisition basis, the excess of the consideration transferred, the amount of any non-controlling interest (NCI) in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill.

Acquired investment in an associate is subject to the purchase method.

The Group's transactions with NCI that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the Group in their capacity as owners.

2.4 Financial Instruments

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognized on their settlement date (i.e., the date that the Group commits to purchase or sell the asset).

(a) Financial Assets

(i) Classification, Measurement and Reclassification of Financial Assets

The Group's financial assets include financial assets at amortized cost and at fair value through other comprehensive income (FVOCI).

Financial Assets at Amortized Cost

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Short-term Placements, Trade and Other Receivables (except advances to suppliers and employees), Advances to Related Parties, Investment in Bonds, Refundable deposits (presented as part of Other Current Assets), Refundable deposits, Deposit to supplier (presented as part of Other Current Assets) and Cash bond (presented as part of Other Non-current Assets).

Financial Assets at FVOCI

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading or as mandatorily required to be classified as fair value through profit or loss (FVTPL). The Group has irrevocably designated equity instruments as at FVOCI on initial recognition.

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes.

A change in the objective of the Group's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(ii) *Impairment of Financial Assets*

At the end of the reporting period, the Group assesses and recognizes its expected credit loss (ECL) on a forward-looking basis associated with its financial assets carried at amortized cost. The measurement of ECL involves consideration of broader range of information that is available without undue cost or effort at the reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may affect the collectability of the future cash flows of the financial assets. Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instruments evaluated based on a range of possible outcomes.

The Group applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade and other receivables, except for loans receivables with significant financing component, and advances to related parties. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets.

To calculate the ECL using a provision matrix, the Group uses its historical experience, external indicators and forward-looking information.

The Group also assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics and have been grouped based on the days past due.

For loans receivables, which is presented under Trade and Other Receivables account in the consolidated statement of financial position, the Group recognizes lifetime ECL when there has been a significant increase in credit risk on a financial asset since initial recognition. Lifetime ECL represents the expected credit loss that will result from all possible default events over the expected life of a financial asset, irrespective of the timing of the default. However, if the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures and provides for credit losses that are expected to result from default events that are possible within 12-months after the end of the reporting period.

For debt instruments (i.e., investment in bonds) measured at amortized cost, the allowance for credit losses is based on the ECL associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since the origination of the financial asset, in such case, a lifetime ECL for a purchased or originated credit impaired, the allowance for credit losses is based on the change in the ECL over the life of the asset. The Group recognized a loss allowance for such losses at each reporting date.

The Group determines whether there has been a significant increase in credit risk for financial asset since initial recognition by comparing the risk of default occurring over the expected life of the financial asset between the reporting date and the date of the initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that may indicate an actual or expected deterioration of the credit quality of the financial assets.

(b) Financial Liabilities

Financial liabilities include Trade and Other Payables (excluding tax-related liabilities, contract liability, advances from customers and reserve for warranty costs), Lease Liabilities, Advances from Related Parties, Interest-bearing Loans and Refundable Deposits.

2.5 Merchandise Inventories and Supplies

Inventories are valued at the lower of cost and net realizable value (NRV). The cost is determined using the moving average method.

2.6 Real Estate Inventories

Real estate inventories consist of land and land development costs and property development costs.

Subsequent to initial recognition, land and land development costs and property development costs are stated at the lower of cost and net realizable value. An item of land and land development cost is derecognized upon disposal or when no future economic benefits are expected to arise from the sale of asset.

2.7 Property and Equipment

Property and equipment, except land, are carried at acquisition cost or construction cost less subsequent depreciation, amortization and any impairment losses. Land held for use in production or administration is stated at cost less any impairment losses. Construction in progress pertains to the accumulated costs of putting up the assets, additions or improvements including the applicable borrowing cost.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	10 to 25 years
Test, communication and other equipment	5 to 20 years
Machinery and equipment	5 to 10 years
Transportation equipment	5 years
Computer system	2 to 5 years
Furniture, fixtures and office equipment	2 to 5 years
Tools and equipment	2 to 3 years

Leasehold improvements are amortized over the estimated useful lives of the assets from two to 15 years or the terms of the relevant leases, whichever is shorter.

2.8 Intangible Assets

Intangible assets include non-proprietary club shares and computer software licenses, which are accounted for under the cost model.

The Group's non-proprietary club shares are assessed as having indefinite useful life.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Capitalized costs are amortized on a straight-line basis over the estimated useful lives (ranging from three to ten years) as the lives of these intangible assets are considered finite. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred. Development costs not meeting these criteria for capitalization are expensed as incurred.

Intangible assets are subject to impairment testing when indications exist, as described in Note 2.13.

2.9 Investment Properties

Investment properties are accounted for under the fair value model. It is revalued annually and is included in the consolidated statement of financial position at its fair value. Fair value is supported by market evidence and is determined by independent appraisers with sufficient experience with respect to both the location and the nature of the investment property.

Investment properties, which consists mainly of land and improvements, and buildings and improvements under operating lease agreements, are initially measured at acquisition cost, including transaction costs.

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

Transfers from other accounts (such as Land and Land Development Costs and Property and Equipment) are made to investment properties 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 properties are made when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For tax purposes, investment properties are carried at cost less accumulated depreciation computed on a straight-line basis over the estimated net useful lives of the assets ranging from 11 to 25 years.

2.10 Business Combinations

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

Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Negative goodwill is charged directly to profit or loss. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

2.11 Revenue and Expense Recognition

Revenue comprises revenue from sale of goods and real estate and the rendering of services measured by reference to the fair value of consideration received or receivable by the Group for the goods sold and services rendered, excluding value-added tax (VAT) and trade discounts.

The Group often enters into transactions involving the sale of goods and real estate and rendering of services. The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied. The Group uses the practical expedient in PFRS 15 with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting period and the explanation of when such amount will be recognized as revenue as the Group's contracts with customers have original expected duration of one year or less, except for real estate sales.

In addition, the following specific recognition criteria must also be met before revenue is recognized significant judgments in determining the timing of satisfaction of the following performance obligations are disclosed in Note 3.1(b):

- (a) *Rendering of services (other than commission income)* – Revenue, which primarily arise from service fees, room and events services, assembly and test lab services, warehousing and repair services, is recognized by the amount in which the Group has a right to invoice that corresponds directly with the value of services rendered that is completed over a period of time.
- (b) *Sale of goods* – Revenue, which primarily includes the sale of handsets, devices, accessories, equipment, appliances and modular houses, is recognized at a point in time. This is generally when the customer has taken an undisputed delivery of goods.
- (c) *Warranty and network support fee (shown as part of Rendering of Services)* – Revenue from warranty and network support fee is recognized over time upon actual rendering of in-warranty and out-of-warranty services to the customers. Revenue from network support, which is a fixed amount per month as indicated in the contract, is accrued at the end of each month.
- (d) *Sale of real estate*
 - (i) *Sale of real estate on pre-completed real estate properties* – Revenue from real estate sales is recognized over time proportionate to the progress of the development. The Group measures its progress based on actual costs incurred relative to the total expected costs to be incurred in completing the development.

- (ii) *Sale of real estate on completed real estate properties* – Revenue from real estate sales is recognized at a point in time when the control over the real estate property is transferred to the buyer.

Payments received from buyers which do not meet the revenue recognition criteria are presented as Customers' Deposits in the consolidated statement of financial position.

- (e) *Commission income (shown as part of Rendering of Services)* – Commission income is recognized over time when the performance of contractually agreed tasks have been substantially rendered.
- (f) *Service charges and penalties* – Revenue from service charges and penalties is generally recognized over time when the service has been provided and when there is reasonable degree of certainty as to their collectability.
- (g) *Other revenues from utilities charged and common use service area (CUSA)* – Other revenues arising from utilities and CUSA charges related to leasing activities are recognized over time as the Group performs the contractually agreed task. Customers are invoiced monthly as work progresses, which are also due upon receipt by the customers.

The Group assesses its revenue agreement against the specific criteria in order to determine if it is acting as a principal or an agent [see Note 3.1(h)]. Billings from the common area, air conditioning, utilities and other dues are presented at net amounts since the Group acts as a principal. Other revenues from electricity and water dues, in which the Group acts as an agent, are presented in excess of actual charges and consumption.

Further, the Group provides a product warranty for a period of 15 months from the time of sale on its sales of goods related to hidden and manufacturer's defect. Under the terms of this warranty, customers can return the product for repair or replacement if it fails to perform in accordance with published specifications. These warranties are accounted for under PAS 37, *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.

Costs and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. Expenditure for warranties is recognized and charged against the associated provision when the related revenue is recognized. All finance costs are reported in the consolidated statement of income on an accrual basis, except capitalized borrowing costs, if applicable, which are included as part of the cost of the related qualifying asset.

2.12 Leases

The Group accounts for its leases as follows:

(a) Group as a Lessee

Subsequent to initial recognition, the Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Further, the lease liability will be reduced for payments made and increased for interest. The lease liability is remeasured to reflect any reassessment or modification, or if there are changes in substance fixed payments.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

(b) Group as a Lessor

Leases which do not transfer to the lessee substantially all the risks and rewards of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in the consolidated statement of income on a straight-line basis over the lease term.

2.13 Impairment of Non-financial Assets

The Group's property and equipment, investment in an associate, intangible assets (presented under non-current assets), right-of-use assets and other non-financial assets are subject to impairment testing. Intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. Except for impairment losses on goodwill, an impairment loss is reversed if the asset or cash-generating unit's recoverable amount exceeds its carrying amount.

2.14 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan and defined contribution plans, and other employee benefits.

The Group's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory, and administered by an investment manager. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method.

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligation to pay further contributions after payment of the fixed contribution.

Termination benefits are payable when employment is terminated by the Group for authorized cause before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in the Trade and Other Payables in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

Short-term employee benefits are monetary and non-monetary benefits provided to current employees, which are expected to be settled 12 months after the end of the reporting period during which the employee services are rendered.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS Accounting Standards requires management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) Determination of Lease Term of Contracts with Renewal and Termination Options

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option.

Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated and the renewal of the contract is not subject to mutual agreement of both parties.

For leases of payment centers, the factors that are normally the most relevant are (a) if there are significant penalties should the Group pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Group is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The Group included the renewal period as part of the lease term for leases of some of its payment centers due to the significance of these assets to its operations. These leases have a short, non-cancellable lease period (i.e., one to five years) and there will be a significant negative effect on operations if a replacement is not readily available. However, there are other payment centers wherein the provision in the contract requires mutual agreement of both parties on the terms and agreements of the renewal and termination of the lease contract; hence, renewal options for these leases were not included as part of the lease term.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

(b) *Determination of Timing of Satisfaction of Performance Obligations*

(i) *Rendering of Services*

The Group determines that its revenue from rendering of services shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group provides the services without the need of reperformance of other companies. This demonstrates that the customers simultaneously receive and consume the benefits of the Group's rendering of the services as it performs.

In determining the best method of measuring the progress of the Group's rendering of services, management considers the output method under PFRS 15 because it directly measures the value of the services transferred to the customer.

(ii) *Sale of Goods*

The Group determines that its revenue from sale of goods shall be recognized at a point in time when the control of the goods has passed to the customer (i.e., generally when the customer has acknowledged delivery of the goods).

(iii) *Sale of Real Estate*

The Group exercises critical judgment in determining whether the performance obligation to deliver and transfer the control over the real estate properties (i.e., land and condominium building) to customers is satisfied over time or at a point in time.

In making this judgment, the Group considers the delivery to and acceptance by the buyer of the property as a transfer of control at specific point in time since the Group does not have a significant continuing involvement with the property sold to the buyer and the earning process is virtually complete. Further, the Group's enforceable right for payment becomes due upon transfer of control over the real estate property. The Group's management determines that its revenue from the sale of real estate inventories, which are completed and ready for use, shall be recognized at a point in time when the control has transferred to the customer (see Note 2.11).

(c) *Determination of ECL on Trade and Other Receivables, Investment in Bonds and Advances to Related Parties*

The Group uses a provision matrix to calculate ECL for trade and other receivables. The provision matrix is based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions).

For loans receivables (presented under Trade and Other Receivables account), the allowance for impairment is based on the ECL associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized.

The Group also uses an external benchmarking approach to calculate ECL for investment in bonds. The provision rates are derived from published credit ratings by external rating agencies. As referenced to these external credit benchmarks, the Group defines the credit ratings based on certain financial ratios and appropriately determines the equivalent internal credit ratings. Referenced probability of default is then derived from the latest annual global corporate default study published by the external rating agency. The Group makes an annual reassessment of the applicability and reliability of the reference rates used.

The Group has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Other portion of the Group's financial asset at amortized cost pertains to advances to related parties. In relation to this, the maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk. In the case of these advances to related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. Management determines possible impairment based on the sufficiency of the related parties' highly liquid assets in order to repay the Group's receivables if demanded at the reporting date taking into consideration the historical defaults of the related parties. If the Group cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of receivables can be collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

The details about the ECL on the Group's trade and other receivables, investment in bonds and advances to related parties are disclosed in Notes 6, 7.2, 25.4, 28.2(b), 28.2(c) and 28.2(e).

(d) *Costing of Merchandise Inventories and Supplies*

The Group's inventory costing policies and procedures were based on a careful evaluation of present circumstances and facts affecting production operations. A review of the benchmarks set by management necessary for the determination of inventory costs and allocation is performed regularly. Actual data are compared to the related benchmarks and critical judgment is exercised to assess the reasonableness of the costing policies and procedures which are currently in place and to make the necessary revisions in light of current conditions.

(e) *Distinguishing Business Combination and Asset Acquisition*

The Group determines whether the acquisition of an entity constitutes a business acquisition or an asset acquisition. The accounting treatment for the acquisition is determined by assessing whether the transaction involved a purchase of a business, as defined in PFRS 3, *Business Combinations*, taking into consideration the substance of the transaction. Failure to make the right judgment will result in misstatement of assets.

On initial recognition, the assets and liabilities of the acquired businesses and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates will affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in profit or loss in the subsequent period.

Management has assessed that the acquisition of ownership in Avid is to be accounted for as a business combination since it does constitute an acquisition of a business. In 2022, the Group recognized a gain on bargain purchase amounting to P14.6 million, which represents the excess of total fair value of Avid's net identified assets over the total considerations transferred (see Note 1.1).

(f) *Distinction Between Investment Properties, Owner-occupied Properties and Real Estate Inventories*

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the properties but also to other assets used in the production or supply process. On the other hand, real estate inventories are properties intended to be sold in the normal course of business.

(g) *Distinction Between Operating and Finance Leases for Contracts where the Group is the Lessor*

The Group has entered into various lease agreements as either a lessor or lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on the management's judgment, all of the Group's lease agreements were determined to be operating leases.

(h) *Evaluating Principal Versus Agent Consideration*

The Group exercises judgment to determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e., the Group is a principal) or to arrange for the other party to provide those goods or services (i.e., the Group is an agent). Failure to make the right judgment will result in misstatement of revenues and expenses accounts. The Group assessed that it is only acting as an agent for utility transactions of its tenants under operating leases. The amount of utility revenues and utility expenses, which were set-off against each other amounted to P26.9 million, P24.3 million and P30.9 million in 2024, 2023 and 2022, respectively, in the consolidated statements of income.

(i) *Recognition of Provisions and Contingencies*

Provisions are recognized when present obligations will probably lead to an outflow of economic resources, and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. Similarly, possible outflows of economic benefits to the Group that do not meet the recognition criteria of a liability are considered contingent liabilities, hence, are not recognized in the consolidated financial statements.

Judgment is exercised by management to distinguish between provisions and contingencies. Disclosures on relevant provisions and contingencies are presented in Note 27.

3.2 Key Sources of Estimation Uncertainty

Presented below and on the succeeding pages are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Determination of Appropriate Discount Rate in Measuring Lease Liabilities

The Group measures its lease liabilities at the present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate.

In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) Estimation of Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses).

Specifically for loans receivables, the Group's ECL calculations are outputs of complex 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, 7.2, 25.4, 28.2(b), 28.2(c) and 28.2(e).

(c) Fair Value Measurement for Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument.

Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

The carrying values of the Group's financial assets at FVOCI and the amounts of fair value changes recognized on those assets are disclosed in Note 7.

(d) *Determination of Net Realizable Value of Merchandise Inventories and Supplies*

In determining the net realizable value of merchandise inventories and supplies, management takes into account the most reliable evidence available at the time the estimates are made.

The Group's core business is continuously subject to rapid technology changes which may cause inventory obsolescence. Moreover, future realization of the carrying amounts of inventories is affected by price changes in different market segments of electronic devices, modular houses, broadcast equipment and accessories (see Note 8). Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's merchandise inventories and supplies within the next reporting period.

(e) *Determination of Net Realizable Value of Real Estate Inventories*

The Group adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of real estate inventories. The net realizable value for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions.

Net realizable value in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar property at the same stage of completion, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

Management's assessment of net realizable value of properties under development requires the estimates of future cash flows to be derived from these properties. These estimates require judgment as to the anticipated sale prices by reference to recent sales transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions.

The carrying amounts of the real estate inventories are disclosed in Note 9.

(f) *Estimation of Useful Lives of Right-of-Use Assets, Property and Equipment and Intangible Assets*

The Group estimates the useful lives of right-of-use assets, property and equipment and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical/commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of right-of-use assets, property and equipment and intangible assets are analyzed in Notes 10.1, 11 and 13.1, respectively. Based on management's assessment as of December 31, 2024 and 2023, there is no change in the estimated useful lives of property and equipment during those years. Actual results, however, may vary due to changes in estimates brought about by changes in the factors mentioned above.

(g) *Fair Value Measurement of Investment Properties*

The Group's investment properties, which consists of parcels of land and improvements and buildings and improvements, are carried at fair value at the end of the reporting period. In determining the fair value of these assets, the Group engages the services of professional and independent appraisers applying the relevant valuation methodologies as discussed in Note 30.4.

For investment properties with appraisals conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

A significant change in these elements may affect prices and the value of the assets. The amounts of fair value gains recognized on investment property are disclosed in Note 12.

(h) *Determination of Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The carrying value of recognized deferred tax assets, which management assessed may be fully utilized in the coming years, as of December 31, 2024 and 2023 is disclosed in Note 22.2. Certain deferred tax assets, however, were not recognized since management believes that there is no assurance that the related tax benefits will be realized in the coming years.

(i) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Based on management's assessment, certain non-financial assets were impaired in 2024 and 2023 (see Note 7.3). Consequently, the Group recognizes loss on impairment for these assets (see Note 18).

(j) *Estimation of Reserve for Warranty Costs*

The Group offers a warranty, for a period ranging from one to two years, for each consumer electronic product sold. Management estimates the related provision for future warranty costs based on a certain percentage of sales, as determined based on historical warranty claim information as well as recent trends that might suggest that past cost information may differ from expectations. Warranty costs also include the actual cost of materials used in repairing the electronic products.

The amounts of provision for warranty claims recognized and the outstanding balance of Reserve for warranty costs, which is presented as part of Trade and Other Payables in the consolidated statements of financial position, are disclosed in Note 15.

(k) *Valuation of Post-employment Defined Benefit*

The determination of the Group's obligation and cost of post-employment benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 21.2 and include, among others, discount rates and expected rate of salary increases. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit asset and obligation in the next reporting period.

The amounts of the fair value of the retirement benefit asset and present value of retirement benefit obligation and the analysis of the movements in the fair value of the retirement benefit asset and present value of retirement benefit obligation, as well as the significant assumptions used in estimating such asset and obligation are presented in Note 21.2.

4. SEGMENT INFORMATION

4.1 *Business Segments*

Operating segments are reported in a manner consistent with the internal reporting provided to the Parent Company's BOD, its chief operating decision-maker. The BOD is responsible for allocating resources and assessing the performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and services. The Group's main operating businesses are organized and managed separately according to the nature of services and products provided and the different markets served, with each segment representing a strategic business unit as each of these services requires different technologies and resources as well as marketing approaches.

The Group's different business segments are presented as follows:

- (a) Distribution/Retail is involved in the sale of mobile phones and devices, home appliances and other electronic products, professional audio and video equipment, and prefabricated modular houses;

- (b) Property and related services are involved in the leasing, development and sale of industrial and other real estate properties and hotel and restaurant operations;
- (c) Logistics and technical solutions are presently engaged in the business of warehousing and distribution; and,
- (d) Investment and others include investment holding companies, and those included in the business of financing and credit extension.

The measurement policies of the Group used for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements. In addition, corporate resources, which are not directly attributable to the business activities of any operating segment, are not allocated to a segment.

Segment assets are allocated based on their use or direct association with a specific segment and they include all operating assets used by each business segment and consist principally of operating cash, receivables, inventories, investment properties and property and equipment, net of allowances and provisions.

Similar to segment assets, segment liabilities include all operating liabilities used by each segment and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

Segment revenues, expenses and performance include sales and purchases between business segments; such sales and purchases are eliminated in the consolidation.

4.2 Analysis of Segment Information

The tables below and on the succeeding page present certain asset and liability information regarding business segments as of December 31, 2024, 2023 and 2022 and the related revenue and profit information for each of the three years in the period ended December 31, 2024 (amounts are in thousands).

<i>(Amounts in PHP)</i>	Distribution/ Retail	Property and Related Services	Logistics and Technical Solutions	Investment and Others	Total
2024					
SEGMENT RESULTS					
Sales to external customers	1,528,670	395,913	763,438	173,005	2,861,026
Intersegment sales	8,929	97,702	7,553	660,168	774,352
Total revenues	1,537,599	493,615	770,991	833,173	3,635,378
Cost of sales, services, and rentals	(1,274,387)	(197,788)	(447,690)	(87,624)	(2,007,489)
Other operating income (expenses)	(273,187)	163,681	(163,326)	(74,488)	(347,320)
Operating profit (loss)	(9,975)	459,508	159,975	671,061	1,280,569
Finance income	7,151	79,390	17,670	34,563	138,774
Finance costs	(1,802)	(9,559)	(19)	(31)	(11,411)
Other gains	1,892	64,134	16,521	1,664	84,211
Profit (loss) before tax	(2,734)	593,473	194,147	707,257	1,492,143
Tax expense	(14,968)	(170,446)	(47,894)	(14,489)	(247,797)
Net profit (loss)	<u>(17,702)</u>	<u>423,027</u>	<u>146,253</u>	<u>692,768</u>	<u>1,244,346</u>
SEGMENT ASSETS AND LIABILITIES					
Total assets	<u>978,414</u>	<u>12,030,537</u>	<u>838,038</u>	<u>9,305,823</u>	<u>23,152,812</u>
Total liabilities	<u>299,321</u>	<u>2,463,629</u>	<u>143,191</u>	<u>93,591</u>	<u>2,999,732</u>

<i>(Amounts in PHP)</i>	Distribution/ Retail	Property and Related Services	Logistics and Technical Solutions	Investment and Others	Total
OTHER SEGMENT INFORMATION					
Capital expenditures	15,115	1,056,639	38,586	95	1,110,435
Depreciation and amortization	14,710	25,282	30,256	771	71,019
Impairment loss	-	-	-	10,000	10,000
2023					
SEGMENT RESULTS					
Sales to external customers	1,298,825	263,539	727,092	177,370	2,466,826
Intersegment sales	-	85,144	5,828	219,100	310,072
Total revenues	1,298,825	348,683	732,920	396,470	2,776,898
Cost of sales, services, and rentals	(1,024,644)	(148,634)	(442,426)	(83,417)	(1,699,121)
Other operating income (expenses)	(245,479)	167,842	(121,634)	(100,752)	(300,023)
Operating profit	28,702	367,891	168,860	212,301	777,754
Finance income	5,550	70,221	12,974	39,597	128,342
Finance costs	(4,888)	(1,026)	(172)	(6)	(6,092)
Other gains	6,957	12,864	7,387	2,115	29,323
Profit before tax	36,321	449,950	189,049	254,007	929,327
Tax expense	(16,351)	(117,994)	(46,783)	(18,004)	(199,132)
Net profit	19,970	331,956	142,266	236,003	730,195
SEGMENT ASSETS AND LIABILITIES					
Total assets	975,004	10,677,784	822,312	9,189,463	21,664,563
Total liabilities	289,688	1,926,375	177,904	82,614	2,476,581
OTHER SEGMENT INFORMATION					
Capital expenditures	10,842	1,101,390	32,015	181	1,144,428
Depreciation and amortization	10,470	25,399	32,471	905	69,245
Impairment loss	-	-	-	57,004	57,004
2022					
SEGMENT RESULTS					
Sales to external customers	539,233	270,466	665,848	158,959	1,634,506
Intersegment sales	137	105,661	4,128	213,970	323,896
Total revenues	539,370	376,127	669,976	372,929	1,958,402
Cost of sales, services, and rentals	(437,195)	(182,359)	(403,517)	(97,656)	(1,120,727)
Other operating income (expenses)	(105,502)	134,480	(134,729)	(67,634)	(173,385)
Operating profit (loss)	(3,327)	328,248	131,730	207,639	664,290
Finance income	17,823	25,048	3,618	36,969	83,458
Finance costs	(1,276)	(681)	(313)	(2)	(2,272)
Other gains	911	16,809	4,859	6,724	29,303
Profit before tax	14,131	369,424	139,894	251,330	774,779
Tax expense	(5,982)	(111,460)	(34,787)	(10,853)	(163,082)
Net profit	8,149	257,964	105,107	240,477	611,697
SEGMENT ASSETS AND LIABILITIES					
Total assets	984,831	8,976,589	764,238	9,075,857	19,801,515
Total liabilities	313,756	1,426,037	172,648	69,128	1,981,569
OTHER SEGMENT INFORMATION					
Capital expenditures	7,067	756,560	21,735	93	785,455
Depreciation and amortization	4,918	28,051	49,741	1,196	83,906
Impairment loss	3,328	1,227	-	586	5,141

There have been no significant changes from prior periods in the measurement methods used to determine reported segment information.

4.3 Reconciliations

The total segment balances presented for the Group's operating segments reconciled to the Group's consolidated balances as presented in the consolidated financial statements are as follows (amounts in thousands):

<i>(Amounts in PHP)</i>	Segment Totals	Intersegment Accounts	Consolidated Balances
<u>2024</u>			
Revenues	3,635,378	(774,352)	2,861,026
Net profit for the year	1,244,346	(641,545)	602,801
Total assets	23,152,812	(7,651,886)	15,500,926
Total liabilities	2,999,732	(265,485)	2,734,247
Other segment information:			
Capital expenditures	1,110,435	-	1,110,435
Depreciation and amortization	71,019	38,714	109,733
Impairment losses*	10,000	-	10,000
<u>2023</u>			
Revenues	2,776,898	(310,072)	2,466,826
Net profit for the year	730,195	(198,430)	531,765
Total assets	21,664,563	(7,351,200)	14,313,363
Total liabilities	2,476,581	(516,653)	1,959,928
Other segment information:			
Capital expenditures	1,144,428	-	1,144,428
Depreciation and amortization	69,245	16,551	85,796
Impairment losses*	57,004	(17,004)	40,000
<u>2022</u>			
Revenues	1,958,402	(323,896)	1,634,506
Net profit for the year	611,697	(182,770)	428,927
Total assets	19,801,515	(6,136,642)	13,664,873
Total liabilities	1,981,569	(313,688)	1,667,881
Other segment information:			
Capital expenditures	785,455	-	785,455
Depreciation and amortization	83,906	15	83,921
Impairment losses*	5,141	-	5,141

* The amount of impairment loss for 2024, 2023 and 2022 is gross of reversal of allowance for impairment losses totaling to P827, P4,013 and P3,552, respectively (see Note 6).

4.4 Disaggregation of Revenues from Contracts with Customers and Other Counterparties

When the Group prepares its investor presentations and when the Group management evaluates the financial performance of the operating segments, it disaggregates revenue similar to its segment reporting as presented in Note 4.2. The Group determines that the categories used in the investor presentations and financial reports used by the Group's management can be used to meet the objective of the disaggregation disclosure requirement of PFRS 15, which is to disaggregate revenue from contracts with customers and other counterparties (except for rentals accounted for under PFRS 16 included herein as additional information) into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. A summary of additional disaggregation from the segment revenues and other unallocated income are shown below (amounts in thousands).

(Amounts in PHP)	Segment Revenues (Sales to External Customers)				
	Point in time	Over time	Leases	Interest	Total
<u>December 31, 2024</u>					
Distribution/retail	1,461,356	67,314	-	-	1,528,670
Logistics and technical solutions	54,706	583,127	125,605	-	763,438
Property and related services	8,125	94,357	293,431	-	395,913
Investments and others	-	91,212	-	81,793	173,005
	<u>1,524,187</u>	<u>836,010</u>	<u>419,036</u>	<u>81,793</u>	<u>2,861,026</u>
<u>December 31, 2023</u>					
Distribution/retail	1,260,539	38,285	-	-	1,298,824
Logistics and technical solutions	54,858	564,757	-	-	619,615
Property and related services	-	92,534	278,482	-	371,016
Investments and others	-	87,077	-	90,294	177,371
	<u>1,315,397</u>	<u>782,653</u>	<u>278,482</u>	<u>90,294</u>	<u>2,466,826</u>
<u>December 31, 2022</u>					
Distribution/retail	513,592	22,983	-	-	536,575
Logistics and technical solutions	55,612	508,432	-	-	564,044
Property and related services	-	109,187	265,741	-	374,928
Investments and others	-	102,289	-	56,670	158,959
	<u>569,204</u>	<u>742,891</u>	<u>265,741</u>	<u>56,670</u>	<u>1,634,506</u>

The Group's segment revenues (sales to external customers) include rendering of services, sale of goods, rentals and sale of real estate which are presented in the consolidated statements of income.

5. CASH AND CASH EQUIVALENTS AND SHORT-TERM PLACEMENTS

5.1 Cash and Cash Equivalents

Cash and cash equivalents include the following components as of December 31:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Cash on hand and in banks	399,838,255	379,190,854
Cash equivalents	<u>2,678,063,678</u>	<u>2,331,616,008</u>
	<u>3,077,901,933</u>	<u>2,710,806,862</u>

Cash in banks generally earn interest based on daily bank deposit rates. Cash equivalents pertain to highly liquid short-term investment with maturity periods varying from one to 90 days and earn annual interests ranging from 4.00% to 6.25%, 0.13% to 6.30%, and 0.30% to 6.20% in 2024, 2023 and 2022, respectively.

Interest earned from cash in banks and cash equivalents are presented as part of Interest under Revenues and as part of Finance income under Other Income (Charges) in the consolidated statements of income (see Note 20.2).

5.2 Short-term Placements

Short-term placements, which is presented separately in the consolidated statements of financial position, pertain to time deposits with maturity periods varying between 91 to 365 days and earns effective interests of 4.05% in 2024 and ranging from 6.00% to 6.25% in 2023. As of December 31, 2024 and 2023, short-term placements amounting to P200.3 million and P153.8 million, respectively, are presented separately in the consolidated statements of financial position.

Interest earned from short-term placements is presented as part of Interest under Revenues and as part of Finance income under Other Income (Charges) in the consolidated statements of income (see Note 20.2). The outstanding balance of such interest is presented as Interest receivable under Trade and Other Receivables in the consolidated statements of financial position (see Note 6).

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

<i>(Amounts in PHP)</i>	Notes	2024	2023
Current:			
Trade receivables	6.1		
	26.1, 26.3	331,358,344	221,511,706
Loans receivable	6.3	55,231,555	38,181,893
Advances to:			
Suppliers	6.2(a)	13,562,252	28,152,028
Employees	6.2(b)	2,970,066	2,387,919
Rental receivables	6.5	98,796,871	35,021,050
Interest receivable	5.2, 7.2	10,496,718	11,796,266
Non-trade receivables		6,626,139	1,331,462
Other receivables	6.6	23,550,817	20,350,683
		542,592,762	358,733,007
Allowance for impairment	6.7	(106,840,641)	(107,315,016)
		435,752,121	251,417,991
Non-current:			
Cash surrender value of investment in life insurance	6.4	451,773,013	960,301,577
Loans receivables	6.3	1,334,754	3,867,284
Advances to suppliers	6.2(a)	-	120,000,000
		453,107,767	1,084,168,861
		888,859,888	1,335,586,852

All trade and other receivables are subject to credit risk exposure [see Note 28.2(b)]. The Group does not identify the specific concentration of credit risk with regard to trade and other receivables as the amounts recognized resemble a large number of receivables from various customers.

6.1 Trade Receivables

Aside from the sales of goods and services, trade receivables also include the Group's receivables related to the sold condominium units which are being paid for by the customers in monthly installments. Certain receivables from trade customers are covered by post-dated checks. Trade receivables are measured at amortized cost and have annual effective interest rates ranging from 3.3% to 5.0% in 2024, 4.60% to 12.00% in 2023 and 4.6% to 12.74% in 2022, depending on the payment terms. Trade receivables which are expected to be settled beyond one year after the end of the reporting period are classified as non-current trade and other receivables.

Interest earned from real estate sales amounted to P0.004 million, P0.7 million, and P0.9 million in 2024, 2023 and 2022, respectively, and is presented as part of Finance income under Other Income (Charges) in the consolidated statements of income (see Note 20.2).

Trade receivables from the sale of goods and services are usually due within 30 to 90 days, generally unsecured and do not bear interest.

6.2 Advances

(a) Suppliers

Generally, advances to suppliers include advance payments made to suppliers for future purchases of mobile phone units and accessories and for the purchases of pro-tapes, video and medical equipment, and spare parts. In 2023, the Group made an advance payment to its third-party supplier for the construction of an investment property in Calamba, Laguna (see Note 12). The construction was completed in 2024 and the advances were all applied as payment to the contractors involved in the construction of the investment property.

Advances to suppliers that will be applied as payment for future purchase of merchandise inventories and supplies are classified and presented under Current Assets. On the other hand, advances to contractors and/or suppliers that will be applied as payment for future acquisition or construction of items of property and equipment, or acquisition and construction of investment property are classified and presented under the Non-Current Assets. The classification and presentation are based on the eventual usage or realization of the asset to which it was advanced for.

(b) Employees

Advances to 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 the Group to its customers. Loans receivables that are expected to be settled beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as part of non-current trade and other receivables.

Interest income recognized on the Group's loans receivables amounted to P9.7 million, P6.3 million and P7.5 million in 2024, 2023 and 2022, respectively, and are presented as part of Interest under Revenues in the consolidated statements of income. The effective interest rates on loans receivables ranging from 5.00% to 36.00% both in 2024 and 2023 and ranging from 5.10% to 36.00% in 2022. There was no outstanding interest on loans receivable as of December 31, 2024 and 2023.

6.4 Cash Surrender Value of Investment in Life Insurance

Cash surrender value of investment in life insurance pertains to insurance policies purchased by BRL for certain directors of the Parent Company. The beneficiary of this investment in life insurance is the Parent Company and accounted for under the cash surrender value method. Under this method, the initial cash surrender value of the insurance policies is recognized immediately in the consolidated statements of financial position. Subsequently, any increase in cash surrender value is recognized as part of Finance income under Other Income (Charges) in the consolidated statements of income (see Note 20.2). In 2024, 2023 and 2022, the increase in cash surrender value amounted to P23.0 million, P35.9 million and P35.8 million, respectively.

In 2024, the Group terminated two life insurance policies and received proceeds amounting to P547.0 million. There was no similar transaction in 2023.

6.5 Rental Receivables

Rental receivables represent uncollected monthly receivables from a related party and third-party tenants of the Group. This includes rent receivables arising from the application of PFRS 16, which represent the difference between the cash basis rent income and the straight-line rent income of all outstanding lease contracts as of the end of the reporting periods.

6.6 Other Receivables

Other receivables include the following:

- amounts due from credit card companies for the sale of Closed Circuit Television (CCTV), which are collected the following day the receivables are recognized;
- testing fees and utility charges billed by the Group to its lessees;
- unsecured, noninterest-bearing cash advances made to Homeowners' Association for expenses incurred by the unit owners and related outstanding receivables; and,
- retention fees and other claims to government (i.e., Social Security System).

6.7 Allowance for Impairment

All of the Group's trade and other receivables have been assessed for impairment based on the ECL model. The fair value of these short-term financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value. Based on management's assessment of the ECL using the simplified approach, certain trade receivables were found to be impaired; hence, adequate amount of allowance for impairment have been recognized.

A reconciliation of the allowance for impairment on trade and other receivables at the beginning and end of 2024 and 2023 is shown below.

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Balance at beginning of year	107,315,016	107,305,548
Impairment losses	606,366	4,380,640
Reversal of impairment losses	(826,934)	(4,012,799)
Write-off of receivables	(253,807)	(358,373)
	<u></u>	<u></u>
Balance at end of year	<u>106,840,641</u>	<u>107,315,016</u>

7. INVESTMENTS

7.1 *Financial Assets at Fair Value Through Other Comprehensive Income*

The Group has equity securities pertaining to its 33% equity ownership interest in the common stock of Sony Philippines, Inc. (SPI). This investment is related to the Joint Venture Agreement (JVA) executed in 1997 with Sony Corporation of Japan which has expired on May 8, 2005. On April 11, 2005, the Group received a formal notice of the expiry of the JVA. The Group and Sony Corporation have both agreed to pursue negotiations for an equitable settlement of all matters relating to the JVA and its expiration. The Group determined that the fair value of this investment is nil as of December 31, 2024 and 2023.

On the other hand, the fair values of the Group's investments in club shares amounting to P74.2 million and P55.4 million, which represent proprietary membership club shares, as of December 31, 2024 and 2023, respectively, have been determined based on quoted prices in less active markets due to lack of trading activities among its participants (see Note 30.2).

A reconciliation of the net carrying amounts of financial assets at FVOCI is shown below.

<i>(Amounts in PHP)</i>	<u>Note</u>	<u>2024</u>	<u>2023</u>
Balance at beginning of year		55,400,000	37,000,000
Fair value gains	23.3	<u>18,800,000</u>	<u>18,400,000</u>
		<u></u>	<u></u>
Balance at end of year		<u>74,200,000</u>	<u>55,400,000</u>

The recognized fair value gains are presented as items that will not be reclassified subsequently to profit or loss under Other Comprehensive Income in the consolidated statements of comprehensive income.

7.2 Investment in Bonds

In 2021, the Group invested in held-to-collect corporate bonds, classified, and measured at amortized cost, amounting to P20.0 million, which bear fixed interest rate of 4.34% per annum and will mature on October 12, 2027. The amount of investment is presented as Investment in Bonds in the consolidated statements of financial position. There were no additional investments made in 2024 and 2023.

Interest income generated from investment in bonds amounting to P0.9 million in 2024, 2023 and 2022 are presented as part of Interest under Revenues section of the consolidated statements of income. The outstanding balance of such interest amounting to P0.2 million as of December 31, 2024 and 2023 is presented as part of Interest receivable under Trade and Other Receivables in the consolidated statements of financial position (see Note 6).

The Group's investment in bonds, which are subject to credit risk exposure [see Note 28.2(e)], has been reviewed for impairment. Based on such review, the management determines that no impairment loss is needed to be recognized in 2024 and 2023 as the bonds were in good credit standing as of December 31, 2024 and 2023.

7.3 Investment in an Associate

The Parent Company's investment in an associate pertains to its ownership interest in Fekon. Fekon is a private company incorporated and domiciled in the Philippines. Fekon's primary purpose is to engage in the business of manufacturing, selling, distributing, marketing, trading and assembling of all kinds of goods such as but not limited to motorcycles, e-bicycles, motor parts and products, electronic devices and other electronic merchandise.

Fekon's registered office address and principal place of business is located at Block 7, Lot 8B, San Simon Industries Park, San Isidro, San Simon, Pampanga.

In 2022, the Group made additional deposits in the share of Fekon, totaling P11.5 million in relation to the planned increase in authorized capital stock of the latter. There were no additional deposits made in 2024 and 2023.

As of December 31, 2024 and 2023, Fekon is still in the process of completing its documents on its application to increase its authorized capital stock with the Commission. Management believes that upon approval by the Commission, the Group will have significant influence with 44% ownership interest over Fekon. Accordingly, the deposits are recognized as Investment in an Associate in the consolidated statements of financial position. The total equity interest of the Group is at 44% as of December 31, 2024 and 2023.

Initially, the Group's investment is measured at cost and subsequently, upon approval of the application with the Commission, will be measured using the equity method.

The summarized unaudited financial information for Fekon is shown below.

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Current assets	205,836,650	154,760,429
Non-current assets	11,262,650	<u>15,635,082</u>
Total assets	<u>217,099,300</u>	<u>170,395,511</u>
Current liabilities	72,625,623	54,416,378
Non-current liabilities	6,500,289	<u>11,154,103</u>
Total liabilities	<u>79,125,912</u>	<u>65,570,481</u>
Revenues	<u>106,314,483</u>	<u>66,049,185</u>
Net loss during the year	<u>10,829,891</u>	<u>29,585,227</u>

A reconciliation of the above summarized financial information to the carrying amount of the investment in Fekon is shown below.

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Net asset of Fekon	137,973,388	104,825,030
Proportion of ownership interest	44.0%	44.0%
	60,708,291	<u>46,123,013</u>
Nominal goodwill in equity ownership	27,314,423	<u>41,899,701</u>
	88,022,714	88,022,714
Allowance for impairment	(50,000,000)	<u>(40,000,000)</u>
Carrying amount of investment	<u>38,022,714</u>	<u>48,022,714</u>

In 2024 and 2023, due to the downturn in Fekon business prospects, the Group recognized an impairment loss relative to its investment amounting to P10.0 million and P40.0 million, respectively, which is presented as Impairment loss on investments in an associate under Operating Expenses in the 2024 and 2023 consolidated statements of income (see Note 18).

8. MERCHANDISE INVENTORIES AND SUPPLIES

Inventories at the end of 2024 and 2023 were stated at lower of cost or NRV. The details of inventories are shown below.

<i>(Amounts in PHP)</i>	<u>Note</u>	<u>2024</u>	<u>2023</u>
At cost:			
Merchandise inventories	17.1	166,582,721	96,411,950
Service parts, supplies and others		30,386,685	33,679,231
		<u>196,969,406</u>	<u>130,091,181</u>
At NRV			
Merchandise inventories	17.1	219,842,080	222,907,343
Service parts, supplies and others		25,111	13,012,734
		<u>219,867,191</u>	<u>235,920,077</u>
Allowance for inventory obsolescence		<u>(63,265,556)</u>	<u>(28,663,956)</u>
		<u>156,601,635</u>	<u>207,256,121</u>
		<u>353,571,041</u>	<u>337,347,302</u>

The Group's inventories are primarily composed of appliances, handsets, devices, accessories, professional tapes, equipment, spare parts and modular houses.

The movements in the allowance for inventory obsolescence are as follows:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Balance at beginning of year	28,663,956	26,489,175
Impairment losses	38,481,157	6,591,114
Reversal of allowance for inventory obsolescence	<u>(3,879,557)</u>	<u>(4,416,333)</u>
	<u>63,265,556</u>	<u>28,663,956</u>

The Group recognized a net provision for inventory obsolescence amounting to P34.6 million and P2.2 million in 2024 and 2023, respectively, and a net reversal of provision from previous write-down of inventories upon sale of those inventories amounting to P11.1 million in 2022. The net provision and reversal are included as an adjustment to Cost of Sales in the consolidated statements of income (see Notes 17.1 and 18).

The Group has no outstanding purchase commitment for the acquisition of merchandise inventories and supplies as of December 31, 2024 and 2023.

An analysis of the cost of merchandise inventories charged to operations is presented in Note 17.1.

9. REAL ESTATE INVENTORIES

This account is composed of:

<i>(Amount in PHP)</i>	<u>Notes</u>	<u>2024</u>	<u>2023</u>
Land and land development costs	9.1	26,386,874	26,386,874
Property development costs	9.2	398,580,639	402,543,081
		<u>424,967,513</u>	<u>428,929,955</u>

9.1 Land and Land Development Costs

In 2024, Starworld sold a parcel of road lot to Calamba Premier Realty Corporation for P67.7 million. The gain on sale of road lot is presented as part of Other gains under the Other Income (Charges) section of the 2024 consolidated statement of income (see Note 20.3).

In 2023, the cost of land and land development held by LIIP, which was provided with full allowance for impairment, were included as part of the consideration transferred upon the disposal of the investment in LIIP (see Note 23.5).

In 2022, Starworld sold parcels of land to SMC for P22.6 million. As a result of this transaction, the parcels of land with a total cost of P22.5 million were transferred to investment properties with the purpose of earning rentals and/or long-term capital appreciation. There were no land sales in 2024 and 2023.

Management believes that the carrying values of these assets are lower than their realizable values considering present market rates; thus, no valuation allowance has been provided in the financial statements.

9.2 Property Development Costs

The Group, through ZTC, has initiated the planning and construction of the Tri Towers condominium building. Construction was started by ZTC in 2005. The construction of Tower 1 and Tower 2 were completed in 2008 and 2012, respectively, and while the construction of Tower 3 has not yet started, it has already incurred expenses for the planning phase as of December 31, 2024 and 2023.

Property development costs, at the end of each reporting periods, represent condominium units for sale, office tower units, construction in progress of land and Tower 3, office tower and parking units for which Group has been granted permit to sell by the Housing and Land Use Regulatory Board of the Philippines.

In 2024, the Group sold real estate inventories amounting to P8.1 million, which is presented as Real estate sales under the Revenues section of the 2024 consolidated statement of income. There was no similar transaction in 2023 and 2022.

Based on management's assessment, the related asset is still recoverable as of the end of the reporting periods (see Note 27.2).

10. LEASES

The Group is a lessee under non-cancellable operating leases covering certain office spaces and store branches. The lease for these office spaces and store branches has a term of one to five years. Generally, termination of lease contracts shall be communicated to the lessee by the lessor prior to the termination or expiration of the lease contract. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the consolidated statements of financial position as a right-of-use asset and a lease liability. Variable lease payments not based on an index or rate are excluded from the initial measurement of the lease liability and asset.

The Group classifies its right-of-use assets and lease liabilities as separate line items in the consolidated statements of financial position.

Leases generally restrict the use of the right-of-use assets to the Group, unless explicitly allowed for sublease. They are either non-cancellable or may only be terminated with a substantive fee. Some leases include options to purchase the underlying leased asset or extend the lease term. The Group is prohibited from selling or pledging the lease assets as collateral.

Under the lease agreements, the Group is responsible for maintaining the leased properties in good condition, ensuring they are returned in their original state at the lease end. Additionally, it must ensure the leased assets and cover related maintenance costs.

Refundable security deposits represent the lease deposits made for the lease of the Group's business spaces, both short and long-term lease agreements. Related security deposits for these leases amounted to P41.9 million and P36.7 million as of December 31, 2024 and 2023, respectively, and are presented as part of Other Current Assets and Other Non-current Assets in the consolidated statements of financial position (see Note 13). Refundable security deposits which are expected to be settled beyond one year after the end of the reporting period are classified as non-current assets.

10.1 Right-of-use Assets

The carrying amounts of the Group's right-of-use assets, which pertain to office spaces and store branches, as of December 31, 2024 and 2023, including the movements during the reporting period are shown below.

<i>(Amounts in PHP)</i>	<u>Note</u>	<u>2024</u>	<u>2023</u>
Balance at beginning of year		4,665,980	2,901,782
Additions		6,368,902	8,257,280
Amortization	18	<u>(8,030,382)</u>	<u>(6,493,082)</u>
Balance at end of year		<u>3,004,500</u>	<u>4,665,980</u>

The amount of amortization computed on right-of-use assets is presented as part of the following accounts:

<i>(Amount in PHP)</i>	<u>Notes</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Cost of services	17.2	537,341	1,812,430	3,395,173
General and administrative expenses		7,493,041	4,680,652	222,483
	18	8,030,382	6,493,082	3,617,656

10.2 Lease Liabilities

Lease liabilities are presented in the consolidated statements of financial position as of December 31, 2024 and 2023 as follows:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Current	3,405,363	5,120,889
Non-current	502,510	-
	3,907,873	5,120,889

The movements in the lease liabilities recognized in the consolidated statements of financial position as of December 31 are as follows:

<i>(Amounts in PHP)</i>	<u>Note</u>	<u>2024</u>	<u>2023</u>
Balance at beginning of year		5,120,889	3,539,747
Additional lease liabilities		6,368,902	8,257,280
Repayments of lease liabilities	10.4	(7,975,734)	(7,201,585)
Interest accretion	10.4	393,816	525,447
		3,907,873	5,120,889

The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's regional markets strategy and the economic benefits of exercising the option exceed the expected overall cost.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognized in the consolidated statements of financial position.

	Number of right-of-use assets leased	Range of Remaining term	Average remaining lease term	Number of leases with extension options	Number of leases with termination options
December 31, 2024					
Office space and store branches	7	3 months to 1.5 year	1 year	1	2
December 31, 2023					
Office space and store branches	7	3 months to 1 year	1 year	1	2

As of December 31, 2024 and 2023, the Group has no commitments for leases entered into which had not commenced.

The undiscounted maturity analysis of lease liabilities of December 31 is as follows:

<i>(Amounts in PHP)</i>	2024	2023
Within one year	3,405,363	5,120,899
More than one year to two years	502,510	-
	3,907,873	5,120,899

10.3 Lease Payments Not Recognized as Liabilities

The Group has elected not to recognize lease liabilities for short-term leases or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

The amount of expense relating to short-term leases for the year ended December 31, is allocated in the consolidated statements of income as follows:

<i>(Amounts in PHP)</i>	Notes	2024	2023	2022
Cost of services	17.2	13,990,761	11,994,543	12,150,453
Cost of rental	17.3	219,600	219,000	219,000
General and administrative expenses		42,589,747	32,389,883	1,385,224
	18	56,800,108	44,603,426	13,754,677

10.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases, including interest, amounted to P8.0 million, P7.2 million and P4.2 million in 2024, 2023 and 2022, respectively. Interest expense in relation to lease liabilities amounted to P0.4 million, P0.5 million and P0.3 million in 2024, 2023 and 2022, respectively, and is presented as part of Finance costs under Other Income (Charges) in the consolidated statements of income (see Note 20.1).

11. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation, amortization and impairment losses of property and equipment at the beginning and end of 2024 and 2023 are shown below.

<i>(Amounts in PHP)</i>	Land	Buildings and Improvements	Machinery and Equipment	Furniture, Fixtures, and Office Equipment	Transportation Equipment	Test, Communication And Other Equipment	Computer System	Leasehold Improvement	Tools and Equipment	Construction in Progress	Total
December 31, 2024											
Cost	1,278,354,682	402,796,870	198,689,135	333,954,562	309,259,474	30,969,248	87,322,925	124,563,193	114,828,730	63,412,571	2,944,151,390
Accumulated depreciation and amortization	-	(232,053,766)	(183,663,094)	(306,599,905)	(259,421,674)	(23,448,244)	(78,202,499)	(115,121,278)	(98,060,444)	14,346,250	(1,282,224,654)
Accumulated impairment losses	-	(35,000,000)	-	-	-	-	-	-	-	(14,346,250)	(49,346,250)
Net carrying amount	1,278,354,682	135,743,104	15,026,041	27,354,657	49,837,800	7,521,004	9,120,426	9,441,915	16,768,286	63,412,571	1,612,580,486
December 31, 2023											
Cost	1,288,354,682	379,659,325	195,106,677	312,676,797	282,703,618	25,425,998	86,669,310	117,262,423	109,669,602	27,137,678	2,824,666,110
Accumulated depreciation and amortization	-	(186,753,104)	(176,143,668)	(291,898,485)	(237,514,731)	(21,050,804)	(77,559,323)	(112,499,158)	(91,520,905)	14,346,250	(1,180,593,928)
Accumulated impairment losses	-	(35,000,000)	-	-	-	-	-	-	-	(14,346,250)	(49,346,250)
Net carrying amount	1,288,354,682	157,906,221	18,963,009	20,778,312	45,188,887	4,375,194	9,109,987	4,763,265	18,148,697	27,137,678	1,594,725,932
January 1, 2023											
Cost	1,278,354,682	372,499,019	194,928,008	304,872,692	258,523,865	23,662,042	86,553,862	112,874,003	104,357,611	236,213	2,736,861,997
Accumulated depreciation and amortization	-	(164,638,384)	(167,668,820)	(279,593,471)	(213,062,681)	(18,065,496)	(76,965,882)	(110,282,684)	(85,380,998)	14,346,250	(1,101,312,166)
Accumulated impairment losses	-	(35,000,000)	-	-	-	-	-	-	-	(14,346,250)	(49,346,250)
Net carrying amount	1,278,354,682	172,860,635	27,259,188	25,279,221	45,461,184	5,596,546	9,587,980	2,591,319	18,976,613	236,213	1,586,203,581

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2024 and 2023 is shown below.

<i>(Amounts in PHP)</i>	Land	Buildings and Improvements	Machinery and Equipment	Furniture, Fixtures, and Office Equipment	Transportation Equipment	Test, Communication And Other Equipment	Computer System	Leasehold Improvement	Tools and Equipment	Construction in Progress	Total
Balance at January 1, 2024, net of accumulated depreciation, amortization and impairment losses	1,288,354,682	157,906,221	18,963,009	20,778,312	45,188,887	4,375,194	9,109,987	4,763,265	18,148,697	27,137,678	1,594,725,932
Additions		23,137,545	3,582,458	24,418,431	30,767,194	5,543,250	653,615	7,300,770	5,617,897	45,685,465	146,706,625
Reclassification	(10,000,000)	-	-	-	-	-	-	-	-	-	(10,000,000)
Disposals – net	-	-	-	(3,140,666)	(4,211,338)	-	-	-	(458,769)	(9,410,572)	(17,221,345)
Depreciation and amortization charges for the year	-	(45,300,662)	(7,519,426)	(14,701,420)	(21,906,943)	(2,397,440)	(643,176)	(2,622,120)	(6,539,539)	-	(101,630,726)
Balance at December 31, 2024 net of accumulated depreciation, amortization and impairment losses	<u>1,278,354,682</u>	<u>135,743,104</u>	<u>15,026,041</u>	<u>27,354,657</u>	<u>49,837,800</u>	<u>7,521,004</u>	<u>9,120,426</u>	<u>9,441,915</u>	<u>16,768,286</u>	<u>63,412,571</u>	<u>1,612,580,486</u>
Balance at January 1, 2023, net of accumulated depreciation, amortization and impairment losses	1,278,354,682	172,860,635	27,259,188	25,279,221	45,461,184	5,596,546	9,587,980	2,591,319	18,976,613	236,213	1,586,203,581
Additions	10,000,000	6,737,295	178,669	7,944,733	24,179,753	1,763,956	115,448	4,388,420	6,343,536	27,562,012	89,213,822
Reclassification	-	423,011	-	-	-	-	-	-	237,536	(660,547)	-
Disposals – net	-	-	-	(140,628)	-	-	-	-	(1,269,081)	-	(1,409,709)
Depreciation and amortization charges for the year	-	(22,114,720)	(8,474,848)	(12,305,014)	(24,452,050)	(2,985,308)	(593,441)	(2,216,474)	(6,139,907)	-	(79,281,762)
Balance at December 31, 2023 net of accumulated depreciation, amortization and impairment losses	<u>1,288,354,682</u>	<u>157,906,221</u>	<u>18,963,009</u>	<u>20,778,312</u>	<u>45,188,887</u>	<u>4,375,194</u>	<u>9,109,987</u>	<u>4,763,265</u>	<u>18,148,697</u>	<u>27,137,678</u>	<u>1,594,725,932</u>

Construction in progress pertains to the accumulation of costs incurred on building improvements being constructed in various properties of the Group. There were constructions completed in 2023. As a result, completed constructions were reclassified to specific items of property and equipment. There was no similar transaction in 2024. In 2024 and 2023, no borrowing costs were capitalized.

In 2024, the Group transferred land from Property and Equipment, with a carrying amount of P10.0 million, to Investment Properties (see Note 12). There was no similar transaction in 2023.

In 2024, the Group cancelled certain construction in progress amounting to P9.4 million resulting to the reduction of construction in progress.

In 2024 and 2023, the Group sold certain items of property and equipment with carrying amounts of P7.8 million and P1.4 million, respectively. Aside from these assets, the Group also disposed of certain fully depreciated and amortized items of property and equipment with original cost of P4.1 million and P3.0 million in 2024 and 2023, respectively. The Group recognized a gain on disposal of these assets totaling P1.7 million, P4.5 million and P1.6 million in 2024, 2023 and 2022, respectively, which are presented as part of Other gains under Other Income (Charges) section in the consolidated statements of income (see Note 20.3).

The amount of depreciation and amortization computed on property and equipment is presented as part of the following accounts:

<i>(Amounts in PHP)</i>	Notes	2024	2023	2022
Cost of services	17.2	61,313,422	46,667,201	48,263,894
Cost of rentals	17.3	16,307,720	14,396,908	16,415,434
General and administrative expenses		24,009,584	18,217,653	15,609,489
	18	101,630,726	79,281,762	80,288,817

As of December 31, 2024 and 2023, none of the Group's property and equipment were held as collateral for loans. Further, no impairment losses were recognized in 2024, 2023 and 2022 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, 2024 and 2023.

12. INVESTMENT PROPERTIES

The Group's investment properties, accounted for under the fair value method, consist mainly of land and improvements, and buildings and improvements that are held under operating lease agreements. These properties earn rental income amounting to P419.0 million, P278.5 million and P265.7 million in 2024, 2023 and 2022, respectively, and are presented as Rentals under Revenues in the consolidated statements of income. The Group also incurred direct costs such as real property taxes, depreciation and amortization and utilities, which are presented as part of Cost of Rentals in the consolidated statements of income (see Note 17.3).

The fair values of the Group's investment properties as of December 31, 2024 and 2023 were determined based on appraisal report dated November 19, 2024 and December 12, 2023, respectively. Management obtains annual appraisal reports on its investment properties from independent appraisers (see Note 30.4).

The changes in the carrying amounts of investment property as of December 31 as presented in the consolidated statements of financial position are summarized as follows:

<i>(Amounts in PHP)</i>	Land and Improvements	Building and Improvement	Construction in Progress	Total
2024:				
Balance at beginning of year	5,120,560,888	769,699,957	1,076,906,086	6,967,166,931
Additions	1,560,385	209,551	961,958,246	963,728,182
Fair value gains (losses) – net (see Note 19)	544,512,783	(281,239,605)	-	263,273,178
Disposals	(74,892,929)	(87,594,085)	-	(162,487,014)
Transfer from property and equipment	10,000,000	-	-	10,000,000
Reclassification	256,024	1,952,436,535	(1,952,692,559)	-
Balance at end of year	<u>5,601,997,151</u>	<u>2,353,512,353</u>	<u>86,171,773</u>	<u>8,041,681,277</u>
2023:				
Balance at beginning of year	4,810,678,828	782,639,879	15,273,617	5,608,592,324
Additions	120,000	3,909,390	1,066,197,651	1,070,227,041
Fair value gains (losses) – net (see Note 19)	318,111,060	(21,414,494)	-	296,696,566
Disposals	(8,349,000)	-	-	(8,349,000)
Reclassification	-	4,565,182	(4,565,182)	-
Balance at end of year	<u>5,120,560,888</u>	<u>769,699,957</u>	<u>1,076,906,086</u>	<u>6,967,166,931</u>

In 2024, the Group completed the construction of certain buildings, building improvements and land improvements. The Group capitalized borrowing costs in 2024 amounting to P18.1 million (see Note 14). There was no similar transaction in 2023.

In 2024, the Group transferred land with a carrying amount of P10.0 million from Property and Equipment to Investment Properties upon the commencement of lease (see Note 11).

In 2022, the Group paid cash bond amounting to P15.0 million for its application for conversion of land and is presented as part of Cash bond under Other Non-current Assets in the consolidated statements of financial position (see Note 13.2).

In 2024, 2023 and 2022, the Group received payment from an association managing an industrial park as compensation for damages to Group's property amounting to P5.4 million, which is presented under Other Operating Income in the consolidated statements of income (see Note 19).

The Group sold certain land and building and improvements with a total appraised value of P162.5 million, P8.3 million and P12.3 million in 2024, 2023 and 2022, respectively. The related gain and loss on these sales is presented under Other gains under Other Income (Charges) in the consolidated statements of income (see Note 20.3).

Certain investment property is used as collateral on loan payable as of December 31, 2024 and 2023 (see Note 14).

13. OTHER ASSETS

The composition of these accounts as of December 31 is shown below.

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2024</u>	<u>2023</u>
Current:			
Input VAT – net	13.3	351,547,938	252,416,753
Creditable withholding taxes		128,030,214	139,000,438
Prepayments	13.3	30,192,368	37,020,692
Refundable deposits	10	35,617,193	32,165,777
Deferred input VAT	13.3	5,584,341	15,590,124
Deferred costs	13.3	13,846,430	692,786
Others		2,375,393	3,691,477
		567,193,877	480,578,047
Non-current:			
Cash bond	13.2	15,635,346	15,635,346
Intangible assets – net	13.1	13,189,231	13,099,425
Refundable deposits	10	6,300,583	4,529,457
Others	13.3	13,088,848	5,668,951
		48,214,008	38,933,179
		615,407,885	519,511,226

13.1 Intangible Assets

Intangible assets include non-proprietary club shares and computer software licenses, which are accounted for under the cost model. The gross carrying amounts and accumulated amortization and impairment of intangible assets as of December 31 is shown below.

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Cost	33,772,149	33,609,916
Accumulated amortization and impairment	(20,582,918)	(20,510,491)
Net carrying amount	13,189,231	13,099,425

A reconciliation of the carrying amounts of intangible assets at the beginning and end of 2024 and 2023 are shown below.

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Balance at the beginning of year, net of accumulated amortization and impairment	13,099,425	13,038,873
Additions	162,233	82,087
Amortization during the year	(72,427)	(21,535)
Balance at end of year, net of accumulated amortization and impairment	13,189,231	13,099,425

Intangible assets are subject to annual impairment testing whenever there is an indication of impairment. Certain non-proprietary club shares were assessed to be impaired as determined by the management; hence, an adequate amount of allowance for impairment has been recognized in prior years. There were no impairment losses recognized in 2024, 2023 and 2022 as the recoverable amount of intangible assets determined by management is higher than the carrying value.

Amortization charges are presented as part of Depreciation and amortization under General and Administrative Expenses in the consolidated statements of income (see Note 18).

As of December 31, 2024 and 2023, the cost of the Group's fully amortized intangible assets amounted to P2.8 million in both years.

There are no intangible assets that have been pledged as security for any liabilities. Further, there were no other contractual commitments entered into in 2024 and 2023 related particularly for intangible assets.

13.2 Cash Bond

Cash bond represents payments made by the Group for its application for conversion of land (see Note 12). It also includes the deposits made with the Bureau of Customs for taxes and duties related to its importations.

As of December 31, 2024 and 2023, the total amount is currently demandable; however, the Group does not expect to refund the cash bond within 12 months from the end of the reporting period.

13.3 Others

In 2024 and 2022, certain input VAT of the Group was found to be impaired by the management; hence, adequate amounts of allowance for impairment have been recognized. Accordingly, the related allowance for impairment has been established for input VAT amounting to P5.2 million and P0.8 million in 2024 and 2022, respectively (see Note 18). There was no similar transaction in 2023.

Prepayments pertain to prepaid insurance, prepaid rent, and prepayments for professional fees, import charges and others.

Deferred costs represent the cost of inventories which have not been charged to cost of sales pending the completion of the Group's certain projects. In 2024, deferred costs were incurred due to additional projects during the year.

Deposits to suppliers represent the refundable amount paid by the Group to its suppliers for the distribution utilities provided to the Group.

Other current assets include deferred installation costs which pertain to the costs paid by the Group to its contractors for the installation of modular houses. Upon completion of installation, the cost is transferred to cost of sales. On the other hand, other non-current assets mostly pertain to land properties held by SMC which are subject to transfer to certain individuals under R.A. No. 6657, *Comprehensive Agrarian Reform Law of 1988*.

14. INTEREST-BEARING LOAN

The Group received proceeds from the long-term loan obtained from a local bank amounting to P770.0 million and P105.0 million, in 2024 and 2023, respectively, to partially finance the construction of warehouse facility in Calamba, Laguna. The outstanding loans have a term of ten years with a two-year grace period. The loan bears interest ranging from 6.00% to 6.95% per annum subject to quarterly interest rate repricing. The related debt issuance costs and documentary stamp tax of P5.8 million and P0.8 million, respectively, are presented as part of Taxes and licenses under General and Administrative Expenses in the 2024 consolidated statement of income (see Note 18). In 2024, the Group capitalized borrowing costs amounting to P18.1 million. There was no similar transaction in 2023 and 2022.

The loan is secured by a real estate mortgage for a total amount of P1.2 billion on real estate property recorded as part of Investment Properties in the consolidated statements of financial position (see Note 12) and a suretyship agreement with one subsidiary.

Pursuant to the terms of these loan agreements, the Group is required to comply with certain financial covenants. The Group is required to maintain a maximum debt-to-equity ratio of 3.00:1.00 starting December 31, 2023, and a minimum debt-service coverage ratio of 1.25:1.00 commencing January 1, 2026. As of December 31, 2024 and 2023, the Group has been compliant with the financial covenants.

15. TRADE AND OTHER PAYABLES

This account consists of:

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2024</u>	<u>2023</u>
Trade payables		324,605,911	364,062,277
Refundable deposits	16, 25.2	121,115,031	35,890,057
Non-trade payables		50,442,908	46,409,082
Unearned rentals	16	42,011,665	12,673,977
Accrued expenses		32,718,770	43,602,144
Contract liability		17,673,304	-
Withholding taxes payable		10,589,366	10,230,077
Advances from customers		8,089,418	9,538,653
Deferred output VAT		7,713,717	20,430,061
Output VAT		6,134,661	13,617,604
Rentals payable		4,278,523	4,278,523
Reserve for warranty costs		4,223,759	2,514,215
Retention payable		1,329,603	1,564,727
Other payables		27,199,661	21,500,685
		<u>658,126,297</u>	<u>586,312,082</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 is shown as a separate line item in the consolidated statements of financial position (see Note 16). Refundable deposits are remeasured at amortized cost using effective interest rates ranging from 5.45% to 9.63% in 2024 and 2023 and from 2.70% to 9.63% in 2022 at the inception of the lease term. Interest expense recognized from the amortization of refundable deposits amounting to P1.3 million, P0.9 million and P0.2 million in 2024, 2023 and 2022, respectively, are presented as part of Finance costs under Other Income (Charges) in the consolidated statements of income (see Note 20.1).

Contract liability arises when payment is received from customers prior to the delivery and installation of the equipment.

Unearned rentals represent advance payments received from lessees.

Advances from customers pertain to the integration services in progress and customer deposit on sale of goods paid in advance to the Group.

A provision is recognized for expected warranty claims on products sold during the year based on the Group's past experience on the level of repairs and returns. The movements on this account are as follows:

<i>(Amounts in PHP)</i>	<u>Note</u>	<u>2024</u>	<u>2023</u>
Balance at beginning of year		2,514,215	1,868,964
Additional provision	18	1,739,471	695,033
Actual warranty claims		(29,927)	(49,782)
Balance at end of year		<u>4,223,759</u>	<u>2,514,215</u>

In 2024 and 2023, additional provision for warranty claims is recognized and is presented under General and Administrative Expenses in the 2024 and 2023 consolidated statements of income. There was no additional provision in 2022.

In 2022, the Group reversed previously recognized provision amounting to P0.3 million, which is presented under Other Operating Income in the 2022 consolidated statement of income. There was no reversal in 2024 and 2023.

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.

Management considers the carrying amounts of trade and other payables recognized in the consolidated statements of financial position to be reasonable approximation of their fair values.

16. REFUNDABLE DEPOSITS

The Group has long-term refundable deposits from various tenants. These refundable deposits are remeasured at amortized cost using the effective interest ranging from 3.48% to 5.50% at the inception of the lease terms.

In 2022, the Group entered into Built to Specification Agreement (BTSA) with a third-party lessee. The lessee will lease a warehouse for 15 years with an option to renew for another five years. The warehouse will be built to the specifications included in BTSA. The lease will commence once the certificate of completion has been obtained. The Group received a security deposit amounting to P172.4 million which serves as protection in the event the lessee refuses to pay the Group when the conditions have been met. As of December 31, 2024, the construction of the warehouse has been completed and has been reclassified from Construction in progress to Building and improvement presented under Investment Properties in the statements of financial position (see Note 12). Rental income from the lease contract amounting to P113.2 million is presented as part of Rentals under Revenues in the 2024 consolidated statement of income (see Note 12).

On October 15, 2024, the initial certificate of completion was issued. Consequently, in accordance with the amended lease contract and upon the lessee's acceptance of the initial certification of completion, the Group converted the P86.2 million to advance rental and applied to the monthly rental starting August 1, 2024 until fully consumed. The corresponding unearned rental amounting to P27.0 million is presented as part of Unearned rental under Trade and Other Payables in the 2024 consolidated statement of financial position (see Note 15).

As of December 31, 2024 and 2023, the outstanding balance of these refundable deposits amounted to P142.8 million and P228.6 million, respectively, presented separately under Trade and Other Payables in the Current Liabilities section and Refundable Deposits in the Non-current Liabilities section of the consolidated statements of financial position.

17. COSTS OF SALES, SERVICES, RENTALS AND REAL ESTATE SALES

17.1 Cost of Sales

The details of this account are shown below.

<i>(Amounts in PHP)</i>	Notes	2024	2023	2022
Merchandise inventories at beginning of year	8	319,319,293	307,125,964	108,496,159
Net purchases of merchandise inventories during the year	18, 25.1	1,269,848,301	1,047,769,213	566,739,952
Impact of acquisition	1.1	-	-	91,523,043
Goods available for sale		1,589,167,594	1,354,895,177	766,759,154
Merchandise inventories at end of year	8	(386,424,801)	(319,319,293)	(307,125,964)
Net provision (reversal) of allowance for inventory obsolescence	8	34,601,600	2,174,781	(11,145,980)
	18	1,237,344,393	1,037,750,665	448,487,210

17.2 Cost of Services

The following are the breakdown of direct costs and expenses from rendering of services:

<i>(Amounts in PHP)</i>	Notes	2024	2023	2022
Subcontracting services		141,161,898	118,080,784	86,940,517
Service fees		87,030,378	82,823,592	99,081,744
Materials, supplies, and other consumables		87,017,500	89,317,594	89,861,588
Depreciation and amortization	10.1, 11	61,850,763	48,479,631	51,659,067
Salaries and employee benefits	21.1	61,445,075	57,486,584	55,671,177
Equipment cost		38,402,999	2,356,975	10,931,688
Transportation and travel		36,588,793	49,324,515	48,576,412
Outside services		32,023,995	29,209,446	23,109,091
Rentals	10.3	13,990,761	11,994,543	12,150,453
Repairs and maintenance		11,895,971	10,894,207	10,137,713
Communication, light and water		6,989,715	10,386,320	20,328,853
Food and beverage		5,887,015	10,304,141	13,587,422
Insurance		5,149,534	4,843,260	4,741,791
Advertising and promotions		290,813	322,239	100,896
Others		6,708,247	3,415,678	9,109,360
	18	<u>596,433,457</u>	<u>529,239,509</u>	<u>535,987,772</u>

17.3 Cost of Rentals

The details of this account are as follows:

<i>(Amounts in PHP)</i>	Notes	2024	2023	2022
Taxes and licenses		35,799,197	25,818,679	25,185,612
Depreciation and amortization	11	16,307,720	14,396,908	16,415,434
Utilities and communication		14,456,724	6,170,749	5,336,758
Outside services		12,895,054	11,881,545	12,960,368
Repairs and maintenance		7,299,718	4,722,775	4,216,828
Association dues		2,922,233	2,737,682	3,700,273
Salaries and employee benefits	21.1	1,346,175	1,262,392	1,146,408
Materials and supplies		708,817	892,006	1,223,259
Rentals	10.3	219,600	219,000	219,000
Others		2,466,274	4,084,869	3,328,245
	18	<u>94,421,512</u>	<u>72,186,605</u>	<u>73,732,185</u>

Others primarily consist of franchise fees and insurance expenses.

17.4 Cost of Real Estate Sales

This account pertains to the Group's cost of condominium units and parking lots amounting to P4.0 million (see Note 18). There was no sale of real estate inventories in 2023 and 2022.

18. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

<i>(Amounts in PHP)</i>	Notes	2024	2023	2022
Net purchases of merchandise inventories	17.1, 25.1	1,269,848,301	1,047,769,213	566,739,952
Salaries and employee benefits	21.1, 21.2, 25.8	321,195,460	297,866,489	241,806,699
Subcontracting services		144,370,871	122,624,622	90,398,768
Depreciation and amortization	10.1, 11, 13.1	109,733,535	85,796,379	83,921,372
Materials, supplies and other consumables		93,627,685	100,425,952	100,418,965
Service fees		89,298,004	82,823,592	98,214,841
Taxes and licenses	1.1, 14	85,750,412	90,561,267	58,499,769
Utilities and communication		82,971,800	71,217,663	77,748,951
Rentals	10.3	56,800,108	44,603,426	13,754,677
Outside services	1.1	54,453,188	57,465,063	70,753,936
Transportation and travel		51,420,804	65,122,553	59,954,148
Equipment cost		38,402,999	2,356,975	10,931,688
Repairs and maintenance		36,077,530	32,488,694	24,890,672
Provision (reversal of allowance) on inventory obsolescence – net	8	34,601,600	2,174,781	(11,145,980)
Selling and bank charges		23,293,483	26,032,330	886,175
Impairment loss on investment in an associate	7.3	10,000,000	40,000,000	-
Installation cost		6,787,113	2,421,569	1,725,255
Representation and entertainment		6,496,245	6,789,127	16,474,665
Advertising and promotions		5,701,609	3,160,000	543,261
Impairment loss on input VAT	13.3	5,209,241	-	803,925
Reversal of impairment losses on advances to related parties	25.4	(4,035,813)	-	-
Cost of real estate sales	17.4	3,962,442	-	-
Food and beverage		3,749,772	6,302,020	7,395,565
Provisions for warranty claims	15	1,739,471	695,033	-
Warranty claims		535,772	445,257	553,812
Impairment losses (reversal for impairment losses) on trade and other receivables – net	6.7	(220,568)	367,841	784,916
Changes in merchandise, finished goods and work-in-process inventories	17.1	(67,105,508)	(12,193,329)	(107,106,765)
Miscellaneous		92,300,933	75,448,459	46,444,290
		2,556,966,489	2,252,764,976	1,455,393,557

These expenses are classified in the consolidated statements of income as follows:

<i>(Amounts in PHP)</i>	Notes	2024	2023	2022
Cost of sales	17.1	1,237,344,393	1,037,750,665	448,487,210
Cost of services	17.2	596,433,457	529,239,509	535,987,772
General and administrative expenses		464,668,316	488,827,742	383,232,503
Selling and distribution costs		160,136,369	124,760,455	13,953,887
Cost of rentals	17.3	94,421,512	72,186,605	73,732,185
Cost of real estate sales	17.4	3,962,442	-	-
		<u>2,556,966,489</u>	<u>2,252,764,976</u>	<u>1,455,393,557</u>

19. OTHER OPERATING INCOME

The breakdown of this account is as follows:

<i>(Amounts in PHP)</i>	Notes	2024	2023	2022
Fair value gains on investment property – net	12	263,273,178	296,696,566	216,030,827
Income from utilities charged to tenants		26,948,353	24,313,501	30,943,397
Waste disposal and security services		14,102,458	7,197,970	7,197,970
Common usage service area	25.5	7,364,310	6,113,133	15,235,166
Compensation for damages	12	5,357,143	5,357,143	5,357,143
Revenue share from embedded third party application		-	221,187	5,287,593
Reversal of reserve for warranty costs	15	-	-	316,064
Miscellaneous – net		<u>16,810,936</u>	<u>22,386,087</u>	<u>12,132,790</u>
		<u>333,856,378</u>	<u>362,285,587</u>	<u>292,500,950</u>

20. OTHER INCOME (CHARGES)

20.1 Finance Costs

This account consists of the following:

<i>(Amounts in PHP)</i>	Notes	2024	2023	2022
Foreign currency exchange losses		1,275,046	4,306,595	1,316,704
Interest expense on:				
Loans payable	14	8,206,056	-	-
Refundable deposits	15	1,339,960	921,164	190,973
Lease liabilities	10.4	393,816	525,447	317,405
Deficiency tax		165,013	251,234	108
Miscellaneous		<u>31,108</u>	<u>5,023</u>	<u>10,138</u>
		<u>11,410,999</u>	<u>6,009,463</u>	<u>1,835,328</u>

20.2 Finance Income

This account consists of the following:

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Interest income from:				
Cash and cash equivalents and short-term placements	5	103,353,073	91,252,634	31,134,784
Real estate sales	6.1	4,577	661,831	876,631
Increase in cash surrender value of investment in life insurance	6.4	22,952,814	35,921,315	35,758,442
Foreign currency exchange gains		<u>10,787,437</u>	<u>506,500</u>	<u>15,571,925</u>
		<u>137,097,901</u>	<u>128,342,280</u>	<u>83,341,782</u>

20.3 Other Gains

The breakdown of this account is as follows:

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Gain on sale of lot	9.1	67,690,000	-	-
Net interest income on retirement benefit asset	21.2	6,361,686	9,862,614	5,808,123
Gain (loss) on sale of investment properties – net	12, 25.6	(6,338,666)	339,000	649,000
Proceeds from insurance		11,193,189	1,484,093	-
Gain on sale of property and equipment	11	1,730,426	4,464,233	1,601,267
Service income from bank guarantee		1,676,338	-	-
Gain on forfeiture of security deposits		-	6,057,760	13,660,979
Gain on deconsolidation	23.5	-	3,344,759	-
Miscellaneous		<u>3,574,535</u>	<u>7,114,017</u>	<u>2,753,961</u>
		<u>85,887,508</u>	<u>32,666,476</u>	<u>24,473,330</u>

Service income from bank guarantee pertains to the amount charged by the lessor to the lessee as specified in the lease agreement. The agreement stipulates that the lessor will secure a loan equal to the bank guarantee or security deposit, and in exchange, the lessee will then pay a specified amount, the calculation of which is detailed in the agreement.

21. EMPLOYEE BENEFITS

21.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are summarized below.

<i>(Amounts in PHP)</i>	Notes	2024	2023	2022
Short-term benefits		305,285,872	288,831,557	231,656,397
Post-employment benefits	21.2, 25.8	15,909,588	9,034,932	10,150,302
	18	321,195,460	297,866,489	241,806,699

These expenses are classified in the consolidated statements of income as follows:

<i>(Amounts in PHP)</i>	Notes	2024	2023	2022
General and administrative expenses		253,887,128	230,954,290	182,666,672
Cost of services	17.2	61,445,075	57,486,584	55,671,177
Selling and distribution costs		4,517,082	8,163,223	2,322,442
Cost of rentals	17.3	1,346,175	1,262,392	1,146,408
	18	321,195,460	297,866,489	241,806,699

21.2 Post-employment Benefits

(a) Characteristics of the Defined Benefit Plan

The Group maintains a funded, tax-qualified, non-contributory post-employment benefit plan that is being administered by an investment manager that is legally separated from the Group. The investment manager manages the fund in coordination with the Group's management who acts in the best interest of the plan assets and is responsible for setting the investment policies. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The Group's post-employment benefit plan provides retirement benefits ranging from 100% to 115% of the final monthly covered compensation (average monthly basic salary during the last 12 months of credited service) for every year of credited service.

(b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented on the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2024, 2023 and 2022.

The amounts of retirement benefit asset recognized in the consolidated statements of financial position are determined as follows:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Fair value of plan assets	265,661,419	256,663,816
Present value of obligation	<u>(134,456,547)</u>	<u>(132,710,229)</u>
	<u>131,204,872</u>	<u>123,953,587</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 P29.8 million and P20.2 million as of December 31, 2024 and 2023, respectively.

The movements in the fair value of plan assets of the Group are presented below.

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Balance at beginning of year	256,663,816	252,778,811
Interest income	15,607,112	18,174,971
Benefits paid	(4,847,257)	(13,262,276)
Loss on plan assets (excluding amounts included in net interest)	<u>(1,762,252)</u>	<u>(1,027,690)</u>
Balance at end of year	<u>265,661,419</u>	<u>256,663,816</u>

The movements in the present value of the retirement benefit obligation recognized in the books are as follows:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Balance at beginning of year	152,910,948	116,413,058
Current service costs	15,909,588	9,034,932
Interest costs	9,245,426	8,312,357
Remeasurements –		
Actuarial gains (losses) arising from:		
Changes in financial assumptions	(8,704,280)	25,676,853
Experience adjustments	92,707	12,312,686
Changes in demographic assumptions	-	46,415
Benefits paid	(5,212,503)	(13,262,276)
Benefits paid from book reserve	<u>-</u>	<u>(5,623,077)</u>
Balance at end of year	<u>164,241,886</u>	<u>152,910,948</u>

The significant actuarial gains or losses in 2024 and 2023 arising from the financial assumptions pertain to the effects of differences between the discount rates and salary projection rates used while the actuarial gains arising from experience adjustments pertains to the effects of differences between the previous actuarial assumptions and what has actually occurred, including the changes in those actuarial assumptions during the applicable reporting periods.

The plan assets consist of the following as of December 31 (see Note 25.9):

<i>(Amounts in PHP)</i>	2024	2023
Debt securities:		
Philippines government bonds	242,559,092	233,627,163
Unit investment trust fund (UITF)	10,576,342	17,348,796
Corporate bonds	9,322,797	2,905,252
Mutual funds	75,311	-
Others	3,087,877	2,782,605
	265,621,419	256,663,816

The fair values of the debt securities are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy). UITF is classified as Level 2 while other assets are classified as Level 3 in the fair value hierarchy.

The plan assets earned a net return of P13.8 million and P17.1 million in 2024 and 2023, respectively, and incurred a net loss of P1.4 million in 2022.

Plan assets do not comprise any of the Group's own financial instruments or any of its assets occupied and/or used in its operations.

The components of amounts of post-employment benefit expense recognized in the consolidated statements of income and consolidated statements of comprehensive income in respect of the post-employment defined benefit plan are shown below.

<i>(Amounts in PHP)</i>	Notes	2024	2023	2022
<i>Reported in consolidated statements of income:</i>				
Current service cost	21.1	15,909,588	9,034,932	10,150,302
Net interest income	20.3	(6,361,686)	(9,862,614)	(5,808,123)
		9,547,902	(827,682)	4,342,179
<i>Reported in consolidated statements of comprehensive income (loss):</i>				
Actuarial gains (losses) from:				
Changes in financial assumptions		8,704,280	(25,676,853)	14,623,294
Return (loss) on plan assets (excluding amounts included in net interest)		(1,762,252)	(1,027,690)	(12,366,836)
Changes in experience adjustments		(92,707)	(12,312,686)	720,066
Changes in demographic assumption		-	(46,417)	485,704
	23.3	6,849,321	(39,063,646)	3,462,228

Current service cost and past service cost are presented as part of Salaries and employee benefit under General and Administrative Expenses in the consolidated statements of income (see Note 18).

The net interest income is included in Other gains under Other Income (Charges) section 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:

	2024	2023	2022
Discount rates	6.08% - 6.16%	5.94% - 6.12%	4.98% - 7.22%
Salary increase rate	8.00%	8.00%	5.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working lives of employees before retirement at the age of 60 ranges from 4.0 to 30.0 years for males and 8.0 to 27.0 years for females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero-coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) *Investment and Interest Risks*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan is generally concentrated on investment in debt securities, although the Group also invests in UITF.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(iii) *Inflation Risk*

A significant proportion of the defined benefit obligation is linked to inflation. The increase in inflation will increase the Group's liability. A portion of the plan assets are inflation-linked debt securities which will mitigate some of the effects of inflation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below and on the succeeding pages.

(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit asset as of December 31, 2024 and 2023:

(Amounts in PHP)	Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
<u>December 31, 2024</u>			
Discount rate	+/- 0.5%	(7,145,553)	8,102,696
Salary increase rate	+/- 1.0%	15,921,291	(13,104,160)
<u>December 31, 2023</u>			
Discount rate	+/- 0.5%	(8,321,225)	9,411,097
Salary increase rate	+/- 1.0%	19,426,351	(15,098,506)

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 defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) *Asset-liability Matching Strategies*

To efficiently manage the retirement plan, the Group through its Management Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve those long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency.

The Group actively monitors how the duration, and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolios, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of the plan assets as of December 31, 2024 and 2023 are generally concentrated in government debt securities, although the Group also invests in UITF for liquidity purposes.

(iii) *Funding Arrangements and Expected Contributions*

The plan is currently overfunded by P160.4 million and P144.2 million, in 2024 and 2023, respectively, based on the latest actuarial valuation. On the other hand, the Group is yet to determine how much and when to fund its retirement benefit obligation as of December 31, 2024.

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:

<i>(Amounts in PHP)</i>	2024	2023
Within one year	19,800,792	16,693,335
More than one year to 5 years	32,567,887	25,230,402
More than 5 years to 10 years	89,458,820	100,433,980
More than 10 years to 15 years	133,185,079	137,561,319
More than 15 years to 20 years	237,002,896	238,349,183
More than 20 years	1,631,338,247	1,828,849,849
	<u>2,143,353,721</u>	<u>2,347,118,068</u>

The weighted average duration of the defined benefit obligation at the end of the reporting period is 19 years.

22. TAXES

22.1 Registration with Philippine Economic Zone Authority (PEZA)

SMC is registered with the PEZA as an Ecozone Facilities Enterprise at the Laguna International Industrial Park – Special Economic Zone (LIIP – SEZ). As an Ecozone Facilities Enterprise, SMC shall lease its building in LIIP – SEZ to PEZA-registered export enterprises located therein. SMC is subject to 5% tax on gross income earned on such facilities in lieu of all national and local taxes.

On July 1, 1998, the PEZA approved Starworld's registration as an Ecozone developer and operator of the CPIP – Special Economic Zone located at Bo. Parian, Calamba City. Under the terms of the registration and subject to certain requirements, Starworld shall be exempt from all national and local taxes and instead will be subject to the 5% preferential tax rate on gross income after allowable deductions.

22.2 Current and Deferred Taxes

The components of tax expense reported in the consolidated statements of income and consolidated statements of comprehensive income are as follows:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>	<u>2022</u>
<i>Reported in statements of income</i>			
Current tax expense:			
Regular corporate income tax (RCIT)			
at 25% / 20%	116,180,268	78,589,815	66,840,352
Final tax at 20% / 15%	33,226,617	35,083,692	16,055,065
Capital gains tax	4,061,400	-	-
Minimum corporate income tax (MCIT)			
at 2% in 2024, 1.5% in 2023			
and 1% in 2022	964,952	1,500,636	612,193
Excess MCIT over RCIT	-	-	749
Preferential tax at 5%	-	-	279
	<u>154,433,237</u>	<u>115,174,143</u>	<u>83,508,638</u>
Application of excess MCIT	(655,768)	-	-
Deferred tax expense arising from			
origination and reversal of			
temporary differences	<u>92,911,060</u>	<u>84,406,206</u>	<u>79,709,647</u>
	<u>246,688,529</u>	<u>199,580,349</u>	<u>163,218,285</u>
<i>Reported in statements of comprehensive income</i>			
Deferred tax expense (income) on			
remeasurements of defined benefit			
post-employment plan	<u>1,483,537</u>	<u>(9,494,432)</u>	<u>393,951</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:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Tax on pretax profit at 25%	212,372,487	182,836,370	148,036,233
Adjustment for income subjected to lower tax rates	(18,327,309)	(7,534,698)	(3,114,429)
Tax effects of:			
Nondeductible expenses and losses	41,621,650	22,007,616	34,861,771
Unrecognized deferred tax assets from net operating loss carry-over (NOLCO) and MCIT and other temporary differences	23,284,050	34,968,769	9,280,211
Nontaxable income	(12,675,025)	(32,533,180)	(23,767,494)
Application of NOLCO	(1,717,596)	-	(3,082,021)
Reversal of previously recognized deferred tax assets	1,564,288	-	415,952
Excess of MCIT over RCIT	724,891	-	53,571
Excess of itemized deductions over optional standard deduction	(158,907)	(164,528)	534,491
Tax expense	<u>246,688,529</u>	<u>199,580,349</u>	<u>163,218,285</u>

The net deferred tax assets of certain subsidiaries as of December 31 relate to the following:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Deferred tax assets:		
Allowance for inventory obsolescence	5,004,657	4,708,858
Allowance for impairment on trade and other receivables	3,575,304	3,343,463
Retirement benefit obligation	3,105,428	2,259,958
Deferred income	1,380,508	-
Provision for warranty claims	1,055,940	628,554
Accrued expenses	585,352	585,352
Deferred rental income	44,724	44,724
Fair value loss on investment properties	-	2,265,698
MCIT	-	76,435
	<u>14,751,913</u>	<u>13,913,042</u>
Deferred tax liabilities:		
Unrealized foreign currency loss	(2,046,295)	(1,672,838)
PFRS 16 adoption	(150,658)	(150,658)
Accumulated depreciation on investment properties	-	(1,044,869)
	<u>(2,196,953)</u>	<u>(2,868,365)</u>
	<u>12,554,960</u>	<u>11,044,677</u>

The net deferred tax liabilities of certain subsidiaries as of December 31 relates to the following:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Deferred tax assets:		
Accumulated amortization on right-of-use assets	5,679,821	10,903,452
Allowance for impairment on trade and other receivables	5,198,900	5,446,168
Unearned rent income	3,629,920	2,947,303
Impairment losses on property and equipment	3,586,563	3,586,563
Allowance for inventory obsolescence	3,407,236	3,265,156
Impairment losses on input VAT	1,503,292	200,981
Inventory losses due to obsolescence	238,418	238,418
Excess MCIT over RCIT	235,020	1,358,889
Deferred rent income	156,977	251,972
Unamortized past service costs	89,633	127,835
Impairment losses on trade and other receivables	69,168	1,412,121
Unrealized foreign currency loss (gain)	(2,530)	159
NOLCO	-	(389,188)
	<u>23,792,418</u>	<u>29,349,829</u>
Deferred tax liabilities:		
Fair value gains on investment properties – net	(906,196,368)	(851,066,215)
Accumulated depreciation on investment properties	(173,664,566)	(148,807,789)
Post-employment benefit asset	(30,660,274)	(30,050,639)
Accrued rent income	(19,401,833)	(4,216,982)
Excess of fair value over cost of property	(12,211,529)	(12,211,529)
Amortization of lease liabilities	(5,679,821)	(10,828,319)
Unrealized foreign currency gains	(3,165,153)	(3,163,842)
PFRS 16	225,844	(60,916)
	<u>(1,150,753,700)</u>	<u>(1,060,406,231)</u>
Deferred tax liabilities – net	<u>(1,126,961,282)</u>	<u>(1,031,056,402)</u>

The components of net deferred tax expense reported in the consolidated statements of income are as follows:

<i>(Amounts in PHP)</i>	2024	2023	2022
Fair value gains			
investment properties – net	57,395,851	72,485,001	68,402,244
Accumulated depreciation on investment properties	23,708,425	7,883,017	8,374,877
Accrued income	15,200,867	1,178,251	(89,541)
Accumulated depreciation right-of-use assets	5,223,629	(435,282)	(848,793)
Amortization of lease liabilities	(5,179,788)	501,279	(127,779)
Post-employment benefit asset (obligation)	(1,719,373)	1,798,438	399,274
Excess of MCIT over RCIT	1,484,320	(327,198)	(805,171)
Deferred income	(1,380,508)	-	-
Impairment loss on input VAT	(1,302,311)	-	-
Allowance for impairment on advances to related parties	1,296,484	-	-
Accumulated depreciation on property and equipment	(1,044,869)	-	-
Unearned rent income	(698,632)	(29,509)	178,549
Unrealized foreign currency gains (losses) – net	695,976	269,069	(1,141,070)
Allowance (reversal) for inventory obsolescence	(437,879)	(599,499)	2,583,897
Provision for warranty claims	(427,386)	(161,316)	106,336
PFRS 16 adoption	(183,712)	76,024	494,475
Allowance for impairment on trade and other receivables	146,769	153,535	1,232,228
Deferred rent income	94,995	437,431	(539,017)
Unamortized past service costs	38,202	38,202	-
NOLCO	-	1,138,763	1,073,130
Accrued expenses	-	-	350,271
Impairment loss on investment in subsidiaries	-	-	272,191
Impairment loss on property and equipment	-	-	(200,981)
Impact of the acquisition	-	-	(5,473)
	92,911,060	84,406,206	79,709,647

The deferred tax expense in 2024 and 2022 amounting to P1.5 million and P0.4 million, respectively, and the deferred tax income in 2023 amounting to P9.5 million and in the consolidated statements of comprehensive income pertains to the tax effect of the remeasurements of post-employment defined benefit plan (see Note 23.3).

Presented below are the details of NOLCO, which can be claimed as deductions from future taxable profit within three to five years from the year the tax loss was incurred. Specifically, NOLCO incurred in 2021 and 2020 can be claimed as a deduction from the gross income until 2026 and 2025, respectively, in accordance with R.A. No. 11494, *Bayanihan to Recover as One Act*. In 2022, the NOLCO carry-over period is reverted to three years from the year the tax loss was incurred (amounts in PHP).

Year	Amount	Applied Amount	Expired Amount	Remaining Balance	Valid
2024	66,488,289	-	-	66,488,289	2027
2023	58,202,069	-	-	58,202,069	2026
2022	30,654,231	-	-	30,654,231	2025
2021	138,523,393	-	-	138,523,393	2026
2020	166,054,076	(19,958,639)	-	146,095,437	2025
	459,922,058	(19,958,639)	-	439,963,419	

The Group is subject to MCIT which is computed at 2% in 2024, 1.5% in 2023 and 1% in 2022 of gross income, as defined under the tax regulations or RCIT, whichever is higher. The details of the Group's MCIT are as follows (amounts in PHP):

Year	Amount	Applied Amount	Expired Amount	Remaining Balance	Valid
2024	964,952	-	-	964,952	2027
2023	1,500,636	(43,575)	-	1,457,061	2026
2022	612,193	(612,193)	-	-	2025
2021	686,785	-	(686,785)	-	2024
	3,764,566	(655,768)	(686,785)	2,422,013	

The Group did not recognize the deferred tax assets on NOLCO, MCIT and other deductible temporary differences of certain subsidiaries as management has assessed that those subsidiaries may not be able to realize their related tax benefits within the prescribed availment period. The NOLCO, MCIT and other deductible temporary differences as of December 31 for which the related deferred tax assets have not been recognized by certain entities in the Group are shown below.

(Amounts in PHP)	2024		2023		2022	
	Amount	Tax Effect	Amount	Tax Effect	Amount	Tax Effect
NOLCO	166,792,653	41,698,163	116,633,288	29,730,789	93,688,945	23,383,846
Allowance for inventory obsolescence	32,850,088	8,212,522	5,640,616	1,410,154	5,127,564	1,281,891
Unamortized past service cost	1,345,299	336,325	1,614,359	403,590	1,883,419	470,855
MCIT	887,843	887,843	117,104	117,104	128,427	128,427
Retirement benefit obligation	603,533	150,883	1,204,196	301,049	1,561,420	390,355
Allowance for impairment of intangible assets	272,127	68,032	272,127	68,032	272,127	68,032
Unrealized foreign currency gains – net	(13,147)	(3,387)	(51,968)	(12,992)	(49,372)	(13,105)
Allowance for impairment of trade receivables	-	-	1,509,192	377,298	1,080,176	270,044
	202,738,396	51,350,381	126,938,914	32,395,024	103,692,706	25,980,345

In 2024 and 2023, the Group opted to use itemized deduction in computing for its income tax due, except for certain subsidiaries which still opted to claim OSD in the current year.

23. EQUITY

23.1 Capital Stock

The Parent Company has a total authorized capital stock of P5.0 billion divided into 5,000,000,000 shares with P1 par value.

On June 18, 1996, the Commission issued an Order approving the Registration Statement covering the securities which comprised the Parent Company's entire authorized capital stock. On September 4, 1996, the Parent Company's shares were listed in the PSE and the trading of offer shares commenced.

The Parent Company offered to the public 665,000,000 shares at an offer price of P5.85 per share. The offer shares consist of 524,475,000 primary shares (new shares) and 140,525,000 secondary shares (existing shares).

As of December 31, 2024 and 2023, the Parent Company has issued shares of 2,030,975,000 (with P1 par value), of which, 468,787,704 are held by the public both 2024 and 2023. There are 4,192 and 4,209 holders of the listed shares which closed at P1.03 and P0.94 per share as of the last trading days in 2024 and 2023, respectively.

23.2 Retained Earnings

The BOD approved the declaration of cash dividends in 2024, 2023 and 2022 as follows:

Date of Declaration	Stockholders of Record as of	No. of Shares Outstanding	Amounts in PHP	
			Amount per Share	Total
June 27, 2024	July 15, 2024	1,821,542,000	0.10	182,154,200
August 3, 2023	August 18, 2023	1,821,542,000	0.06	109,292,520
June 30, 2022	July 29, 2022	1,821,542,000	0.06	109,292,520

The dividends were paid within the year of declaration and approval. Retained earnings is restricted to the amount of P115.6 million as of December 31, 2024 and 2023, equivalent to the cost of 209,433,000 shares held in treasury.

23.3 Revaluation Reserves

The components of this account and its movements are as follows:

(Amounts in PHP)	Notes	2024	2023	2022
Remeasurement of post-employment benefit:				
Balance at beginning of year		39,949,589	69,518,803	66,450,526
Actuarial gains (loss) during the year	21.2	6,849,321	(39,063,646)	3,462,228
Tax income (expense)	22.2	(1,483,537)	9,494,432	(393,951)
Balance at end of year		45,315,373	39,949,589	69,518,803
Cumulative translation adjustments:				
Balance at beginning of year		47,790,503	57,039,969	(29,205,232)
Currency exchange differences on translating financial statements of foreign operations		29,994,091	(9,249,466)	86,245,201
Balance at end of year		77,784,594	47,790,503	57,039,969
Unrealized fair value losses financial on financial assets at FVOCI				
Balance at beginning of year		41,006,719	22,606,719	13,006,719
Fair values gains	7.1	18,800,000	18,400,000	9,600,000
Balance at end of year		59,806,719	41,006,719	22,606,719
Other comprehensive income attributable to NCI interest		35,000	35,000	35,000
		182,941,686	128,781,811	149,200,491

23.4 Subsidiary with Material Non-controlling Interest

Noncontrolling interests (NCI) pertain to the 25.0%, 27.0%, 50.0% and 50.0% equity ownership of minority stockholders in Skyworld, Interstar, Starworld and LIIP, respectively. In 2023, the Group sold its shares of stock in Interstar and LIIP (see Notes 1.1). The details of deconsolidation are presented in Note 23.5.

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

	<u>Starworld</u>		<u>LIIP</u>
	<u>2024</u>	<u>2023</u>	<u>2022</u>
Current assets	533,695,891	576,695,016	88,691
Non-current assets	3,526,649	1,656,883	-
Total assets	537,222,540	578,351,899	88,691
Current liabilities	267,161	365,911	8,039,271
Non-current liabilities	2,144,627	2,093,711	-
Total liabilities	2,411,788	2,459,622	8,039,271
Equity (capital deficiency) attributable to owners of the parent	267,405,376	287,946,139	(3,974,540)
NCI	267,405,376	287,946,139	(3,974,540)
Revenue	109,104,516	38,404,858	-
Profit (loss) for the year attributable to owners of the parent	39,398,821	12,120,868	(750)
Profit (loss) for the year attributable to NCI	39,398,821	12,120,868	(750)
Total comprehensive income (loss) for the year	78,797,642	24,241,736	(1,500)
Net cash used in operating activities	50,800,509	(13,572,748)	(1,500)
Net cash from investing activities	37,625,720	29,189,428	-
Net cash used in financing activities	(60,801,510)	(100,000,000)	-
	27,624,719	(84,383,320)	(1,500)
Effect of exchange rate on cash and cash equivalent	688	(693)	-
Net cash inflow (outflow)	27,625,407	(84,384,013)	(1,500)

The corporate information of Starworld and LIIP, as well as the Parent Company's stockholding thereto, is provided in Note 1.1.

In 2024, 2023, and 2022, cash dividends amounting to P61.6 million, P51.3 million and P10.7 million, respectively, was declared to NCI which were paid within the year of declaration and approval.

Management determined that the difference between the respective equity ownership of minority stockholders over the equity of the aforementioned subsidiaries and the amount of NCI recognized in the consolidated statements of financial position is not material to the consolidated financial statements.

23.5 Loss of Control Over Subsidiaries

As discussed in Notes 1 and 23.4, the Group sold its shares of stock in Interstar and LIIP in 2023. At the date of disposal, the net carrying amount of these entities and the determination of the gain or loss on deconsolidation are as follows:

<i>(Amounts in PHP)</i>	LIIP	Interstar	Total
Cash & cash equivalents	87,791	35,824	123,615
Real estate inventories – land	248,000	-	248,000
Real estate inventories – land development	2,419,600	-	2,419,600
Real estate inventories – allowance	(2,667,600)	-	(2,667,600)
Total current assets	<u>87,791</u>	<u>35,824</u>	<u>123,615</u>
Trade and other payables	-	38,987	38,987
Advances from related parties	8,039,271	5,083,105	13,122,376
LIIP advances from Interstar	(4,003,358)	-	(4,003,358)
Total current liabilities	<u>(4,035,913)</u>	<u>(5,122,092)</u>	<u>(9,158,005)</u>
Net assets	(3,948,122)	(5,086,268)	(9,034,390)
Net assets - NCI	<u>(4,316,539)</u>	<u>(1,373,292)</u>	<u>(5,689,831)</u>
Share of the Parent Company in net assets of Interstar and LIIP	368,417	(3,712,976)	(3,344,559)
Consideration received	<u>(100)</u>	<u>(100)</u>	<u>(200)</u>
Gain (loss) in deconsolidation	<u>(368,317)</u>	<u>3,713,076</u>	<u>3,344,759</u>

The net gain on deconsolidation amounting to P3.3 million is presented as part of Other gains under Other Income (Charges) section of the 2023 consolidated statement of income (see Note 20.3).

24. EARNINGS PER SHARE

Basic earnings per share (EPS) is computed by dividing net profit attributable to the Parent Company's stockholders by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividends declared, stock split and reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potential dilutive shares. Currently, the Group does not have potentially dilutive shares outstanding; hence, the diluted earnings per share is equal to the basic earnings per share.

Basic and diluted earnings for profit attributable to the Parent Company's stockholders are computed as follows:

<i>(Amounts in PHP, except share data)</i>	2024	2023	2022
Net profit for the year attributable to the Parent Company's stockholders	<u>551,359,348</u>	<u>509,619,362</u>	<u>427,622,019</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	<u>(209,433,000)</u>	<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>0.30</u>	<u>0.28</u>	<u>0.23</u>

There were no outstanding convertible preferred shares and bonds or other stock equivalents as of December 31, 2024, 2023 and 2022 hence; diluted earnings per share is equal to the basic earnings per share.

25. RELATED PARTY TRANSACTIONS

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form. Based on the requirement of the SEC Memorandum Circular 2019-10, *Rules on Material Related Party Transactions for Publicly Listed Companies*, transactions amounting to 10% or more of the total assets based on the latest audited financial statements that were entered into with related parties are considered material. All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent director's vote is not secured; the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a one-year period that breaches the 10% materiality threshold, the same board approval would be required for the transaction(s) that meets and exceeds the materiality threshold covering the same related party.

The Group's related parties include other companies owned by the Parent Company's majority stockholders and the Group's key management personnel as described below. The summary of the Group's significant transactions in 2024, 2023 and 2022 with its related parties and the outstanding balances as of December 31, 2024 and 2023 are as follows:

(Amounts in PHP)		Amounts of Transaction			Outstanding Receivables (Payable)	
Related Party Category	Note	2024	2023	2022	2024	2023
Related Parties Under						
Common Ownership:						
Purchase of mobile phones	25.1	-	-	213,100,301	-	-
Purchase of supplies and services	25.1	-	-	2,720,453	-	-
Purchase of spare parts	25.1	-	-	289,508	-	-
Lease of real property	25.2	6,788,877	5,858,891	5,502,329	-	-
Refundable deposits	25.2	(1,454,392)	-	67,000	(2,345,697)	(891,305)
Collection of business loans	25.3	-	-	(5,500,000)	-	-
Interest income	25.3	-	-	331,250	-	-
Reversal of impairment losses	25.4	(4,035,813)	-	-	-	-
Cash advances granted - net of allowance	25.4	4,277,321	33,578	-	6,697,750	2,420,429
Rendering of services	25.5	1,022,910	853,334	700,745	-	-
Sale of investment properties	25.6	(78,777,800)	-	-	-	-
Key Management Personnel –						
Compensation	25.7	66,654,103	52,838,952	56,529,290	-	-

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.

Based on the management assessment, certain receivables were found to be impaired using the provision matrix; hence, adequate amount of allowance for impairment have been recognized as of December 31, 2024, 2023 and 2022 (see Note 25.4).

25.1 Purchase of Goods, Supplies and Services

In 2022, the Group purchased mobile phones, tablets and accessories at prevailing market prices from Solid Trading Limited (STL), a related party under common ownership which is based in Hong Kong, amounting to P213.1 million and recorded as part of Net purchases under Cost of Sales in the consolidated statements of income (see Note 17.1). There were no similar purchases in 2024 and 2023.

Further, the Group also made advance payments to STL which were fully applied in 2022. There were no additional advances paid in 2024 and 2023.

Prior to acquisition of Avid, certain subsidiaries purchased electronic devices and spare parts from Avid totaling P3.0 million. The related purchases were recorded as part of Net purchases under Cost of Sales in the 2022 consolidated statement of income (see Note 17.1).

25.2 Lease of Real Property

The Group leases its office space to TCL Sun Inc. (TCL), a related party under common ownership, with a lease term of five years with escalation rates. Likewise, prior to the acquisition, certain subsidiaries leased out land, buildings and office spaces to Avid. Revenues arising from these transactions are presented as part of Rentals under the Revenues of the consolidated statements of income.

Deposits received from the related parties for these lease agreements are refundable at the end of the lease term. The Group received additional deposits in connection with this lease agreement in 2024 and 2023. The outstanding balance of refundable deposits are presented under Trade and Other Payables in the consolidated statements of financial position (see Note 15).

25.3 Granting of Loans

Prior to the acquisition, the Group granted an unsecured business loan to Avid with the original principal loan amounting to P80.0 million which bears an annual interest rate of 8.0% and is payable on demand. Principal repayment related to this loan amounted to P5.5 million in 2022. There are no similar transactions in 2024 and 2023.

The total interest earned from these loans amounting to P0.3 million in 2022 is presented as part of Interest under Revenues section of the 2022 consolidated statements of income. All outstanding receivables on these loans were collected in 2022.

25.4 Advances to and from Related Parties

In the normal course of business, certain subsidiaries of the Group grant and obtain unsecured, noninterest-bearing cash advances to and from related parties under common ownership for working capital requirements and other purposes. As of December 31, 2024 and 2023, outstanding balances of these advances are presented as Advances to and from Related Parties in the consolidated statements of financial position.

In 2024 and 2023, the Group granted insignificant amount of additional advances to its related party, which remains uncollected as of December 31, 2024 and 2023, is presented under Advances to Related Parties in the consolidated statements of financial position. There was no similar transaction for 2022.

In 2024, Starworld recovered previously impaired advances from LIIP. The recovery of these amounts occurred as a result of the agreement where LIIP will pay Starworld in installments for 10 years. The advances recovered is presented under Reversal for impairment losses on advances to related parties in Other Operating Expenses section in the consolidated statement of income (see Note 18). There was no similar transaction in 2023 and 2022.

25.5 Rendering of Services

In 2024, 2023 and 2022, a certain subsidiary bills TCL service charges for common usage and service area and consumption of utilities. Charges arising from these transactions are presented as Common usage and service area and utilities charges as part of Other operating income under Other Operating Expense section of the consolidated statements of comprehensive income (see Note 19).

As of December 31, 2024 and 2023, there are no outstanding receivables arising from these transactions.

25.6 Sale of Investment Properties

In 2024, certain subsidiaries sold certain investment properties to AV Value Holdings, a related party under common ownership with a total appraised value of P78.7 million (see Note 12). The net gain/loss on sale is presented as part of Other gains in the Other Income (Charges) section of the 2024 consolidated statement of income.

As of December 31, 2024 and 2023, there are no outstanding receivables arising from these transactions.

25.7 Key Management Personnel Compensation

The compensation of key management personnel is broken down as follows:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Short-term benefits	64,985,534	49,678,661	54,166,870
Post-employment benefit	1,668,569	3,160,291	2,362,420
	<u>66,654,103</u>	<u>52,838,952</u>	<u>56,529,290</u>

These amounts are shown as part of Salaries and employee benefits under General and Administrative Expenses in the consolidated statements of income (see Notes 18 and 21.1).

25.8 Transactions with the Retirement Fund

The Group has established a formal multi-employer retirement plan which is administered by an investment manager, except for certain subsidiaries whose retirement fund remained unfunded as of December 31, 2024 and 2023.

The retirement fund consists of corporate bonds, government securities and UITF with fair values totaling P265.7 million and P256.7 million as of December 31, 2024 and 2023, respectively. The retirement fund neither provides any guarantee nor surety for any obligation of the Group.

The details of the contributions of the Group and benefits paid out by the plan to employees are presented in Note 21.2.

26. SIGNIFICANT CONTRACTS AND AGREEMENTS

26.1 Memorandum of Understanding with SPI

On July 1, 2003, the Group entered into a Memorandum of Understanding (MOU) with SPI for network support for SPI. Under the MOU, SPI authorized the Group to perform in-warranty and out-of-warranty services to customers in the Philippines for a fee calculated as a percentage of SPI'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 SPI. 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 SPI products amounted to P79.9 million, P97.2 million and P101.1 million in 2024, 2023 and 2022, respectively, and are presented as part of Rendering of Services in the consolidated statements of income.

The outstanding balances arising from these transactions amounting to P8.8 million and P9.9 million as of December 31, 2024 and 2023, respectively, are included as part of Trade receivables under the Trade and Other Receivables in the consolidated statements of financial position (see Note 6.1).

26.2 Distributorship Agreement with Sony Corporation of Hong Kong Limited (Sony HK)

The Group has a non-exclusive Distributorship Agreement (the Agreement) with Sony HK, a corporation organized and existing under and by virtue of the laws of Hong Kong. Under the Agreement, the Group was designated by Sony HK as its non-exclusive distributor of Sony products in the Philippines. In addition, the Group shall provide the customers in the Philippines with repair and parts replacement services, including but not limited to repair and parts replacement services rendered by the Group which are covered under the 12 month-warranty period at its own costs and expenses. The Agreement was effective until March 31, 2022.

26.3 Management Agreement with Sky Cable Corporation

For continuity of services to subscribers, the Group and SkyCable Corporation (SkyCable) undertook to cooperate with each other and to execute further actions as may be necessary to carry out the purposes of the agreement on sale of assets pending the approval of the National Telecommunications Commission (NTC). The Management Agreement shall be automatically terminated on the date of the NTC's approval of the transfer of the assets in favor of SkyCable. As of December 31, 2024, the NTC approval has not yet been obtained.

The Group was given the overall power and responsibility to handle all aspects necessary to carry out the administration and operations of SkyCable and to accord the necessary additional authorizations, should the need arise.

Revenues arising from these transactions amounted to P4.5 million, P4.7 million and P4.3 million in 2024, 2023 and 2022, respectively, and is presented as part of Rendering of services under Revenues in the consolidated statements of income. The outstanding receivable amounted to P8.2 million and P0.5 million as of December 31, 2024 and 2023, respectively, and is included as part of Trade receivables under Trade and Other Receivables in the consolidated statements of financial position (see Note 6.1).

27. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

27.1 Operating Lease Commitments – Group as Lessor

Certain subsidiaries are lessors under various non-cancellable operating lease agreements covering certain real estate properties. These leases have terms ranging from one to 10 years, with renewal options, and include annual escalation rates ranging from 5% to 10%. These subsidiaries receive fixed monthly payments.

The Group is subject to risks associated with the rights it retains in the properties it leases, such as alterations made by the lessee that may impair the value of the leased properties. To manage the exposure on such risks, the Group exercises strict control over the fit-out process and no alterations are allowed to be made without prior approval of the Group. The Group also requires security deposits and advance rentals equivalent to at least three months of rent. Moreover, the Group retains its right to inspect the leased properties during the lease term. In case of expiration of lease term or early termination due to the default of the lessee, the Group is entitled to the improvements installed on the leased properties without an obligation to reimburse the lessee for the costs of improvements.

The future minimum lease receivables under these non-cancellable operating leases as of December 31 are presented below.

<i>(Amounts in PHP)</i>	2024	2023
Within one year	305,588,482	139,786,685
After one year but not more than two years	339,747,394	109,479,747
After two years but not more than three years	352,839,786	91,681,740
After three years but not more than four years	293,806,458	84,909,324
After four years but not more than five years	277,403,141	20,014,941
More than five years	2,882,991,015	48,713,683
	4,452,376,276	494,586,120

The total rent income recognized from these transactions, including rent income resulting from the application of the straight-line basis of revenue recognition for the reporting periods, are presented as Rentals under Revenues section of the consolidated statements of income. There was no contingent rent (i.e., variable rent considerations) related to these operating leases.

27.2 Purchase Commitments

In 2007, the Group has entered into several construction contracts with various subcontractors for the construction of Tri-Towers condominium building. The construction of Tower 1 and Tower 2 were completed in 2008 and 2012, respectively, while the construction of Tower 3 has not yet started, yet it has incurred expenses for the planning phase as of December 31, 2024 and 2023 (see Note 9.2).

27.3 Deficiency Tax Assessments

Certain subsidiaries have outstanding deficiency tax assessments with the BIR and outstanding tax cases filed with the Court of Tax Appeals (CTA) covering the taxable years 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 2022 to which the BIR and CTA have sought to investigate, and consequently, examine certain books, records and accounts that relate to transactions in the ordinary course of business. Pursuant to the Group's policy of addressing such actions in line with prudent business practice, the Group has engaged tax counsel and advisors in relation to these matters.

As of December 31, 2024, the majority of these deficiency tax assessments and tax cases are still under protest or reconsideration. Management believes that the Group has enough legal basis under the law to support their claims, and that the outcome of such tax assessments will not have a material impact in the Group's consolidated financial statements; hence, no provision was recognized as of December 31, 2024.

27.4 Others

The Group has unused credit facilities amounting to P1.3 billion and P1.1 billion in 2024 and 2023, respectively.

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, 2024 and 2023, management is of the opinion that losses, if any, that may arise from these commitments and contingencies will not have a material effect on the Group's consolidated financial statements.

28. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarized in Note 29. The main types of risks are market risk, credit risk, liquidity risk and operational risk.

The Group's risk management is coordinated with the Parent Company's BOD and focuses on actively securing the Group's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate continuous returns.

The Group does not engage in the trading of financial assets for speculative purposes, nor does it write options. The most significant financial risks to which the Group is exposed are described below and on the succeeding pages.

28.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Group's foreign currency denominated trade and other receivables and trade and other payables, which are primarily denominated in USD and Hong Kong Dollar (HKD). The Group also holds USD-denominated and HKD-denominated cash and cash equivalents.

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency-denominated financial assets and financial liabilities, translated into Philippine pesos at the closing rate are as follows:

	2024		2023	
	USD	HKD	USD	HKD
Financial assets	201,109,179	14,464,689	2,409,551	13,774,612
Financial liabilities	-	-	(1,115,666)	-
Short-term exposure	<u>201,109,179</u>	<u>14,464,689</u>	<u>1,293,885</u>	<u>13,774,612</u>

(Amounts in PHP)

The following table illustrates the sensitivity of the Group's profit before tax in 2024, 2023 and 2022 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.

(Amounts in PHP)	2024		2023		2022	
	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	14.19%	28,537,393	16.02%	207,280	15.77%	12,015,704
PHP – HKD	14.14%	2,045,307	17.38%	2,394,028	15.93%	2,221,292
		30,582,700		2,601,308		14,236,996

If the Philippine peso had strengthened against the USD and HKD, with all other variables held constant, the Group's profit before tax would have been lower by P30.6 million, P2.6 million and P14.2 million in 2024, 2023 and 2022, respectively. Conversely, if the Philippine peso had weakened against the USD and HKD by the same percentage, with all variables held constant, profit before tax and equity would have been higher in 2024, 2023 and 2024 by the same amount.

Exposures to foreign exchange rates vary during the period depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis above is considered to be a reasonable estimation of the Group's currency risk.

(b) *Interest Rate Risk*

As of December 31, 2024 and 2023, the Group is exposed to changes in market interest rates through its cash and cash equivalents, short-term placements, loans receivables and interest-bearing loans which are subject to variable interest rates. All other financial assets and financial liabilities have fixed rates or are noninterest-bearing.

The sensitivity of profit or loss before tax are based on a reasonably possible change in interest rates of +/-2.35% in 2024, +/-3.00% in 2023 and +/-6.16% in 2022 for Philippine peso. On the other hand, the Group's exposure to foreign currency interest rates is insignificant. These changes in rates have been determined based on the average market volatility in interest rates, using standard deviation, in the previous 12 months, estimated at 99% level of confidence. The sensitivity analysis is based on the Group's financial instruments held at each reporting date, with the effect estimated from the beginning of the year. All other variables are held constant.

The changes in percentages would affect profit or loss before tax by +/-P76.9 million, +/-P90.9 million and +/-P235.9 million in 2024, 2023 and 2022, respectively.

(c) *Other Price Risk*

The Group's market price risk arises from its investments carried at fair value (i.e., financial assets measured at FVOCI). The Group manages exposure to price risk by monitoring the changes in the market price of the investments and at some extent, diversifying the investment portfolio in accordance with the limit set by management.

28.2 Credit Risk

Credit risk is the risk that the counterparties may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from granting loans and selling goods and services to customers including related parties, placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of real estate sales, advance payments are received to mitigate credit risk.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position and in the detailed analysis provided in the notes to the consolidated financial statements, as summarized below.

<i>(Amounts in PHP)</i>	Notes	2024	2023
Cash and cash equivalents	5.1	3,077,901,933	2,710,806,862
Short-term placements	5.2	200,271,182	153,780,405
Trade and other receivables – net*	6	872,327,570	1,185,046,906
Investment in bonds	7.2	20,000,000	20,000,000
Refundable deposits**	13	41,917,776	36,695,234
Advances to related parties	25.4	6,697,750	2,420,429
Cash bond**	13	15,635,346	15,635,346
		<u>4,234,751,557</u>	<u>4,124,385,182</u>

* *Except for Advances to suppliers and employees*

** *Presented as part of Other Assets*

The Group's management considers that all the above financial assets that are not impaired or past due at the end of each reporting period are of good credit quality.

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents and short-term placements as described on the succeeding pages.

(a) *Cash and Cash Equivalents and Short-term Placements*

The credit risk for cash and cash equivalents and short-term placements in the consolidated statements of financial position is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

Included in the cash and cash equivalents are cash in banks and cash equivalent with maturities of less than three months, and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution. Effective March 15, 2025, the maximum coverage increased to P1.0 million for every depositor per banking institution.

(b) *Trade and Other Receivables*

The Group applies the simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other receivables.

With respect to other receivables from third parties, management assessed that these financial assets have a low probability of default since the Group can apply the related payables to these counterparties in case it defaults.

For loans receivable, the Group is not exposed to significant credit risk to any single counterparty or any group of counterparties having similar characteristics. Based on historical information about borrower default rates, management considers the credit quality of loans receivables that are not past due or impaired in assessing the credit risk. Further, the Group holds collateral against loans and other receivables in the form of personal guaranty, chattel mortgage and other forms of security. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are generally updated annually.

To measure the ECL, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The Group also concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other receivables as it shares the same credit risk characteristics.

The calculation of ECL incorporates forward-looking information. The Group has performed historical analysis and identified the key economic value factors, which includes gross domestic product, inflation and consumer price index, affecting credit risk and ECL for the loan portfolio.

On that basis, the loss allowance as of December 31, 2024 and 2023 was determined based on months past due, for trade and other receivables (except advances to suppliers and employees, interest receivables and cash surrender value of investment in life insurance) are presented on the succeeding page.

<i>(Amounts in PHP)</i>	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, 2024					
Expected loss rate	0.48%	14.29%	13.25%	84.24%	
Gross carrying amount	351,059,382	11,140,373	37,691,080	117,007,645	516,898,480
Loss allowance	1,686,118	1,591,737	4,996,677	98,566,109	106,840,641
December 31, 2023					
Expected loss rate	0.54%	9.99%	20.12%	85.51%	
Gross carrying amount	151,016,795	19,747,672	35,657,441	113,842,170	320,264,078
Loss allowance	820,280	1,971,956	7,174,927	97,347,853	107,315,016

The reconciliation of allowance for impairment on trade and other receivables at the beginning and end of 2024 and 2023 is presented in Note 6.7.

(c) *Advances to Related Parties*

For intercompany receivables that are repayable on demand, the ECL is based on the assumption that repayment of the receivables is demanded at the reporting date. The management determines the probability of collection upon demand. If a related party is unable to make repayment, the management considers the manner of recovery (i.e., sustained operations, availability of liquid and illiquid asset, etc.) to measure the ECL.

(d) *Refundable and Other Deposits*

With respect to refundable and other deposits, management assessed that these financial assets have a low probability of default since these relate to reputable power and water distribution companies (i.e., with high quality external credit rating). Moreover, the Group has operating lease contracts as lessee with the counterparty lessors, wherein the Group can refund by the end of the term or can apply to future lease payments in case of defaults.

(e) *Investment in Bonds*

Investment in bonds measured at amortized cost are considered to have low credit risk, and therefore, the loss allowance during the period is determined to be equivalent to 12 months ECL. Management considers “low credit risk” for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default, and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

No impairment loss on investment in bonds has been recognized in 2024 and 2023 since the bonds are in good credit standing as of December 31, 2024 and 2023.

(f) *Cash Bond*

With respect to cash bond, management assessed that this financial asset has low probability of default since this relates to refundable deposits made by the Group for its application for conversion of land.

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, 2024 and 2023, the Group's financial liabilities [except for lease liabilities (see Note 10.2)] have contractual maturities, which are presented below.

	Current		Non-current
	Within 6 months	6 to 12 Months	1 to 5 Years and More
<i>(Amounts in PHP)</i>			
2024			
Trade and other payables	534,490,746	-	-
Refundable deposits	-	-	21,645,519
Interest-bearing loans	29,175,611	29,335,917	1,204,997,356
	563,666,357	29,335,917	1,226,642,875
2023			
Trade and other payables	495,806,810	-	-
Refundable deposits	-	-	192,693,811
Interest-bearing loans	-	-	157,500,000
	495,806,810	-	350,193,811

The contractual maturities reflect the gross cash flows, which may differ with the carrying values of the financial liabilities at the end of the reporting period.

28.4 Operational Risk

The Group's exposure to significant operational risk relates to SMFI's secondary license to operate as a financing company under R.A. No. 8556 (see Note 1.2). Also, SMFI is under the regulation of the Commission. Management is aware that the Group will always have operational risk but seeks to minimize the probability and impact of such in its operations and consolidated financial statements.

The Group manages this risk through applicable controls, process and procedures, including effective organization structure. Internal controls ensure compliance with laws and regulations, including R.A. No. 8556 and SEC regulations, and the overall protection of SMFI's resources.

SMFI, as a financing company, is subject to, but not limited to, the following regulatory requirements under the implementing rules and regulations of the provisions of R.A. No. 8556:

- (a) Total investment in real estate and in shares of stock in a real estate development corporation shall not exceed 25% of its net worth;
- (b) More than 50% of the funds are invested in financing company activities;
- (c) Total credit extended to its directors, officers, and stockholders shall not exceed 15% of its net worth; and,
- (d) Total credit extended to any person, company, corporation or firm shall not exceed 30% of its net worth.

As of December 31, 2024 and 2023, the Group is compliant with the foregoing requirements.

29. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

29.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

(Amounts in PHP)	Notes	2024		2023	
		Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial assets					
At amortized cost:					
Cash and cash equivalents	5.1	3,077,901,933	3,077,901,933	2,710,806,862	2,710,806,862
Short-term placements	5.2	200,271,182	200,271,182	153,780,405	153,780,405
Trade and other receivables – net	6	872,327,570	872,327,570	1,185,046,906	1,185,046,906
Investment in bonds	7.2	20,000,000	18,521,880	20,000,000	18,198,220
Refundable deposits	13	41,917,776	41,917,776	36,695,234	36,695,234
Advances to related parties	25.4	6,697,750	6,697,750	2,420,429	2,420,429
Cash bond	13	15,635,346	15,635,346	15,635,346	15,635,346
		<u>4,234,751,557</u>	<u>4,233,273,437</u>	<u>4,124,385,182</u>	<u>4,122,583,402</u>
Financial assets at FVOCI	7.1	<u>74,200,000</u>	<u>74,200,000</u>	<u>55,400,000</u>	<u>55,400,000</u>
		<u>4,308,951,557</u>	<u>4,307,473,437</u>	<u>4,179,785,182</u>	<u>4,177,983,402</u>
Financial Liabilities					
At amortized cost					
Interest-bearing loans	14	875,000,000	819,499,388	105,000,000	94,891,203
Trade and other payables	15	534,490,746	534,490,746	495,806,810	495,806,810
Refundable deposits	16	21,645,519	21,645,519	192,693,811	192,693,811
Lease liabilities	10.2	3,907,873	3,907,873	5,120,889	5,120,889
		<u>1,435,044,138</u>	<u>1,379,543,526</u>	<u>798,621,510</u>	<u>788,512,713</u>

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, 2024 and 2023 and it does not have relevant offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) may have the option to settle all such amounts on a net basis in the event of default of the other party through approval by the respective BODs and stockholders of both parties.

The financial assets presented as part of Advances to Related Parties can be offset by the amount of outstanding Advances from Related Parties, if any, in the consolidated statements of financial position (see Note 25.4).

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements above, certain agreements between the Group and counterparties allows for net settlement of the relevant financial assets and financial liabilities when both parties elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

30. FAIR VALUE MEASUREMENTS AND DISCLOSURES

30.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities, and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS Accounting Standards, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the financial asset or financial liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the financial asset or financial liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or financial liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

30.2 Financial Instruments Measured at Fair Value

The Group's financial assets at FVOCI include proprietary golf club shares which are categorized within Level 2 as their prices are not derived from market considered due to lack of trading activities among market participants at the end or close to the end of the reporting period. As of December 31, 2024 and 2023, the Group's financial assets at FVOCI measured at fair value amounted to P74.2 million and P55.4 million, respectively (see Note 7.1).

The Group has no financial liabilities measured at fair value as of December 31, 2024 and 2023. Also, there were neither transfers between Levels 1 and 3 nor changes in the carrying amount of Level 2 instruments in both years.

30.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The tables on 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.

<i>(Amounts in PHP)</i>	Notes	Level 1	Level 3	Total
2024				
Financial Assets				
<i>At amortized cost:</i>				
Cash and cash equivalents	5.1	3,077,901,933	-	3,077,901,933
Short-term placements	5.2	200,271,182	-	200,271,182
Trade and other receivables – net	6	-	872,327,570	872,327,570
Investment in bonds	7.2	18,521,880	-	18,521,880
Refundable deposits	13	-	41,917,776	41,917,776
Advances to related parties	25.4	-	6,697,750	6,697,750
Cash bond	13	-	15,635,346	15,635,346
		3,296,694,995	936,578,442	4,233,273,437
Financial Liabilities				
<i>At amortized cost:</i>				
Interest-bearing loans	14	-	819,499,388	819,499,388
Trade and other payables	15	-	534,490,746	534,490,746
Refundable deposits	16	-	21,645,519	21,645,519
Lease liabilities	10.2	-	3,907,873	3,907,873
		-	1,379,543,526	1,379,543,526
2023				
Financial Assets				
<i>At amortized cost:</i>				
Cash and cash equivalents	5.1	2,710,806,862	-	2,710,806,862
Short-term placements	5.2	153,780,405	-	153,780,405
Trade and other receivables – net	6	-	1,185,046,906	1,185,046,906
Investment in bonds	7.2	18,198,220	-	18,198,220
Refundable deposits	13	-	36,695,234	36,695,234
Advances to related parties	25.4	-	2,420,429	2,420,429
Cash bond	13	-	15,635,346	15,635,346
		2,882,785,487	1,239,797,915	4,122,583,402
Financial Liabilities				
<i>At amortized cost:</i>				
Interest-bearing loans	14	-	94,891,203	94,891,203
Trade and other payables	15	-	495,806,810	495,806,810
Refundable deposits	16	-	192,693,811	192,693,811
Lease liabilities	10.2	-	5,120,889	5,120,889
		-	788,512,713	788,512,713

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short duration.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability based on the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data. Further, management considers that the carrying amounts of these financial instruments approximate their fair values as the effect of discounting is insignificant.

30.4 Fair Value Measurements of Non-financial Assets

The fair value of the Group's investment properties is determined on the basis of the appraisals performed by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraisers in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's non-financial assets indicated above is their current use.

The fair value of these non-financial assets was determined based on the following approaches (see Note 12):

(a) Fair Value Measurement for Land and Improvements

The Level 2 fair value of land and improvements amounted to P5,602.0 million and P5,120.6 million as of December 31, 2024 and 2023, respectively, and was derived through appraisals by independent valuation specialists using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property.

(b) Fair Value Measurement for Building and Building Improvements

The Level 3 fair value of the buildings and improvements amounted to P2,253.5 million and P769.7 million as of December 31, 2024 and 2023, respectively, and was derived through appraisals by independent valuation specialists using cost approach that reflects the current replacement cost in accordance with the prevailing market prices for materials, equipment, labor, contractor's overhead, profit, fees and all other construction costs of the properties. As the value of the properties is not readily observable as to the current market information, the independent appraiser adjusted the valuation based on the useful life and depreciation over time, accounting for wear and tear.

(c) Fair Value Measurement for Construction in Progress

The Level 3 fair value of the construction in progress amounted to P86.2 million and P1,076.9 million as of December 31, 2024 and 2023, respectively. These fair values were determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees.

These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

The discount rates and terminal capitalization rates were determined with reference to published risk free rates and risk premium rates at the date of valuation.

There has been no change to the valuation techniques used by the Group during the year for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2024 and 2023.

31. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and total liabilities, excluding amounts advances from related parties. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. The Group's goal in capital management is to maintain a debt-to-equity structure ratio of not higher than 1:1 on a monthly basis.

The computation of the Group's debt-to-equity ratio is presented below.

<i>(Amounts in PHP)</i>	2024	2023
Total liabilities	2,734,246,816	1,959,928,487
Total equity	12,766,679,185	12,353,434,365
	0.21 : 1.00	0.16 : 1.00

As of December 31, 2024 and 2023, the Group is not subject to any externally imposed capital requirements, except for SMFI. Under Section 6 of R.A. No. 8556, SMFI is subject to an externally imposed capital requirement of a minimum of P10.0 million paid-up capital. SMFI is in compliance with the minimum paid-up capital requirement as of December 31, 2024 and 2023.



P&A
Grant Thornton

**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, Philippines

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Solid Group, Inc. and Subsidiaries (the Group) for the year ended December 31, 2024, on which we have rendered our report dated April 8, 2025. 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 Accounting Standards (PFRS Accounting Standards), as modified by the financial reporting reliefs issued and approved by the Securities and Exchange Commission. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 10465913, January 2, 2025, Makati City
BIR AN 08-002511-037-2022 (until October 13, 2025)
BOA/PRC Cert. of Reg. No. 0002/P-010 (until August 12, 2027)

April 8, 2025

SOLID GROUP INC. AND SUBSIDIARIES
List of Supplementary Information
December 31, 2024

Schedule	Content	Page No.
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	5
F	Indebtedness to Related Parties (Long-term Loans from Related Companies)	6
G	Guarantees of Securities of Other Issuers	N/A
H	Capital Stock	7
Other Required Information		
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Solid Group Inc. and Subsidiaries
Schedule A - Financial Assets
December 31, 2024

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 24,000,000	P 24,000,000	P -
Sta. Elena Golf Club	1	24,000,000	24,000,000	-
Alabang Country Club	2	15,000,000	15,000,000	-
Tagaytay Midlands Golf Club	4	<u>11,200,000</u>	<u>11,200,000</u>	<u>-</u>
		<u>P 74,200,000</u>	<u>P 74,200,000</u>	<u>P -</u>

Solid Group Inc. and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees and Principal Stockholders (Other than Related Parties)
December 31, 2024

<i>Name and Designation of debtor</i>	<i>Balance at beginning of period</i>	<i>Additions</i>	<i>Deductions</i>		<i>Ending Balance</i>		<i>Balance at end of period</i>
			<i>Amounts collected</i>	<i>Amounts assigned or set - off</i>	<i>Current</i>	<i>Non-current</i>	

NOT APPLICABLE

Solid Group Inc. and Subsidiaries
Schedule C - Amounts Receivable/Payable from/to Related Parties which are Eliminated During the Consolidation of Financial Statements
December 31, 2024

			Deductions		Ending Balance		
Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written-off	Current	Non-current	Balance at End of Period
Trade Receivables:							
My Solid Devices & Technologies Corporation	P 435,488	P -	P 136,224	P -	P 299,264	P -	P 299,264
Kita Corporation	13,600,000	-	11,160,714	-	2,439,286	-	2,439,286
Casa Bocobo Hotel		2,400			2,400	-	2,400
Green Sun Hotel Management Inc.	1,453,134	-	1,386,108	-	67,026	-	67,026
Omni Solid Services Inc.	630,883	-	630,883	-	-	-	-
SolidService Electronics Corporation	478,163	-	362,140	-	116,023	-	116,023
Solid Group Inc.	-	27,450	-	-	27,450	-	27,450
Solid Manila Corporation	-	1,693,462	-	-	1,693,462	-	1,693,462
Zen Towers Corporation	-	8,352	-	-	8,352	-	8,352
	<u>P 16,597,668</u>	<u>P 1,731,664</u>	<u>P 13,676,069</u>	<u>P -</u>	<u>P 4,653,263</u>	<u>P -</u>	<u>P 4,653,263</u>
Advances to and From							
Kita Corporation	<u>P 7,000,000</u>	<u>P -</u>	<u>P 7,000,000</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>
	<u>P 7,000,000</u>	<u>P -</u>	<u>P 7,000,000</u>	<u>P -</u>	<u>P -</u>	<u>P -</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, 2024

			Deductions		Ending Balance			
Name and Designation of Creditor	Balance at Beginning of Period		Additions	Amounts Collected	Amounts Written-off	Current	Non-current	Balance at End of Period
Trade payables:								
My Solid Devices & Technologies Corporation	P	-	P	16,962	P	-	P	16,962
Omni Solid Services Inc.		415,516		-		173,021		-
SolidService Electronics Corporation		12,780		1,677,232		-		-
Solid Manila Finance Inc.		1,066,139		-		1,066,139		-
Solid Manila Corporation		1,503,233		-		1,238,725		-
Solid Group Inc.		13,600,000		-		11,160,714		-
	P	16,597,668	P	1,694,194	P	13,638,599	P	-
							P	4,653,263

Solid Group Inc. and Subsidiaries
Schedule D - Intangible Assets - Other Assets
December 31, 2024

			Deduction			
Description	Beginning Balance	Additions at Cost	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance
Intangible assets						
Cost:						
Licenses and softwares	P 31,387,790	P 162,233	P -	P -	P -	P 31,550,023
Non-proprietary club shares	2,222,126	-	-	-	-	2,222,126
	<u>P 33,609,916</u>	<u>P 162,233</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 33,772,149</u>
Accumulated Amortization and Impairment Losses:						
Licenses and softwares	(P 18,388,365)	P -	(P 72,427)	P -	P -	(P 18,460,792)
Non-proprietary club shares	(2,122,126)	-	-	-	-	(2,122,126)
	<u>(P 20,510,491)</u>	<u>P -</u>	<u>(P 72,427)</u>	<u>P -</u>	<u>P -</u>	<u>(P 20,582,918)</u>
Net Book Value:	<u>P 13,099,425</u>	<u>P 162,233</u>	<u>(P 72,427)</u>	<u>P -</u>	<u>P -</u>	<u>P 13,189,231</u>

Solid Group Inc. and Subsidiaries
Schedule E - Long-Term Debt
December 31, 2024

<i>Title of issue and type of obligation</i>	<i>Amount shown under caption "Current portion of interest-bearing loans" in related balance sheet</i>	<i>Amount shown under caption "Interest-bearing loans" in related balance sheet</i>
Construction loans	P -	P 875,000,000

Supplementary information on Long-term Debt —

The Group entered into a loan agreement with local bank to partially finance the construction of an investment property.

Solid Group Inc. and Subsidiaries
Schedule F - Indebtedness to Related Parties
December 31, 2024

<i>Name and designation of debtor</i>	<i>Balance at beginning of period</i>	<i>Balance at end of period</i>
<i>Related party under common ownership</i>		
Precos, Inc.	P -	P 10,000,000

Solid Group Inc. and Subsidiaries
Schedule G - Guarantees of Securities of Other Issuers
December 31, 2024

<i>Name of issuing entity of securities guaranteed by the company for which this statement is filed</i>	<i>Title of issue of each class of securities guaranteed</i>	<i>Total amount guaranteed an outstanding</i>	<i>Amount owned by person for which statement is filed</i>	<i>Nature of guarantee</i>
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NOT APPLICABLE

Solid Group Inc. and Subsidiaries
Schedule H - Capital Stock
December 31, 2024

				<i>Number of shares held by</i>		
<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>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	269,376,480	468,787,704

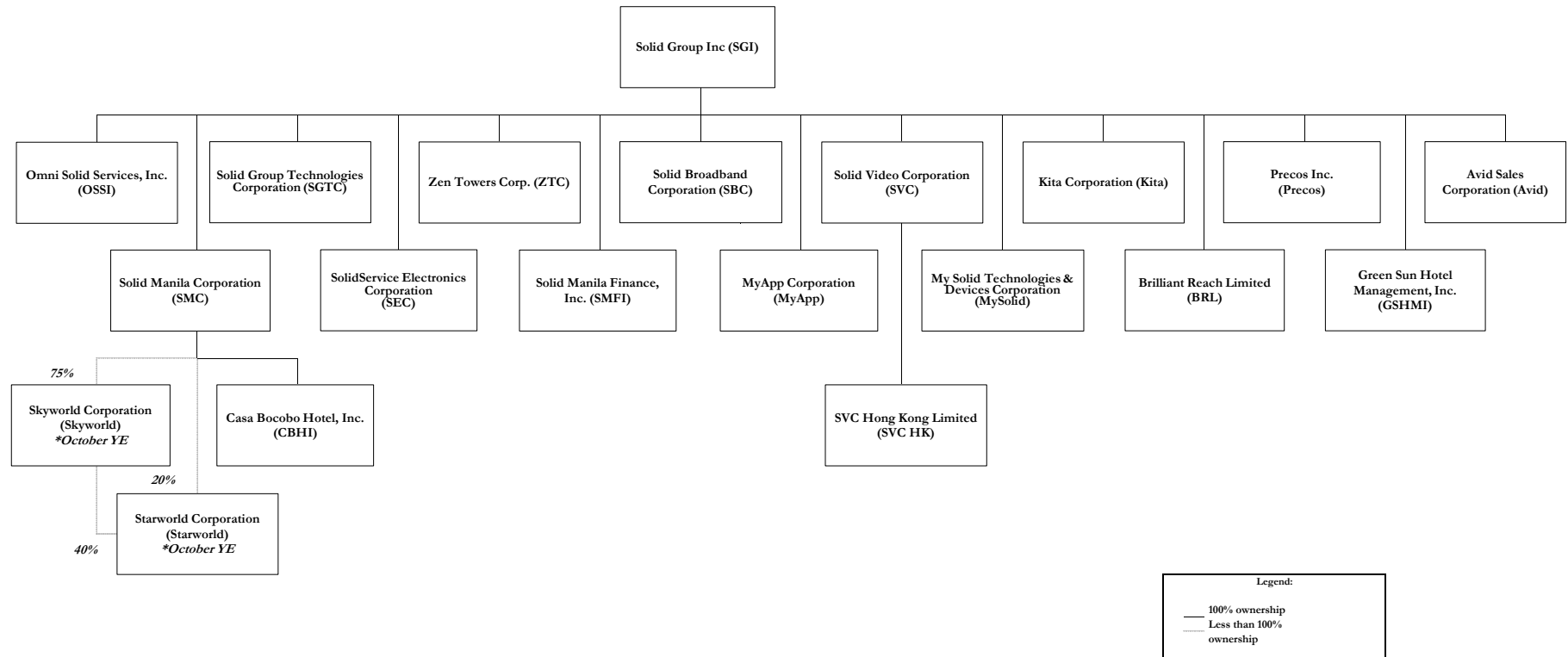
A: Number of shares issued and outstanding = 2,030,975,000 issued shares less 209,433,000 treasury shares

B: This represents shares held by AA Commercial and AV Value Holdings Corp., related parties which are ultimately owned by the Lim Family.

SOLID GROUP, INC.
2285 Don Chino Roces Avenue, Makati City
Reconciliation of Retained Earnings Available for Dividend Declaration
December 31, 2024

Unappropriated Retained Earnings at Beginning of Year		P	1,301,568,773
Add: <u>Category A:</u> Items that are directly credited to Unappropriated Retained Earnings			
Reversal of Retained Earning Appropriation/s	-		
Effect of restatements or prior-period adjustments	-		
Others	-		
	<hr/>		<hr/>
Less: <u>Category B:</u> Items that are directly debited to Unappropriated Retained Earnings			
Dividend declaration during the reporting period	(182,154,200)		
Retained Earnings appropriated during the reporting period	-		
Effect of restatements or prior-period adjustments	-		
Others	-		
	<hr/>	(<hr/> 182,154,200)
Unappropriated Retained Earnings at Beginning of Year, as adjusted			1,119,414,573
Add/Less: Net Income (Loss) for the Current Year			593,272,532
Less: <u>Category C.1:</u> Unrealized income recognized in the profit or loss during the reporting period (net of tax)			
Equity in net income of associate/joint venture, net of dividends declared	-		
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	-		
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-		
Unrealized fair value gain of investment property	-		
Other unrealized gains or adjustments to the retained earnings as result of certain transactions accounted for under the PFRS Accounting Standards	-		
Sub-total	<hr/>		<hr/>
Add: <u>Category C.2:</u> Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)			
Realized foreign exchange gain, except those attributable to cash and cash equivalents	-		
Realized fair value adjustment (mark-to-market gains) of financial instruments at FVTPL	-		
Realized fair value gain of investment property	-		
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS Accounting Standards	-		
Sub-total	<hr/>		<hr/>
Add: <u>Category C.3:</u> Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)			
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	-		
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instrument at FVTPL	-		
Reversal of previously recorded fair value gain of investment property	-		
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded	-		
Sub-total	<hr/>		<hr/>
Adjusted Net Income/Loss			1,712,687,105
Add: <u>Category D:</u> Non-actual lossess recognized in profit or loss during the reporting period (net of tax)			
Depreciation on revaluation increment (after tax)	-		
Sub-total	<hr/>		<hr/>
Add/ Less: <u>Category E:</u> Adjustments related to relief granted by the SEC and BSP			
Amortization of the effect of reporting relief	-		
Total amount of reporting relief granted during the year	-		
Others	-		
Sub-total	<hr/>		<hr/>
Add/ Less: <u>Category F:</u> Other items that should be excluded from the determination of the amount of available for dividends distribution			
Net movement of treasury shares (except for reacquisition of redeemable shares)	-		
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	-		
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right-of-use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	-		
Adjustment due to deviation from PFRS Accounting Standards - gain (loss)	-		
Others	-		
Sub-total	<hr/>		<hr/>
Unappropriated Retained Earnings Available for Dividend Distribution at End of Year		P	1,712,687,105

Solid Group Inc. and Subsidiaries
Map Showing the Relationships Between and Among the Company and its Related Parties



SOLID GROUP INC. AND SUBSIDIARIES
Supplemental Schedule of Financial Soundness Indicators
December 31, 2024 and 2023

Ratio	Formula	2024	Formula	2023
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets P 5,066,355,417 Divide by: Total Current Liabilities 680,352,166 Current ratio 7.45	7.45	Total Current Assets divided by Total Current Liabilities Total Current Assets P 4,365,280,991 Divide by: Total Current Liabilities 610,977,555 Current ratio 7.14	7.14
Acid test ratio	Quick Assets (Cash and cash equivalents + Short-term placements + Trade and other receivables - net) divided by Total Current Liabilities Cash and cash equivalent P 3,077,901,933 Short-term placements 200,271,182 Trade and other receivables - 435,752,121 Quick Assets 3,713,925,236 Divide by: Total Current Liabilities 680,352,166 Acid test ratio 5.46	5.46	Quick Assets (Cash and cash equivalents + Short-term placements + Trade and other receivables - net) divided by Total Current Liabilities Cash and cash equivalent P 2,710,806,862 Short-term placements 153,780,405 Trade and other receivables - 251,417,991 Quick Assets 3,116,005,258 Divide by: Total Current Liabilities 610,977,555 Acid test ratio 5.10	5.10
Solvency ratio	Total Liabilities divided by Total Assets Total Liabilities P 2,734,246,816 Divide by: Total Assets 15,500,926,001 Solvency ratio 0.18	0.18	Total Liabilities divided by Total Assets Total Liabilities P 1,959,928,487 Divide by: Total Assets 14,313,362,852 Solvency ratio 0.14	0.14
Debt-to-equity ratio	Total Liabilities (excluding Advances from related parties) divided by Total Equity Total Liabilities (excluding Advances from related parties) P 2,734,246,816 Divide by: Total Equity 12,766,679,185 Debt-to-equity ratio 0.21	0.21	Total Liabilities (excluding Advances from related parties) divided by Total Equity Total Liabilities (excluding Advances from related parties) P 1,959,928,487 Divide by: Total Equity 12,353,434,365 Debt-to-equity ratio 0.16	0.16
Gearing ratio	Financial Debt divided by Total Equity Financial Debt P 875,000,000 Divided by: Total Equity 12,766,679,185 Gearing ratio 0.07	0.07	Financial Debt divided by Total Equity Financial Debt P 105,000,000 Divided by: Total Equity 12,353,434,365 Gearing ratio 0.01	0.01
Assets-to-equity ratio	Total Assets divided by Total Equity Total Assets P 15,500,926,001 Divide by: Total Equity 12,766,679,185 Assets-to-equity ratio 1.21	1.21	Total Assets divided by Total Equity Total Assets P 14,313,362,852 Divide by: Total Equity 12,353,434,365 Assets-to-equity ratio 1.16	1.16
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Interest expense EBIT P 858,089,810 Divide by: Interest expense 8,599,872 Interest rate coverage ratio 99.78	99.78	Earnings before interest and taxes (EBIT) divided by Interest expense EBIT P 731,870,928 Divide by: Interest expense 525,447 Interest rate coverage ratio 1,392.85	1392.85

SOLID GROUP INC. AND SUBSIDIARIES
Supplemental Schedule of Financial Soundness Indicators
December 31, 2024 and 2023

Ratio	Formula	2024	Formula	2023
Operating margin	Operating Profit divided by Total Revenue	0.22	Operating Profit divided by Total Revenue	0.23
	Operating Profit P 637,915,528		Operating Profit P 576,346,188	
	Divide by: Total Revenue 2,861,025,639		Divide by: Total Revenue 2,466,825,577	
	Operating margin 0.22		Operating margin 0.23	
Net profit margin	Net Profit divided by Total Revenue	0.21	Net Profit divided by Total Revenue	0.22
	Net Profit P 602,801,409		Net Profit P 531,765,132	
	Divide by: Total Revenue 2,861,025,639		Divide by: Total Revenue 2,466,825,577	
	Net profit margin 0.21		Net profit margin 0.22	
Return on assets	Net Profit divided by Total Assets	0.04	Net Profit divided by Total Assets	0.04
	Net Profit P 602,801,409		Net Profit P 531,765,132	
	Divide by: Total Assets 15,500,926,001		Divide by: Total Assets 14,313,362,852	
	Return on assets 0.04		Return on assets 0.04	
Return on equity	Net Profit divided by Total Equity	0.05	Net Profit divided by Total Equity	0.04
	Net Profit P 602,801,409		Net Profit P 531,765,132	
	Divide by: Total Equity 12,766,679,185		Divide by: Total Equity 12,353,434,365	
	Return on equity 0.05		Return on equity 0.04	

SOLID GROUP, INC. AND SUBSIDIARIES
Supplementary Schedule of External Auditor Fee-Related Information
For the Years Ended December 31, 2024 and 2023
(Amounts in Thousand Philippine Pesos)

	<u>2024</u>	<u>2023</u>
Audit and Non-audit Fees of the Parent Company		
Audit Fees	P 1,240,000	P 1,160,000
Non-audit service fees:		
Other assurance service	-	-
Tax service	240,000	240,000
All other services	<u>-</u>	<u>-</u>
Total Non-audit Fees	<u>240,000</u>	<u>240,000</u>
Total Audit and Non-audit Fees of the Parent Company	<u>1,480,000</u>	<u>1,400,000</u>
Audit and Non-audit fees of other related entities		
Audit fees	5,538,000	5,295,000
Non-audit services fees:		
Other assurance services	-	-
Tax services	-	-
All other services	<u>-</u>	<u>-</u>
Total Audit and Non-audit Fees of other related entities	<u>5,538,000</u>	<u>5,295,000</u>
Total Audit and Non-audit Fees of the Group	<u>P 7,018,000</u>	<u>P 6,695,000</u>

SUSTAINABILITY REPORT OF SOLID GROUP INC. AND SUBSIDIARIES

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 included in this report*	Solid Group Inc. (parent company) and Subsidiaries
Business Model, including Primary Activities, Brands, Products, and Services	<p>Solid Group Inc. (SGI) is a publicly listed holding company composed of various subsidiaries and joint venture companies operating under the following segments:</p> <ul style="list-style-type: none"> ➤ Property & Related Services (property development and leasing, condominium sales, hotel operations) ➤ Distribution/Retail (mobile devices under the MyPhone brand, modular housing, professional equipment and consumer electronics retail) ➤ Logistics & Technical Support (electronics servicing, logistics) ➤ Investments & Others (investment, financing)
Reporting Period	December 31, 2024
Highest Ranking Person responsible for this report	Christopher James L. Tan SVP & 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>The Company outlined its disclosures about environmental, social and governance (ESG) impacts specific to the topics deemed material to the Company. It defined its performance goals and metrics that were of primary importance and critical to management and stakeholders with significant repercussions and contributions to its operations and activities towards a sustainable future.</p> <p>Guided by our sustainability framework and code of conduct, aligned with the ESG global practices and in concurrence with GRI standards, the content of this report applies to the principle of materiality conducted based on collected data from the parent company and its subsidiaries with focus on issues that substantively influence the decisions of stakeholders strategic to its businesses, promotes</p>

¹ See [GRI 102-46](#) (2016) for more guidance.

sustainable business practices, manages impacts and minimizes risks as it fulfills its corporate goals strengthened by its commitment to the environment and the community.

We determined our material sustainability issues based on SASB Materiality Map and its impact to the Company.

- Leadership and Governance – We conduct our businesses in an ethical and responsible manner
- Economic, Environment & Social Capital – We manage our key impacts
- Corporate Values – Non-financial risks that will substantively create value, growth and sustainable future deeply ingrained in our operations, guiding our people’s decisions

These are the Company’s focus on having a strong foundation of leadership and good governance across all areas of operations while giving importance to strengthening relationships with its people and the community.

In addition, the report describes how the Company supports the United Nations Sustainable Development Goals (UNSDGs).

Note: The term “Company” as used in this report refers collectively to SGI and its subsidiaries.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	2,861,025,639	PhP
Direct economic value distributed:		
a. Operating costs	1,932,161,804	PhP
b. Employee wages and benefits	321,195,460	PhP
c. Payments to suppliers, other operating costs	1,237,344,393	PhP
d. Dividends given to stockholders and interest payments to loan providers	182,154,200	PhP
e. Taxes given to government	235,073,609	PhP
f. Investments to community (e.g., donations, CSR)	886,525	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</p>	<p><i>(e.g., employees, community, suppliers, government, vulnerable groups)</i></p> <p>Government (and its agencies), owners</p>	<p>The Philippine economy showcased remarkable resilience in 2024, achieving a full-year GDP growth of 5.6%. This positive performance underscores the country's ability to maintain steady growth despite various economic hurdles, such as extreme weather events, geopolitical</p>

<p>venture companies with operations in the following business interests:</p> <p>Property & Related Services (real estate, property development, sales and leasing, condominium sales and hotel and events operations);</p> <p>Distribution/Retail of professional equipment, modular housing and home appliances and electronic products and devices;</p> <p>Logistics and Technical Solutions (support services, electronics servicing, logistics and sale of professional equipment); and,</p> <p>Investment & Others (investments and financing).</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>(shareholders), suppliers, contractors, customers, directors, employees, and the local community</p>	<p>tensions, and subdued global demand. Key sectors, including services, manufacturing, and domestic consumption, have played a pivotal role in driving this growth.</p> <p>This robust economic outcome positions the Philippines favorably for 2025, enhancing investor confidence, creating additional job opportunities, and stimulating consumer spending. It also signals the ongoing recovery of the economy and highlights the potential for sustained economic expansion in the year ahead.</p> <p>Amidst favorable economic conditions, the Company has effectively realized a commendable 16% growth in consolidated revenues, reaching P2,861 million in 2024, up from P2,467 million in 2023 (P1,634 million in 2022). Net profit for the year also saw a rise, totaling P602 million, compared to P531 million in 2023 (P429 million in 2022).</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>Key economic risk factors impacting the Company's operations include increasingly competitive market conditions, shifting market dynamics, escalating costs, rising interest rates, volatility in foreign exchange rates, recessionary trends, inflation, changes in tax policies, and fluctuations in supply and demand. These elements collectively pose challenges to the stability and performance of the</p>	<p>Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers, and the local community</p>	<p>The Company adopts a proactive approach to risk management by identifying potential risks in advance, conducting comprehensive analyses, and implementing appropriate precautionary measures to mitigate or eliminate their impact. Risk mitigation strategies are subject to continuous review and enhancement to strengthen the Company's resilience against critical risk factors, including economic, political, technological, and societal influences.</p> <p>Significant risks and threats are systematically addressed through the corporate planning process, which</p>

business environment in which the Company operates.		<p>establishes strategic directives and corresponding action plans. These are closely monitored and managed through regular audits and periodic management reviews of the operational and financial performance of the Company and its subsidiaries.</p> <p>In its commitment to maintaining technological relevance, the Company closely monitors advancements and innovations to ensure alignment with emerging industry standards and practices. Material issues, potential impacts, and recommended courses of action arising from management reviews are submitted to the Board of Directors for deliberation and resolution.</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>There is a sustained demand for property leasing, driven by evolving business needs, urban development, and commercial expansion. In parallel, the Company actively explores new ventures and emerging market opportunities as part of its strategic growth initiatives. These efforts are aimed at enhancing long-term value creation for stakeholders through diversified revenue streams, optimized asset utilization, and strategic partnerships.</p>	<p>Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers, and the community</p>	<p>The Company's approach is consistent and clear focusing on the most innovative measures in areas of economic growth, health, human resources management, work organization, social and environmental responsibility, and crisis management.</p> <p>The Company set forth visions in the midst of economic recovery to attain balanced revenue and profitability growth that consistently deliver total stakeholder returns with the right strategy and plans in place.</p>

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			
The Company has embedded climate-related risks and opportunities into its broader governance framework, with a strong emphasis on board-level engagement and accountability. This framework includes comprehensive processes for risk identification, assessment, management, monitoring, and response. The Board of Directors is responsible for overseeing the development and maintenance of a robust risk culture and internal control environment	<p>a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term</p> <p>The Company has identified both risks and opportunities related to climate change across the short, medium, and long term. Regulatory changes and market shifts present transition risks in the near term, while increasing physical risks—such as extreme weather, water scarcity, and soil degradation—</p>	<p>a) Describe the organization's processes for identifying and assessing climate-related risks</p> <p>The Company recognizes that climate change poses complex, sector-specific challenges with significant business implications. While accurate financial disclosure remains essential, understanding the governance and risk context behind results is increasingly critical. The</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 indicators are integral to the Company's management of climate-related risks and opportunities across its financial, operational, and community activities. Where relevant data is available, we selectively apply metrics to assess risks related to water, energy, and waste management, leveraging information provided by our subsidiaries and stakeholders.</p>

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>throughout the Company. As part of its mandate, the Board oversees all key risks—including those related to climate change and stakeholder impacts—through its delegated committees. The Risk Management Committee is specifically tasked with overseeing the Company’s approach to risk management, including both transition and physical risks associated with climate change. Meanwhile, the Corporate Governance and Nominations Committee provides strategic oversight on the Company’s climate-related commitments, targets, and performance metrics. The Board and its committees regularly review and evaluate major business initiatives, policies, and action plans to ensure that climate-related risks are effectively addressed and that opportunities are</p>	<p>are expected to impact operations over time. At the same time, growing demand for low-emission and climate-resilient solutions presents opportunities for innovation and business growth. The Company is actively assessing these factors to manage risks and position itself for long-term value in a low-carbon economy.</p>	<p>Company plays a key role in managing climate-related risks and opportunities, and failure to respond effectively could lead to financial and operational setbacks. By integrating climate considerations into strategy and decision-making, the Company aims to safeguard long-term value and maintain resilience in an evolving business landscape.</p>	
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strategically pursued.			
<p>b) Describe management's role in assessing and managing climate-related risks and opportunities</p> <p>Management will assign climate-related responsibilities to appropriate management-level positions or committees, which will report directly to the Board or its relevant committee. These responsibilities include the assessment and management of climate-related issues</p> <p>.</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>The Company incorporates climate change into its strategic planning and analysis by leveraging existing processes, allowing them to evolve and mature over time. It integrates short, medium, and long-term climate considerations into its business model, addressing both direct impacts on operations and indirect impacts related to customers.</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 has not yet set specific targets to manage climate-related risks and opportunities or to track performance against these targets, but intends to implement them in the future.</p>
	<p>c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C</p>	<p>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's</p>	

	<p>or lower scenario</p> <p>The Company's resilience strategy prioritizes sustainable operations but has yet to integrate climate-related scenarios, such as a 2°C or lower scenario</p>	<p>overall risk management</p> <p>The Company's risk management approach, which includes identifying, analyzing, and taking proactive measures to mitigate climate-related risks, is outlined in the Company's charter and is a key component of its overall risk management strategy.</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	-	%

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>Electronic products were sourced from known brands. Purchases from local suppliers were prioritized to support the economy. Imported purchases were made</p>	<p>Employees, suppliers, customers and government regulatory bodies</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>mainly when supplies are not available in the country.</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 products sold by the Company are sourced directly from international manufacturers, which allows the Company to offer more competitive pricing while still providing good value to consumers.</p>		<p>While the Company has no written policy on procurement, it gives precedence to the procurement of locally available goods and services from suppliers that offer the best value, ensuring competitive and reasonable pricing. This includes essential items such as office supplies, furniture, fixtures and equipment, construction materials, and transportation assets used to support its servicing and distribution operations.</p> <p>The Company sources goods and services from international suppliers when local procurement is not feasible due to factors such as availability, specialized requirements, or cost considerations. In such cases, the Company seeks to ensure that the international suppliers meet its standards for quality, competitive pricing, and timely delivery, while minimizing any potential logistical or operational challenges.</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 procurement of low-quality products and reliance on single-source suppliers increases the risk of corruption, resource scarcity, regulatory challenges, and harm to the Company's reputation.</p>	<p>Employees, suppliers, government</p>	<p>To mitigate risks associated with low-quality products and single-source procurement, the Company focuses on diversifying its supplier base, conduct thorough due diligence, and implement stringent quality control measures. Additionally, fostering strong supplier relationships, ensuring regulatory compliance, and managing reputation proactively help minimize risks such as corruption, resource scarcity, and reputational damage.</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 can enhance supply chain resilience, reduce costs, and</p>	<p>Employees and suppliers/vendors</p>	<p>The Company implements a procurement process based on best practices, generating value for the organization, consumers, and the government alike. This approach fosters efficiency,</p>

gain a competitive advantage through diversified sourcing and stronger supplier relationships. Additionally, improved regulatory compliance, brand reputation, and ethical practices can lead to market expansion, increased customer loyalty, and long-term sustainable growth.		regulatory adherence, and contributes to sustainable economic development.
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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	0	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	0	%
Percentage of directors and management that have received anti-corruption training	0	%
Percentage of employees that have received anti-corruption training	0	%

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 distorts competition, contributes to inequality, and undermines both public accountability and political responsiveness. This creates an environment of growing frustration and hardship within and outside the organization, making it more likely that oppressive and unethical tactics may be tolerated or even sought. The resulting consequences can be profound and difficult to measure, including the erosion of</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 is committed to ensuring that its employees are well-informed and knowledgeable about its Code of Business Conduct. The Board has distributed the policy and program throughout the organization via the Audit Department, which conducted a series of orientation seminars across the Group</p> <p>http://www.solidgroup.com.ph/sites/default/files/downloadables/SGI%20Amende</p>

<p>public trust, damage to the brand, declining employee morale, and potential financial losses.</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>d%20Manual%20on%20Corporate%20Governance%20as%20of%20June%209%2C%202017.pdf</p> <p>The Company has launched a group-wide initiative called S.O.S. (Speak Out Safely), designed to allow individuals to report concerns related to fraud, abuse, waste, and misconduct, while ensuring anonymity and confidentiality. Reports can be submitted via email, letter, phone call, text message, or through a personal appointment.</p> <p>https://www.solidgroup.com.ph/sites/default/files/downloadables/SGI%20Code%20of%20Business%20Conduct.pdf</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>Even employees or personnel who have undergone training may still engage in corrupt practices.</p>	<p>Directors, employees, government (and its agencies), owners (shareholders), suppliers and customers</p>	<p>Management recognizes that corruption presents significant vulnerabilities within the organization. To uphold good governance, the Company emphasizes participation, transparency, responsiveness, and accountability, principles that are adhered to by all, from the Board of Directors to business owners, employees, and the compliance function. It is clearly stated that bribery and corruption will not be tolerated, and any individual found guilty of such misconduct will face the most severe sanctions.</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 is committed to building a culture of good</p>	<p>Directors, employees, government (and its agencies), owners (shareholders), suppliers and customers</p>	<p>The Company has established robust systems and controls, including policies and procedures, to prevent corruption, ensuring they are understood across the organization. Management fully supports a comprehensive anti-corruption training</p>

governance by empowering staff to engage with the Code of Conduct, including whistleblowing procedures and recognizing red flags for misconduct. Regular training will reinforce employees' responsibilities, promote ethical behavior, and highlight the opportunities created by a transparent, accountable work environment, fostering trust and long-term business success.		program, which is essential for understanding the human impact of corruption and the specific responsibilities employees have in preventing it. This training ensures that all staff are more likely to remember their duties and act appropriately in daily situations.
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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>(e.g. employees, community, suppliers, government, vulnerable groups)</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>	Directors, employees, government (and its agencies), owners (shareholders), suppliers and customers	<p>The Company promotes a culture of awareness and education, ensuring all employees understand the risk mitigation measures in place to protect business integrity, backed by a strong organizational structure and clear accountability.</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 is committed to enhancing its reputation by maintaining the highest standards of integrity, transparency, and accountability. Through robust governance, ethical business practices, and a proactive approach to managing risks, the Company aims to build trust with stakeholders, strengthen its brand, and foster long-term success.</p>	Directors, employees, government (and its agencies), owners (shareholders), suppliers and customers	<p>The Company adopts a risk management approach to corruption prevention, focusing on identifying and addressing risks through a framework where all levels of authority participate in risk identification and mitigation. Corruption prevention is integrated into the governance framework with clear policies and proactive management platforms.</p>

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	-	GJ
Energy consumption (gasoline)	1,482	GJ
Energy consumption (LPG)	-	GJ

Energy consumption (diesel)	16,234	GJ
Energy consumption (electricity)	3,052,841	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	-	GJ
Energy reduction (LPG)	-	GJ
Energy reduction (diesel)	-	GJ
Energy reduction (electricity)	-	kWh

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>The Company's energy management through control and reduction of energy consumption enabled it to reduce costs, carbon emissions and health risk thereby promoting a culture of responsible resource use, sustainable practices and genuine care for the environment. Environmental stewardship is at the core of its commitment to go green and help in building a better working world.</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, carbon emissions and risks.</p>	<p>Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public</p>	<p>The Company continually implements efficient use of energy through consumption reduction in all aspects within the organization taking into consideration the savings it can generate and the benefits of lesser carbon emission in the environment that will safeguard nature from potentially damaging business operations, benefitting</p>

		the economy, the environment and the people.
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> Cleaner environment, reduced energy cost	Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	Managing energy effectively is an ongoing process in the company. Energy management is key to energy conservation. It reduced the operating costs and improved the bottom line. This systematic management cut carbon emissions, enabling to meet sustainability goals and regulatory requirements in creating cleaner environment.

Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	79,132	Cubic meters
Water consumption	79,132	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
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i> Water consumed within the properties used for hotel operations, condominium 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> ---	<i>(e.g. employees, community, suppliers, government, vulnerable groups)</i> Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public community	<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 encourages water conservation and raises awareness (with posters and signs within the premises as reminder to observe proper water usage). It promotes wastage avoidance that will contribute to reducing water consumption and, consequently, to delaying the need for new resources.

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>Risk impacts to diminishing resources, public health, rising water demand, aging infrastructure, business and the environment.</p>	<p>Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public</p>	<p>The Company adopted water quality management using of a set of technical and non-technical measures and activities, to maintain and improve quality according to the requirements of water uses as well as the protection of the ecosystems.</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>Conservation of water quality, access and the risk of scarcity are all issues of concern to industry leaders because they are vital to the success of their businesses</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>

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
• renewable	2,765	kg/liters
• non-renewable	105,160	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
<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p>The Company's materials used came from its real estate business of leasing, hotel operation,</p>	<p>(e.g. employees, community, suppliers, government, vulnerable groups)</p> <p>Directors, employees, government (and its</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>

condominium sales and development projects. <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i> The Company has no data for this period as projects were pushed back or operations slowed down due to pandemic.	agencies), owners (shareholders), suppliers, customers and the public	The Company is working on materials management through waste reduction and disposal; use of environmentally friendly materials as part of its environmental, health and social responsibility; and. proper segregation and disposal of material wastes.
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 when applicable.	Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	The Company is working on materials management including reducing waste as part of its environmental, health and social responsibility.
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 when applicable.	Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	The Company is consistent in its strategy to increase the efficient and sustainable use of resources and reduce waste generation.

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	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 (99) Diesel (1,110)	1,209	Tonnes CO ₂ e
Energy indirect (Scope 2) GHG Emissions	2,381	Tonnes CO ₂ e
Emissions of ozone-depleting substances (ODS)	-	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's strategy related to air quality includes specific techniques and measures identified and implemented to achieve reductions in air pollution to attain air quality standard or goal.</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>Air pollution</p>	<p>Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public</p>	<p>The Company is consistent in its strategy to increase the efficient and sustainable use of resources and reduce waste generation 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>Improving air quality can deliver substantial health benefits; reducing air pollution levels means reducing premature deaths and</p>	<p>Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public</p>	<p>The Company is consistent in its strategy to increase the efficient and sustainable use of resources and reduce waste generation which entails measuring emissions and understanding their sources, setting a goal for reducing emissions, developing a plan to meet this</p>

diseases from stroke, heart disease, lung cancer, and both chronic and acute respiratory diseases, including asthma.		goal, and implementing the plan to achieve reductions in emissions.
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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 plans to implement 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 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 work on it in the future.</p>	<p>The Company will work for a comprehensive and detailed management approach in the future</p>

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	-	kg
Reusable	-	kg
Recyclable	2,765	kg
Composted	-	kg
Incinerated	-	kg
Residuals/Landfilled	105,160	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>Real estate business 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>Managing waste and its impact on the environment</p>	<p><i>(e.g. employees, community, suppliers, government, vulnerable groups)</i></p> <p>Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers, tenants, guests 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's management approach to minimizing waste focuses on controlling material flows within the overall industrial and economic systems.</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>Proper waste disposal practices that prevent harm to the environment</p>	<p>Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public</p>	<p>Controlling material flows in the overall industrial and economic systems is the company's management approach to minimize waste.</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>Minimizing waste through careful reduction, reusing materials, and promoting recycling efforts.</p>	<p>Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public</p>	<p>The Company's management approach to minimizing waste involves controlling material flows across the broader industrial and economic systems.</p>

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	30	kg
Total weight of hazardous waste transported	30	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 activities within the Group generate electrical and electronic waste, such as laptops, UPS systems, damaged lights, cables,</p>	<p>(e.g. employees, community, suppliers, government, vulnerable groups)</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>

and similar items. Operational waste includes cleaning solutions used in the hotel business, electronic waste from the logistics sector, and waste from the repair services of electronic products. <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>		
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.	Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	The Company has no policy on hazardous waste but will work on it 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	Directors, employees, government (and its agencies), owners (shareholders), suppliers, customers and the public	The Company has no policy on hazardous waste but will work on it in the future.

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	
<i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i>	<i>(e.g. employees, community, suppliers, government, vulnerable groups)</i>	<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>Businesses involving hotel and events, 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 and event operations, along with leasing and condominium activities, result in significant water discharges due to water consumption by tenants, customers, and guests.</p>	<p>Employees, tenants, customers/clients, guests, suppliers</p>	<p>The Company is dedicated to enhancing water efficiency, striving to conserve the resource while effectively supporting its business operations and meeting the needs of its customers and clientele.</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>Scarce resources of clean and sustainable water supply</p>	<p>Employees, tenants, customers/clients, guests, suppliers</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>None identified</p>	<p>Employees, tenants, customers/clients, guests, suppliers</p>	<p>The Company will work for a comprehensive and detailed management approach in the future</p>

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	Which stakeholders are affected?	Management Approach
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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>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>(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 is committed to comply with the government mandate to follow environmental laws and regulations.</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 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 will work for a comprehensive and detailed management approach in the future.</p>

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
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Total number of employees ⁵		
a. Number of female employees	143	#
b. Number of male employees	191	#
Attrition rate ⁶	-0.781	rate
Ratio of lowest paid employee against minimum wage	1%	ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	14	20
PhilHealth	Y	8	19
Pag-ibig	Y	13	26
Parental leaves	Y	0	0
Vacation leaves	Y	69	82
Sick leaves	Y	19	27
Medical benefits (aside from PhilHealth))	Y	32	57
Housing assistance (aside from Pag-ibig)	N	9	3
Retirement fund (aside from SSS)	Y	4	5
Further education support	N	0	0
Company stock options	N	0	0
Telecommuting	Y	8	21
Flexible-working Hours	Y	8	7
(Others)	Y	0	0

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 prioritizes the well-being of its employees by offering a competitive compensation and benefits package.</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>Employee loyalty is a key asset to the Company, reducing the need for continuous recruitment efforts. The Company has established procedures to assess employees' competencies and provide necessary support through training and coaching for those who may require improvement. Feedback is regularly provided, and relevant</p>

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)

	programs and training are conducted to support employee development. The Company's ongoing focus is on stabilizing business operations while fostering a supportive and growth-oriented work environment.
What are the Risk/s Identified?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>There is a risk of valuable employees leaving the Company due to external opportunities. Additionally, the pandemic has had a significant impact on employees' mental health..</p>	<p>. The Company's ongoing focus is on stabilizing business operations and fostering employee growth. Employee loyalty benefits the Company by reducing the time, money, and resources spent on recruiting new talent. To support this, the Company has established procedures for assessing employee competencies and providing training and coaching for those needing improvement. Regular feedback is given, and relevant programs and training are implemented to ensure continued development. The Company's ongoing focus is on stabilizing business operations and fostering employee growth.</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>Develop and enhance employees' skills and competencies, fostering both personal and professional growth.</p>	<p>The Company offers employees with comprehensive mental health support, focusing on both physical well-being and effective stress management. It offers programs aimed at employee growth and development, including training in technical skills, mechanical processes, environmental sustainability, occupational health and safety, quality control, and mental health awareness</p>

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	314	hours
b. Male employees	1,616	hours
Average training hours provided to employees		
a. Female employees	2.20	hours/employee
b. Male employees	8.46	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
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<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p>Empowers employees through continuous training, development, and upskilling, preparing them for succession in key roles to ensure long-term sustainability. Engaging employees through development fosters loyalty and enhances retention.</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>Promoting awareness and adherence to both government regulations and the Company's policies, as well as health and safety standards.</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 ensures that employees have access to both face-to-face and online training programs in technical, technological, quality, professional, and other relevant areas, keeping them updated with the latest workplace developments. This approach enhances employee productivity, fosters loyalty, and leads to higher retention rates.</p>
What are the Risk/s Identified?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>Addressing the training needs of undertrained and underdeveloped employees to improve productivity, reduce turnover rates, maintain a safe environment, and manage human resources efficiently</p>	<p>The Company regularly offers training programs to enhance the skills and knowledge of all employees.</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>Continuous training and orientation to all employees, while recognizing and rewarding top performers, offering them further opportunities for growth and development.</p>	<p>The Company offers development programs such as online training, job rotations, coaching, mentoring, workshops, and conferences to elevate all employees to a similar level of skills and knowledge. This approach helps minimize weak links within the organization and reduces reliance on others to complete basic 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	54	#

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><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p> <p>Adherence to existing labor laws and standards while fostering strong labor-management relationships to prevent disruptions and instability that could affect performance and reputation.</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 a policy of fostering a comprehensive worker-management relationship, which is essential for long-term sustainability and creating a positive working environment within the organization</p>
What are the Risk/s Identified?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>Discontented employees, unionized organizations, and poor labor-management relations pose risks of business disruption, high turnover rates, and increased costs for the Company</p>	<p>The Company maintains strong labor practices that prevent conflict and promote a collaborative 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 employee turnover, improved efficiency, and enhanced productivity contribute to the Company's growth and success..</p>	<p>The Company implements sound labor-management practices to ensure employee productivity and satisfaction, which in turn contribute to economic growth, development, and increased efficiency within the organization.</p>

Diversity and Equal Opportunity

GRI 405

Disclosure	Quantity	Units
% of female workers in the workforce	43	%
% of male workers in the workforce	57	%
Number of employees from indigenous communities and/or vulnerable sector*	1 solo parent 3 vulnerable 1 indigenous emp.	#

**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
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<p><i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p>The Company provides equal opportunity to diverse group of people regardless of gender, race or religion, preferences or beliefs who could perform assigned tasks and work-life balance.</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's been the policy of the Company to implement equality and diversity into hiring practices for all who are qualified for the position. 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.</p>
What are the Risk/s Identified?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>Employees from different backgrounds such as age, gender and cultural backgrounds have different needs and feel the urge to be respected in their workplace. Distinct workforce belonging to diverse cultures with different characteristics, aspirations, and expectations in the workplace</p>	<p>Management implements work standards and code of ethics to address the needs of these diverse groups of people to maintain and promote harmony in the workplace, increase 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 improvement and advancement</p>	<p>The Company's diverse team can produce more creative, innovative ideas and skills diversity that promotes good business performance. Diversity in the work place creates more innovative and advanced business outputs.</p>

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	628,496	Man-hours
No. of work-related injuries	8	#
No. of work-related fatalities	0	#
No. of work-related ill-health	8	#
No. of safety drills	18	#

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>Hazard mitigation and maintaining a safe workplace throughout 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><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 ensures a safe workplace by implementing health and safety protocols designed to prevent workplace injuries and illnesses. It also promotes awareness among employees and develops policies and programs that support a safe and healthy working environment.</p>
What are the Risk/s Identified?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>Incidence of illness and injury in the workplace</p>	<p>The Company implements occupational safety and health standards across the organization. Safety trainings are regularly conducted, and signages, warnings, and restrictions are posted in designated areas to raise awareness of workplace hazards.</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>Improve safety and well-being of the human resources</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
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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>Strengthened workforce engagement and corporate results</p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship) Not applicable</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>Upholding the company's credibility through the consistent application of its policies and core values, while meeting established standards at both the local and international levels https://www.solidgroup.com.ph/sites/default/files/downloadables/SGI_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>Risks associated with outdated or misaligned policies and potential human rights concerns</p>	<p>Regularly reviewing and updating policies to align with national and international standards, while ensuring consistency with the organization's 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>Ensuring policies remain current and relevant by aligning them with organizational values and social standards</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
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 operations have not identified this material topic but will be considered 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>The Company's business operations have not identified this material topic but will be considered when 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>There is no impact identified for the reporting year. The Company will work for a comprehensive and detailed management approach 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's business operations have not identified this material topic but will be considered when applicable.</p>		<p>There is no identified risk for 2024. The Company will work for a comprehensive and detailed management approach 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's business operations have not identified this material topic but will be considered when applicable.</p>		<p>There is no identified opportunity for 2024. The Company will work for a comprehensive and detailed management approach in the future, when applicable.</p>

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	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)
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>Identify risk/s related to material topic of the organization</p> <p>The Company's business operations have not identified this material topic but will be considered when applicable.</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>Identify the opportunity/ies related to material topic of the organization</p> <p>The Company's business operations have not identified this material topic but will be considered when applicable.</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 maintains diverse partnerships with various stakeholders across its range of business operations. While no surveys have been conducted during this period, the Company plans to carry out surveys in the future when relevant and 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. Our MyHouse prefabricated modular housing can withstand natural disasters.</p>
What are the Risk/s Identified?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>Stiff competition and emerging market trends present significant risks to businesses, as companies must constantly adapt to changing consumer preferences, technological advancements, and new market entrants. Failure to stay ahead of these trends can result in reduced market share, profitability, and overall business relevance</p>	<p>The best management approach to mitigate risks from stiff competition and emerging market trends involves a combination of continuous market analysis, innovation, and flexible strategy development. Businesses should focus on staying agile, investing in research and development to adapt to new trends, and fostering strong customer relationships to ensure loyalty. Additionally, maintaining a proactive approach through scenario planning and competitive benchmarking can help anticipate market shifts and respond effectively.</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>Opportunities from stiff competition and emerging market trends include the potential for innovation in products and services to meet changing customer needs. It can expand into untapped markets or form</p>	<p>The Company is dedicated to continuously studying, understanding, and staying abreast of the latest technological advancements, market demands, and trends. At the same time, we remain focused on prioritizing the evolving needs of our customers, ensuring their satisfaction</p>

strategic partnerships to access new technologies and expertise. Embracing digital transformation and agile business models can enhance competitiveness and ensure long-term growth	remains at the forefront of our efforts in this dynamic environment.
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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><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><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 implements suitable practices, methods, operations, and working conditions that are necessary to ensure a safe and healthy environment for its employees. These measures are designed to promote well-being and maintain a high standard of workplace safety.</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>The Company implements suitable practices, methods, operations, and working conditions that are necessary to ensure a safe and healthy environment for its employees. These measures are designed to promote well-being and maintain a high standard of workplace safety.</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>The Company implements suitable practices, methods, operations, and working conditions that are necessary to ensure a safe and healthy environment for its employees. These measures</p>

	are designed to promote well-being and maintain a high standard of workplace safety.
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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 distribution/retail segment sells MyPhone tablets and accessories to customers. It also distributes pre-fabricated modular housing technology under MyHouse.</p> <p>The company is not involved in any marketing and labeling activities. Therefore, no impacts are identified as this disclosure is not deemed applicable to 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>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>
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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>There is no identified impact in the Company for the reporting 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>The Company is committed to the responsible management and protection of sensitive personal information entrusted by its customers and clients during daily transactions. It ensures that data is collected and retained only when necessary, limiting the scope to what is essential for the effective delivery of its products and services. This approach reflects the Company's dedication to safeguarding privacy while maintaining operational efficiency</p>
What are the Risk/s Identified?	Management Approach
<p><i>Identify risk/s related to material topic of the organization</i></p> <p>There are no risks identified for the reporting period.</p>	<p>The Company ensures the security of its network, databases, and website, recognizing the internet's growing role as a platform for commerce and the increasing importance of protecting consumer data privacy. Safeguarding digital infrastructure is a key priority in maintaining trust and preventing unauthorized access to sensitive information</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>Strong security measures foster customer goodwill, boost sales, and mitigate business and legal risks. Enhanced privacy protection leads to greater customer satisfaction, as customers are more inclined to spend with a company they trust to safeguard their personal data and privacy</p>	<p>The Company has developed and consistently upholds a comprehensive privacy policy to protect customer information, reinforcing trust and confidence in its data handling practices. This commitment to privacy, alongside the reliability of its products, services, and fair pricing, supports stronger customer loyalty and drives business growth.</p>

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	0	#
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 distribution/retail, property and related services, logistics and technical solutions and investment & others deal 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>The company commits to the protection of privacy and security of personal information</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 complies with the Data Privacy Act of 2012 and actively upholds data protection through regular employee training, strict security policies, and continuous system updates. Staff are equipped to recognize social engineering tactics and respond appropriately, while identified risks and vulnerabilities are addressed with preventive safeguards to mitigate financial and reputational damage.</p>	
What are the Risk/s Identified?	Management Approach	

<p><i>Identify risk/s related to material topic of the</i></p> <p>Data security risks include unauthorized access to sensitive information, leading to data breaches, identity theft, and financial fraud. Additionally, inadequate protection against cyberattacks such as malware, ransomware, and phishing can result in the loss, corruption, or theft of critical data, damaging both operations and reputation.</p>	<p>The Company is implementing robust cybersecurity measures, including encryption, access controls, and regular system updates, to safeguard sensitive data. It also focuses on fostering a culture of awareness through employee training and establishing an incident response plan ensures proactive defense and swift recovery from potential breaches.</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>A sustainable environment and proactive effort to employ sustainable security technologies in resolving hazards with the constantly changing security challenges of today and continue to identify solutions against data privacy breaches.</p>	<p>Opportunities extend beyond fostering a sustainable environment and proactively implementing security technologies to address evolving threats. The Company in its effort to further enhance resilience explores advanced solutions that adapt to emerging cybersecurity challenges and continuously developing strategies to prevent data privacy breaches. This includes a commitment to innovation, risk assessment, and the integration of forward-thinking security practices.</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
Distribution/retail of phones and accessories, modular housing, broadcast, professional equipment, medical supplies, home appliances and electronic products	<p>#9 Industry, Innovation</p> <p>#8 Decent work and economic growth</p> <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.</p> <p>#11 Sustainable Cities and Communities</p>	Solid waste build-up	The Company is committed to the ongoing study and understanding of the latest technological advancements, innovations, market demands, and emerging trends. We strive to integrate these developments into our operations to foster sustainable growth,

	Ensure sustainable consumption and production patterns and sustainable operation		while maintaining a steadfast respect for environmental preservation.
Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Property and related services (development, sale, leasing, hotel and events operation)	<p># 7 Affordable and Clean Energy</p> <p>Ensure access to affordable, reliable, sustainable, and modern energy for all.</p> <p>#9 Industry, Innovation and Infrastructure</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>	Industrial emissions, unsustainable construction, land overuse	The latest project, the Mega Distribution Center in Laguna, was constructed in alignment with a strong focus on sustainability and has earned LEED Gold certification.
Rendering of services from project integration	<p>#9 Industry</p> <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	Resource depletion, increased waste production, and pollution	We use technology, innovations and cooperation to change the development trend towards a sustainable growth respectful of the environment.
Warehousing, Logistics, distribution and product testing of consumer electronic products	<p>#9 Industry, Innovation</p> <p># 11 Sustainable Cities and Communities</p> <p>#12 Responsible Consumption and Production</p>	Resource depletion, increased waste production, and pollution	We enhance efficient resource management, and promote the adoption of cleaner, environmentally sound technologies. By developing and delivering high-quality,

	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all		reliable, and sustainable mobility solutions and infrastructure, with a specific emphasis on smart mobility, urban green infrastructure, and resilience, we provide our clients with comprehensive and sustainable logistical and technological solutions.
--	--	--	--

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*

COVER SHEET

SEC Registration Number

[illegible]

COMPANY NAME

[illegible][illegible][illegible][illegible]**PRINCIPAL OFFICE (No./Street/Barangay/City/Town/Province)**

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

Form Type

AAFS

Department requiring the report

ICTD/CGFD/MSRD

Secondary License Type, If Applicable

N/A

COMPANY INFORMATION

Company's Email Address

	N/A
--	-----

Company's Telephone Number/s

8843-1511

Mobile Number

N/A

No. of Stockholders

4,192

Annual Meeting
Month/Day

Month/Day	Day	Notes
Last Thursday of June (per AOI)		

Fiscal Year
Month/Day

12/31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Christopher James L. Tan

Email Address

cjlt@solidgroup.com.ph

Telephone Number/s8843-1511

Mobile Number

N/A

Contact Person's Address

2285 DON CHINO ROCES AVENUE MAKATI CITY

Note: 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



Mary Joy Fetalino <maryjoy_f@solidgroup.com.ph>

Fwd: Your BIR AFS eSubmission uploads were received

Annie Orbe <anna_o@solidgroup.com.ph>
To: Mary Joy Fetalino <maryjoy_f@solidgroup.com.ph>
Cc: Daiciree Pacis <daiciree_p@solidgroup.com.ph>

Tue, Apr 22, 2025 at 8:59 AM

For your reference and file.

Thanks,

Annie S. Orbe
Solid Group Inc.
2285 Don Chino Roces Avenue
Makati City 1231
Tel. No (632) 88431511 Local 8815
CP: 09258100064

----- Forwarded message -----

From: <eafs@bir.gov.ph>
Date: Tue, Apr 22, 2025 at 8:38 AM
Subject: Your BIR AFS eSubmission uploads were received
To: <ANNA_O@solidgroup.com.ph>
Cc: <AMLACUESTA2010@gmail.com>

Hi SOLID GROUP INC.,

Valid files

- EAFS000508536RPTTY122024.pdf
- EAFS000508536TCRTY122024-01.pdf
- EAFS000508536OTHTY122024.pdf
- EAFS000508536ITRTY122024.pdf
- EAFS000508536AFSTY122024.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-98KAA7LE0MYMMVPZWQYZVNQST0A5KGGGE9**
Submission Date/Time: **Apr 22, 2025 08:37 AM**
Company TIN: **000-508-536**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.



SOLID GROUP INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS


The management of **Solid Group Inc.** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2024 and 2023, 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative to do so.


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

The Board of Directors reviews and approves the 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 financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.


JASON S. LIM
Chairman of the Board
Passport No. P1105245B
Date/Place Issued:
March 19, 2019, Manila

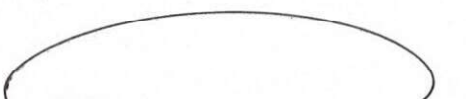

SUSAN L. TAN
President & Chief Executive Officer
Passport No. P5617366A
Date/Place Issued:
January 15, 2018, Manila


VINCENT S. LIM
SVP & Chief Financial Officer
Passport No. P4677771B
Date/Place Issued:
February 4, 2020, Manila

Signed this **APR 14 2025** day of _____, 2025.

SUBSCRIBED AND SWORN to before me this **APR 14 2025** day of _____, affiants exhibiting to me their passport with details shown above.

Doc No. **748**
Page No. **91**
Book No. **26**
Series of 2025


ATTY. RENE MA. M. VILLA
Notary Public of Makati City
Appointment No. M-110
(Ren) (2025-2026)
Until December 31, 2026
PTR No. 10467471, 01-03-2025, Makati City
IBP Lifetime No. 013595, 12-27-2013; I.C.
Roll No. 37226
MCLF Compliance No. VIII-0012754; 08-27-2024
Ground Floor, Makati Terraces Condominium
3650 Davila St., Tejeros, Makati City



FOR SEC FILING

Financial Statements and
Independent Auditors' Report

Solid Group Inc.

December 31, 2024, 2023 and 2022

Report of Independent Auditors

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Solid Group Inc. (the Company), which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2024, and the notes to financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and 2023, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2024 in accordance with Philippine Financial Reporting Standards (PFRS Accounting Standards).

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 Financial Statements* section of our report. We are independent of the Company 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 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2024 required by the Bureau of Internal Revenue as disclosed in Note 22 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS Accounting Standards. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner on the audits resulting in this independent auditors' report is Renan A. Piamonte.

PUNONGBAYAN & ARAULLO



By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 10465913, January 2, 2025, Makati City
BIR AN 08-002511-037-2022 (until October 13, 2025)
BOA/PRC Cert. of Reg. No. 0002/P-010 (until August 12, 2027)

April 8, 2025

SOLID GROUP INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	4	P 1,213,362,759	P 838,883,485
Trade and other receivables - net	5	5,369,066	4,239,517
Short-term placements	4	-	119,000,000
Other current assets	6	52,144,703	49,179,530
Total Current Assets		<u>1,270,876,528</u>	<u>1,011,302,532</u>
NON-CURRENT ASSETS			
Investments in subsidiaries - net	8	7,074,359,772	6,910,652,939
Investments in an associate - net	8	38,022,714	48,022,714
Investment in bonds	7	20,000,000	20,000,000
Property and equipment - net	9	193,477	267,335
Intangible assets - net	10	100,000	100,000
Post-employment defined benefit asset - net	13	25,461,629	24,350,408
Other non-current assets		54,498	54,498
Total Non-current Assets		<u>7,158,192,090</u>	<u>7,003,447,894</u>
TOTAL ASSETS		<u>P 8,429,068,618</u>	<u>P 8,014,750,426</u>
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Accounts payable and other current liabilities	11	P 10,797,047	P 8,415,493
Subscriptions payable	8	22,500,000	22,500,000
Total Current Liabilities		33,297,047	30,915,493
NON-CURRENT LIABILITY			
Deferred tax liabilities - net	14	6,368,658	6,089,999
Total Liabilities		<u>39,665,705</u>	<u>37,005,492</u>
EQUITY			
Capital stock	16	2,030,975,000	2,030,975,000
Additional paid-in capital		4,641,701,922	4,641,701,922
Treasury shares - at cost	16	(115,614,380)	(115,614,380)
Revaluation reserves	16	4,038,886	3,499,239
Retained earnings	16	1,828,301,485	1,417,183,153
Total Equity		<u>8,389,402,913</u>	<u>7,977,744,934</u>
TOTAL LIABILITIES AND EQUITY		<u>P 8,429,068,618</u>	<u>P 8,014,750,426</u>

See Notes to Financial Statements.

SOLID GROUP INC.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Philippine Pesos)

	Notes	2024	2023	2022
REVENUES				
Dividend income	8, 15	P 639,275,511	P 199,000,000	P 195,000,000
Interest income	4, 7	59,532,858	79,976,959	48,122,816
Management fees	15	21,585,000	20,880,000	20,640,000
		<u>720,393,369</u>	<u>299,856,959</u>	<u>263,762,816</u>
OPERATING EXPENSES				
Impairment loss on investments in subsidiaries	8	76,293,167	17,004,461	5,000,000
Salaries and employee benefits	13	45,233,233	44,359,309	41,760,108
Impairment loss on investments in an associate	8	10,000,000	40,000,000	-
Professional fees		4,537,508	2,951,917	4,255,509
Rentals	15	1,648,607	1,276,607	1,216,607
Utilities and communication		613,495	438,884	372,017
Transportation and travel		505,300	608,936	743,933
Entertainment and recreation		339,954	335,593	252,215
Dues and fees		331,403	339,584	468,532
Taxes and licenses		318,972	294,445	466,501
Supplies		192,596	130,122	165,751
Depreciation and amortization	9	169,215	312,908	602,821
Miscellaneous		1,905,506	2,370,771	1,151,104
		<u>142,088,956</u>	<u>110,423,537</u>	<u>56,455,098</u>
OPERATING PROFIT		<u>578,304,413</u>	<u>189,433,422</u>	<u>207,307,718</u>
OTHER INCOME – Net				
Gain on reversal of allowance for impairment of financial assets	5, 15	18,160,714	-	5,000,000
Finance income - net	12	9,030,174	1,871,175	1,394,979
		<u>27,190,888</u>	<u>1,871,175</u>	<u>6,394,979</u>
PROFIT BEFORE TAX		605,495,301	191,304,597	213,702,697
TAX EXPENSE	14	12,222,769	16,079,711	9,846,963
NET PROFIT		<u>P 593,272,532</u>	<u>P 175,224,886</u>	<u>P 203,855,734</u>

See Notes to Financial Statements.

SOLID GROUP INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
NET PROFIT		<u>P 593,272,532</u>	<u>P 175,224,886</u>	<u>P 203,855,734</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss:				
Remeasurements of post-employment defined benefit plan	13	719,530	(1,993,001)	(2,325,428)
Tax income (expense)	14	(<u>179,883</u>)	<u>498,250</u>	<u>581,357</u>
		<u>539,647</u>	(<u>1,494,751</u>)	(<u>1,744,071</u>)
TOTAL COMPREHENSIVE INCOME		<u>P 593,812,179</u>	<u>P 173,730,135</u>	<u>P 202,111,663</u>

See Notes to Financial Statements.

SOLID GROUP INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Philippine Pesos)

	<u>Capital Stock (see Note 16)</u>	<u>Additional Paid-in Capital</u>	<u>Treasury Shares</u>	<u>Revaluation Reserves (see Note 16)</u>	<u>Retained Earnings (see Note 16)</u>	<u>Total Equity</u>
Balance at January 1, 2024	P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 3,499,239	P 1,417,183,153	P 7,977,744,934
Cash dividends declared	-	-	-	-	(182,154,200)	(182,154,200)
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>539,647</u>	<u>593,272,532</u>	<u>593,812,179</u>
Balance at December 31, 2024	<u>P 2,030,975,000</u>	<u>P 4,641,701,922</u>	<u>(P 115,614,380)</u>	<u>P 4,038,886</u>	<u>P 1,828,301,485</u>	<u>P 8,389,402,913</u>
Balance at January 1, 2023	P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 4,993,990	P 1,351,250,787	P 7,913,307,319
Cash dividends declared	-	-	-	-	(109,292,520)	(109,292,520)
Total comprehensive income (loss) for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,494,751)</u>	<u>175,224,886</u>	<u>173,730,135</u>
Balance at December 31, 2023	<u>P 2,030,975,000</u>	<u>P 4,641,701,922</u>	<u>(P 115,614,380)</u>	<u>P 3,499,239</u>	<u>P 1,417,183,153</u>	<u>P 7,977,744,934</u>
Balance at January 1, 2022	P 2,030,975,000	P 4,641,701,922	(P 115,614,380)	P 6,738,061	P 1,256,687,573	P 7,820,488,176
Cash dividends declared	-	-	-	-	(109,292,520)	(109,292,520)
Total comprehensive income (loss) for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,744,071)</u>	<u>203,855,734</u>	<u>202,111,663</u>
Balance at December 31, 2022	<u>P 2,030,975,000</u>	<u>P 4,641,701,922</u>	<u>(P 115,614,380)</u>	<u>P 4,993,990</u>	<u>P 1,351,250,787</u>	<u>P 7,913,307,319</u>

See Notes to Financial Statements.

SOLID GROUP INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Philippine Pesos)

	Notes	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 605,495,301	P 191,304,597	P 213,702,697
Adjustments for:				
Dividend income	8, 15	(639,275,511)	(199,000,000)	(195,000,000)
Impairment losses on investments in subsidiaries	8	76,293,167	17,004,461	5,000,000
Interest income	4, 7	(59,532,858)	(79,976,959)	(48,122,816)
Gain on reversal of allowance for impairment of financial assets	5, 15	(18,160,714)	-	(5,000,000)
Impairment losses on investments in an associate	8	10,000,000	40,000,000	-
Depreciation and amortization	9	169,215	312,908	602,821
Unrealized foreign currency losses (gains) - net	12	(3,410)	829	(8,016)
Operating loss before working capital changes		(25,014,810)	(30,354,164)	(28,825,314)
Decrease (increase) in trade and other receivables		9,238,153	(38,561)	(4,345)
Decrease in advances to related parties		7,000,000	-	5,000,000
Increase in other current assets		(3,182,621)	(3,180,393)	(3,000,586)
Increase in post-employment defined benefit asset		(391,691)	(88,095)	(730,094)
Increase (decrease) in accounts payable and other current liabilities		2,381,554	198,778	(105,549)
Cash used in operations		(9,969,415)	(33,462,435)	(27,665,888)
Cash paid for final tax		(11,906,545)	(15,995,392)	(9,624,563)
Net Cash Used in Operating Activities		(21,875,960)	(49,457,827)	(37,290,451)
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends received		639,275,511	219,000,000	270,000,000
Additional investments in subsidiaries	8	(240,000,000)	(810,000,000)	(961,406,400)
Proceeds from maturity of short-term placements	4	120,908,000	624,780,898	5,523,212,028
Interest received		58,417,870	79,816,318	48,065,014
Acquisitions of property and equipment	9	(95,357)	(180,885)	(92,750)
Additional short-term placements	4	-	(743,780,898)	(4,775,490,726)
Return of deposit for future stock subscription	8	-	100,000,000	-
Additional investments in an associate	8	-	-	(11,510,714)
Net Cash From (Used in) Investing Activities		578,506,024	(530,364,567)	92,776,452
CASH USED IN A FINANCING ACTIVITY				
Dividends paid	16	(182,154,200)	(109,292,520)	(109,292,520)
Effect of Exchange Rate Changes on Cash and Cash Equivalents		3,410	(829)	8,016
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		374,479,274	(689,115,743)	(53,798,503)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		838,883,485	1,527,999,228	1,581,797,731
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 1,213,362,759	P 838,883,485	P 1,527,999,228

Supplemental Information on Non-cash Investing Activities:

- 1) In 2024, 2023 and 2022, the Company earned dividend income amounting to P639.3 million, P199.0 million and P195.0 million, respectively, from its investments in subsidiaries (see Note 15). Dividends receivable amounting to P20.0 million are presented as part of Trade and Other Receivable account in the statement of financial position as of December 31, 2022. There are no outstanding dividends receivable as of December 31, 2024 and 2023.
- 2) In 2024, 2023 and 2022, the Company earned interest income amounting to P59.5 million, P80.0 million and P48.1 million, respectively, arising from its cash in banks, short-term placements and investment in bonds (see Notes 4 and 7). Interest receivable which amounts to P5.3 million, P4.2 million and P4.0 million as of December 31, 2024, 2023 and 2022, respectively, and are presented as part of Trade and Other Receivables account in the statements of financial position (see Note 5).
- 3) In 2024, 2023 and 2022, the Company made additional investments in its subsidiaries' shares of stock totaling to P240.0 million, P822.5 million and P971.4 million, respectively. Out of the total additional investments, P12.5 million and P10.0 million remain unpaid for 2023 and 2022, respectively. The outstanding balance of P22.5 million is presented as Subscriptions Payable in the statements of financial position (see Note 8).

See Notes to Financial Statements.

SOLID GROUP INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024, 2023 AND 2022
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Corporate Information

Solid Group Inc. (the Company) is a publicly listed company incorporated in the Philippines on October 16, 1933. The Company currently conducts business as an investments holding company. The Company's shares of stock are publicly traded at the Philippine Stock Exchange (PSE).

As of December 31, 2024 and 2023, the Company holds ownership interests in the following companies:

Subsidiaries / Associate	Percentage of Ownership		Notes	Nature of Business
	2024	2023		
Subsidiaries:				
Avid Sales Corporation (Avid)	100%	100%		Distribution, wholesale and retail of home appliances and electronic products
Brilliant Reach Limited (BRL)	100%	100%	a	Investment company
Casa Bocobo Hotel, Inc. (CBHI)	100%	100%	b	Hotel and restaurant operations
Green Sun Hotel Management, Inc (GSHMI)	100%	100%		Hotel and restaurant operations
Kita Corporation (Kita)	100%	100%		Leasing of real estate properties
My Solid Technologies & Devices Corporation (My Solid)	100%	100%		Sale of mobile phones and accessories
MyApp Corporation (MyApp)	100%	100%	c	Investment holding company
Omni Solid Services Inc. (OSSI)	100%	100%		Logistics and assembly of consumer electronic products
Precos, Inc. (Precos)	100%	100%		Real estate
Solid Broadband Corporation (SBC)	100%	100%		Broadband cable and satellite services
SolidService Electronics Corporation (SEC)	100%	100%		Repair services for audio and video products
Solid Group Technologies Corporation (SGTC)	100%	100%		Trading of pre-fabricated modular house and office units
Solid Manila Corporation (SMC)	100%	100%		Real estate
Solid Manila Finance, Inc. (SMFI)	100%	100%		Financing
Solid Video Corporation (SVC)	100%	100%		Trading of professional audio/video equipment
Zen Towers Corporation (ZTC)	100%	100%		Real estate
SVC Hong Kong Limited (SVC HK)	100%	100%	d, g	Trading of professional audio/video equipment
Skyworld Corporation (Skyworld)	75%	75%	b, d	Investment holding company
Starworld Corporation (Starworld)	50%	50%	b, d	Real estate
Associate –				
Fekon Solid Motorcycle Mfg. Corp. (Fekon)	44%	44%	8.5	Sale of motorcycle, motor parts and products

Notes:

- (a) *Incorporated and domiciled in the British Virgin Islands*
- (b) *Indirectly owned through SMC*
- (c) *Incorporated on October 23, 2014; has not yet started commercial operations as of December 31, 2024*
- (d) *Pre-operating or non-operating*
- (e) *Starworld is 20% owned by SMC and 40% owned by Skyworld*
- (g) *Indirectly owned through SVC*

In 2023, SMC sold its shares of stock in Interstar Holdings Company, Inc. and Laguna International Industrial Park, Inc to a related party.

The subsidiaries and associate are all incorporated in the Philippines, except for BRL and SVC HK, which are incorporated in the British Virgin Islands and Hong Kong, respectively.

The Company's registered office address, which is also its principal place of business, is located at 2285 Don Chino Roces Avenue, Makati City, Philippines.

1.2 Approval of Financial Statements

The financial statements of the Company as of and for the year ended December 31, 2024 (including the comparative financial statements as of December 31, 2023 and for the years ended December 31, 2023 and 2022) were authorized for issue by the Company's Board of Directors (BOD) on April 8, 2025.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information that has been used in the preparation of these financial statements is summarized below and on the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS Accounting Standards). PFRS Accounting Standards are adopted by the Financial and Sustainability Reporting Standards Council (FSRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS Accounting Standards 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 Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents the statement of comprehensive income separate from the statement of income.

The Company presents a 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 statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) *Functional and Presentation Currency*

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

2.2 Adoption of Amended PFRS Accounting Standards

(a) *Effective in 2024 that are Relevant to the Company*

The Company adopted for the first time the following amendments PFRS Accounting Standards, which are mandatorily effective for annual periods beginning on or after January 1, 2024:

PAS 1 (Amendments)	:	Presentation of Financial Statements – Classification of Liabilities as Current or Non-current, and Non-current Liabilities with Covenants
PAS 7 and PFRS 7 (Amendments)	:	Statement of Cash Flow, and Financial Instruments: Disclosures – Supplier Finance Arrangements
PFRS 16 (Amendments)	:	Lease Liability in a Sale and Leaseback

Discussed below and on the succeeding page are the relevant information about these pronouncements.

- (i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*. The amendments provide guidance on whether a liability should be classified as either current or non-current. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and that the classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The application of these amendments had no significant impact on the Company's financial statements.
- (ii) PAS 1 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants*. The amendments specify that if the right to defer settlement for at least 12 months is subject to an entity complying with conditions after the reporting period, then those conditions would not affect whether the right to defer settlement exists at the end of the reporting period for the purposes of classifying a liability as current or non-current. For non-current liabilities subject to conditions, an entity is required to disclose information about the conditions, whether the entity would comply with the conditions based on its circumstances at the reporting date and whether and how the entity expects to comply with the conditions by the date on which they are contractually required to be tested. The application of these amendments had no significant impact on the Company's financial statements.

- (iii) PAS 7 and PFRS 7 (Amendments), *Statement of Cash Flows, Financial Instruments: Disclosures – Supplier Finance Arrangements*. The amendments add a disclosure objective to PAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, PFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk. The application of these amendments had no significant impact on the Company's financial statements.
- (iv) PFRS 16 (Amendments), *Lease Liability in a Sale and Leaseback*. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease. The application of these amendments had no significant impact on the Company's financial statements.

(b) *Effective Subsequent to 2024 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2024, which are adopted by the FRSB. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and unless otherwise indicated, none of these are expected to have significant impact on the Company's financial statements:

- (i) PAS 21 (Amendments), *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability* (effective from January 1, 2025)
- (ii) PFRS 9 and PFRS 7 (Amendments), *Financial Instruments, and Financial Instruments: Disclosures – Amendments to the Classification and Measurement of Financial Instruments* (effective from January 1, 2026)
- (iii) PFRS 18, *Presentation and Disclosure in Financial Statements* (effective from January 1, 2027). The new standard impacts the classification of profit or loss items (i.e., into operating, investing and financing categories) and the presentation of subtotals in the statement of profit or loss (i.e., operating profit and profit before financing and income taxes). The new standard also changes the aggregation and disaggregation of information presented in the primary financial statements and in the notes. It also introduces required disclosures about management-defined performance measures. The amendments, however, do not affect how an entity recognizes and measures its financial condition, financial performance and cash flows.

2.3 Separate Financial Statements and Investments in Subsidiaries and Associate

These financial statements are prepared as the Company's separate financial statements. The Company also prepares consolidated financial statements as required under PFRS Accounting Standards. The Company reassess whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the elements of controls.

The Company's investments in subsidiaries are accounted for in these separate financial statements at cost, less any accumulated impairment losses (see Note 2.9), where dividend income is recognized when the Company's right to receive payment is established.

Acquired investment in associate is subject to the purchase method. Any goodwill or fair value adjustment attributable to the Company's share in the associate is included in the amount recognized as investment in an associate. All subsequent changes to the Company's share of interest in the equity of the associate are recognized in the carrying amount of the investment. The dividends received are accounted for as a reduction in the carrying value of the investment.

2.4 Financial Instruments

(a) Financial Assets

(i) Classification, Measurement and Reclassification of Financial Assets

The Company's financial assets include financial assets at amortized cost and at fair value through other comprehensive income.

Financial Assets at Amortized Cost

Where the business model is to hold assets to collect contractual cash flows, the Company assesses whether the financial instruments' cash flows represent the amount solely for payment of principal and interest (SPPI) on the principal amount outstanding.

Except for trade and other 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 Company's financial assets at amortized cost are presented in the statement of financial position as Cash and Cash Equivalents, Short-term Placements, Trade and Other Receivables, Advances to Related Parties and Investment in Bonds.

For purposes of cash flow reporting and presentation, cash and cash equivalents include 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.

Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)

At initial recognition, the Company 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 Company for trading or as mandatorily required to be classified as fair value through profit or loss (FVTPL). The Company has designated certain equity instruments at FVOCI on initial recognition.

Interest income on financial assets measured at amortized cost and debt financial assets measured at FVOCI is recognized using the effective interest rate method. 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.

The Company can only reclassify financial assets if the objective of its business model for managing those financial assets changes. A change in the objective of the Company's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(ii) *Impairment of Financial Assets*

At the end of the reporting period, the Company 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 Company recognizes ECL for intercompany receivables which is measured and recognized using the liquidity approach by determining possible impairment based on the counterparties' ability to repay the receivables upon demand at the reporting date taking into consideration the historical defaults from the counterparties.

For debt instruments (i.e., investment in bonds) measured at amortized cost, the allowance for credit losses is based on the ECL associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since the origination of the financial asset, in such case, a lifetime ECL for a purchased or originated credit impaired, the allowance for credit losses is based on the change in the ECL over the life of the asset.

For deposits in bank, which includes cash in banks, cash equivalents and short-term placements, the Company applies the low credit risk simplification and measures the ECL on the financial assets based on a 12-month basis unless there has been a significant increase in credit risk since origination, in that case, the loss allowance will be based on the lifetime ECL.

The Company 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 Company considers both quantitative and qualitative information that may indicate an actual or expected deterioration of the credit quality of the financial assets.

(b) *Financial Liabilities*

Financial liabilities include accounts payable and other current liabilities (excluding government-related and other tax liabilities) and subscriptions payable.

2.5 *Property and Equipment*

Property and equipment are initially measured at cost and are subsequently stated at cost less accumulated depreciation and amortization and any impairment in value.

Depreciation and amortization are computed on the straight-line basis over the estimated useful lives of the assets as follows:

Transportation equipment	5 years
Computer software	3 years
Office furniture, fixtures and equipment	5 years

2.6 *Intangible Assets*

Intangible assets include non-proprietary club shares which are accounted for under the cost model. The Company's non-proprietary club shares are assessed as having indefinite useful life and are tested annually for any impairment.

2.7 *Revenue and Expense Recognition*

Revenue comprises revenue from rendering general management services measured by reference to the fair value of consideration received or receivable by the Company for services rendered, excluding value-added taxes (VAT).

Revenue is recognized only when (or as) the Company 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.

The Company enters into transactions involving the performance of general management services. The significant judgments in determining the timing of satisfaction of the performance obligation are disclosed in Note 3.1(b). The Company 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 Company's contracts with customers have original expected duration of one year or less.

Specifically, revenue from general management services is recognized by the amount in which the Company has a right to invoice that corresponds directly with the value of services rendered to its affiliates that is completed over a period of time.

In obtaining customer contracts, the Company incurs incremental costs. As the expected amortization period of these costs, if capitalized, would be less than one year, the Company uses the practical expedient in PFRS 15 and expenses such costs as incurred. The Company also incurs costs in fulfilling contracts with customers. However, as those costs are within the scope of other financial reporting standards, the Company 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.

2.8 Leases – Company as Lessee

The Company only has short-term lease agreements with lease terms of one year or less. The Company has elected to account for its 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.

2.9 Impairment of Non-financial Assets

The Company's investments in subsidiaries and in an associate, property and equipment, and other non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets with an indefinite useful life are tested for impairment at least annually.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's recoverable amount exceeds its carrying amount.

2.10 Employee Benefits

The Company provides post-employment benefits to employees through a defined benefit plan and defined contribution plans, and other employee benefits.

The Company'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. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method.

A defined contribution plan is a post-employment plan under which the Company pays fixed contributions into an independent entity. The Company has no legal or constructive obligation to pay further contributions after payment of the fixed contribution.

Termination benefits are payable when employment is terminated by the Company for authorized cause before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in the Accounts Payables and Other Current Liabilities account in the statement of financial position at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

Short-term employee benefits are monetary and non-monetary benefits provided to current employees, which are expected to be settled 12 months after the end of the reporting period during which the employee services are rendered.

2.11 Related Party Transactions and Relationships

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 requirements of SEC Memorandum Circular No. 10, Series of 2019, *Rules on Material Related Party Transactions for Publicly Listed Companies*, transactions amounting to ten (10%) or more of the total assets based on the latest audited financial statements that were entered into with the related parties are considered material. All individual material related party transactions shall be approved by at least two-thirds vote of the board of directors, 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 ten percent (10%) of the Company's consolidated total assets, whichever is lower, based on the latest 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.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS Accounting Standards requires management to make judgments and estimates that affect the amounts reported in the 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 Company's accounting policies, management has made judgments presented below and on the succeeding pages, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

(a) Determination of Lease Term of Contracts with Renewal and Termination Options

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

For leases of office space, the factors that are normally the most relevant are (a) if there are significant penalties should the Company pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Company is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The Company did not include the renewal period as part of the lease term for lease of office space. The renewal option in this case is not enforceable as both parties still need to agree to renew, including the terms of the renewal, even if both parties have historically always come to a mutual agreement. Thus, the non-cancellable period is only one year since there is no enforceable contract after the one-year period.

The lease term is reassessed if an option is actually exercised or not exercised or the Company 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 is within the control of the Company.

(b) *Determination of Timing of Satisfaction of Performance Obligations*

The Company determines that its revenue from general management services shall be recognized over time. In making its judgment, the Company considers the timing of receipt and consumption of benefits provided by the Company to its subsidiaries. The Company provides general management services without the need of reperformance of other companies. This demonstrates that the subsidiaries simultaneously receive and consume the benefits of the Company's rendering of general management services as it performs.

In determining the best method of measuring the progress of the Company's rendering of general management services, management considers the output method under PFRS 15 because it directly measures the value of the services transferred to the customer.

(c) *Determination of ECL on Trade and Other Receivables, Investment in Bonds and Advances to Related Parties*

The Company uses liquidity approach to calculate ECL for its outstanding receivables with related parties. Using the liquidity approach, management considers the counterparties' ability to repay receivables upon demand at the reporting period.

Significant portion of the Company's financial asset at amortized cost are receivables from related parties. In relation to this, the maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk. In the case of these receivables from 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 Company's receivables if demanded at the reporting date taking into consideration the historical defaults of the related parties.

If the Company cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of receivables can be collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

The Company also uses an external benchmarking approach to calculate ECL for investment in bonds. The provision rates are derived from published credit ratings by external rating agencies. As referenced to these external credit benchmarks, the Company defines the credit ratings based on certain financial ratios and appropriately determines the equivalent internal credit ratings. Referenced probability of default is then derived from the latest annual global corporate default study published by the external rating agency. The Company makes an annual reassessment of the applicability and reliability of the reference rates used.

The Company 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.

Details about the ECL on the Company's trade and other receivables, investment in bonds and advances to related parties are disclosed in Note 18.2(b)(c)(d).

(d) *Evaluation of Business Model Applied in Managing Financial Instruments*

The Company developed business models which reflect how it manages its portfolio of financial instruments. The Company's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Company) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument, the Company evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Company (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Company's investment trading strategies.

(e) *Testing the Cash Flow Characteristics of Financial Assets and Continuing Evaluation of the Business Model*

In determining the classification of financial assets, the Company assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding.

The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria.

In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Company assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Company considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

In addition, if more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Company considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessary inconsistent with a held-to-collect business model if the Company can explain the reasons for those sales and why those sales do not reflect a change in the Company's objective for the business model.

(f) *Recognition of Provisions and Contingencies*

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Judgment is exercised by management to distinguish between provisions and contingencies. Disclosures on relevant provisions and contingencies are presented in Note 17.

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) *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). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 18.2.

(b) *Estimation of Useful Lives of Property and Equipment and Intangible Assets*

The Company estimates the useful lives of 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 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 or commercial obsolescence, and legal or other limits on the use of the assets. Intangible assets were determined to have indefinite useful lives as these are non-proprietary club shares.

The carrying amount of property and equipment and intangible assets are analyzed in Notes 9 and 10, respectively. Based on management's assessment as of December 31, 2024 and 2023, there is no change in estimated useful lives of those assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(c) *Fair Value Measurement of 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 value of the Company's financial assets at FVOCI is disclosed in Note 7.1.

(d) *Determination of Realizable Amount of Deferred Tax Assets*

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Generally, management assessed that the deferred tax assets recognized as of December 31, 2024 and 2023 will be fully utilized in the coming years. However, there are certain deferred tax assets that were not recognized since management believes that there is no assurance that the related tax benefits will be realized in the coming years (see Note 14).

(e) *Impairment of Non-financial Assets*

Except for intangible assets with indefinite useful lives, which are annually tested for impairment, PFRS Accounting Standards require that an impairment review be performed when certain impairment indications are present. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these 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.

In 2024, 2023 and 2022, the Company recognized additional impairment losses amounting to P76.3 million, P17.0 million and P5.0 million, respectively, on certain investment in subsidiaries (see Note 8.3).

Additionally, in 2024 and 2023, the Company recognized impairment loss amounting to P10.0 million and P40.0 million in investment in an associate, respectively (see Note 8.5). There was no similar transactions in 2022.

(f) *Valuation of Post-employment Defined Benefit*

The determination of the Company's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by an independent actuary in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rate. 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 obligation in the next reporting period.

The amounts of retirement benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 13.2.

4. CASH AND CASH EQUIVALENTS AND SHORT-TERM PLACEMENTS

4.1 Cash and Cash Equivalents

Cash and cash equivalents include the following components as of December 31:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Cash in banks	9,379,564	7,272,686
Cash equivalents	<u>1,203,983,195</u>	<u>831,610,799</u>
	<u>1,213,362,759</u>	<u>838,883,485</u>

Cash in banks generally earn interest based on daily bank deposit rates. Cash equivalents pertain to highly liquid short-term investment with maturity periods varying from 59 to 90 days in 2024, 49 to 90 days in 2023, and 21 to 72 days in 2022, and earn effective interests ranging from 5.0% to 6.28% in 2024, 0.30% to 6.25% in 2023 and 0.30% to 5.63% in 2022.

Interest earned from cash and cash equivalents are presented as part of Interest Income account in the statements of income. The outstanding balance of such interest is presented as part of Interest receivable under Trade and Other Receivables account in the statements of financial position (see Note 5).

4.2 Short-term Placements

Short-term placements, presented separately in the statements of financial position, pertain to time deposits amounting to P119.0 million as of December 31, 2023 with maturity periods varying between 92 to 97 days and earn effective interest rate of 6.00%. There were no time deposits with maturity of more than three months in 2024.

Interest earned from short-term are presented as part of Interest Income account in the 2023 statement of income. The outstanding balance of such interest is presented as part of Interest receivable under Trade and Other Receivables account in the 2023 statement of financial position (see Note 5).

5. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2024</u>	<u>2023</u>
Management fees receivable	15.1	2,439,286	13,600,000
Interest receivable	4, 7	5,303,314	4,188,326
Others		<u>65,752</u>	<u>51,191</u>
		<u>7,808,352</u>	<u>17,839,517</u>
Allowance for impairment	15.1	<u>(2,439,286)</u>	<u>(13,600,000)</u>
		<u>5,369,066</u>	<u>4,239,517</u>

All of the Company's trade and other receivables have been assessed for impairment based on the ECL model. The fair value of these short-term financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value. Certain trade receivables were found to be impaired as determined by management; hence, adequate amounts of allowance for impairment have been recognized [see Note 18.2(b)].

In 2024, the Company collected its long outstanding receivables of P11.2 million from Kita resulting to the recognition of a gain presented as part of Gain on reversal of allowance for impairment of financial assets under Other Income – Net in the 2024 statement of income. There was no similar transaction in 2023.

Based on management's assessment, there were no additional impairment losses required to be recognized in 2024, 2023 and 2022.

6. OTHER CURRENT ASSETS

The composition of this account is as follows:

<i>(Amounts in PHP)</i>	2024	2023
Creditable withholding taxes	52,144,703	49,124,401
Prepaid expenses	-	55,129
	<u>52,144,703</u>	<u>49,179,530</u>

Based on management's assessment, there were no impairment losses required to be recognized on the Company's other current assets in 2024, 2023 and 2022.

7. INVESTMENT SECURITIES

7.1 Financial Assets at FVOCI

This account pertains to the Company's 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 expired on May 8, 2005. On April 11, 2005, the Company received a formal notice of the expiry of the JVA. The Company and Sony Corporation have both agreed to pursue negotiations for an equitable settlement of all matters relating to the JVA and its expiration.

The Company determined that the fair value of this investment is nil as of December 31, 2024 and 2023.

7.2 Investment in Bonds

In 2021, the Company invested in held-to-collect corporate bonds classified and measured at amortized cost amounting to P20.0 million, which bear fixed interest rate of 4.34% per annum and will mature on October 12, 2027. The amount of investment is presented as Investment in Bonds in the statements of financial position.

Interest income generated from investment in bonds amounting to P0.9 million in 2024, 2023 and 2022 is presented as part of Interest Income in the statements of income. The outstanding interest amounting to P0.2 million as of December 31, 2024 and 2023 is presented as part of Interest receivable under Trade and Other Receivables account in the statements of financial position (see Note 5).

The Company's investment in bonds, which are subject to credit risk exposure [see Note 18.2(c)], have been reviewed for impairment. Based on such review, the management determines that no impairment loss is needed to be recognized in 2024, 2023 and 2022 as the bonds were in good credit standing as of December 31, 2024 and 2023.

8. INVESTMENTS IN SUBSIDIARIES AND AN ASSOCIATE

The components of the carrying values of investments in wholly owned subsidiaries and an associate accounted for under the cost method are as follows:

<i>(Amounts in PHP)</i>	Notes	2024	2023
<i>Subsidiaries:</i>			
SMC		3,446,362,077	3,446,362,077
Precos	8.1	2,091,931,372	1,601,931,372
Kita		648,656,549	648,656,549
BRL		562,232,201	562,232,201
My Solid	8.1	473,099,100	473,099,100
ZTC		368,239,416	368,239,416
OSSI		284,258,015	284,258,015
SVC	8.2	116,991,725	116,991,725
Avid		100,200,100	100,200,100
SMFI		100,000,000	100,000,000
SGTC		88,379,789	88,379,789
SEC		60,325,027	60,325,027
GSHMI	8.2	50,000,000	50,000,000
SBC		49,585,655	49,585,655
MyApp	8.1	10,000,000	10,000,000
		<u>8,450,261,026</u>	<u>7,960,261,026</u>
Deposits for future stock subscription	8.1	32,018,750	282,018,750
		<u>8,482,279,776</u>	<u>8,242,279,776</u>
Allowance for impairment	8.3	<u>(1,407,920,004)</u>	<u>(1,331,626,837)</u>
		<u>7,074,359,772</u>	<u>6,910,652,939</u>
<i>Associate –</i>			
Investment in Fekon		88,022,714	88,022,714
Allowance for impairment		<u>(50,000,000)</u>	<u>(40,000,000)</u>
	8.5	<u>38,022,714</u>	<u>48,022,714</u>

Except for the subsidiaries and associate listed below and on the succeeding page, the place of incorporation of the other subsidiaries, which is similar to the place of operation, is located at 2285 Don Chino Roces Avenue, Makati City:

- (a) SMC – 1000 J. Bocobo corner T.M. Kalaw Street, Ermita, Manila
- (b) Kita – N7175 Gil Puyat Ave. cor. Feati St., Clark Freeport Zone, Clarkfield, Pampanga

- (c) BRL – 2nd Floor, Abbott Building, Road Town, P.O. Box 933, Tortola, British Virgin Islands
- (d) ZTC – 1111 Natividad A. Lopez St., Brgy. 659-A, District 5, Ermita, Manila
- (e) OSSII – Solid St., LIIP, Mamlasan, Biñan, Laguna
- (f) Avid – 1000 J. Bocobo cor. T.M. Kalaw Street, Ermita, Manila
- (g) SEC – 145 G. Araneta Avenue, Brgy. Tatalon, Quezon City
- (h) Fekon – Block 7, Lot 8B San Simon Industries Park, San Isidro, San Simon, Pampanga

8.1 Additional Investments in Shares

The movements in the investments in subsidiaries (at gross) recognized in the statements of financial position are as follows:

<i>(Amounts in PHP)</i>	Notes	Investments	Deposit for Future Stock Subscription	Total
<u>December 31, 2024</u>				
Balance at beginning of year		7,960,261,026	282,018,750	8,242,279,776
Additional investments	8.1(a)	-	240,000,000	240,000,000
Reclassification from deposits for future stock subscriptions	8.2, 15.4	490,000,000	(490,000,000)	-
Balance at end of year		<u>8,450,261,026</u>	<u>32,018,750</u>	<u>8,482,279,776</u>
<u>December 31, 2023</u>				
Balance at beginning of year		6,466,554,726	1,053,225,050	7,519,779,776
Additional investments	8.1(a)	-	810,000,000	810,000,000
Reversal of deposit for future stock subscriptions	8.1(b)	-	(100,000,000)	(100,000,000)
Reclassification from deposits for future stock subscriptions	15.4	1,481,206,300	(1,481,206,300)	-
Subscriptions payable	8.1(a)	12,500,000	-	12,500,000
Balance at end of year		<u>7,960,261,026</u>	<u>282,018,750</u>	<u>8,242,279,776</u>

- (a) In 2024 and 2023, the Company made additional deposits for future stock subscriptions to Precos amounting to P240.0 million and P810.0 million, respectively. The P490.0 million and P1,481.2 million have been considered as additional investments through the application of deposits for future stock subscriptions upon approval of the Securities and Exchange Commission (the Commission) on the application of Precos for the increase of its authorized capital stock in 2024 and 2023.
- (b) On November 9, 2021, the Company's BOD approved the conversion of its advances to My Solid amounting to P100.0 million into deposit for future stock subscriptions in preparation for the subscription to 1,000,000 common shares at a price equivalent to the par value of P100.0 per share. However, on August 3, 2023, the Company's BOD approved the reversal of the P100.0 million deposit for future stock subscriptions. As of December 31, 2023, the said deposit was already paid back by My Solid to the Company.

The remaining deposits for future stock subscriptions as of December 31, which forms part of the Company's investments, are presented below.

<i>(Amounts in PHP)</i>	2024	2023
MyApp	<u>32,018,750</u>	32,018,750
Precos	<u>-</u>	<u>250,000,000</u>
	<u>32,018,750</u>	<u>282,018,750</u>

8.2 Subscriptions Payable

In 2023 and 2022, the Company made subscriptions to GSHMI and SVC amounting to P12.5 million and P10.0 million, respectively. Outstanding balance related to this transaction amounting to both P22.5 million as of December 31, 2024 and 2023, are presented as Subscriptions Payable in the statements of financial position (see Note 15.4). There was no similar transaction in 2024.

8.3 Allowance for Impairment

A reconciliation of the allowance for impairment on investments in subsidiaries at the beginning and end of 2024, 2023 and 2022 is shown below.

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Balance at beginning of year	1,331,626,837	1,314,622,376	1,309,622,376
Impairment loss during the year	76,293,167	17,004,461	5,000,000
Balance at end of year	<u>1,407,920,004</u>	<u>1,331,626,837</u>	<u>1,314,622,376</u>

In 2024, 2023 and 2022, the Company recognized additional allowance for impairment on investment in subsidiaries which are presented under Operating Expenses in the statements of income.

8.4 Dividend Income

The Company earned cash dividend amounting to P639.3 million, P199.0 million and P195.0 million in 2024, 2023 and 2022, respectively, from its subsidiaries which is presented as Dividend Income in the statements of income (see Note 15.2). There are no outstanding dividends receivable as of December 31, 2024 and 2023.

8.5 Investment in an Associate

The Company's investment in an associate pertains to its ownership interest in Fekon. Fekon is a private company and there are no quoted prices available for its shares of stock. Fekon is incorporated and domiciled in the Philippines. Fekon's primary purpose is to engage in the business of manufacturing, selling, distributing, marketing, trading and assembling of all kinds of goods such as but not limited to motorcycles, e-bicycles, motor parts and products, electronic devices and other electronic merchandise.

Fekon's registered office address and principal place of business is located at Block 7, Lot 8B, San Simon Industries Park, San Isidro, San Simon, Pampanga.

In 2022, the Company made additional deposits in the shares of Fekon, totaling to P11.5 million, in relation to the planned increase in authorized capital stock of the latter. There were no additional deposits made in 2024 and 2023.

As of December 31, 2024 and 2023, Fekon is still on the process of completing its documents on its application to increase its authorized capital stock with the Commission. Management believes that upon approval by the Commission, the Company will have significant influence with 44% ownership interest over Fekon. Accordingly, the deposits are recorded as Investment in an Associate in the statements of financial position.

The Company's investment is initially measured at cost and subsequently, upon approval of the application with the Commission, will be measured using the equity method.

The summarized financial information for Fekon is shown below.

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Current assets	205,836,650	154,760,429
Non-current assets	11,262,650	15,635,082
Total assets	217,099,300	170,395,511
Current liabilities	72,625,623	54,416,378
Non-current liabilities	6,500,289	11,154,103
Total liabilities	79,125,912	65,570,481
Revenues	106,314,483	66,049,185
Net loss during the year	10,829,891	29,585,227

In 2024 and 2023, due to the downturn in Fekon business prospects, the Company recognized impairment losses relative to its investment amounting to P10.0 million and P40.0 million, respectively, which are presented as Impairment Loss on Investments in an Associate under Operating Expenses in the 2024 and 2023 statements of income.

9. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2024 and 2023 are shown below.

<i>(Amounts in PHP)</i>	<u>Office Furniture, Fixtures, and Equipment</u>	<u>Computer Software</u>	<u>Transportation Equipment</u>	<u>Total</u>
December 31, 2024				
Cost	5,578,073	1,699,101	1,683,929	8,961,103
Accumulated depreciation and amortization	<u>(5,436,899)</u>	<u>(1,646,798)</u>	<u>(1,683,929)</u>	<u>(8,767,626)</u>
Net carrying amount	<u>141,174</u>	<u>52,303</u>	<u>-</u>	<u>193,477</u>
December 31, 2023				
Cost	5,522,537	1,659,280	1,683,929	8,865,746
Accumulated depreciation and amortization	<u>(5,299,249)</u>	<u>(1,615,233)</u>	<u>(1,683,929)</u>	<u>(8,598,411)</u>
Net carrying amount	<u>223,288</u>	<u>44,047</u>	<u>-</u>	<u>267,335</u>
January 1, 2023				
Cost	5,372,939	1,627,994	1,683,929	8,684,862
Accumulated depreciation and amortization	<u>(5,110,622)</u>	<u>(1,575,150)</u>	<u>(1,599,732)</u>	<u>(8,285,504)</u>
Net carrying amount	<u>262,317</u>	<u>52,844</u>	<u>84,197</u>	<u>399,358</u>

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2024, 2023 and 2022 is shown below.

<i>(Amounts in PHP)</i>	Office Furniture, Fixtures, and Equipment	Computer Software	Transportation Equipment	Total
Balance at January 1, 2024 net of accumulated depreciation and amortization	223,288	44,047	-	267,335
Additions	55,536	39,821	-	95,357
Depreciation and amortization charges for the year	<u>(137,650)</u>	<u>(31,565)</u>	<u>-</u>	<u>(169,215)</u>
Balance at December 31, 2024 net of accumulated depreciation and amortization	<u>141,174</u>	<u>52,303</u>	<u>-</u>	<u>193,477</u>
Balance at January 1, 2023 net of accumulated depreciation and amortization	262,317	52,844	84,197	399,358
Additions	149,598	31,287	-	180,885
Depreciation and amortization charges for the year	<u>(188,627)</u>	<u>(40,084)</u>	<u>(84,197)</u>	<u>(312,908)</u>
Balance at December 31, 2023 net of accumulated depreciation and amortization	<u>223,288</u>	<u>44,047</u>	<u>-</u>	<u>267,335</u>
Balance at January 1, 2022 net of accumulated depreciation and amortization	353,340	135,106	420,983	909,429
Additions	92,750	-	-	92,750
Depreciation and amortization charges for the year	<u>(183,773)</u>	<u>(82,262)</u>	<u>(336,786)</u>	<u>(602,821)</u>
Balance at December 31, 2022 net of accumulated depreciation and amortization	<u>262,317</u>	<u>52,844</u>	<u>84,197</u>	<u>399,358</u>

In 2024, 2023 and 2022, depreciation and amortization amounting to P0.2 million, P0.3 million, and P0.6 million, respectively, are presented under Operating Expenses in the statements of income.

The cost of fully depreciated and amortized property and equipment still used in operations amounted to P8.6 million and P8.1 million as of December 31, 2024 and 2023, respectively.

As of December 31, 2024 and 2023, none of the Company's property and equipment were held as collateral for loans. Further, no impairment losses were recognized in 2024, 2023 and 2022 as the management believes that the carrying amount of property and equipment is recoverable in full.

10. INTANGIBLE ASSETS

The gross carrying amount and allowance for impairment of intangible assets as of December 31, 2024 and 2023 are shown below (amounts in PHP).

Cost	2,222,127
Allowance for impairment	<u>(2,122,127)</u>
	<u>100,000</u>

The Company's non-proprietary club shares is assessed as having indefinite useful life and is tested annually for any impairment. Certain non-proprietary club shares were assessed to be impaired as determined by the management; hence, an adequate amount of allowance for impairment has been recognized.

Based on management's assessment, there was no additional allowance required to be recognized in 2024, 2023 and 2022.

11. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

This account consists of:

<i>(Amounts in PHP)</i>	<u>Note</u>	<u>2024</u>	<u>2023</u>
Non-trade payables	15.5	8,116,939	5,857,013
Withholding taxes payable		1,458,799	1,379,559
Accrued expenses		759,000	715,875
Output VAT payable		268,855	289,123
Others		193,454	173,923
		<u>10,797,047</u>	<u>8,415,493</u>

Others include contributions to government agencies and social security costs.

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.

12. FINANCE INCOME – Net

The breakdown of this account includes the following:

<i>(Amounts in PHP)</i>	<u>Note</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Net interest income on post-employment benefit asset	13.2	1,475,635	1,872,004	1,386,963
Foreign currency gains (losses) – net		<u>7,554,539</u>	<u>(829)</u>	<u>8,016</u>
		<u>9,030,174</u>	<u>1,871,175</u>	<u>1,394,979</u>

Finance income – net is presented under Other Income – Net in the statements of income.

13. EMPLOYEE BENEFITS

13.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below.

<i>(Amounts in PHP)</i>	Notes	2024	2023	2022
Short-term benefits		44,149,289	43,736,946	41,103,239
Post-employment benefit	13.2	1,083,944	622,363	656,869
	15.8	45,233,233	44,359,309	41,760,108

13.2 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

The Company maintains a fully funded, tax-qualified, non-contributory post-employment benefit plan that is being administered by an investment manager that is legally separated from the Company. The investment manager managed the fund in coordination with the Company'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 Company's post-employment benefit plan provides retirement benefits ranging from 100% to 115% of the final monthly covered compensation as of the date of retirement for every year of credited service.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below and on the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2024 and 2023.

The components of the post-employment defined benefit asset at the end of the reporting periods are shown below.

<i>(Amounts in PHP)</i>	2024	2024
Fair value of plan assets	37,883,312	35,954,276
Present value of the obligation	(12,421,683)	(11,603,868)
	25,461,629	24,350,408

The movements in the fair value of plan assets are presented below.

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Balance at beginning of year	35,954,276	33,607,778
Interest income	2,178,829	2,396,235
Loss on plan assets (excluding amounts included in net interest)	(249,793)	(49,737)
Balance at end of year	<u>37,883,312</u>	<u>35,954,276</u>

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below (see Note 15.7).

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Debt securities – Philippine government bonds	34,600,363	32,968,246
Unit investment trust funds (UITF)	1,511,792	1,401,613
Corporate bonds	1,331,180	1,267,600
Others	439,977	316,817
	<u>37,883,312</u>	<u>35,954,276</u>

The fair value of the debt securities is determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy). UITF is classified as Level 2 while others are classified as Level 3 in the fair value hierarchy.

The plan assets earned returns of P1.9 million and P2.3 million in 2024 and 2023, respectively.

Plan assets do not comprise any of the Company's own financial instruments or any of its assets occupied and/or used in its operations.

The movements in the present value of the obligation recognized in the books are as follows:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Balance at beginning of year	11,603,868	7,352,464
Current service cost	1,083,944	622,363
Actuarial loss (gains) arising from:		
Experience adjustments	(915,504)	306,864
Financial assumptions	(53,819)	1,636,400
Interest cost	703,194	524,231
Net transfer from affiliates	-	1,161,546
Balance at end of year	<u>12,421,683</u>	<u>11,603,868</u>

The components of amounts of post-employment benefit expense (income) recognized in the statements of income and statements of comprehensive income in respect of the post-employment defined benefit plan are presented below.

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>	<u>2022</u>
<i>Reported in statements of income:</i>			
Current service cost	1,083,944	622,363	656,869
Net interest income	(1,475,635)	(1,872,004)	(1,386,963)
	<u>(391,691)</u>	<u>(1,249,641)</u>	<u>(730,094)</u>
<i>Reported in statements of other comprehensive income (loss):</i>			
Actuarial gains (losses) arising from changes in:			
Experience adjustments	915,504	(306,864)	(606,623)
Financial assumptions	53,819	(1,636,400)	183,401
Loss on plan assets (excluding amounts included in net interest expense)	<u>(249,793)</u>	<u>(49,737)</u>	<u>(1,902,206)</u>
	<u>719,530</u>	<u>(1,993,001)</u>	<u>(2,325,428)</u>

Current service cost is presented as part of Salaries and Employee Benefits account in the statements of income (see Note 13.1). The net interest income is included as part of Finance income – net under Other Income – Net section of the statements of income (see Note 12).

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 statements of comprehensive income.

In determining the post-employment defined benefit obligation, the following actuarial assumptions were used:

	<u>2024</u>	<u>2023</u>
Discount rates	6.11%	6.06%
Expected rate of salary increases	8.00%	8.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 7 years for males and 13 years for females as of December 31, 2024. 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 Company to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) *Investment and Interest Risks*

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan's investments are generally concentrated in debt securities although the Company also has investments in UITF.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Company's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below and on the succeeding page.

(i) *Sensitivity Analysis*

The table presented below summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2024 and 2023.

(Amounts in PHP)	Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
<u>December 31, 2024</u>			
Discount rate	+0.5%/-0.5%	(515,319)	558,245
Salary increase rate	+1.0%/-1.0%	1,106,072	(966,024)
<u>December 31, 2023</u>			
Discount rate	+0.5%/-0.5%	(499,750)	540,555
Salary increase rate	+1.0%/-1.0%	1,052,993	(920,954)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of assumptions may be correlated. Furthermore, in presenting the sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the post-employment defined benefit asset recognized in the 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 Company 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 Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolios, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of the plan assets as of December 31, 2024 and 2023 consists of debt securities, although the Company also invests in UITF. The Company believes that debt securities offer the best returns over the long term with an acceptable level of risk.

(iii) *Funding Arrangements and Expected Contributions*

The plan is currently overfunded by P25.5 million and P24.4 million as of December 31, 2024 and 2023, respectively, based on the latest actuarial valuation.

The Company 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 is shown below:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
One year and less	4,279,311	3,682,365
More than five years to 10 years	11,592,758	13,811,052
More than 10 years to 15 years	14,992,206	14,902,391
More than 20 years	57,984,900	41,207,283
	<u>88,849,175</u>	<u>73,603,091</u>

The weighted average duration of the defined benefit obligation at the end of the reporting period is 18 years.

14. TAX EXPENSE

The components of tax expense (income) reported in the statements of income and statements of comprehensive income for the years ended December 31 are as follows:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>	<u>2022</u>
<i>Reported in statements of income:</i>			
Current tax expense:			
Final tax at 20% and 15%	11,906,545	15,995,392	9,624,563
Minimum corporate income tax (MCIT) at 2% in 2024, 1.5% in 2023 and 1% in 2022	<u>217,448</u>	<u>62,502</u>	<u>37,872</u>
	12,123,993	16,057,894	9,662,435
Deferred tax expense arising from origination and reversal of temporary differences	<u>98,776</u>	<u>21,817</u>	<u>184,528</u>
	<u>12,222,769</u>	<u>16,079,711</u>	<u>9,846,963</u>
<i>Reported in statements of comprehensive income –</i>			
Deferred tax expense (income) arising from remeasurements of post-employment defined benefit asset	<u>179,883</u>	<u>(498,250)</u>	<u>(581,357)</u>

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the statements of income is as follows:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Tax on pre-tax profit at 25%	151,373,825	47,826,149	53,425,674
Adjustment for income subjected to lower tax rates	(2,976,670)	(3,998,848)	(2,406,141)
Tax effects of:			
Non-taxable income	(159,818,878)	(49,750,000)	(48,750,000)
Non-deductible expenses	21,604,318	14,282,815	1,265,411
Unrecognized deferred tax assets on temporary differences	<u>2,040,174</u>	<u>7,719,595</u>	<u>6,312,019</u>
Tax expense	<u>12,222,769</u>	<u>16,079,711</u>	<u>9,846,963</u>

The net deferred tax liabilities in the statements of financial position relates to the following as of December 31:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Post-employment defined benefit asset	6,365,409	6,087,603
Unrealized foreign currency gains – net	<u>3,249</u>	<u>2,396</u>
	<u>6,368,658</u>	<u>6,089,999</u>

The components of net deferred tax expense (income) reported in the statements of income and statements of comprehensive income are as follows:

(Amounts in PHP)	Statements of Income			Statements of Comprehensive Income		
	2024	2023	2022	2024	2023	2022
Post-employment defined benefit asset	97,923	22,024	182,524	179,883	(498,250)	(581,357)
Unrealized foreign currency gains – net	853	(207)	2,004	-	-	-
Net deferred tax expense (income)	98,776	21,817	184,528	179,883	(498,250)	(581,357)

The Company did not recognize the deferred tax assets on net operating loss carry-over (NOLCO), MCIT and certain temporary differences as of December 31, 2024 and 2023 since management assessed that the Company may not be able to realize their related tax benefits within the prescribed period.

As of December 31, 2024 and 2023, the unrecognized deferred tax assets relate to the following:

(Amounts in PHP)	2024		2023	
	Amount	Tax Effect	Amount	Tax Effect
NOLCO	144,604,525	36,151,131	118,883,853	29,720,963
Allowance for impairment of receivables	2,439,286	609,821	13,600,000	3,400,000
Unamortized past service cost	1,345,299	336,325	1,614,359	403,590
MCIT	317,822	317,822	129,626	129,626
Allowance for impairment of intangible assets	272,127	68,032	272,127	68,032
Allowance for impairment of advances	-	-	7,000,000	1,750,000
	148,979,059	37,483,131	141,499,965	35,472,211

Presented below are the details of NOLCO, which can be claimed as deductions from future taxable profit within three to five years from the year the tax loss was incurred. Specifically, NOLCO incurred in 2021 and 2020 can be claimed as a deduction from the gross income until 2026 and 2025, respectively, in accordance with Republic Act No. 11494, *Bayanihan to Recover as One Act*. Starting 2022, the NOLCO carry-over period is reverted to three years from the year the tax loss was incurred.

(Amounts in PHP)				
Year Incurred	Amount	Expired Amount	Remaining Balance	Valid Until
2024	25,720,672	-	25,720,672	2027
2023	30,897,434	-	30,897,434	2026
2022	30,365,646	-	30,365,646	2025
2021	29,409,356	-	29,409,356	2026
2020	28,211,417	-	28,211,417	2025
	144,604,525	-	144,604,525	

The Company is subject to MCIT which is computed at 2%, 1.5% and 1% in 2024, 2023 and 2022, respectively, of gross income net of allowable deductions, as defined under the tax regulations, or to Regular Corporate Income Tax, whichever is higher. The Company reported MCIT in 2024, 2023 and 2022 as the Company incurred taxable losses in those years.

The amounts of MCIT, which can be applied as deduction from the Company's future regular income tax payable within three years from the year the MCIT was incurred, are shown on the succeeding page.

(Amounts in PHP)

<u>Year Incurred</u>	<u>Amount</u>	<u>Expired Amount</u>	<u>Remaining Balance</u>	<u>Valid Until</u>
2024	217,448	-	217,448	2027
2023	62,502	-	62,502	2026
2022	37,872	-	37,872	2025
2021	29,252	(29,252)	-	2024
	347,074	(29,252)	317,822	

In 2024, 2023, and 2022, the Company opted to claim itemized deductions in computing for its income tax due.

15. RELATED PARTY TRANSACTIONS

The Company's related parties include its subsidiaries, related party under common ownership, the Company's majority stockholders, key management personnel and others. The summary of the Company's significant transactions with its related parties and the related outstanding balances as of December 31, 2024 and 2023 are presented below.

(Amounts in PHP)

<i>(Amounts in PHP)</i>		Amount of Transactions			Outstanding Balance	
Related Party Categories	Notes	2024	2023	2022	2024	2023
Subsidiaries:						
Dividend income	15.2	639,275,511	199,000,000	195,000,000	-	-
Management fees	15.1	21,585,000	20,880,000	20,640,000	2,439,286	13,600,000
Rentals	15.6	1,648,607	1,276,607	1,216,607	-	-
Subscriptions payable	15.4	-	12,500,000	10,000,000	22,500,000	22,500,000
Purchase of goods and services	15.5	-	-	223,283	(1,778)	(1,778)
Net collection / conversion from cash advances	15.3	7,000,000	-	-	-	-
Retirement Fund	15.7	1,929,036	(2,346,498)	(217,697)	37,883,312	35,954,276
Key Management Personnel –						
Compensation	15.8	33,951,200	33,566,105	33,593,622	-	-

The Company's outstanding receivables were subjected to an impairment test using the ECL model. There were no additional impairment losses recognized for the receivables from related parties in 2024, 2023 and 2022 [see Note 18.2(b)(d)].

15.1 Management Fees

The Company provides general management services to its subsidiaries in accordance with various management contracts. In consideration for these services provided by the Company, its subsidiaries pay the latter with management fees based on the amount billed on a monthly basis. The management agreement is renewable for successive periods of six months subject to such terms and conditions as may be mutually agreed upon by the parties.

Management fee billings are shown as Management Fees in the statements of income. The outstanding balance as of December 31, 2024 and 2023 are shown as Management fees receivable under Trade and Other Receivables account in the statements of financial position, of which, P2.4 million and P13.6 million have been provided with allowance for impairment as of December 31, 2024 and 2023 (see Note 5).

Management fees receivables are unsecured, normally due within 30 days and do not bear any interest.

15.2 Dividend Income

The details of cash dividends earned from the investments in subsidiaries in 2024, 2023 and 2022, presented under Revenues in the statements of income, are shown below.

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>	<u>2022</u>
BRL	369,775,511	-	-
SMC	125,000,000	100,000,000	175,000,000
OSSI	100,000,000	80,000,000	-
ZTC	34,000,000	19,000,000	20,000,000
SMFI	7,000,000	-	-
SBC	3,500,000	-	-
	<u>639,275,511</u>	<u>199,000,000</u>	<u>195,000,000</u>

There were no unpaid dividends as of December 31, 2024 and 2023.

15.3 Advances to Related Parties

The Company grants unsecured, noninterest-bearing cash advances to its subsidiaries for working capital requirements and other purposes. These advances are generally collectible in cash upon demand.

As of December 31, 2023, the remaining advances of P7.0 million were assessed to be impaired; hence, full amount of allowance for impairment was provided. There were no remaining advances as of December 31, 2024.

A reconciliation of the allowance for impairment on advances to related parties at the beginning and end of 2024, 2023 and 2022 is shown below.

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Balance at beginning of year	7,000,000	7,000,000	12,000,000
Reversal of allowance for impairment	<u>(7,000,000)</u>	<u>-</u>	<u>(5,000,000)</u>
Balance at end of year	<u>-</u>	<u>7,000,000</u>	<u>7,000,000</u>

In 2024 and 2022, the Company collected certain advances which were previously provided with allowance for impairment. Accordingly, the Company recognized an income on the reversal of allowance for impairment which is presented as part of Gain on reversal of allowance for impairment of financial assets under Other Income – Net in the 2024 and 2022 statements of income. There was no similar transaction in 2023.

15.4 Subscriptions Payable

In 2023, the Company subscribed in GSHMI's shares of stock amounting to P12.5 million. All of the subscribed amount remains unpaid as of December 31, 2024. In 2022, the Company subscribed in SVC's shares of stock amounting to P50.0 million. Out of the subscribed amount, P10.0 million remains unpaid as of December 31, 2024.

The total subscriptions payable amounting to P22.5 million as of December 31, 2024 and 2023, respectively, are presented as Subscriptions Payable in the statements of financial position (see Note 8.2).

15.5 Purchase of Goods and Services

Goods and services are purchased from subsidiaries on the basis of the price lists in force with non-related parties. The related outstanding payables for goods and services as of December 31, 2024 and 2023 are presented as part of Non-trade payables under Accounts Payable and Other Current Liabilities account in the statements of financial position (see Note 11). The outstanding payables from purchase of goods and services are generally noninterest-bearing, unsecured and settled through cash within three months.

15.6 Rentals

The Company has incurred rental expenses for short-term office space leases from SMC wherein business services are located. In addition, the Company has also incurred rental expense to OSSI, for storage spaces of document boxes on a monthly basis.

Rental expense related to these transactions is presented as part of Rentals in the statements of income. There is no outstanding balance related to these transactions as of December 31, 2024 and 2023.

15.7 Retirement Fund

The Company's retirement fund is a multi-employer retirement plan which is administered by a trustee bank. The retirement fund includes investments in government securities, corporate bonds and UITF with fair value totaling P37.9 million and P36.0 million as of December 31, 2024 and 2023, respectively [see Note 13.2(b)].

The plan assets do not comprise any of the Company's own financial instruments. Further, the retirement fund neither provides any guarantee or surety for any obligation of the Company nor its investments covered by any restrictions or liens.

15.8 Key Management Personnel Compensation

The compensation of key management personnel is broken down as follows:

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Short-term benefits	33,622,989	33,443,560	33,406,010
Post-employment benefit	328,211	122,545	187,612
	<u>33,951,200</u>	<u>33,566,105</u>	<u>33,593,622</u>

These amounts are shown as part of Salaries and Employee Benefits account under Operating Expenses section in the statements of income (see Note 13.1). There were no outstanding balances as of December 31, 2024 and 2023.

15.9 Others

The Company handles the administrative and accounting functions of certain subsidiaries without any monetary consideration.

16. EQUITY

16.1 Capital Stock

On June 18, 1996, the Securities and Exchange Commission issued an Order approving the Registration Statement covering the securities which comprised the Company's entire authorized capital stock. On September 4, 1996, the Company's shares were listed in the PSE and the trading of offer shares commenced. The Company offered 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, 2024 and 2023, the Company has issued shares of 2,030,975,000 (with P1 par value), of which, 468,787,704 are held by the public both 2024 and 2023. There are 4,192 and 4,209 holders of the listed shares which closed at P1.03 and P0.94 per share as of the last trading days in 2024 and 2023, respectively.

16.2 Retained Earnings

The BOD approved the declaration of cash dividends in 2024 and 2023 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> (Amounts in PHP)
June 27, 2024	July 15, 2024	1,821,542,000	0.10	182,154,200
August 3, 2023	August 18, 2023	1,821,542,000	0.06	109,292,520
June 30, 2022	July 29, 2022	1,821,542,000	0.06	109,292,520

The dividends were paid within the year of declaration and approval. Retained earnings is restricted in the amount of P115.6 million as of December 31, 2024 and 2023, equivalent to the cost of 209,433,000 shares held in treasury.

16.3 Revaluation Reserves

The component and reconciliation of item of other comprehensive income presented in the statements of comprehensive income at its aggregate amount under Revaluation Reserves account in the statements of financial position are shown below.

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Balance at beginning of year		<u>3,499,239</u>	<u>4,993,990</u>	<u>6,738,061</u>
Remeasurements of post-employment defined benefit asset	13.2	<u>719,530</u>	<u>(1,993,001)</u>	<u>(2,325,428)</u>
Tax income (expense)	14	<u>(179,883)</u>	<u>498,250</u>	<u>581,357</u>
		<u>539,647</u>	<u>(1,494,751)</u>	<u>(1,744,071)</u>
Balance at the end of year		<u>4,038,886</u>	<u>3,499,239</u>	<u>4,993,990</u>

17. COMMITMENTS AND CONTINGENCIES

There are commitments and contingencies that arise in the normal course of business that are not recognized in Company's financial statements. As of December 31, 2024 and 2023, the Company's management is of the opinion that losses, if any, from these commitments and contingencies will not have any material effects on the Company's financial statements.

18. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks in relation to financial instruments. The Company's financial assets and financial liabilities by category are summarized in Note 19. The main types of risks are interest rate risk, credit risk and liquidity risk.

The Company's risk management is coordinated with the BOD and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Company does not actively engage in the trading of financial assets for speculative purposes, nor does it write options. The most significant financial risks to which the Company is exposed to are described as follows:

18.1 Interest Rate Risk

As of December 31, 2024, 2023 and 2022, the Company is exposed to changes in market interest rates through its cash in banks, cash equivalents and short-term placements, which are subject to variable interest rates (see Note 4). All other financial assets and financial liabilities have fixed rates.

The table below illustrates the sensitivity of the Company's profit before tax and equity to a reasonably possible change in interest rates of +/-1.31% in 2024, +/-2.30% in 2023 and +/-6.16% in 2022. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at the end of each reporting period that are sensitive to changes in interest rates. All other variables are held constant.

(Amounts in PHP)	2024		2023		2022	
	+1.31	-1.31	+2.30	-2.30	+6.16	-6.16
Profit before tax	15,892,988	(15,892,988)	21,995,988	(21,995,988)	94,124,752	(94,124,752)
Equity	12,714,391	(12,714,391)	17,596,791	(17,596,791)	75,299,802	(75,299,802)

18.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments, for example by rendering services to related parties and granting cash advances and placing deposits with banks.

The Company continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of 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 statements of financial position (or in the detailed analysis provided in the notes to the financial statements), as summarized on the succeeding page.

<i>(Amounts in PHP)</i>	Notes	2024	2023
Cash and cash equivalents	4.1	1,213,362,759	838,883,485
Short-term placements	4.2	-	119,000,000
Trade and other receivables – net	5	5,369,066	4,239,517
Investment in bonds	7.2	20,000,000	20,000,000
		<u>1,238,731,825</u>	<u>982,123,002</u>

None of Company's the financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents and short-term placements as described below.

(a) Cash and Cash Equivalents and Short-term Placements

The credit risk for cash and cash equivalents and short-term placements 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 P0.5 million for every depositor per banking institution. Effective March 15, 2025, the maximum coverage increased to P1.0 million for every depositor per banking institution.

(b) Trade and Other Receivables

ECL for trade and other receivables is measured and recognized using the liquidity approach. Management determined that the Company's management fee receivables presented as part of Trade and Other Receivables account indicates possible impairment based on the counterparties' ability to repay the receivables upon demand at the reporting date taking into consideration the capital deficiency from the counterparties.

The Company has assessed the specific management fee receivable to be credit-impaired, wherein an impairment loss was already provided for the full amount of those receivables amounting to P2.4 million in 2024 and P13.6 million in 2023 and 2022. After segregating these credit-impaired receivables, the Company has assessed that there is no significant increase in the credit risk for the remaining receivables since its initial recognition.

(c) Investment in Bonds

Investment in bonds measured at amortized cost is considered to have low credit risk, and therefore, the loss allowance during the period is determined to be equivalent to 12 months ECL. Management considers "low credit risk" for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. No impairment loss on debt securities classified as financial assets at amortized cost has been recognized in 2024 and 2023 as all of the bonds were in good credit standing as of December 31, 2024 and 2023.

(d) *Advances to Related Parties*

ECL for advances to related parties are measured and recognized using the liquidity approach. Management determines possible impairment based on the counterparties' ability to repay the receivables upon demand at the reporting date taking into consideration the capital deficiency from the counterparties. As of December 31 2023, accumulated allowance for impairment of advances to related parties amounted to P7.0 million. There is no outstanding balance as of December 31, 2024. The reconciliation of the allowance for impairment on advances to related parties is presented in Note 15.3.

In 2024 and 2022, the Company collected certain advances, which were previously provided with allowance for impairment. Accordingly, the Company recognized reversal of allowance for impairment which is presented as Gain on reversal of allowance for impairment on advances to related parties under Other Income – Net in the 2024 and 2022 statements of income. There was no similar transaction in 2023.

18.3 *Liquidity Risk*

The Company manages its liquidity needs by carefully monitoring cash outflows due in 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 six-month and one-year period are identified monthly.

The Company maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits, mutual funds or short-term marketable securities. 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.

The Company's maximum liquidity risk is the carrying amount of accounts payable and other current liabilities (excluding VAT and other taxes payable) and subscriptions payable amounting to P31.6 million and P29.2 million as of December 31, 2024 and 2023, respectively, which have contractual maturities of within six months from the end of the reporting period and are shown as current liabilities in the statements of financial position.

19. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

19.1 *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 statements of financial position are shown below and on the succeeding page.

(Amounts in PHP)	Notes	2024		2023	
		Carrying Amounts	Fair Value	Carrying Amounts	Fair Value
Financial Assets					
At amortized cost:					
Cash and cash equivalents	4.1	1,213,362,759	1,213,362,759	838,883,485	838,883,485
Short-term placements	4.2	-	-	119,000,000	119,000,000
Trade and other receivables - net	5	5,369,066	5,369,066	4,239,517	4,239,517
Investment in bonds	7.2	20,000,000	18,521,880	20,000,000	18,198,220
		1,238,731,825	1,237,253,705	982,123,002	980,321,222

(Amounts in PHP)	Notes	2024		2023	
		Carrying Amounts	Fair Value	Carrying Amounts	Fair Value
Financial Liabilities					
At amortized cost:					
Accounts payable and other current liabilities	11	9,069,393	9,069,393	6,746,811	6,746,811
Subscriptions payable	8.2	22,500,000	22,500,000	22,500,000	22,500,000
		31,569,393	31,569,393	29,246,811	29,246,811

A description of the Company's risk management objectives and policies for financial instruments is provided in Note 18.

Management determined that the carrying amounts of these financial instruments to approximate or equal to their fair values as of December 31, 2024 and 2023.

19.2 Offsetting of Financial Assets and Financial Liabilities

The Company has not set off financial instruments and 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 BOD and stockholders of both parties.

20. FAIR VALUE MEASUREMENT DISCLOSURES

20.1 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 financial assets and financial liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS Accounting Standards, are categorized into three levels based on the significance of inputs used to measure the fair value. The different levels have been defined 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 Company 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.

20.2 Financial Instruments Measured at Fair Value

As of December 31, 2024 and 2023, the Company determined that the fair value of the financial asset at FVOCI is nil (see Note 7.1). More so, the Company has no other financial assets and financial liabilities measured at fair value as of December 31, 2024 and 2023.

20.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table presented below summarizes the fair value hierarchy of the Company's financial assets and financial liabilities which are not measured at fair value in the statement of financial position but for which fair value is disclosed.

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2024					
Financial Assets:					
Cash and cash equivalents	4.1	1,213,362,759	-	-	1,213,362,759
Trade and other receivables - net	5	-	-	5,369,066	5,369,066
Investment in bonds	7.2	18,521,880	-	-	18,521,880
		<u>1,231,884,639</u>	<u>-</u>	<u>5,369,066</u>	<u>1,237,253,705</u>
Financial Liabilities:					
Accounts payable and other current liabilities	11	-	-	9,069,393	9,069,393
Subscriptions payable	8.2	-	-	22,500,000	22,500,000
		<u>-</u>	<u>-</u>	<u>31,569,393</u>	<u>31,569,393</u>
December 31, 2023					
Financial Assets:					
Cash and cash equivalents	4.1	838,883,485	-	-	838,883,485
Short-term placements	4.2	119,000,000	-	-	119,000,000
Trade and other receivables - net	5	-	-	4,239,517	4,239,517
Investment in bonds	7.2	18,198,220	-	-	18,198,220
		<u>976,081,705</u>	<u>-</u>	<u>4,239,517</u>	<u>980,321,222</u>
Financial Liabilities:					
Accounts payable and other current liabilities	11	-	-	6,746,811	6,746,811
Subscriptions payable	8.2	-	-	22,500,000	22,500,000
		<u>-</u>	<u>-</u>	<u>29,246,811</u>	<u>29,246,811</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-term duration.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability based on the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data.

21. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure the Company'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 Company sets the amount of capital in proportion to its overall financing structure, i.e., equity and total liabilities, excluding amounts due to related parties. The Company 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 Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the carrying amount of equity as presented on the face of the statement of financial position. Capital for the reporting periods under review is summarized below.

<i>(Amounts in PHP)</i>	<u>2024</u>	<u>2023</u>
Total liabilities, excluding subscriptions payable	17,165,705	14,505,492
Total equity	<u>8,389,402,913</u>	<u>7,977,744,934</u>
Debt-to-equity ratio	<u>0.002 : 1.00</u>	<u>0.002 : 1.00</u>

The Company's goal in capital management is to maintain a debt-to-equity structure ratio of not higher than 1:1.

As of December 31, 2024 and 2023, the Company is not subject to any externally imposed capital requirements.

22. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented on the succeeding pages is the supplementary information on taxes, duties and license fees paid or accrued during the taxable year required by the Bureau of Internal Revenue (BIR) under Revenue Regulations (RR) No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS Accounting Standards.

(a) *Output VAT*

In 2024, the Company declared output VAT of P3,929,486 arising from management services rendered and collection of outstanding receivables amounting to P32,745,714. The tax bases of the Company's management services are based on gross receipts until the effectivity of RR No. 03-2024 on April 27, 2024. Subsequently, the accrual method was used. The tax bases are included as part of Revenues in the 2024 statement of income.

The outstanding VAT payable as of December 31, 2024 is P268,855.

(b) *Input VAT*

The movements in input VAT in 2024 are summarized below (amounts in PHP).

Balance at beginning of year	-
Purchases of domestic services	1,046,555
Goods other than for resale or manufacture	99,843
Capital goods not subject to amortization	11,443
Applied against output VAT	<u>(1,157,841)</u>
Balance at end of year	<u>-</u>

(c) *Taxes on Importation*

The Company did not pay landed cost, tariff duties and import taxes as it did not have any importations in 2024.

(d) *Excise Tax*

The Company did not have any transactions in 2024 which are subject to excise tax.

(e) *Documentary Stamp Tax (DST)*

In 2024, the Company paid DST amounting to P4,301 mainly arising from business permits and municipal fees transactions.

(f) *Taxes and Licenses*

The details of taxes and licenses is broken down as follows (amounts in PHP):

Business permits and municipal fees	202,350
Fringe benefit tax	108,188
DST	4,301
Miscellaneous	<u>4,133</u>
	<u><u>318,972</u></u>

(g) *Withholding Taxes*

The details of total withholding taxes for the year ended December 31, 2024 are shown below (amounts in PHP).

Compensation	8,840,270
Final	6,698,697
Expanded	<u>489,150</u>
	<u>16,028,117</u>

The outstanding payable on these withholding taxes amounted to P1,458,799 as of December 31, 2024.

(h) *Deficiency Tax Assessment and Tax Cases*

As of December 31, 2024, the Company does not have any pending final deficiency tax assessments with the BIR or tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.